

E.W. SCRIPPS Co
Form 10-Q
November 03, 2017
Table of Contents

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 September 30, 2017

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 0-16914
THE E.W. SCRIPPS COMPANY
(Exact name of registrant as specified in its charter)
Ohio 31-1223339
(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification Number)

312 Walnut Street 45202
Cincinnati, Ohio (Zip Code)
(Address of principal executive offices)
Registrant's telephone number, including area code: (513)
977-3000

Not applicable
(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 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 "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Emerging growth company
Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Edgar Filing: E.W. SCRIPPS Co - Form 10-Q

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of September 30, 2017, there were 69,967,489 of the registrant's Class A Common shares, \$0.01 par value per share, outstanding and 11,932,722 of the registrant's Common Voting shares,\$0.01 par value per share, outstanding.

Index to The E.W. Scripps Company Quarterly Report
on Form 10-Q for the Quarter Ended September 30, 2017

Item No.	Page
<u>PART I - Financial Information</u>	
<u>1. Financial Statements</u>	<u>3</u>
<u>2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>3</u>
<u>3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>3</u>
<u>4. Controls and Procedures</u>	<u>3</u>
<u>PART II - Other Information</u>	
<u>1. Legal Proceedings</u>	<u>3</u>
<u>1A. Risk Factors</u>	<u>3</u>
<u>2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>3</u>
<u>3. Defaults Upon Senior Securities</u>	<u>4</u>
<u>4. Mine Safety Disclosures</u>	<u>4</u>
<u>5. Other Information</u>	<u>4</u>
<u>6. Exhibits</u>	<u>4</u>
<u>Signatures</u>	<u>5</u>

Table of Contents

PART I

As used in this Quarterly Report on Form 10-Q, the terms “Scripps,” “Company,” “we,” “our,” or “us” may, depending on the context, refer to The E.W. Scripps Company, to one or more of its consolidated subsidiary companies, or to all of them taken as a whole.

Item 1. Financial Statements

The information required by this item is filed as part of this Form 10-Q. See Index to Financial Information at page F-1 of this Form 10-Q.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information required by this item is filed as part of this Form 10-Q. See Index to Financial Information at page F-1 of this Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The information required by this item is filed as part of this Form 10-Q. See Index to Financial Information at page F-1 of this Form 10-Q.

Item 4. Controls and Procedures

The information required by this item is filed as part of this Form 10-Q. See Index to Financial Information at page F-1 of this Form 10-Q.

PART II

Item 1. Legal Proceedings

We are involved in litigation arising in the ordinary course of business, such as defamation actions, and governmental proceedings primarily relating to renewal of broadcast licenses, none of which is expected to result in material loss.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in Item 1A. Risk Factors in our 2016 Annual Report on Form 10-K, as updated in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2017.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were no sales of unregistered equity securities during the quarter ended September 30, 2017.

The following table provides information about Company purchases of Class A Common shares during the quarter ended September 30, 2017, and the remaining amount that may still be purchased under the program.

Period	Total number of shares purchased	Average price paid per share	Total market value of shares purchased	Maximum value that may yet be purchased under the
--------	---	---------------------------------------	--	---

Edgar Filing: E.W. SCRIPPS Co - Form 10-Q

plans or
programs

7/1/17-7/31/17	91,832	\$ 18.40	\$1,689,808	\$92,545,901
8/1/17-8/31/17	101,700	18.50	1,881,365	\$90,664,536
9/1/17-9/30/17	105,028	17.87	1,876,693	\$88,787,843
Total	298,560	\$ 18.25	\$5,447,866	

3

Table of Contents

In November 2016, our Board of Directors authorized a repurchase program of up to \$100 million of our Class A Common shares through December 2018. At September 30, 2017, \$88.8 million remained under the authorization.

Item 3. Defaults Upon Senior Securities

There were no defaults upon senior securities during the quarter ended September 30, 2017.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Exhibit Description
10.02	<u>Amendment No. 1 to The E.W. Scripps Company 2010 Long-Term Incentive Plan</u>
10.10	<u>Scripps Supplemental Executive Retirement Plan (as Amended and Restated effective February 23, 2015)</u>
10.14	<u>Scripps Executive Deferred Compensation Plan, Amended and Restated as of February 23, 2015</u>
10.15	<u>The E.W. Scripps Company Restricted Share Unit Agreement (Non-Employee Directors)</u>
10.16	<u>Employee Restricted Share Unit Agreement</u>
31(a)	<u>Section 302 Certifications</u>
31(b)	<u>Section 302 Certifications</u>
32(a)	<u>Section 906 Certifications</u>
32(b)	<u>Section 906 Certifications</u>
101.INS	XBRL Instance Document (furnished herewith)
101.SCH	XBRL Taxonomy Extension Schema Document (furnished herewith)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document (furnished herewith)
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document (furnished herewith)
101.LAB	XBRL Taxonomy Extension Label Linkbase Document (furnished herewith)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document (furnished herewith)

Table of Contents

Signatures

Pursuant to the requirements 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 E.W. SCRIPPS COMPANY

Dated: November 3, 2017 By: /s/ Douglas F. Lyons
Douglas F. Lyons
Vice President, Controller and Treasurer
(Principal Accounting Officer)

Table of Contents

The E.W. Scripps Company
Index to Financial Information (Unaudited)

Item	Page
<u>Condensed Consolidated Balance Sheets</u>	<u>F-2</u>
<u>Condensed Consolidated Statements of Operations</u>	<u>F-3</u>
<u>Condensed Consolidated Statements of Comprehensive Income (Loss)</u>	<u>F-4</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>F-5</u>
<u>Condensed Consolidated Statements of Equity</u>	<u>F-6</u>
<u>Condensed Notes to Consolidated Financial Statements</u>	<u>F-7</u>
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>F-19</u>
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>F-31</u>
<u>Controls and Procedures</u>	<u>F-32</u>

F-1

Table of ContentsThe E.W. Scripps Company
Condensed Consolidated Balance Sheets (Unaudited)

(in thousands, except share data)	As of September 30, 2017	As of December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 126,535	\$ 134,352
Accounts and notes receivable (less allowances—\$2,035 and \$1,632)	197,152	192,531
Miscellaneous	31,245	19,012
Total current assets	354,932	345,895
Investments	14,137	14,221
Property and equipment	247,156	260,731
Goodwill	587,377	616,780
Other intangible assets	456,398	467,896
Deferred income taxes	10,488	9,075
Miscellaneous	16,122	13,775
Total Assets	\$ 1,686,610	\$ 1,728,373
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$ 28,708	\$ 26,670
Customer deposits and unearned revenue	7,088	7,122
Current portion of long-term debt	2,656	6,571
Accrued liabilities:		
Employee compensation and benefits	30,533	32,636
Accrued interest	8,656	—
Miscellaneous	21,595	18,986
Other current liabilities	9,442	12,146
Total current liabilities	108,678	104,131
Long-term debt (less current portion)	393,179	386,614
Deferred income taxes	3,889	17,740
Other liabilities (less current portion)	251,890	273,953
Equity:		
Preferred stock, \$.01 par — authorized: 25,000,000 shares; none outstanding	—	—
Common stock, \$.01 par:		
Class A — authorized: 240,000,000 shares; issued and outstanding: 69,967,489 and 70,042,300 shares	700	700
Voting — authorized: 60,000,000 shares; issued and outstanding: 11,932,722 and 11,932,722 shares	119	119
Total	819	819
Additional paid-in capital	1,133,484	1,132,540
Accumulated deficit	(116,202)	(94,077)
Accumulated other comprehensive loss, net of income taxes	(91,270)	(93,347)
Total The E.W. Scripps Company shareholders' equity	926,831	945,935
Noncontrolling interest	2,143	—

Total equity	928,974	945,935
Total Liabilities and Equity	\$1,686,610	\$1,728,373

See notes to condensed consolidated financial statements.

F-2

Table of ContentsThe E.W. Scripps Company
Condensed Consolidated Statements of Operations (Unaudited)

(in thousands, except per share data)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Operating Revenues:				
Advertising	\$142,741	\$170,169	\$432,094	\$479,932
Retransmission	63,733	53,134	196,003	160,181
Other	9,976	9,737	31,174	30,242
Total operating revenues	216,450	233,040	659,271	670,355
Costs and Expenses:				
Employee compensation and benefits	96,290	91,568	294,394	279,916
Programs and program licenses	52,543	45,833	146,755	129,904
Other expenses	51,654	49,791	150,093	145,822
Acquisition and related integration costs	—	—	—	578
Restructuring costs	2,407	—	2,407	—
Total costs and expenses	202,894	187,192	593,649	556,220
Depreciation, Amortization, and (Gains) Losses:				
Depreciation	9,162	8,407	27,304	25,991
Amortization of intangible assets	5,493	6,485	16,724	18,098
Impairment of goodwill and intangibles	35,732	—	35,732	—
Losses (gains), net on disposal of property and equipment	124	26	435	44
Net depreciation, amortization, and (gains) losses	50,511	14,918	80,195	44,133
Operating income (loss)	(36,955)	30,930	(14,573)	70,002
Interest expense	(5,720)	(4,592)	(18,163)	(13,603)
Defined benefit pension plan expense	(3,551)	(3,605)	(10,485)	(10,504)
Miscellaneous, net	1,187	(596)	5,411	(1,245)
Income (loss) from operations before income taxes	(45,039)	22,137	(37,810)	44,650
Provision (benefit) for income taxes	(18,355)	9,615	(17,732)	15,752
Net income (loss)	(26,684)	12,522	(20,078)	28,898
Net income (loss) attributable to noncontrolling interests	—	—	—	—
Net income (loss) attributable to the shareholders of The				