

LEE ENTERPRISES, INC
Form 10-Q
May 14, 2008
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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 30, 2008

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

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

incorporation or organization)

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

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 30, 2008, 38,828,846 shares of Common Stock and 6,069,022 shares of Class B Common Stock of the Registrant were outstanding.

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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 the current expectations of Lee Enterprises, Incorporated and subsidiaries (the Company), 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 are changes in advertising demand, newsprint prices, energy costs, interest rates, labor costs, legislative and regulatory rulings and other results of operations or financial conditions, difficulties in integration of acquired businesses or maintaining employee and customer relationships, increased capital and other costs and other risks detailed from time to time in the Company's publicly filed documents including the Company's Annual Report on Form 10-K for the year ended September 30, 2007. The words may, will, would, could, believes, expects, anticipates, intends, plans, projects, considers and similar expressions generally identify 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. The Company does not undertake to publicly update or revise its forward-looking statements.

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****LEE ENTERPRISES, INCORPORATED****CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**

(Unaudited)

	13 Weeks Ended	Three Months Ended	26 Weeks Ended	Six Months Ended
	March 30,	March 31,	March 30,	March 31,
	2008	2007	2008	2007
<i>(Thousands, Except Per Common Share Data)</i>				
Operating revenue:				
Advertising	\$ 186,133	\$197,365	\$ 403,703	\$429,954
Circulation	49,087	49,912	98,892	101,948
Other	12,505	12,690	24,986	26,554
Total operating revenue	247,725	259,967	527,581	558,456
Operating expenses:				
Compensation	105,574	108,938	213,768	221,129
Newsprint and ink	24,349	27,086	49,452	58,011
Other operating expenses	73,250	69,658	147,376	144,581
Depreciation	8,817	8,591	16,976	16,839
Amortization of intangible assets	14,868	14,933	29,740	29,888
Impairment of goodwill and other intangible assets	841,005	-	841,005	-
Curtailment gains	-	(3,731)	-	(3,731)
Workforce adjustments	411	-	411	-
Total operating expenses	1,068,274	225,475	1,298,728	466,717
Equity in earnings of associated companies	1,808	5,305	6,109	11,810
Reduction of investment in TNI	90,384	-	90,384	-
Operating income (loss)	(909,125)	39,797	(855,422)	103,549
Non-operating income (expense):				
Financial income	1,520	1,522	3,316	3,031
Financial expense	(18,824)	(22,544)	(39,674)	(45,979)
Other, net	24	-	24	-
Total non-operating expense, net	(17,280)	(21,022)	(36,334)	(42,948)
Income (loss) before income taxes	(926,405)	18,775	(891,756)	60,601
Income tax expense (benefit)	(220,841)	6,627	(208,587)	21,426
Minority interest	(11)	300	596	804
Income (loss) from continuing operations	(705,553)	11,848	(683,765)	38,371
Discontinued operations, net	(1)	43	337	171
Net income (loss)	(705,554)	11,891	(683,428)	38,542
Increase in redeemable minority interest	(7,483)	-	(7,483)	-
Net income (loss) available to common stockholders	(713,037)	11,891	(690,911)	38,542
Other comprehensive loss, net	(3,337)	(689)	(5,792)	(837)
Comprehensive income (loss) available to common stockholders	\$(716,374)	\$ 11,202	\$(696,703)	\$ 37,705

Earnings (loss) per common share:

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Basic:				
Continuing operations	\$(15.90)	\$0.26	\$(15.25)	\$0.84
Discontinued operations	-	-	0.01	-
	\$(15.90)	\$0.26	\$(15.24)	\$0.85
Diluted:				
Continuing operations	\$(15.90)	\$0.26	\$(15.25)	\$0.84
Discontinued operations	-	-	0.01	-
	\$(15.90)	\$0.26	\$(15.24)	\$0.84
Dividends per common share	\$ 0.19	\$0.18	\$ 0.38	\$0.36

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

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(Unaudited)

<i>(Thousands, Except Per Share Data)</i>	March 30, 2008	September 30, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,478	\$ -
Accounts receivable, net	108,073	118,723
Receivable from associated companies	-	1,563
Inventories	19,006	14,153
Assets of discontinued operations	-	18,820
Other	12,868	13,624
Total current assets	142,425	166,883
Investments	117,346	212,724
Restricted cash and investments	118,560	111,060
Property and equipment, net	318,441	324,655
Goodwill	839,099	1,505,460
Other intangible assets, net	765,484	914,232
Other	26,237	25,949
Total assets	\$2,327,592	\$3,260,963
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 118,750	\$ 62,250
Accounts payable	38,048	39,288
Compensation and other accrued liabilities	76,587	96,036
Income taxes payable	17,643	7,971
Dividends payable	8,571	6,703
Unearned revenue	40,894	38,513
Liabilities of discontinued operations	-	3,943
Total current liabilities	300,493	254,704
Long-term debt, net of current maturities	1,256,437	1,346,630
Pension obligations	2,217	2,302
Postretirement and postemployment benefit obligations	74,775	72,236
Deferred income taxes	245,817	478,418
Other	22,493	13,078
Redeemable minority interest	70,783	7,153
Total liabilities	1,973,015	2,174,521
Stockholders equity:		
Serial convertible preferred stock, no par value; authorized 500 shares; none issued	-	-
Common Stock, \$2 par value; authorized 120,000 shares; issued and outstanding:	77,658	79,958
March 30, 2008: 38,829 shares;		
September 30, 2007: 39,979 shares		
Class B Common Stock, \$2 par value; authorized 30,000 shares; issued and outstanding:	12,138	12,416
March 30, 2008: 6,069 shares;		
September 30, 2007: 6,208 shares		
Additional paid-in capital	134,048	132,090
Retained earnings	94,333	819,786
Accumulated other comprehensive income	36,400	42,192
Total stockholders equity	354,577	1,086,442
Total liabilities and stockholders equity	\$2,327,592	\$3,260,963

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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)

	26 Weeks Ended	Six Months Ended
	March 30,	March 31,
<i>(Thousands)</i>	2008	2007
Cash provided by (required for) operating activities:		
Net income (loss)	\$(683,428)	\$ 38,542
Results of discontinued operations	337	171
Income (loss) from continuing operations	(683,765)	38,371
Adjustments to reconcile income (loss) from continuing operations to net cash provided by operating activities of continuing operations:		
Depreciation and amortization	46,716	46,727
Impairment of goodwill and other intangible assets	841,005	-
Stock compensation expense	3,124	3,959
Accretion of debt fair value adjustment	(3,943)	(3,740)
Distributions greater than current earnings of associated companies	1,774	315
Reduction of investment in TNI	90,384	-
Decrease in deferred income taxes	(219,831)	(4,166)
Changes in operating assets and liabilities, net of acquisitions:		
Decrease in receivables	12,433	8,089
Decrease (increase) in inventories and other	(4,097)	8,431
Decrease in accounts payable, accrued expenses and unearned revenue	(14,438)	(5,174)
Change in income taxes receivable or payable	(1,075)	(14,289)
Other, net	947	(3,882)
Net cash provided by operating activities of continuing operations	69,234	74,641
Cash provided by (required for) investing activities of continuing operations:		
Purchases of property and equipment	(13,742)	(12,648)
Purchases of marketable securities	(70,250)	(56,983)
Sales or maturities of marketable securities	49,895	43,752
Increase in restricted cash	15,134	6,562
Acquisitions	(1,224)	(118)
Other, net	2,855	3,689
Net cash required for investing activities of continuing operations	(17,332)	(15,746)
Cash provided by (required for) financing activities of continuing operations:		
Proceeds from long-term debt	66,400	42,000
Payments on long-term debt	(96,150)	(103,625)
Common stock transactions, net	(19,222)	(763)
Cash dividends paid	(15,468)	(16,474)
Net cash required for financing activities of continuing operations	(64,440)	(78,862)
Net cash provided by (required for) discontinued operations:		
Operating activities	(8,895)	42
Investing activities	23,911	22,108
Net increase in cash and cash equivalents	2,478	2,183
Cash and cash equivalents:		
Beginning of period	-	8,638
End of period	\$ 2,478	\$ 10,821

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