MEDIA GENERAL INC
Form 10-Q
May 05, 2005
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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 27, 2005

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)

Commonwealth of Virginia	**54-0850433**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
333 E. Franklin St., Richmond, VA	**23219**
(Address of principal executive offices)	**(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 x No ¨

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes x No ¨

Indicate the number of shares outstanding of each of the issuer s classes of common stock as of May 1, 2005.

Class A Common shares:	23,414,150
Class B Common shares:	555,992

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FORM 10-Q REPORT

March 27, 2005

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

MEDIA GENERAL, INC.

CONSOLIDATED CONDENSED BALANCE SHEETS

(000 s except shares)

	(Unaudited) March 27, 2005	December 26, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 11,268	$ 9,823
Accounts receivable - net	105,430	117,177
Inventories	7,426	8,021
Other	30,780	35,826
Total current assets	154,904	170,847
Investments in unconsolidated affiliates	93,665	93,277
Other assets	63,584	59,676
Property, plant and equipment - net	426,243	422,299
Excess of cost over fair value of net identifiable assets of acquired businesses - net	641,706	641,706
FCC licenses and other intangibles - net	571,613	1,092,530
	$ 1,951,715	$ 2,480,335

See accompanying notes.

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MEDIA GENERAL, INC.

CONSOLIDATED CONDENSED BALANCE SHEETS

(000 s except shares)

	(Unaudited) March 27, 2005	December 26, 2004
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 28,343	$ 27,000
Accrued expenses and other liabilities	73,080	92,163
Income taxes payable		7,708
Total current liabilities	101,423	126,871
Long-term debt	443,466	437,960
Borrowings of consolidated variable interest entities	95,320	95,320
Deferred income taxes	309,605	501,655
Other liabilities and deferred credits	137,162	134,760
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 23,410,101 and 23,230,109 shares	117,050	116,150
Class B, authorized 600,000 shares; issued 555,992 shares	2,780	2,780
Additional paid-in capital	56,258	46,067
Accumulated other comprehensive loss	(50,627)	(50,652)
Unearned compensation	(18,308)	(9,408)
Retained earnings	757,586	1,078,832
Total stockholders equity	864,739	1,183,769
	$ 1,951,715	$ 2,480,335

See accompanying notes.

MEDIA GENERAL, INC.

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(Unaudited)

(000 s except for per share data)

	Three Months Ended	
	March 27, 2005	**March 28, 2004**
Revenues	$ 217,907	$ 208,156
Operating costs:		
Production	97,529	93,096
Selling, general and administrative	82,260	75,267
Depreciation and amortization	17,172	17,268
Total operating costs	196,961	185,631
Operating income	20,946	22,525
Other income (expense):		
Interest expense	(7,495)	(7,971)
Investment income (loss) - unconsolidated affiliates	714	(169)
Other, net	476	59
Total other expense	(6,305)	(8,081)
Income before income taxes and cumulative effect of change in accounting principle	14,641	14,444
Income taxes	5,344	5,344
Income before cumulative effect of change in accounting principle	9,297	9,100
Cumulative effect of change in accounting principle (net of tax benefit of $190,730)	(325,453)	
Net income (loss)	$ (316,156)	$ 9,100
Earnings (loss) per common share:		
Income before cumulative effect of change in accounting principle	$ 0.40	$ 0.39
Cumulative effect of change in accounting principle	(13.87)	
Net income (loss)	$ (13.47)	$ 0.39
Earnings (loss) per common share assuming dilution:		
Income before cumulative effect of change in accounting principle	$ 0.39	$ 0.38
Cumulative effect of change in accounting principle	(13.64)	
Net income (loss)	$ (13.25)	$ 0.38

Dividends paid per common share	$ 0.21	$ 0.20

See accompanying notes.

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MEDIA GENERAL, INC.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

(000 s)

	Three Months Ended	
	March 27, 2005	March 28, 2004
Operating activities:		
Net income (loss)	$ (316,156)	$ 9,100
Adjustments to reconcile net income (loss):		
Cumulative effect of change in accounting principle	325,453	
Depreciation and amortization	17,172	17,268
Deferred income taxes	2,711	14,311
Investment (income) loss - unconsolidated affiliates	(714)	169
Change in assets and liabilities:		
Retirement plan contribution		(35,000)
Accounts receivable and inventories	12,342	10,911
Accounts payable, accrued expenses, and other liabilities	(13,610)	(7,403)
Income taxes payable/receivable	(7,780)	(12,708)
Other	(86)	(4,980)
Net cash provided (used) by operating activities	19,332	(8,332)
Investing activities:		
Capital expenditures	(16,007)	(6,942)
Other, net	37	(1,608)
Net cash used by investing activities	(15,970)	(8,550)
Financing activities:		
Increase in debt	95,000	112,000
Payment of debt	(89,494)	(96,514)
Dividends paid	(5,032)	(4,720)
Debt issuance costs	(3,771)	
Other, net	1,380	3,624
Net cash (used) provided by financing activities	(1,917)	14,390
Net increase (decrease) in cash and cash equivalents	1,445	(2,492)
Cash and cash equivalents at beginning of period	9,823	10,575
Cash and cash equivalents at end of period	$ 11,268	$ 8,083

See accompanying notes.

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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 26, 2004.

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. In addition, as discussed further in Note 3, the Company adopted EITF Topic D-108, *Use of the Residual Method to Value Acquired Assets Other than Goodwill*, in the first quarter of 2005. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the full fiscal year. Certain prior year financial information has been reclassified to conform with the current period s presentation

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

3. The Company adopted EITF Topic D-108 at the beginning of fiscal 2005. D-108 requires the use of a direct method for valuing all assets other than goodwill. The Company had used the residual value method, a commonly used method at the time, to value the FCC licenses purchased in conjunction with acquisitions made in 1997 and 2000. It had also recorded goodwill, primarily related to deferred taxes, as part of these transactions. In connection with the adoption of D-108, the Company eliminated the distinction between goodwill and FCC license intangible assets that were recorded as part of these prior acquisitions by reclassifying $190.3 million from goodwill to FCC licenses. Concurrent with the adoption, the Company increased the carrying amount of FCC license intangible assets by an additional $111.5 million with a corresponding increase to deferred tax liabilities. Prior period balance sheet amounts have also been reclassified to conform to the above presentation, and there was no impact on impairment results previously reported. Further, the Company valued its FCC licenses using a direct method discounted cash flow model and assumptions that included the concept that cash flows associated with FCC licenses are limited to those cash flows that could be expected by an average market participant. In contrast, the residual value method formerly used by the Company included other elements of cash flows which contributed to station value. The results of this direct method were then compared to the carrying value of FCC licenses (including the reclassified amounts) on a station by station basis and a $325.5 million write-down, net of income tax benefit, was recorded as a cumulative effect of change in accounting principle.

4. During the first quarter, in order to take advantage of a favorable bank-credit market, the Company amended its existing $1 billion revolving credit facility which was set to mature in 2006 with a similar $1 billion revolving credit facility that now will mature in 2010. Interest payments under the facility continue to be based on LIBOR plus a margin tied to the Company s leverage ratio as defined in the agreement.

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

(In thousands)	Publishing	Broadcasting	Interactive Media	Eliminations	Total
Three Months Ended March 27, 2005					
Consolidated revenues	$ 143,433	$ 70,992	$ 4,546	$ (1,064)	$ 217,907
Segment operating cash flow	$ 35,038	$ 16,248	$ (575)		$ 50,711
Allocated amounts:					