

MEDIA GENERAL INC
Form 10-Q
May 07, 2009
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC. 20549

Form 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 29, 2009

OR

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: 1-6383

MEDIA GENERAL, INC

(Exact name of registrant as specified in its charter)

Edgar Filing: MEDIA GENERAL INC - Form 10-Q

Commonwealth of Virginia
(State or other jurisdiction of

54-0850433
(I.R.S. Employer

incorporation or organization)

Identification No.)

333 E. Franklin St., Richmond, VA
(Address of principal executive offices)

23219
(Zip Code)

(804) 649-6000

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of May 3, 2009.

Class A Common shares:	22,281,448
Class B Common shares:	551,881

Table of Contents

MEDIA GENERAL, INC.

TABLE OF CONTENTS

FORM 10-Q REPORT

March 29, 2009

	Page
<u>Part I. Financial Information</u>	
Item 1. <u>Financial Statements</u>	
<u>Consolidated Condensed Balance Sheets</u> March 29, 2009 and December 28, 2008	1
<u>Consolidated Condensed Statements of Operations</u> Three months ended March 29, 2009 and March 30, 2008	3
<u>Consolidated Condensed Statements of Cash Flows</u> Three months ended March 29, 2009 and March 30, 2008	4
<u>Notes to Consolidated Condensed Financial Statements</u>	5
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	10
Item 3. <u>Quantitative and Qualitative Disclosure About Market Risk</u>	15
Item 4. <u>Controls and Procedures</u>	15
<u>Part II. Other Information</u>	
Item 2. <u>Issuer Purchases of Equity Securities</u>	16
Item 6. <u>Exhibits</u>	16
<u>(a) Exhibits</u>	
<u>Signatures</u>	17

Table of Contents

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

MEDIA GENERAL, INC.

CONSOLIDATED CONDENSED BALANCE SHEETS

(Unaudited)

(000 s except shares)

	March 29, 2009	December 28, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 8,506	\$ 7,142
Accounts receivable - net	84,017	102,583
Inventories	10,324	12,035
Other	29,837	38,888
Assets of discontinued operations	11,407	11,881
Total current assets	144,091	172,529
Other assets	42,471	41,308
Property, plant and equipment - net	444,599	453,679
FCC licenses and other intangibles - net	243,467	245,266
Excess of cost over fair value of net identifiable assets of acquired businesses	421,318	421,470
	\$ 1,295,946	\$ 1,334,252

See accompanying notes.

Table of Contents

MEDIA GENERAL, INC.

CONSOLIDATED CONDENSED BALANCE SHEETS

(Unaudited)

(000 s except shares and per share data)

	March 29, 2009	December 28, 2008
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 30,293	\$ 41,378
Accrued expenses and other liabilities	80,754	86,352
Liabilities of discontinued operations	2,814	2,969
Total current liabilities	113,861	130,699
Long-term debt	730,092	730,049
Retirement, post-retirement and post-employment plans	252,878	251,175
Other liabilities and deferred credits	63,336	67,102
Stockholders' equity:		
Preferred stock (\$5 cumulative convertible), par value \$5 per share, authorized 5,000,000 shares; none outstanding		
Common stock, par value \$5 per share:		
Class A, authorized 75,000,000 shares; issued 22,239,337 and 22,250,130 shares	111,197	111,251
Class B, authorized 600,000 shares; issued 551,881 shares	2,759	2,759
Additional paid-in capital	22,169	21,934
Accumulated other comprehensive loss	(186,515)	(188,139)
Retained earnings	186,169	207,422
Total stockholders' equity	135,779	155,227
	\$ 1,295,946	\$ 1,334,252

See accompanying notes.

Table of Contents

MEDIA GENERAL, INC.

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(Unaudited)

(000 s except for per share data)

	Three Months Ended	
	March 29, 2009	March 30, 2008
Revenues	\$ 159,481	\$ 194,464
Operating costs:		
Production	84,420	98,048
Selling, general and administrative	71,482	82,433
Depreciation and amortization	15,322	18,330
Total operating costs	171,224	198,811
Operating loss	(11,743)	(4,347)
Other income (expense):		
Interest expense	(9,972)	(12,289)
Investment loss - unconsolidated affiliate		(21)
Other, net	243	208
Total other expense	(9,729)	(12,102)
Loss from continuing operations before income taxes	(21,472)	(16,449)
Income tax benefit		(6,637)
Loss from continuing operations	(21,472)	(9,812)
Discontinued operations		
Income from discontinued operations (net of taxes)	219	857
Loss related to divestiture of operations (net of taxes)		(11,300)
Net loss	\$ (21,253)	\$ (20,255)
Loss per common share:		
Loss from continuing operations	\$ (0.97)	\$ (0.45)
Discontinued operations	0.01	(0.47)
Net loss	\$ (0.96)	\$ (0.92)
Loss per common share - assuming dilution:		
Loss from continuing operations	\$ (0.97)	\$ (0.45)
Discontinued operations	0.01	(0.47)
Net loss	\$ (0.96)	\$ (0.92)
Dividends paid per common share	\$	\$ 0.23

See accompanying notes.

Table of Contents

MEDIA GENERAL, INC.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

(000 s)

	Three Months Ended	
	March 29, 2009	March 30, 2008
Operating activities:		
Net loss	\$ (21,253)	\$ (20,255)
Adjustments to reconcile net loss:		
Depreciation and amortization	15,322	18,709
Deferred income taxes		4,974
Investment loss - unconsolidated affiliate		21
Net loss related to divestiture of operations		11,300
Change in assets and liabilities:		
Accounts receivable and inventories	20,384	28,610
Accounts payable, accrued expenses, and other liabilities	(11,481)	4,735
Income taxes refundable	216	(10,774)
Other, net	(2,739)	(1,789)
Net cash provided by operating activities	449	35,531
Investing activities:		
Capital expenditures	(4,133)	(7,959)
Collection of receivable note	5,000	
Other, net	21	(301)
Net cash provided (used) by investing activities	888	(8,260)
Financing activities:		
Increase in debt	79,500	96,000
Payment of debt	(79,457)	(119,006)
Dividends paid		(5,257)
Other, net	(16)	54
Net cash provided (used) by financing activities	27	(28,209)
Net increase (decrease) in cash and cash equivalents	1,364	(938)
Cash and cash equivalents at beginning of period	7,142	14,214
Cash and cash equivalents at end of period	\$ 8,506	\$ 13,276

See accompanying notes.

Table of Contents

MEDIA GENERAL, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

1. The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial reporting, and with applicable quarterly reporting regulations of the Securities and Exchange Commission. They do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements and, accordingly, should be read in conjunction with the consolidated financial statements and related footnotes included in the Company's Annual Report on Form 10-K for the year ended December 28, 2008.

In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of interim financial information have been included.

2. Inventories are principally raw materials (primarily newsprint).

3. In the first quarter of 2008, the Company had five held-for-sale television stations which were classified as discontinued operations. During 2008, the Company completed the sale of four of those TV stations in three transactions: WTVQ in Lexington, Kentucky; WMBB in Panama City, Florida, along with KALB/NALB in Alexandria, Louisiana; and WNEG in Toccoa, Georgia. The Company recognized an after-tax loss of \$11.3 million in the first quarter of 2008 related to these divestitures. Subsequent to the end of the first quarter of 2009, the Company completed the sale of WCWJ in Jacksonville, Florida, and expects to record a gain in the second quarter. Results of discontinued operations are presented below for the first quarter of 2009 and 2008:

<i>(In thousands)</i>	Quarter Ended	
	March 29, 2009	March 30, 2008
Revenues	\$ 1,929	\$ 8,841
Costs and expense	1,710	7,437
Income before income taxes	219	1,404
Income taxes		547
Income from discontinued operations	\$ 219	\$ 857

4. The following table sets forth, by level within the fair value hierarchy, the assets and liabilities measured at fair value on a recurring basis on the Company's balance sheet at March 29, 2009:

<i>(In thousands)</i>	Quoted Prices in	Other Observable
	Active Markets (Level 1)	Inputs (Level 2)
Assets		
Trading securities	\$ 247	\$
Liabilities		
Interest rate swaps		21,100

Table of Contents

Fair value of interest rate swaps is based on a discounted cash flow analysis, predicated on quoted London Interbank Offered Rate (LIBOR) prices, of the estimated amounts the Company would have received or paid to terminate the swaps. Trading securities are held by the supplemental 401(k) plan and are carried at fair value and are determined by reference to quoted market prices.

In the third quarter of 2006, the Company entered into several interest rate swaps as part of an overall strategy to manage interest cost and risk associated with variable interest rates, primarily short-term changes in LIBOR. These interest rate swaps are cash flow hedges with notional amounts totaling \$300 million; swaps with notional amounts of \$100 million will mature in August of 2009 and \$200 million will mature in 2011. Changes in cash flows of the interest rate swaps offset changes in the interest payments on the Company's Facilities. These swaps effectively convert the Company's variable rate bank debt to fixed rate debt with a weighted average interest rate approximating 7.3% at March 29, 2009. The following table includes information about the Company's derivative instruments as of March 29, 2009.

(In thousands)

Derivatives designated as hedging instruments	Balance sheet location	Fair Value	Amount of pretax derivative gain recognized in OCI in 2009
Interest rate swaps	Other liabilities and deferred credits	\$ 21,100	\$ 1,624

Table of Contents

5. The following table sets forth the Company's current and prior-year financial performance by segment:

<i>(In thousands)</i>	Publishing	Broadcasting	Interactive Media	Eliminations	Total
Three Months Ended March 29, 2009					
Consolidated revenues	\$ 90,776	\$ 60,423	\$ 9,548	\$ (1,266)	\$ 159,481
Segment operating cash flow	\$ 4,485	\$ 8,036	\$ (619)		\$ 11,902
Depreciation and amortization	(6,541)	(5,857)	(465)		(12,863)
Segment profit (loss)	\$ (2,056)	\$			