

LEE ENTERPRISES, INC  
Form 10-Q  
May 04, 2012

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 March 25, 2012

OR

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

Commission File Number 1-6227  
LEE ENTERPRISES, INCORPORATED

(Exact name of Registrant as specified in its Charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

42-0823980  
(I.R.S. Employer Identification No.)

201 N. Harrison Street, Suite 600, Davenport, Iowa 52801  
(Address of principal executive offices)

(563) 383-2100  
(Registrant's telephone number, including area code)

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company

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(Do not check if a smaller reporting company)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of March 25, 2012, 51,701,241 shares of Common Stock of the Registrant were outstanding.

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References to “we”, “our”, “us” and the like throughout this document refer to Lee Enterprises, Incorporated (the “Company”). References to “2012”, “2011” and the like refer to the fiscal years ended the last Sunday in September.

FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward-looking statements. This report contains information that may be deemed forward-looking that is based largely on our current expectations, and is subject to certain risks, trends and uncertainties that could cause actual results to differ materially from those anticipated. Among such risks, trends and other uncertainties, which in some instances are beyond our control, are our ability to generate cash flows and maintain liquidity sufficient to service our debt, comply with or obtain amendments or waivers of the financial covenants contained in our credit facilities, if necessary, and to refinance our debt as it comes due.

Other risks and uncertainties include the impact and duration of continuing adverse economic conditions, changes in advertising demand, potential changes in newsprint and other commodity prices, energy costs, interest rates, labor costs, legislative and regulatory rulings, difficulties in achieving planned expense reductions, maintaining employee and customer relationships, increased capital costs, maintaining our listing status on the NYSE, competition and other risks detailed from time to time in our publicly filed documents.

Any statements that are not statements of historical fact (including statements containing the words “may”, “will”, “would”, “could”, “believe”, “expect”, “anticipate”, “intend”, “plan”, “project”, “consider” and similar expressions) generally should be considered forward-looking statements. Readers are cautioned not to place undue reliance on such forward-looking statements, which are made as of the date of this report. We do not undertake to publicly update or revise our forward-looking statements.

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FINANCIAL INFORMATION

## Item 1. Financial Statements

LEE ENTERPRISES, INCORPORATED  
CONSOLIDATED BALANCE SHEETS  
(Unaudited)

(Thousands of Dollars)	March 25 2012	September 25 2011
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	29,655	23,555
Accounts receivable, net	64,667	71,024
Income taxes receivable	—	1,335
Inventories	8,164	7,388
Deferred income taxes	967	967
Other	6,286	19,553
Total current assets	109,739	123,822
Investments:		
Associated companies	42,992	44,057
Restricted cash and investments	—	4,972
Other	9,399	9,199
Total investments	52,391	58,228
Property and equipment:		
Land and improvements	27,017	27,017
Buildings and improvements	191,905	191,250
Equipment	310,176	317,126
Construction in process	2,713	2,852
	531,811	538,245
Less accumulated depreciation	329,162	326,205
Property and equipment, net	202,649	212,040
Goodwill	247,271	247,271
Other intangible assets, net	473,665	495,509
Postretirement assets, net	16,042	14,934
Other	2,530	6,444
Total assets	1,104,287	1,158,248

The accompanying Notes are an integral part of the Consolidated Financial Statements.



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(Thousands of Dollars and Shares, Except Per Share Data)	March 25 2012	September 25 2011	
<b>LIABILITIES AND EQUITY</b>			
Current liabilities:			
Current maturities of long-term debt	7,082	994,550	
Accounts payable	31,659	27,740	
Compensation and other accrued liabilities	39,333	35,437	
Income taxes payable	8,440	—	
Unearned revenue	38,559	36,512	
Total current liabilities	125,073	1,094,239	
Long-term debt, net of current maturities	936,595	—	
Pension obligations	69,778	73,518	
Postretirement and postemployment benefit obligations	6,509	6,104	
Deferred income taxes	50,129	66,204	
Income taxes payable	9,016	8,588	
Other	9,683	10,489	
Total liabilities	1,206,783	1,259,142	
Equity (deficit):			
Stockholders' equity (deficit):			
Serial convertible preferred stock, no par value; authorized 500 shares; none issued	—	—	
Common Stock, authorized 120,000 shares; issued and outstanding: March 25, 2012; 51,701 shares; \$0.01 par value September 25, 2011; 44,958 shares; \$2 par value	517	89,915	
Class B Common Stock, \$2 par value; authorized 30,000 shares; none issued	—	—	
Additional paid-in capital	240,355	140,887	
Accumulated deficit	(338,132)	(326,062)	)
Accumulated other comprehensive income	(5,782)	(6,086)	)
Total stockholders' deficit	(103,042)	(101,346)	)
Non-controlling interests	546	452	
Total deficit	(102,496)	(100,894)	)
Total liabilities and deficit	1,104,287	1,158,248	

The accompanying Notes are an integral part of the Consolidated Financial Statements.

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LEE ENTERPRISES, INCORPORATED  
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)  
(Unaudited)

(Thousands of Dollars, Except Per Common Share Data)	13 Weeks Ended		26 Weeks Ended	
	March 25 2012	March 27 2011	March 25 2012	March 27 2011
Operating revenue:				
Advertising	117,500	124,053	260,000	275,821
Circulation	44,878	44,821	91,574	90,298
Other	9,880	9,852	20,245	20,274
Total operating revenue	172,258	178,726	371,819	386,393
Operating expenses:				
Compensation	72,524	76,529	146,101	154,549
Newsprint and ink	13,077	14,849	27,937	30,523
Other operating expenses	54,011	57,476	111,253	117,144
Depreciation	6,126	7,293	12,362	13,816
Amortization of intangible assets	10,920	11,201	21,844	22,484
Workforce adjustments	542	443	880	635
Total operating expenses	157,200	167,791	320,377	339,151
Curtailment gains	—	1,991	—	12,163
Equity in earnings of associated companies	1,430	1,148	4,241	3,852
Operating income	16,488	14,074	55,683	63,257
Non-operating income (expense):				
Financial income	54	18	109	77
Financial expense	(20,312)	(13,140)	(33,064)	(26,578)
Debt financing costs	(715)	(1,895)	(2,739)	(3,861)
Other, net	—	(231)	—	(684)
Total non-operating expense, net	(20,973)	(15,248)	(35,694)	(31,046)
Income (loss) before reorganization costs and income taxes	(4,485)	(1,174)	19,989	32,211
Reorganization costs	36,626	—	37,867	—
Income (loss) before income taxes	(41,111)	(1,174)	(17,878)	32,211
Income tax expense (benefit)	(14,569)	275	(5,959)	14,682
Net income (loss)	(26,542)	(1,449)	(11,919)	17,529
Net income attributable to non-controlling interests	(83)	(23)	(153)	(58)
Income (loss) attributable to Lee Enterprises, Incorporated	(26,625)	(1,472)	(12,072)	17,471
Other comprehensive income (loss), net	152	(3,274)	304	2,211
Comprehensive income (loss)	(26,473)	(4,746)	(11,768)	19,682
Earnings (loss) per common share:				
Basic	(0.54)	(0.03)	(0.26)	0.39
Diluted	(0.54)	(0.03)	(0.26)	0.39

The accompanying Notes are an integral part of the Consolidated Financial Statements.



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LEE ENTERPRISES, INCORPORATED  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

(Thousands of Dollars)	26 Weeks Ended	
	March 25 2012	March 27 2011
Cash provided by (required for) operating activities:		
Net income (loss)	(11,919	) 17,529
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	34,206	36,300
Curtailment gains	—	(12,163
Amortization (accretion) of debt present value adjustment	1,170	(273
Stock compensation expense	495	775
Distributions greater (less) than current earnings of MNI	421	(48
Deferred income tax expense (benefit)	(16,286	) 7,904
Debt financing costs	2,753	3,787
Reorganization costs	37,867	—
Changes in operating assets and liabilities:		
Decrease in receivables	6,357	8,657
Decrease in inventories and other	2,052	2,118
Increase (decrease) in accounts payable, accrued expenses and unearned revenue	1,123	(6,637
Increase (decrease) in pension, postretirement and post employment benefits	(3,928	) 284
Change in income taxes receivable or payable	10,203	(394
Other, net	(1,364	) (560
Net cash provided by operating activities	63,150	57,279
Cash provided by (required for) investing activities:		
Purchases of property and equipment	(3,022	) (2,238
Decrease in restricted cash	4,972	4,522
Proceeds from sales of assets	4,929	1,789
Distributions greater than current earnings of TNI	644	279
Net cash provided by investing activities	7,523	4,352
Cash provided by (required for) financing activities:		
Proceeds from long-term debt	1,004,795	21,000
Payments on long-term debt	(1,045,805	) (76,830
Debt financing and reorganization costs paid	(23,563	) (116
Common stock transactions, net	—	(210
Net cash required for financing activities	(64,573	) (56,156
Net increase in cash and cash equivalents	6,100	5,475
Cash and cash equivalents:		
Beginning of period	23,555	19,422
End of period	29,655	24,897

The accompanying Notes are an integral part of the Consolidated Financial Statements.

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LEE ENTERPRISES, INCORPORATED  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

1 BASIS OF PRESENTATION

The Consolidated Financial Statements included herein are unaudited. In the opinion of management, these financial statements contain all adjustments (consisting of only normal recurring items) necessary to present fairly the financial position of Lee Enterprises, Incorporated and subsidiaries (the "Company") as of March 25, 2012 and their results of operations and cash flows for the periods presented. The Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in the Company's amended 2011 Annual Report on Form 10-K/A.

Because of seasonal and other factors, the results of operations for the 13 weeks and 26 weeks ended March 25, 2012 are not necessarily indicative of the results to be expected for the full year.

References to "we", "our", "us" and the like throughout the Consolidated Financial Statements refer to the Company. References to "2012", "2011" and the like refer to the fiscal years ended the last Sunday in September.

The Consolidated Financial Statements include our accounts and those of our subsidiaries, all of which are wholly-owned, except for our 50% interest in TNI Partners ("TNI"), 50% interest in Madison Newspapers, Inc. ("MNI"), and 82.5% interest in INN Partners, L.C.

On December 12, 2011, the Company and certain of its subsidiaries filed voluntary, prepackaged petitions in the U.S. Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") for relief under Chapter 11 of the U.S. Bankruptcy Code (the "U.S. Bankruptcy Code") (collectively, the "Chapter 11 Proceedings"). Our interests in TNI and MNI were not included in the filings. We, and certain of our subsidiaries, continued to operate as "debtors in possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the U.S. Bankruptcy Code. In general, as debtors-in-possession, we were authorized under the U.S. Bankruptcy Code to continue to operate as an ongoing business, but were not to engage in transactions outside the ordinary course of business without the prior approval of the Bankruptcy Court.

On January 23, 2012, the Bankruptcy Court approved our Second Amended Joint Prepackaged Plan of Reorganization (the "Plan") under Chapter 11 of the U.S. Bankruptcy Code and on January 30, 2012 (the "Effective Date") the Company emerged from the Chapter 11 Proceedings. On the Effective Date, the Plan became effective and the transactions contemplated by the Plan were consummated. Implementation of the Plan resulted primarily in a comprehensive refinancing of our debt. See Not