

LEE ENTERPRISES, INC
Form 8-K
January 21, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): January 19, 2010

LEE ENTERPRISES, INCORPORATED

(Exact name of Registrant as specified in its charter)

Commission File Number 1-6227

Delaware

42-0823980

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(State of Incorporation)

(I.R.S. Employer Identification No.)

201 N. Harrison Street, Davenport, Iowa 52801

(Address of Principal Executive Offices)

(563) 383-2100

Registrant's telephone number, including area code

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition.

On January 19, 2010 Lee Enterprises, Incorporated (the "Company") reported its results for the first fiscal quarter ended December 27, 2009. A copy of the earnings release is furnished as Exhibit 99.1 to this Form 8-K and information from the news release is hereby incorporated by reference. The information in this report shall not be treated as filed for purposes of the Securities Exchange Act of 1934, as amended ("Exchange Act").

Item 9.01. Financial Statements and Exhibits.

(d)Exhibits

99.1 Earnings Release – First fiscal quarter ended December 27, 2009

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.

LEE ENTERPRISES, INCORPORATED

Date: January 19, 2010

By: Carl G. Schmidt
Vice President, Chief Financial Officer,
and Treasurer

INDEX TO EXHIBITS

Exhibit No.	Description
99.1	Earnings Release – First fiscal quarter ended December 27, 2009

2

Exhibit 99.1 - Earnings Release – First fiscal quarter ended December 27, 2009

201 N. Harrison St.

Davenport, IA 52801

www.lee.net

NEWS RELEASE

Lee Enterprises reports earnings growth in first fiscal quarter

DAVENPORT, Iowa (Jan. 19, 2010) — Lee Enterprises, Incorporated (NYSE: LEE), recorded diluted earnings per common share of 62 cents for its first fiscal quarter ended Dec. 27, 2009, compared with a loss of \$1.10 per share a year ago. Excluding a non-cash curtailment gain of \$31.1 million in the current year, other unusual items⁽¹⁾ in both years and pretax non-cash impairment charges in 2008, earnings were 25 cents, compared with 24 cents a year ago.

“Advertising sales strengthened throughout the quarter, and the improved trend appears to be continuing into January and February,” said Mary Junck, chairman and chief executive officer. “A small but growing number of our enterprises have begun reporting positive year-over-year revenue. We credit our continuing aggressive sales initiatives and a gradual brightening in the advertising environment. This upturn, coupled with our streamlined cost structure, has enabled Lee to post earnings growth for the second quarter in a row, and we believe we are well positioned to continue meaningful growth as the economy recovers.”

FIRST QUARTER OPERATING RESULTS

Operating revenue totaled \$209.8 million, a decline of 13.8 percent for the quarter, compared with an average decline of 20 percent in the three previous quarters. Combined print and online advertising revenue decreased 16.4 percent to \$154.4 million, with retail advertising down 15.0 percent, national down 16.1 percent and classified down 19.7 percent. Combined print and online employment advertising revenue decreased 41.6 percent, automotive decreased 19.6 percent and real estate decreased 21.0 percent. Online advertising revenue declined 8.4 percent, with results turning positive in December. The number of unique visitors at Lee online sites increased 14.3 percent to 47.9 million in the quarter compared with the previous year, with page views up 7.5 percent to 570.6 million. Circulation revenue declined 5.1 percent, attributable in part to elimination of less profitable distribution.

Operating expenses, excluding the curtailment gain and other unusual items, depreciation and amortization, decreased 17.6 percent. Compensation declined 13.1 percent, with the average number of full-time equivalent employees down 13.4 percent. Newsprint and ink expense

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decreased 49.5 percent, a result of a reduction in newsprint volume of 23.8 percent and reduced cost of newsprint. Cash costs are expected to decline approximately 7 percent in the March 2010 quarter and in total for the fiscal year.

Operating cash flow⁽²⁾ totaled \$53.1 million, the same as a year ago. Operating cash flow margin⁽²⁾ increased from 21.8 to 25.3 percent. Including equity in earnings of associated companies, depreciation and amortization, as well as impairment charges in the prior year and other unusual items, operating income increased \$102.0 million to \$67.8 million, from an operating loss of \$34.3 million a year ago. Non-operating expenses, primarily interest, resulted in income available to common stockholders of \$27.9 million, an increase of \$76.6 million when compared with a loss of \$48.7 million a year ago.

1

CURTAILMENT GAIN

The pretax \$31.1 million non-cash curtailment gain resulted from changes during the quarter to postretirement medical plans for certain groups of employees, including increases in premium cost sharing and elimination of coverage for certain participants. In addition to significantly reducing underfunded benefit liabilities, the changes are expected to modestly reduce annual net periodic postretirement medical cost.

ADJUSTED EARNINGS AND EPS FOR THE QUARTER

Unusual items, primarily a non-cash curtailment gain in the 2009 quarter and impairment charges in the prior year, affected year-over-year comparisons. The following table summarizes the impact from unusual items on income (loss) available to common stockholders and earnings (loss) per diluted common share. Per share amounts may not add due to rounding.

(Thousands, except per share)	13 Weeks Ended		Dec 28, 2008	
	Dec 27, 2009	Per Share	Amount	Per Share
Income (loss) available to common stockholders, as reported	\$ 27,907	\$ 0.62	\$ (48,677)	\$ (1.10)
Adjustments:				
Curtailment gain	(31,130)		-	
Impairment of goodwill and other assets, including TNI Partners	-		70,045	
Debt financing costs and other, net	2,784		2,144	
	(28,346)		72,189	
Income tax effect of adjustments, net, other unusual tax items, and impact on minority interest	11,789		(13,869)	
	(16,557)	0.37	58,320	1.31
Income available to common stockholders, as adjusted	11,350	0.25	9,643	0.22
Change in redeemable minority interest liability	-	-	1,039	0.02
Net income, as adjusted	\$ 11,350	\$ 0.25	\$ 10,682	\$ 0.24

DEBT AND FREE CASH FLOW⁽³⁾

Debt was reduced \$7.1 million in the quarter, representing a \$34.1 million improvement from the same quarter a year ago, in which Lee borrowed \$27 million.

Carl Schmidt, vice president, chief financial officer and treasurer, said Lee continues to meet all financial covenants and expects to continue repaying debt primarily with ongoing cash flow. Liquidity at the end of the quarter totaled \$73.1 million, against \$72 million of debt repayments due in the next four quarters.

Free cash flow in the quarter totaled \$34.7 million, compared with \$30.2 million a year ago.

ABOUT LEE

Lee Enterprises is a leading provider of local news, information and advertising in primarily midsize markets, with 49 daily newspapers and a joint interest in four others, online sites and 300 specialty publications in 23 states. Lee's newspapers have circulation of 1.4 million daily and 1.7 million Sunday, reaching nearly four million readers daily. Lee's online sites attract nearly 16 million unique visits monthly, and Lee's weekly publications have distribution of four million households. Lee's markets include St. Louis, Mo.; Lincoln, Neb.; Madison, Wis.; Davenport, Iowa; Billings, Mont.; Bloomington, Ill.; and Tucson, Ariz. Lee stock is traded on the New York Stock Exchange under the symbol LEE. For more information about Lee, please visit www.lee.net.

LEE ENTERPRISES, INCORPORATED
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(Thousands, except per share)

	13 Weeks Ended			
	Dec 27 2009	Dec 28 2008		
Advertising revenue:				%
Retail	\$ 94,779	\$ 112,934	(16.1)	%
National	10,645	12,851	(17.2)	
Classified:				
Daily newspapers:				
Employment	4,789	8,686	(44.9)	
Automotive	6,405	8,643	(25.9)	
Real estate	6,371	8,126	(21.6)	
All other	11,179	10,046	11.3	
Other publications	6,599	8,357	(21.0)	
Total classified	35,343	43,858	(19.4)	
Online	10,649	11,621	(8.4)	
Niche publications	2,986	3,319	(10.0)	
Total advertising revenue	154,402	184,583	(16.4)	
Circulation	45,115	47,556	(5.1)	
Commercial printing	2,931	3,469	(15.5)	
Online services & other	7,390	7,947	(7.0)	
Total operating revenue	209,838	243,555	(13.8)	
Operating expenses:				
Compensation	82,136	94,483	(13.1)	
Newsprint and ink	12,693	25,154	(49.5)	
Other operating expenses	61,477	69,950	(12.1)	
Workforce adjustments and transition costs	397	838	NM	
Operating expenses, excluding depreciation				
and amortization	156,703	190,425	(17.7)	
Operating cash flow	53,135	53,130	-	
Depreciation	7,362	8,296	(11.3)	
Amortization	11,320	12,103	(6.5)	
Impairment of goodwill and other assets	-	70,045	NM	
Curtailement gain	31,130	-	NM	
Equity in earnings of associated companies:				
TNI Partners	898	1,869	(52.0)	
Madison Newspapers	1,292	1,195	8.1	
Operating income (loss)	67,773	(34,250)	NM	