LIBERTY CORP
Form 10-Q
May 11, 2001

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FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

(Mark One)

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2001

[ ] 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 1-5846

THE LIBERTY CORPORATION
(Exact name of registrant as specified in its charter)

South Carolina (State or other jurisdiction of incorporation or organization)	57-0507055 (IRS Employer identification No.)

Post Office Box 789, Wade Hampton Boulevard, Greenville, SC 29602
(Address of principal executive offices)

Registrant's telephone number, including area code: 864/609-8256

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 the number of shares outstanding of each of the Registrant's classes of common stock as of the latest practicable date.

Title of each class	Number of shares Outstanding as of March 31, 2001
Common Stock	19,739,662

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PART I, ITEM 1
THE LIBERTY CORPORATION AND SUBSIDIARIES
CONSOLIDATED AND CONDENSED BALANCE SHEETS

(In 000's)

	MARCH 31, 2001
ASSETS	(Unaudited)
Current assets:	
Cash and cash equivalents	$ 20,209
Receivables (net of allowance for doubtful accounts)	34,564
Program rights	3,761
Prepaid and other current assets	3,409
Deferred income taxes	12,478
Total current assets	74,421
Property plant and equipment	
Land	5,494
Buildings and improvements	34,030
Furniture and equipment	150,608
Less: Accumulated depreciation	(102,789)
	87,343
Intangibles (net of accumulated amortization)	498,669
Investments and other assets	46,501
Total assets	$ 706,934
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities	
Accounts payable and accrued expenses	$ 17,943
Program contract obligations	3,726
Accrued income taxes	2,591
Total current liabilities	24,260
Deferred income taxes	91,279
Other liabilities	8,388
Total liabilities	123,927
Shareholders' equity	
Common stock	105,811
Unearned stock compensation	(4,370)
Retained earnings	481,249
Accumulated other comprehensive income (loss)	317
Total shareholders' equity	583,007
Total liabilities and shareholders' equity	$ 706,934

See Notes to Consolidated and Condensed Financial Statements.

THE LIBERTY CORPORATION AND SUBSIDIARIES
CONSOLIDATED AND CONDENSED STATEMENTS OF OPERATIONS

(In 000's, except per share data)	Three Months ended March 31, 2001	Three Months ended March 31, 2000
	(Unaudited)	
REVENUES		
Station revenues (net of commissions)	$ 39,510	$ 33,996
Cable advertising (net of commissions) and other revenues	2,655	2,963
NET REVENUES	42,165	36,959
EXPENSES		
Operating expenses	25,775	21,867
Amortization of program rights	1,960	1,522
Depreciation and amortization of intangibles	7,852	4,659
Corporate, general, and administrative expenses	2,882	2,687
TOTAL OPERATING EXPENSES	38,469	30,735
OPERATING INCOME	3,696	6,224
Net investment income	3,228	10,732
Interest expense	--	3,495
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	6,924	13,461
Provision for income taxes	2,631	5,574
INCOME FROM CONTINUING OPERATIONS	4,293	7,887
Income from discontinued operations (net of taxes)	--	7,510
NET INCOME	$ 4,293	$ 15,397
EARNINGS PER SHARE:		
Basic earnings per common share from continuing operations	$0.22	$0.40
Basic earnings per common share from discontinued operations	--	0.39
Basic earnings per common share	$0.22	$0.79
Diluted earnings per common share from continuing operations	$0.22	$0.40
Diluted earnings per common share from discontinued operations	--	0.38
Diluted earnings per common share	$0.22	$0.78

Dividends Per Common Share	$0.22	$0.22

See Notes to Consolidated and Condensed Financial Statements.

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THE LIBERTY CORPORATION AND SUBSIDIARIES
CONSOLIDATED AND CONDENSED STATEMENTS OF CASH FLOWS

	Three Mo
(In 000's)	2001
OPERATING ACTIVITIES	
Income from continuing operations	$ 4,2
Adjustments to reconcile net income to net cash provided by (used in) operating activities:	
Loss (Gain) on sale of operating assets	
Realized investment (gains) losses	3
Depreciation	4,1
Amortization of intangibles	3,6
Amortization of program rights	1,9
Cash paid for program rights	(1,9
Provision for deferred income taxes	1,1
Changes in operating assets and liabilities:	
Receivables	5,9
Other assets	44,9
Accounts payable and accrued expenses	(50,5
Accrued taxes	(135,7
Other liabilities	(1,4
All other operating activities, net	(7
Net cash (used in) provided by operating activities of discontinued operations	
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(123,8
INVESTMENT ACTIVITIES	
Purchase of property and equipment	(2,5
Net cash paid for purchase of television stations	
Investment securities sold	
Investment securities acquired	
Proceeds from sale of investment properties	1
Other (net)	(6
Net cash provided by (used in) investing activities of discontinued operations	
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(2,9
FINANCING ACTIVITIES	
Proceeds from borrowings	
Principal payments on debt	
Dividends paid	(4,3
Stock issued for employee benefit and compensation programs	2,8
Repurchase of common stock	(5
Net cash provided by financing activities of discontinued operations	

NET CASH PROVIDED BY(USED IN) FINANCING ACTIVITIES		(1,9
(DECREASE) INCREASE IN CASH		(128,7
Cash at beginning of period		149,0
CASH AT END OF PERIOD	$	20,2

See Notes to Consolidated and Condensed Financial Statements.

THE LIBERTY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED AND CONDENSED FINANCIAL STATEMENTS
March 31, 2001
(Unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated and condensed financial statements of The Liberty Corporation and Subsidiaries have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The information included is not necessarily indicative of the annual results that may be expected for the year ended December 31, 2001, but it does reflect all adjustments (which are of a normal and recurring nature) considered, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. The December 31, 2000 financial information was derived from the Company's previously filed 2000 Form 10-K. For further information, refer to the consolidated financial statements and footnotes thereto included in The Liberty Corporation annual report on Form 10-K for the year ended December 31, 2000.

Prior to September 29, 2000 the Company was engaged in the insurance industry. On September 29, 2000 the Company's shareholders approved the sale of the Company's insurance operations to the Royal Bank of Canada for $648 million. The sale closed on November 1, 2000. Accordingly, these entities have been treated as discontinued operations in the accompanying financial statements (see Note 5 below).

2. STATION ACQUISITIONS

On February 29, 2000 the Company completed the acquisition of KCBD, the NBC affiliate in Lubbock, TX in a cash transaction for $59.8 million. The transaction was accounted for as a purchase, and accordingly, its results of operations are included in the accompanying financial statements since the date of acquisition. This purchase was funded using proceeds from the Company's credit facility.

On December 1, 2000, the Company completed its acquisition of Civic Communications. The agreed upon purchase price for all of the outstanding common stock of Civic Communications was $204 million. At the time of the closing, the Company agreed to pay a portion of the purchase price at a future date. During the first quarter of 2001 the Company remitted this unpaid purchase price to the Civic Communications stockholders. The

Company used proceeds from the sale of its insurance operations to fund the transaction. Civic Communications owned and operated WLBT-TV, the NBC affiliate in Jackson, MS, KLTV-TV, the ABC affiliate in Tyler, TX, and KTRE-TV, the satellite affiliate of KLTV in Lufkin, TX.

3. REDEMPTION OF 1995-A SERIES PREFERRED STOCK

On August 25, 2000 the Company completed the redemption of all of the outstanding shares of its Series 1995-A Cumulative Convertible Preferred Stock. Shares were called for redemption at $35.00 per share plus accrued dividends for the period from July 1, 2000 through the redemption date (September 5, 2000). Prior to the redemption date, all shares of the 1995-A Series were converted in to common stock.

4. COMPREHENSIVE INCOME

The components of comprehensive income, net of related income taxes, for the three-month periods ended March 31, 2001 and 2000, respectively, are as follows:

(In 000's)	THREE MONTHS ENDED MARCH 31,	
	2001	2000
Net Income	$4,293	$ 15,397
Unrealized gains / (losses) on securities	(373)	(667)
Comprehensive income (loss)	$3,920	$ 14,730

5. DISCONTINUED OPERATIONS

On June 19, 2000, the Company entered into a Purchase Agreement (the "Purchase Agreement") with Royal Bank of Canada ("RBC"), a Canadian-chartered bank, pursuant to which RBC was to acquire from the Company all of the issued and outstanding shares of capital stock of Liberty Life Insurance Company, Liberty Insurance Services Corporation, The Liberty Marketing Corporation, LC Insurance Limited and Liberty Capital Advisors, Inc., for a total of approximately $648 million, consisting of a dividend from Liberty Life Insurance Company of up to $70 million and the balance in cash from Royal Bank of Canada. On September 29, 2000 the shareholders of the Company approved the purchase agreement described above. Accordingly, these entities have been treated as discontinued operations in the accompanying financial statements. The transaction closed on November 1, 2000 with Liberty receiving $567.6 million in net cash proceeds and approximately $16 million in non-cash assets.

Summarized disclosure of the Company's discontinued operations is as follows:

	THREE MONTHS ENDED MARCH 31, 2000
Revenues	$ 91,846
Expenses	81,921
Income before taxes from discontinued operations	9,925
Income taxes	2,415
Income from discontinued operations	$ 7,510

6. SEGMENT REPORTING

The Company operates primarily in the television broadcasting and cable advertising businesses. The Company currently owns and operates fifteen television stations, located principally in the Southeast and Midwest. Each of the stations is affiliated with a major network, with eight NBC affiliates, five ABC affiliates, and two CBS affiliates. The Company evaluates segment performance based on operating income, excluding unusual or non-operating items.

The following tables summarize financial information for continuing operations by segment for the three-month periods ended March 31, 2001 and 2000:

	THREE MONTHS ENDED MARCH 31,	
	2001	2000
REVENUE		
Broadcasting	$ 39,510	$ 33,996
Cable advertising	2,214	2,485
Corporate and other	441	478
TOTAL REVENUE	$ 42,165	$ 36,959
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES		
Broadcasting	$ 6,997	$ 9,349
Cable advertising	(404)	94
Corporate and other	(2,897)	(3,219)
TOTAL INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	$ 3,696	$ 6,224

There were no material changes in assets by segment from those disclosed in the Company's 2000 annual report, other than for the corporate and other segment. The corporate and other segment used its cash balances to pay approximately $135 million of income taxes during the first quarter of 2001. It also remitted the $43.2 million of unpaid purchase price (included in prepaid and other current assets on the December 31, 2000 balance sheet) that had been held in trust for the Civic Communications stockholders (see Note 2).

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per common share from continuing operations is as follows:

(In 000's except per share data)	THREE MONTHS END MARCH 31, 2001	20
	(Unaudited)	
NUMERATOR - EARNINGS:		
Income from continuing operations	$ 4,293	$ 7
Preferred dividends	--	
Numerator for basic earnings per common share from continuing operations	$ 4,293	$ 7
Effect of dilutive securities	--	
Numerator for diluted earnings per common share from continuing operations	$ 4,293	$ 7
DENOMINATOR - AVERAGE SHARES OUTSTANDING:		
Denominator for basic earnings per common share from continuing operations - weighted average shares	19,572	19
Effect of dilutive securities:		
Preferred stock	--	
Stock options	55	
Denominator for diluted earnings per common share from continuing operations	19,627	19
Basic earnings per common share from continuing operations	$0.22	$
Diluted earnings per common share from continuing operations	$0.22	$

8. CREDIT FACILITY

On March 21, 2001, the Company entered into a $100 million unsecured 364-day revolving credit facility with a bank. At the end of the term of the facility any outstanding principal and interest will come due, unless the bank, in its sole discretion, otherwise extends the facility. No draws were made on this line of credit during the first quarter of 2001.

9. RECLASSIFICATIONS

Certain reclassifications have been made in the previously reported financial statements to make the prior year amounts comparable to those of the current year.

PART I, ITEM 2
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION
(Unaudited)

The Liberty Corporation is a holding company with operations primarily in the television broadcasting industry. The Company's television broadcasting subsidiary, Cosmos Broadcasting, consists of fifteen network-affiliated stations located in the Southeast and Midwest, a cable advertising company, a video production company and a professional broadcast equipment dealership. Eight of the Company's television stations are affiliated with NBC, five with ABC, and two with CBS.

Prior to September 29, 2000 the Company was also engaged in the insurance industry. On September 29, 2000 the Company's shareholders approved the sale of the Company's insurance operations to the Royal Bank of Canada for $648 million. The sale closed on November 1, 2000. Accordingly, these entities have been treated as discontinued operations in the accompanying financial statements (see Note 5 of the Consolidated and Condensed Financial Statements).

SIGNIFICANT TRANSACTIONS AFFECTING COMPARABILITY BETWEEN PERIODS

On February 29, 2000 the Company completed the acquisition of KCBD, the NBC affiliate in Lubbock, TX in a cash transaction for $59.8 million. The transaction was accounted for as a purchase, and accordingly, its results of operations are included in the accompanying financial statements since the date of acquisition. This purchase was funded using proceeds from the Company's credit facility.

On August 25, 2000 the Company completed the redemption of all of the outstanding shares of its Series 1995-A Cumulative Convertible Preferred Stock. Shares were called for redemption at $35.00 per share plus accrued dividends for the period from July 1, 2000 through the Series 1995-A redemption date (September 5, 2000). Prior to the redemption date, all shares of the 1995-A Series were converted in to common stock.

On November 1, 2000, using proceeds from the sale of its insurance operations, the Company repaid its revolving credit facility in full.

On December 1, 2000, the Company completed its acquisition of Civic

Communications. The agreed upon purchase price for all of the outstanding common stock of Civic Communications was $204 million. The Company used proceeds from the sale of its insurance operations to fund the transaction. Civic Communications owned and operated WLBT-TV, the NBC affiliate in Jackson, MS, KLTV-TV, the ABC affiliate in Tyler, TX, and KTRE-TV, the satellite affiliate of KLTV in Lufkin, TX.

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2001 COMPARED TO THREE MONTHS ENDED MARCH 31, 2000

Net revenues were $42.2 million for the first quarter of 2001, an increase of $5.2 million over the $37.0 million reported for the first quarter of 2000. On a pro forma basis (as if the Company had held all of its current stations for the full twelve months of 2000) station net revenue was down 6%, primarily as a result of the absence of political spending in 2001 as it is an off year in the election cycle. Local and national revenue, again on a pro forma basis, were each down 3% due to a soft advertising market.

Operating expenses were $27.7 million for the first quarter of 2001, an increase of $4.3 million over the $23.4 million reported for the first quarter of 2000. The increase in operating expense is attributable to the Company's acquisition of four television stations during 2000. On a pro forma basis, operating expenses decreased 2%.

Depreciation and amortization expense was $7.9 million for the first quarter of 2001, an increase of $3.2 million over the $4.7 million reported for the first quarter of 2000. The increase in depreciation and amortization expense is attributable to the Company's station acquisitions completed during 2000.

Corporate, general, and administrative expenses were $2.9 million for the first quarter of 2001, an increase of $0.2 million over the $2.7 million reported for the first quarter of 2000.

Net investment income was $3.2 million for the first quarter of 2001, a decrease of $7.5 million from the $10.7 million reported for the first quarter of 2000. The majority of the investment income in the first quarter of 2001 related to interest earned on the Company's cash balances. The majority of the investment income in the first quarter of 2000 was due to realized gains in the Company's equity portfolio.

The Company incurred no interest expense during the first quarter of 2001 as it repaid its credit facility in full during the fourth quarter of 2000 using the proceeds from the sale of its insurance operations. The Company reported $3.5 million of interest expense during the first quarter of 2000.

CASH FLOW INFORMATION

	THREE MONTHS ENDED MARCH 31	
	2001	2000
Operating income	$ 3,696	$ 6,224
One time charges(1)	--	204
ADJUSTED OPERATING INCOME	3,696	6,428
Add:		
Depreciation and amortization	7,852	4,659
Non-cash compensation	76	319

OPERATING CASH FLOW	11,624	11,406
Corporate cash expenses	2,805	2,370
BROADCAST CASH FLOW	$14,429	$13,776

(1) Adjusted to exclude charges in 2000 related to the phase-out and winding up of the Company's direct mail operations

Broadcast cash flow was $14.4 million for the first quarter of 2001, compared with $13.8 million for the prior-year first quarter.

The Company has included operating cash flow and broadcast cash flow data because management believes that such data are commonly used as measures of performance among companies in the broadcast industry. The Company also believes that these measures are frequently used by investors, analysts, valuation firms, and lenders as some of the important determinants of underlying asset value. Operating cash flow and broadcast cash flow should not be considered in isolation, or as alternatives to operating income (as determined in accordance with generally accepted accounting principles) as an indicator of the entity's operating performance, or to cash flow from operating activities (as determined in accordance with generally accepted accounting principles) as a measure of liquidity. These measures are believed to be, but may not be, comparable to similarly titled measures used by other companies.

CAPITAL, FINANCING AND LIQUIDITY

The Company's short-term cash needs consist primarily of working capital requirements, and dividends to shareholders. Historically, Liberty's operations have provided sufficient liquidity for the operations of the Company.

The Company's primary long-term cash needs are the possible need for capital should the Company identify an appropriate acquisition opportunity, and the expenditures associated with implementing high definition television broadcast operations. While exact costs are not presently known, the additional capital expenditures required over the next several years to comply with the FCC high definition television implementation deadline are expected to be material.

On March 21, 2001, the Company executed a $100 million unsecured 364-day revolving credit facility with a bank. At the end of the term of the facility any outstanding principal and interest will come due, unless the bank, in its sole discretion, otherwise extends the facility. At March 31, 2001 the Company had no outstanding draws against this revolving credit facility.

The Company believes that its current level of cash, expected future cash flows from operations, and the credit facility are sufficient to meet the cash needs of its business. If suitable opportunities arise for additional acquisitions, the Company believes it can arrange for additional debt financing or use Common Stock or Preferred Stock as payment for all or part of the consideration for such acquisitions; or the it may seek additional funds in the equity or debt markets.

CASH FLOWS

The Company's net cash used in operating activities was $123.8 million for the first quarter of 2001 compared to cash provided by operating activities of $9.2 million for the same period of 2000. The decrease in cash provided by operating activities is attributable to the $135 million of taxes related to the sale of the Company's insurance operations that were remitted to taxing authorities during the first quarter of 2001. Excluding these payments, cash provided by operating activities was $11.2 million. The Company's net cash used in investing activities was $3.0 million for the first quarter of 2001, as compared to $48.8 million for the same period of 2000. The decrease in net cash used in investing activities is attributable to the acquisition of KCBD during the first quarter of 2000 with no corresponding acquisitions during the first quarter of 2001. Net cash used in financing activities for the first quarter of 2001 was $2.0 million compared to net cash provided by financing activities of $43.8 million for the first quarter of 2000. The decrease in net cash provided by financing activities is attributable to the acquisition of KCBD during the first quarter of 2000, which was financed with funds from the Company's credit facility, with no corresponding draws during the first quarter of 2001.

ACCOUNTING DEVELOPMENTS

In June, 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities". This standard was originally required to be adopted in years beginning after June 15, 1999 (which date was subsequently amended to January 1, 2001). The Statement will require the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivatives will be either offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The Company's use of derivatives has historically been limited to fixing the cost of borrowings on a portion of the outstanding debt. The Company adopted the standard as of January 1, 2001. Currently the Company does not believe the effect of Statement 133 will be material to the earnings and financial position of the Company.

FORWARD LOOKING INFORMATION

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. Certain information contained herein or in any other written or oral statements made by, or on behalf of the Company, is or may be viewed as forward looking. The words "expect," "believe," "anticipate" or similar expressions identify forward-looking statements. Although the Company has used appropriate care in developing any such forward looking information, forward looking information involves risks and uncertainties that could significantly impact actual results. These risks and uncertainties include, but are not limited to, the following: changes in national and local markets for television advertising; changes in general economic conditions, increasing competition in the Company's markets; and future regulatory actions or conditions, effecting either the television broadcasting industry as whole or specific to the markets the Company serves. The Company undertakes no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future developments, or otherwise.

PART II, ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

NONE.

PART II, ITEM 6. EXHIBIT AND REPORTS ON FORM 8-K

a. A list of the exhibits filed with this report is included in the Index to Exhibits filed herewith.

b. The Company filed a current report on Form 8-K dated February 6, 2001 with respect to the press release announcing its fourth quarter and year end 2000 operating results.

c. The Company filed a current report on Form 8-K dated February 6, 2001 with respect to The Liberty Corp. declaring a regular quarterly dividend of 22 cents per share on its common stock, payable on April 3, 2001 to shareholders of record on March 15, 2001.

INDEX TO EXHIBITS

EXHIBIT 11 Consolidated Earnings Per Share Computation (included in Note 7 of Notes to Consolidated and Condensed Financial Statements)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE LIBERTY CORPORATION Date: May 11, 2001

(Registrant)

/s/ Howard L. Schrott

Howard L. Schrott
Chief Financial Officer

/s/ Martha G. Williams

Martha G. Williams
Vice President, General Counsel and Secretary