

MEDIA GENERAL INC  
Form 10-Q  
May 10, 2007  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, DC. 20549

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**Form 10-Q**

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

For the quarterly period ended April 1, 2007

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

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**MEDIA GENERAL, INC**

(Exact name of registrant as specified in its charter)

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Commonwealth of Virginia  
(State or other jurisdiction of  
incorporation or organization)

54-0850433  
(I.R.S. Employer  
Identification No.)

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

23219  
(Zip Code)

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(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.)

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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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No

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 6, 2007.

Class A Common shares: 22,071,726

Class B Common shares: 555,992

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PART I - FINANCIAL INFORMATION

**Item 1. Financial Statements**

MEDIA GENERAL, INC.

CONSOLIDATED CONDENSED BALANCE SHEETS

(000's except shares)

	(Unaudited)	
	April 1,	December 31,
	2007	2006
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 14,867	\$ 11,930
Accounts receivable - net	127,004	139,538
Inventories	9,294	9,650
Other	47,175	41,630
<b>Total current assets</b>	<b>198,340</b>	<b>202,748</b>
Investments in unconsolidated affiliates	82,553	84,854
Other assets	69,541	71,117
Property, plant and equipment - net	494,768	490,049
Excess of cost over fair value of net identifiable assets of acquired businesses - net	936,523	935,023
FCC licenses and other intangibles - net	716,963	721,437
	<b>\$ 2,498,688</b>	<b>\$ 2,505,228</b>

See accompanying notes.

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## MEDIA GENERAL, INC.

## CONSOLIDATED CONDENSED BALANCE SHEETS

(000's except shares)

	(Unaudited)	
	April 1,	December 31,
	2007	2006
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 26,188	\$ 34,292
Accrued expenses and other liabilities	88,449	92,712
Income taxes payable		4,516
Total current liabilities	114,637	131,520
Long-term debt	929,000	916,320
Deferred income taxes	277,278	281,670
Other liabilities and deferred credits	255,980	238,358
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 23,571,610 and 23,556,472 shares	117,858	117,782
Class B, authorized 600,000 shares; issued 555,992 shares	2,780	2,780
Additional paid-in capital	57,119	55,173
Accumulated other comprehensive loss	(111,808)	(111,248)
Retained earnings	855,844	872,873
Total stockholders' equity	921,793	937,360
	\$ 2,498,688	\$ 2,505,228

See accompanying notes.

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## MEDIA GENERAL, INC.

## CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(Unaudited)

(000's except for per share data)

	<b>Three Months Ended</b>	
	<b>April 1, 2007</b>	<b>March 26, 2006</b>
Revenues	\$ 230,354	\$ 217,443
Operating costs:		
Production	109,704	96,119
Selling, general and administrative	93,339	85,649
Depreciation and amortization	20,623	17,006
Total operating costs	223,666	198,774
Operating income	6,688	18,669
Other income (expense):		
Interest expense	(14,974)	(7,542)
Investment income (loss) - unconsolidated affiliates	(2,301)	331
Other, net	392	303
Total other expense	(16,883)	(6,908)
Income (loss) from continuing operations before income taxes	(10,195)	11,761
Income taxes	(3,691)	4,422
Income (loss) from continuing operations	(6,504)	7,339
Discontinued operations		(672)
Net income (loss)	\$ (6,504)	\$ 6,667
Earnings (loss) per common share:		
Income (loss) from continuing operations	\$ (0.27)	\$ 0.31
Discontinued operations		(0.03)
Net income (loss)	\$ (0.27)	\$ 0.28
Earnings (loss) per common share - assuming dilution:		
Income (loss) from continuing operations	\$ (0.27)	\$ 0.31
Discontinued operations		(0.03)
Net income (loss)	\$ (0.27)	\$ 0.28
Dividends paid per common share	\$ 0.23	\$ 0.22

See accompanying notes.

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## MEDIA GENERAL, INC.

## CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

(000's)

	<b>Three Months Ended</b>	
	<b>April 1,</b>	<b>March</b>
	<b>2007</b>	<b>26,</b>
		<b>2006</b>
<b>Operating activities:</b>		
Net income (loss)	\$ (6,504)	\$ 6,667
<b>Adjustments to reconcile net income (loss):</b>		
Depreciation and amortization	20,623	18,761
Deferred income taxes	2,623	3,878
Investment loss (income) - unconsolidated affiliates	2,301	(331)
<b>Change in assets and liabilities:</b>		
Retirement plan contribution		(15,000)
Accounts receivable and inventories	12,939	9,608
Accounts payable, accrued expenses, and other liabilities	(11,036)	(892)
Income taxes refundable	(12,879)	(1,264)
Retirement plan accrual	2,000	4,978
Other	1,038	960
<b>Net cash provided by operating activities</b>	<b>11,105</b>	<b>27,365</b>
<b>Investing activities:</b>		
Capital expenditures	(19,491)	(18,727)
Purchase of business	(1,922)	
Other, net	5,629	
<b>Net cash used by investing activities</b>	<b>(15,784)</b>	<b>(18,727)</b>
<b>Financing activities:</b>		
Increase in debt	207,500	88,500
Payment of debt	(194,820)	(96,494)
Dividends paid	(5,549)	(5,293)
Other, net	485	434
<b>Net cash provided (used) by financing activities</b>	<b>7,616</b>	<b>(12,853)</b>
Net increase (decrease) in cash and cash equivalents	2,937	(4,215)
Cash and cash equivalents at beginning of period	11,930	14,979
<b>Cash and cash equivalents at end of period</b>	<b>\$ 14,867</b>	<b>\$ 10,764</b>

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 31, 2006.

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. The Company adopted the provisions of FASB *Interpretation No. 48, Accounting for Uncertainty in Income Taxes* an interpretation of FASB *Statement No. 109* (FIN 48), on January 1, 2007. This interpretation requires that income tax positions have a more-likely-than-not chance of being sustained prior to recording the related tax benefit in the financial statements. Tax benefits are to be recognized if information becomes available which indicates that it is more-likely-than-not that the position will be sustained. As a result of the implementation of FIN 48, the Company recognized an approximate \$4.9 million net increase in the liability for uncertain tax positions, which was accounted for as a reduction to retained earnings as of January 1, 2007.

As of January 1, 2007, the balance of the liability for uncertain tax positions was approximately \$12 million (net of approximately \$5.3 million of federal tax benefit), all of which would impact the effective tax rate if the underlying issues were sustained or favorably resolved. The Company recognizes interest and penalties accrued in connection with the liability for uncertain tax positions as income tax expense in accordance with the provisions of FIN 48. As of January 1, 2007, the liability for uncertain tax positions included approximately \$4.1 million of estimated interest and penalties.

For federal tax purposes the Company's tax returns have been audited through 2003 and remain subject to audit for years 2004 and forward. The Company has various state income tax examinations ongoing and at varying stages of completion, but generally its state income tax returns have been audited or closed to audit through 2003.

There have been no events since the adoption of FIN 48 that have had a material impact on the liability of uncertain tax positions.

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

<i>(In thousands)</i>	<b>Publishing</b>	<b>Broadcasting</b>	<b>Interactive Media</b>	<b>Eliminations</b>	<b>Total</b>
<b>Three Months Ended April 1, 2007</b>					
Consolidated revenues	\$ 139,742	\$ 84,285	\$ 8,007	\$ (1,680)	\$ 230,354
Segment operating cash flow	\$ 25,305	\$ 15,625	\$ (158)		\$ 40,772
Depreciation and amortization	(6,451)	(7,549)	(445)		(14,445)
Segment profit (loss)	\$ 18,854	\$ 8,076	\$ (603)		26,327
Unallocated amounts:					
Interest expense					(14,974)
Equity in net loss of unconsolidated affiliates					(2,301)
Acquisition intangibles amortization					(4,883)
Corporate expense					(10,255)
Other					(4,109)
Consolidated income (loss) before income taxes					\$ (10,195)
<b>Three Months Ended March 26, 2006</b>					
Consolidated revenues	\$ 148,163	\$ 64,586	\$		