

PRIMEDIA INC
Form 10-Q
August 09, 2004

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: **June 30, 2004**

Commission file number: 1-11106

PRIMEDIA Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

13-3647573
(I.R.S. Employer
Identification No.)

745 Fifth Avenue, New York, New York

(Address of principal executive offices)

10151

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(Zip Code)

Registrant's telephone number, including area code **(212) 745-0100**

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, 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

Number of shares of common stock, par value \$.01 per share, of PRIMEDIA Inc. outstanding as of July 30, 2004: 260,481,340.

PRIMEDIA Inc.

INDEX

Part I. Financial Information:

-	Item 1.	Financial Statements	
		<u>Condensed Consolidated Balance Sheets as of June 30, 2004 (Unaudited) and December 31, 2003</u>	<u>2</u>
		<u>Condensed Statements of Consolidated Operations (Unaudited) for the six months ended June 30, 2004 and 2003</u>	<u>3</u>
		<u>Condensed Statements of Consolidated Operations (Unaudited) for the three months ended June 30, 2004 and 2003</u>	<u>4</u>
		<u>Condensed Statements of Consolidated Cash Flows (Unaudited) for the six months ended June 30, 2004 and 2003</u>	<u>5</u>
		<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	<u>6</u>
-	Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>27</u>
-	Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>58</u>
	Item 4.	<u>Controls and Procedures</u>	<u>58</u>

Part II. Other Information:

	<u>Item 4.</u>	<u>Submission of Matters to a Vote of Security Holders</u>	<u>59</u>
	<u>Item 6.</u>	<u>Exhibits and Reports on Form 8-K</u>	<u>60</u>
	<u>Signatures</u>		<u>61</u>

PRIMEDIA INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

December 31,
2003

June 30, 2004
(Unaudited)
(dollars in thousands, except per share amounts)

ASSETS

Current assets:			
Cash and cash equivalents	\$	66,558	\$ 8,685
Accounts receivable, net		180,944	194,080
Inventories		19,095	17,500
Prepaid expenses and other		40,942	36,059
Assets held for sale		379	31,879
Total current assets		307,918	288,203
Property and equipment (net of accumulated depreciation and amortization of \$301,352 in 2004 and \$280,612 in 2003)			
		98,448	110,859
Other intangible assets, net		258,389	268,407
Goodwill		903,178	910,534
Other non-current assets		60,384	58,118
Total Assets	\$	1,628,317	\$ 1,636,121

LIABILITIES AND SHAREHOLDERS DEFICIENCY

Current liabilities:			
Accounts payable	\$	75,293	\$ 78,794
Accrued expenses and other		181,144	213,934
Deferred revenues		151,336	157,853
Current maturities of long-term debt		16,683	22,195
Liabilities of businesses held for sale		1,297	16,049
Total current liabilities		425,753	488,825
Long-term debt		1,592,292	1,562,441
Shares subject to mandatory redemption		474,559	474,559
Deferred revenues		35,446	33,604
Deferred income taxes		69,970	61,364
Other non-current liabilities		25,837	28,583
Total Liabilities		2,623,857	2,649,376
Shareholders' deficiency:			
Series J convertible preferred stock (\$.01 par value, 1,406,722 shares and 1,319,093 shares issued and outstanding, aggregate liquidation and redemption values of \$175,841 and \$164,887 at June 30, 2004 and December 31, 2003, respectively)		175,487	164,533
Common stock (\$.01 par value, 350,000,000 shares authorized at June 30, 2004 and December 31, 2003 and 269,032,592 shares and 268,333,049 shares issued at June 30, 2004 and December 31, 2003, respectively)		2,690	2,683
Additional paid-in capital (including warrants of \$31,690 at June 30, 2004 and December 31, 2003)		2,349,476	2,345,152
Accumulated deficit		(3,445,439)	(3,447,710)
Accumulated other comprehensive loss		(192)	(176)
Unearned compensation			(175)

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Common stock in treasury, at cost (8,610,491 shares at June 30, 2004 and December 31, 2003)		(77,562)		(77,562)
Total Shareholders' Deficiency		(995,540)		(1,013,255)
Total Liabilities and Shareholders' Deficiency	\$	1,628,317	\$	1,636,121

See notes to condensed consolidated financial statements (unaudited).

PRIMEDIA INC. AND SUBSIDIARIES

CONDENSED STATEMENTS OF CONSOLIDATED OPERATIONS (UNAUDITED)

	Six Months Ended June 30,		
	2004		2003
	(dollars in thousands, except per share amounts)		
Revenues, net:			
Advertising	\$	418,025	\$ 414,915
Circulation		150,792	155,081
Other		98,545	94,782
Total revenues, net		667,362	664,778
Operating costs and expenses:			
Cost of goods sold		141,668	147,758
Marketing and selling		141,562	142,003
Distribution, circulation and fulfillment		115,566	113,841
Editorial		53,853	53,152
Other general expenses		87,824	84,705
Corporate administrative expenses (excluding \$3,486 and \$2,023 of non-cash compensation in 2004 and 2003, respectively)		13,363	14,053
Depreciation of property and equipment		21,902	26,459
Amortization of intangible assets and other		10,783	20,605
Severance related to separated senior executives		658	5,576
Non-cash compensation		3,486	2,023
Provision for severance, closures and restructuring related costs		7,174	3,150
Provision for unclaimed property		5,500	
(Gain) loss on sale of businesses and other, net		(23)	1,338
Operating income		64,046	50,115
Other income (expense):			
Provision for impairment of investments		(804)	(7,727)
Interest expense		(58,742)	(65,203)
Interest on shares subject to mandatory redemption		(21,890)	
Amortization of deferred financing costs		(2,319)	(1,244)
Other income (expense), net		109	(3,819)
Loss from continuing operations before income tax expense		(19,600)	(27,878)
Income tax expense		(8,724)	(7,051)
Loss from continuing operations		(28,324)	(34,929)
Discontinued operations (including gain on sale of businesses of \$42,226 and \$102,605 in 2004 and 2003, respectively)		41,549	103,586
Net income		13,225	68,657
Preferred stock dividends and related accretion, net		(10,954)	(32,011)
Income applicable to common shareholders	\$	2,271	\$ 36,646
Per common share:			
Loss from continuing operations	\$	(0.15)	\$ (0.26)
Discontinued operations		0.16	0.40

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Basic and diluted income applicable to common shareholders	\$	0.01	\$	0.14
Basic and diluted common shares outstanding		260,100,874		258,945,403

See notes to condensed consolidated financial statements (unaudited).

PRIMEDIA INC. AND SUBSIDIARIES

CONDENSED STATEMENTS OF CONSOLIDATED OPERATIONS (UNAUDITED)

	Three Months Ended June 30,	
	2004	2003
	(dollars in thousands, except per share amounts)	
Revenues, net:		
Advertising	\$ 213,696	\$ 211,462
Circulation	76,989	77,779
Other	51,491	50,050
Total revenues, net	342,176	339,291
Operating costs and expenses:		
Cost of goods sold	74,209	75,910
Marketing and selling	66,203	66,358
Distribution, circulation and fulfillment	59,372	55,984
Editorial	26,785	26,473
Other general expenses	42,707	41,680
Corporate administrative expenses (excluding \$1,567 and \$777 of non-cash compensation in 2004 and 2003, respectively)	5,906	6,672
Depreciation of property and equipment	10,181	14,359
Amortization of intangible assets and other	4,817	9,920
Severance related to separated senior executives		5,576
Non-cash compensation	1,567	777
Provision for severance, closures and restructuring related costs	4,455	1,988
Loss on sale of businesses and other, net	52	1,212
Operating income	45,922	32,382
Other expense:		
Provision for impairment of investments	(804)	(7,727)
Interest expense	(30,164)	(31,750)
Interest on shares subject to mandatory redemption	(10,945)	
Amortization of deferred financing costs	(1,217)	(503)
Other expense, net	(179)	(3,275)
Income (loss) from continuing operations before income tax expense	2,613	(10,873)
Income tax expense	(4,357)	(3,333)