MEDIA GENERAL INC Form 10-Q July 27, 2006 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 June 25, 2006

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 (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)

#### Edgar Filing: MEDIA GENERAL INC - Form 10-Q

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock as of June 25, 2006.

Class A Common shares: 23,508,128 Class B Common shares: 555,992

## MEDIA GENERAL, INC.

#### TABLE OF CONTENTS

#### FORM 10-Q REPORT

June 25, 2006

Part I.	Financial Information	Page
Item 1.	Financial Statements	
	Consolidated Condensed Balance Sheets - June 25, 2006, and December 25, 2005	1
	Consolidated Condensed Statements of Operations Second quarter and six months ended June 25, 2006 and June 26, 2005	3
	Consolidated Condensed Statements of Cash Flows - six months ended June 25, 2006 and June 26, 2005	4
	Notes to Consolidated Condensed Financial Statements	5
Item 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	14
Item 3.	Quantitative and Qualitative Disclosure About Market Risk	19
Item 4.	Controls and Procedures	19
Part II.	Other Information	
Item 1A.	. Risk Factors	19
Item 4.	Submission of Matters to a Vote of Security Holders	20
Item 6.	<u>Exhibits</u>	20
	(a) Exhibits	
Signatur	es	21

#### PART I - FINANCIAL INFORMATION

#### **Item 1. Financial Statements**

#### MEDIA GENERAL, INC.

#### CONSOLIDATED CONDENSED BALANCE SHEETS

(000 s except shares)

(Unaudited)

	June 25, 2006		December 25, 2005	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1	15,863	\$	14,977
Accounts receivable - net	1.1	14,892		117,638
Inventories		8,871		7,808
Other	3	31,768		33,649
Assets of discontinued operations	11	13,588		115,100
Total current assets	28	84,982		289,172
Investments in unconsolidated affiliates	8	88,286		83,227
Other assets	(	63,997		57,377
Property, plant and equipment - net	43	33,857		420,111
Excess of cost over fair value of net identifiable assets of acquired businesses - net	64	45,433		645,437
FCC licenses and other intangibles - net	47	71,704		480,030
	\$ 1,98	88,259	\$	1,975,354

See accompanying notes.

1

#### MEDIA GENERAL, INC.

#### CONSOLIDATED CONDENSED BALANCE SHEETS

(000 s except shares)

(Unaudited)

LIABILITIES AND STOCKHOLDERS EQUITY	J	June 25, 2006		cember 25, 2005
Current liabilities:				
Accounts payable	\$	29,084	\$	26,414
Accrued expenses and other liabilities		78,824		81,719
Income taxes payable		4,822		
Liabilities of discontinued operations		2,462		3,919
Total current liabilities		115,192		112,052
		-, -		,
Long-term debt		376,996		389,984
Borrowings of consolidated variable interest entities		95,320		95,320
Deferred income taxes		326,268		308,129
Other liabilities and deferred credits		112,281		154,043
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 23,508,128 and 23,490,696 shares		117,541		117,453
Class B, authorized 600,000 shares; issued 555,992 shares		2,780		2,780
Additional paid-in capital		50.009		44.856
Accumulated other comprehensive loss		(39,573)		(64,618)
Retained earnings		831,445		815,355
retained earnings		051,445		015,555
Total stockholders equity		962,202		915,826
	\$ 1	,988,259	\$	1,975,354

See accompanying notes.

#### MEDIA GENERAL, INC.

#### CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(000 s except for per share data)

(Unaudited)

	Second Qua June 25, 2006	arter Ended June 26, 2005	Six Mon June 25, 2006	ths Ended June 26, 2005
Revenues	\$ 230,058	\$ 222,786	\$ 447,501	\$ 431,579
Operating costs:	,	,	,	,
Production	97,403	91,277	193,521	183,759
Selling, general and administrative	82,981	80,430	168,630	159,769
Depreciation and amortization	17,200	15,839	34,207	31,509
	105.504	107.546	206.250	255 025
Total operating costs	197,584	187,546	396,358	375,037
Operating income	32,474	35,240	51,143	56,542
Other income (expense):				
Interest expense	(8,106)	(7,364)	(15,648)	(14,859)
Investment income - unconsolidated affiliates	4,508	724	4,839	1,438
Gain on sale of Denver		33,273		33,273
Other, net	162	319	465	795
Total other income (expense)	(3,436)	26,952	(10,344)	20,647
Income from continuing operations before income taxes and cumulative effect of change	20,020	(2.102	40.700	77 100
in accounting principle	29,038	62,192	40,799	77,189
Income taxes	10,776	24,422	15,198	29,896
Income from continuing operations before cumulative effect of change in accounting				
principle	18,262	37,770	25,601	47,293
Income from discontinued operations (net of tax)	1,914	615	1,242	389
Cumulative effect of change in accounting principle (net of tax benefit of \$190,730)	-,, - 1		-,- :-	(325,453)
Net income (loss)	\$ 20,176	\$ 38,385	\$ 26,843	\$ (277,771)
Earnings (loss) per common share:				
Income from continuing operations before cumulative effect of change in accounting				
principle	\$ 0.77	\$ 1.60	\$ 1.09	\$ 2.01
Discontinued operations	0.08	0.03	0.05	0.02
Cumulative effect of change in accounting principle	0.00	0.02	0.02	(13.86)
				(30,00)
Net income (loss)	\$ 0.85	\$ 1.63	\$ 1.14	\$ (11.83)
Earnings (loss) per common share assuming dilution:				
Income from continuing operations before cumulative effect of change in accounting				
principle	\$ 0.77	\$ 1.58	\$ 1.08	\$ 1.98
Discontinued operations	0.08	0.03	0.05	0.02
Cumulative effect of change in accounting principle	0.00	0.03	0.03	(13.65)
				( )

# Edgar Filing: MEDIA GENERAL INC - Form 10-Q

Net income (loss)	\$ 0.85	\$ 1.61	\$ 1.13	\$ (11.65)
Dividends paid per common share	\$ 0.22	\$ 0.21	\$ 0.44	\$ 0.42

See accompanying notes.

3

#### MEDIA GENERAL, INC.

#### CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

#### (Unaudited)

(000 s)

Operating activities:         \$ 26,843         \$ (277,71)           Net income (loss)         35,747         325,453         325,453         325,453         345,18         36,243         345,18         26,682         33,542         35,682         18,839         18,4518         26,682         18,839         18,4518         26,682         18,839         18,4518         26,862         18,839         18,383         18,383         18,383         18,383         18,4518         26,862         18,933         18,4518         26,862         18,862         18,582         18,682         18,582         18,682         18,458         18,582         18,582         18,582         18,582         18,582         18,582         18,582         18,582         18,582         18,582         18,582         18,582         18,582         18,582         18,582         18,582         18,582         18,582         18,582         18,583         18,582         18,582         18,583         18,582         18,583         18,583         18,583         18,583         18,583         18,583         18,583         18,583         18,583         18,583         18,583         18,583         18,583         18,583         18,583         18,583         18,583         18,583         18,583		Six Mont June 25, 2006	hs Ended June 26, 2005	
Adjustments to reconcile net income (loss):         Cumulative effect of change in accounting principle         325,453           Depreciation and amortization         35,743         34,518           Deferred income taxes         3,362         5,862           Investment income - unconsolidated affiliates         (19,335)           Gain on sale of Denver         (19,335)           Change in assets and liabilities:         (15,000)           Retirement plan contribution         (15,000)           Retirement plan contribution         (10,012)           Accounts receivable and inventories         2,429         1,091           Accounts receivable and inventories         9,978         (10,171)           Income taxes payable accrued expenses, and other liabilities         9,978         (10,171)           Income taxes payable accrued expenses, and other liabilities         4,920         (4,378)           Other         (3,606)         (3,422)           Net cash provided by operating activities         (44,431)         (32,640)           Investing activities:         (44,431)         (32,640)           Proceeds from sale of Denver         (701)         896           Other, net         (5,502)         (45,132)         14,106           Financing activities:         (880)         (3,77	Operating activities:			
Cumulative effect of change in accounting principle         325,453           Depreciation and amortization         35,743         34,518           Deferred income taxes         3,362         5,862           Investment income - unconsolidated affiliates         (19,393)           Cain on sale of Denver         (19,393)           Change in assets and liabilities:         (15,000)         (15,000)           Retirement plan accrual         (10,012)         7,147           Accounts receivable and inventories         2,429         1,091           Accounts payable, accrued expenses, and other liabilities         9,978         (10,171)           Income taxes payable         4,920         (4,378)           Other         (3,606)         (3,422)           Net cash provided by operating activities         69,842         42,498           Investing activities:         (44,431)         (32,640)           Proceeds from sale of Denver         (44,431)         (32,640)           Net cash (used) provided by investing activities         (45,132)         14,106           Financing activities:         (701)         896           Increase in debt         (13,500)         161,500           Payment of debt         (18,59,88)         (20,74,88)           Debt iss	· /	\$ 26,843	\$ (277,771)	
Depreciation and amortization         35,43         34,518           Deferred income taxes         3,362         5,862           Investment income - unconsolidated affiliates         (4,839)         (1,438)           Gain on sale of Denver         (19,393)           Change in assets and liabilities:         ***           Retirement plan contribution         (15,000)         (15,000)           Retirement plan accrual         10,012         7,147           Accounts receivable and inventories         2,429         1,091           Accounts payable, accrued expenses, and other liabilities         9,978         (10,171)           Income taxes payable         4,920         (4,378)           Other         (3,606)         (3,422)           Net cash provided by operating activities         **         42,498           Investing activities:         **         44,431         (32,640)           Proceeds from sale of Denver         (44,431)         (32,640)           Other, net         (701)         896           Other, net         (45,132)         14,106           Financing activities:         **         **           Increase in debt         173,000         161,500           Payment of debt         (185,988)				
Deferred income taxes         3,362         5,862           Investment income - unconsolidated affiliates         (4,839)         (1,438)           Gain on sale of Denver         (19,393)           Change in assets and liabilities:         (15,000)         (15,000)           Retirement plan accrual         10,012         7,147           Accounts receivable and inventories         2,429         1,091           Accounts payable, accrued expenses, and other liabilities         9,978         (10,171)           Income taxes payable         4,920         (4,378)           Other         (3,506)         (3,422)           Net cash provided by operating activities         (3,606)         (3,422)           Investing activities:				
Investment income - unconsolidated affiliates         (4,839)         (1,438)           Gain on sale of Denver         (19,393)           Change in assets and liabilities:         (15,000)         (15,000)           Retirement plan contribution         (15,000)         (15,000)           Retirement plan accrual         10,012         7,147           Accounts receivable and inventories         2,429         1,091           Accounts payable, accrued expenses, and other liabilities         9,978         (10,171)           Income taxes payable         4,920         (4,378)           Other         (3,606)         (3,422)           Net cash provided by operating activities         9,842         42,498           Investing activities:         (44,431)         (32,640)           Proceeds from sale of Denver         (44,431)         (32,640)           Other, net         (701)         896           Net cash (used) provided by investing activities         (45,132)         14,106           Financing activities:         (45,132)         14,106           Financing activities:         (45,132)         14,106           Financing activities:         (45,132)         14,106           Financing activities:         (45,132)         14,106				
Gain on sale of Denver         (9,393)           Change in assets and liabilities:         (15,000)         (15,000)           Retirement plan contribution         (10,012)         7,147           Accounts receivable and inventories         2,429         1,091           Accounts payable, accrued expenses, and other liabilities         9,978         (10,171)           Income taxes payable         4,920         (4,378)           Other         (3,606)         (3,422)           Net cash provided by operating activities         69,842         42,498           Investing activities:         (44,431)         (32,640)           Capital expenditures         (44,431)         (32,640)           Proceeds from sale of Denver         45,850           Other, net         (45,132)         14,106           Financing activities:         (701)         896           Financing activities:         (45,132)         14,106           Financing activities:         (80)         (3,771)           Increase in debt         173,000         161,500           Payment of debt         (185,988)         (207,488)           Debt issuance costs         (680)         (3,771)           Dividends paid         (10,587)         (10,066)		3,362	5,862	
Change in assets and liabilities:           Retirement plan contribution         (15,000)         (15,000)         (15,000)         (15,000)         (15,000)         (15,000)         (15,000)         (15,000)         7,147         Accounts payable and inventories         2,429         1,091         Accounts payable, accrued expenses, and other liabilities         9,978         10,171         10,171         Accounts payable, accrued expenses, and other liabilities         4,920         (4,378)         C10,472         C10,472 <td< td=""><td></td><td>(4,839)</td><td></td></td<>		(4,839)		
Retirement plan accrual         (15,000)         (15,000)           Retirement plan accrual         10,012         7,147           Accounts receivable and inventories         2,429         1,091           Accounts payable, accrued expenses, and other liabilities         9,978         (10,171)           Income taxes payable         4,920         (4,378)           Other         3,606         3,422           Net cash provided by operating activities			(19,393)	
Retirement plan accrual         10,012         7,147           Accounts receivable and inventories         2,429         1,091           Accounts payable, accrued expenses, and other liabilities         9,978         10,171           Income taxes payable         4,920         (4,378)           Other         (3,606)         (3,422)           Net cash provided by operating activities				
Accounts receivable and inventories         2,429         1,091           Accounts payable, accrued expenses, and other liabilities         9,978         (10,171)           Income taxes payable         4,920         (4,378)           Other         (3,606)         (3,422)           Net cash provided by operating activities         69,842         42,498           Investing activities:         (44,431)         (32,640)           Proceeds from sale of Denver         45,850           Other, net         (701)         896           Net cash (used) provided by investing activities         (45,132)         14,106           Financing activities:         173,000         161,500           Payment of debt         (185,988)         (207,488)           Debt issuance costs         (680)         (3,771)           Dividends paid         (10,587)         (10,066)           Other, net         431         3,002           Net cash used by financing activities         (23,824)         (56,823)           Net increase (decrease) in cash and cash equivalents         886         (219)		(15,000)	(15,000)	
Accounts payable, accrued expenses, and other liabilities       9,978 (10,171)         Income taxes payable       4,920 (4,378)         Other       (3,606) (3,422)         Net cash provided by operating activities       69,842 42,498         Investing activities:       2         Capital expenditures       (44,431) (32,640)         Proceeds from sale of Denver       45,850         Other, net       (701) 896         Net cash (used) provided by investing activities       45,132) 14,106         Financing activities:       173,000 161,500         Payment of debt       (185,988) (207,488)         Debt issuance costs       (680) (3,771)         Dividends paid       (10,587) (10,066)         Other, net       431 3,002         Net cash used by financing activities       (23,824) (56,823)         Net cash used by financing activities       886 (219)		*		
Income taxes payable Other       4,920 (4,378) (3,606)       (3,422)         Net cash provided by operating activities       69,842 42,498         Investing activities:       2         Capital expenditures       (44,431) (32,640)         Proceeds from sale of Denver       45,850         Other, net       (701) 896         Net cash (used) provided by investing activities       (45,132) 14,106         Financing activities:       173,000 161,500         Payment of debt       (185,988) (207,488)         Debt issuance costs       (680) (3,771)         Dividends paid       (10,587) (10,066)         Other, net       431 3,002         Net cash used by financing activities       (23,824) (56,823)         Net increase (decrease) in cash and cash equivalents       886 (219)				
Other       (3,606)       (3,422)         Net cash provided by operating activities       69,842       42,498         Investing activities:       Capital expenditures       (44,431)       (32,640)         Proceeds from sale of Denver       45,850         Other, net       (701)       896         Net cash (used) provided by investing activities       (45,132)       14,106         Financing activities:       Increase in debt       173,000       161,500         Payment of debt       (185,988)       (207,488)         Debt issuance costs       (680)       (3,771)         Dividends paid       (10,587)       (10,066)         Other, net       431       3,002         Net cash used by financing activities       (23,824)       (56,823)         Net increase (decrease) in cash and cash equivalents       886       (219)				
Net cash provided by operating activities       69,842       42,498         Investing activities:       2         Capital expenditures       (44,431)       (32,640)         Proceeds from sale of Denver       45,850         Other, net       (701)       896         Net cash (used) provided by investing activities       (45,132)       14,106         Financing activities:       173,000       161,500         Payment of debt       (185,988)       (207,488)         Debt issuance costs       (680)       (3,771)         Dividends paid       (10,587)       (10,066)         Other, net       431       3,002         Net cash used by financing activities       (23,824)       (56,823)         Net increase (decrease) in cash and cash equivalents       886       (219)				
Investing activities:         Capital expenditures       (44,431)       (32,640)         Proceeds from sale of Denver       45,850         Other, net       (701)       896         Net cash (used) provided by investing activities       (45,132)       14,106         Financing activities:       173,000       161,500         Payment of debt       (185,988)       (207,488)         Debt issuance costs       (680)       (3,771)         Dividends paid       (10,587)       (10,066)         Other, net       431       3,002         Net cash used by financing activities       (23,824)       (56,823)         Net increase (decrease) in cash and cash equivalents       886       (219)	Other	(3,606)	(3,422)	
Capital expenditures       (44,431)       (32,640)         Proceeds from sale of Denver       45,850         Other, net       (701)       896         Net cash (used) provided by investing activities       (45,132)       14,106         Financing activities:       173,000       161,500         Payment of debt       (185,988)       (207,488)         Debt issuance costs       (680)       (3,771)         Dividends paid       (10,587)       (10,066)         Other, net       431       3,002         Net cash used by financing activities       (23,824)       (56,823)         Net increase (decrease) in cash and cash equivalents       886       (219)	Net cash provided by operating activities	69,842	42,498	
Proceeds from sale of Denver       45,850         Other, net       (701)       896         Net cash (used) provided by investing activities       (45,132)       14,106         Financing activities:       173,000       161,500         Payment of debt       (185,988)       (207,488)         Debt issuance costs       (680)       (3,771)         Dividends paid       (10,587)       (10,066)         Other, net       431       3,002         Net cash used by financing activities       (23,824)       (56,823)         Net increase (decrease) in cash and cash equivalents       886       (219)	Investing activities:			
Other, net       (701)       896         Net cash (used) provided by investing activities       (45,132)       14,106         Financing activities:       173,000       161,500         Payment of debt       (185,988)       (207,488)         Debt issuance costs       (680)       (3,771)         Dividends paid       (10,587)       (10,066)         Other, net       431       3,002         Net cash used by financing activities       (23,824)       (56,823)         Net increase (decrease) in cash and cash equivalents       886       (219)		(44,431)	(32,640)	
Net cash (used) provided by investing activities       (45,132)       14,106         Financing activities:       173,000       161,500         Payment of debt       (185,988)       (207,488)         Debt issuance costs       (680)       (3,771)         Dividends paid       (10,587)       (10,066)         Other, net       431       3,002         Net cash used by financing activities       (23,824)       (56,823)         Net increase (decrease) in cash and cash equivalents       886       (219)	Proceeds from sale of Denver		45,850	
Financing activities:  Increase in debt Payment of debt Debt issuance costs Dividends paid Other, net  Net cash used by financing activities  Financing activities:  173,000 161,500 161,500 1680) (3,771) 179,000 185,988) (207,488) 199,000	Other, net	(701)	896	
Increase in debt       173,000       161,500         Payment of debt       (185,988)       (207,488)         Debt issuance costs       (680)       (3,771)         Dividends paid       (10,587)       (10,066)         Other, net       431       3,002         Net cash used by financing activities       (23,824)       (56,823)         Net increase (decrease) in cash and cash equivalents       886       (219)	Net cash (used) provided by investing activities	(45,132)	14,106	
Payment of debt       (185,988)       (207,488)         Debt issuance costs       (680)       (3,771)         Dividends paid       (10,587)       (10,066)         Other, net       431       3,002         Net cash used by financing activities       (23,824)       (56,823)         Net increase (decrease) in cash and cash equivalents       886       (219)				
Debt issuance costs       (680)       (3,771)         Dividends paid       (10,587)       (10,066)         Other, net       431       3,002         Net cash used by financing activities       (23,824)       (56,823)         Net increase (decrease) in cash and cash equivalents       886       (219)				
Dividends paid       (10,587)       (10,066)         Other, net       431       3,002         Net cash used by financing activities       (23,824)       (56,823)         Net increase (decrease) in cash and cash equivalents       886       (219)			. , ,	
Other, net 431 3,002  Net cash used by financing activities (23,824) (56,823)  Net increase (decrease) in cash and cash equivalents 886 (219)				
Net cash used by financing activities (23,824) (56,823)  Net increase (decrease) in cash and cash equivalents 886 (219)				
Net increase (decrease) in cash and cash equivalents 886 (219)	Other, net	431	3,002	
	Net cash used by financing activities	(23,824)	(56,823)	
	Net increase (decrease) in cash and cash equivalents	886	(219)	
	Cash and cash equivalents at beginning of period	000	(=1))	