

LEE ENTERPRISES, INC
Form 10-Q
May 06, 2016

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 27, 2016

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 42-0823980
(State or other jurisdiction of (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 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 definitions of "large accelerated filer, accelerated filer and small reporting company" in Rule 12b-2 of the Exchange Act.

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

Edgar Filing: LEE ENTERPRISES, INC - Form 10-Q

Indicate by check mark whether the Registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

As of April 30, 2016, 55,710,274 shares of Common Stock of the Registrant were outstanding.

| | |
|--|-----------|
| Table Of Contents | PAGE |
| FORWARD LOOKING STATEMENTS | <u>1</u> |
| PART I FINANCIAL INFORMATION | <u>2</u> |
| Item 1. Financial Statements (Unaudited) | <u>2</u> |
| Consolidated Balance Sheets - March 27, 2016 and September 27, 2015 | <u>2</u> |
| Consolidated Statements of Operations and Comprehensive Operations - 13 weeks and 26 weeks ended March 27, 2016 and March 29, 2015 | <u>4</u> |
| Consolidated Statements of Cash Flows - 26 weeks ended March 27, 2016 and March 29, 2015 | <u>5</u> |
| Notes to Consolidated Financial Statements | <u>6</u> |
| Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations | <u>18</u> |
| Item 3. Quantitative and Qualitative Disclosures About Market Risk | <u>31</u> |
| Item 4. Controls and Procedures | <u>31</u> |
| PART II OTHER INFORMATION | <u>32</u> |
| Item 1. Legal Proceedings | <u>32</u> |
| Item 6. Exhibits | <u>32</u> |
| SIGNATURES | <u>32</u> |

Table of Contents

References to “we”, “our”, “us” and the like throughout this document refer to Lee Enterprises, Incorporated (the “Company”). References to “2016”, “2015” 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;
- Our ability to comply with the financial covenants in our credit facilities;
- Our ability to refinance our debt as it comes due;
- That the warrants issued in our refinancing will not be exercised;
- The impact and duration of adverse conditions in certain aspects of the economy affecting our business;
- Changes in advertising and subscription demand;
- Potential changes in newsprint, other commodities and energy costs;
- Interest rates;
- Labor costs;
- Legislative and regulatory rulings;
- Our ability to achieve planned expense reductions;
- Our ability to maintain employee and customer relationships;
- Our ability to manage increased capital costs;
- Our ability to maintain 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”, “believes”, “expects”, “anticipates”, “intends”, “plans”, “projects”, “considers” 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, except as required by law.

Table of ContentsPART I
FINANCIAL INFORMATION

Item 1. Financial Statements

LEE ENTERPRISES, INCORPORATED
CONSOLIDATED BALANCE SHEETS
(Unaudited)

| (Thousands of Dollars) | March 27 2016 | September 27 2015 |
|------------------------|------------------|----------------------|
|------------------------|------------------|----------------------|

ASSETS

Current assets:

| | | |
|---------------------------|--------|--------|
| Cash and cash equivalents | 16,468 | 11,134 |
| Accounts receivable, net | 52,139 | 58,899 |
| Income taxes receivable | 9 | 413 |
| Inventories | 4,356 | 3,914 |
| Other | 5,877 | 8,304 |
| Total current assets | 78,849 | 82,664 |

Investments:

| | | |
|----------------------|--------|--------|
| Associated companies | 32,148 | 35,069 |
| Other | 9,317 | 9,083 |
| Total investments | 41,465 | 44,152 |

Property and equipment:

| | | |
|----------------------------|---------|---------|
| Land and improvements | 21,978 | 22,257 |
| Buildings and improvements | 177,312 | 179,731 |
| Equipment | 281,208 | 290,127 |
| Construction in process | 2,015 | 997 |
| | 482,513 | 493,112 |

| | | |
|-------------------------------|---------|---------|
| Less accumulated depreciation | 346,310 | 349,343 |
|-------------------------------|---------|---------|

| | | |
|------------------------------|---------|---------|
| Property and equipment, net | 136,203 | 143,769 |
| Goodwill | 243,729 | 243,729 |
| Other intangible assets, net | 172,730 | 185,962 |
| Postretirement assets, net | 14,046 | 13,421 |
| Other | 30,904 | 34,128 |

| | | |
|--------------|---------|---------|
| Total assets | 717,926 | 747,825 |
|--------------|---------|---------|

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

Table of Contents

| (Thousands of Dollars and Shares, Except Per Share Data) | March 27 2016 | September 27 2015 |
|---|------------------|----------------------|
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Current maturities of long-term debt | 31,400 | 25,000 |
| Accounts payable | 16,466 | 20,113 |
| Compensation and other accrued liabilities | 22,655 | 27,055 |
| Accrued interest | 3,577 | 4,184 |
| Unearned revenue | 29,987 | 28,929 |
| Total current liabilities | 104,085 | 105,281 |
| Long-term debt, net of current maturities | 625,098 | 700,872 |
| Pension obligations | 49,775 | 52,522 |
| Postretirement and postemployment benefit obligations | 10,716 | 11,060 |
| Deferred income taxes | 40,285 | 22,137 |
| Income taxes payable | 5,508 | 4,856 |
| Other | 9,385 | 9,680 |
| Total liabilities | 844,852 | 906,408 |
| Equity (deficit): | | |
| Stockholders' equity (deficit): | | |
| Serial convertible preferred stock, no par value; authorized 500 shares; none issued | — | — |
| Common Stock, \$0.01 par value; authorized 120,000 shares; issued and outstanding: March 27, 2016: 55,710 shares; September 27, 2015: 54,679 shares | 557 | 547 |
| Class B Common Stock, \$2 par value; authorized 30,000 shares; none issued | — | — |
| Additional paid-in capital | 248,508 | 247,302 |
| Accumulated deficit | (360,501) | (390,966) |
| Accumulated other comprehensive loss | (16,362) | (16,276) |
| Total stockholders' deficit | (127,798) | (159,393) |
| Non-controlling interests | 872 | 810 |
| Total deficit | (126,926) | (158,583) |
| Total liabilities and deficit | 717,926 | 747,825 |

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