

LEE ENTERPRISES, INC
Form 8-K
January 23, 2008

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 22, 2008

LEE ENTERPRISES, INCORPORATED

(Exact name of Registrant as specified in its charter)

Commission File Number 1-6227

Edgar Filing: LEE ENTERPRISES, INC - Form 8-K

Delaware

42-0823980

(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))
-

Item 2.02. Results of Operations and Financial Condition.

On January 22, 2008, Lee Enterprises, Incorporated (the Company) reported its results for the first fiscal quarter ended December 30, 2007. The Company is furnishing the related earnings release under Item 2.02. A copy of the earnings release is furnished as Exhibit 99.1 to this Form 8-K.

This information shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits.

(c) *Exhibits*

99.1 Earnings Release First Quarter Ended December 30, 2007

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 22, 2008

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

INDEX TO EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
99.1	Earnings Release First Quarter Ended December 30, 2007

3

Exhibit 99.1

201 N. Harrison St., Davenport, IA 52801
(563) 383-2100
www.lee.net

NEWS RELEASE

Lee Enterprises reports earnings for first fiscal quarter

DAVENPORT, Iowa (Jan. 22, 2008) Lee Enterprises, Incorporated (NYSE: LEE), reported today that diluted earnings per common share from continuing operations were 48 cents for its first fiscal quarter ended December 2007.

The results compare with 58 cents a year ago in a quarter that included an additional publishing day, a Sunday, and the benefit of the World Series in St. Louis. The additional Sunday a year ago and sales related to the World Series resulted in an estimated \$7 million of revenue and \$4 million of operating cash flow⁽¹⁾. The quarter a year ago also benefited from an additional publishing week in Tucson, Ariz., which is recorded in equity in earnings of associated companies. The impact of these events on prior year earnings for the quarter was approximately six cents per common share.

Mary Junck, chairman and chief executive officer, said: We believe we're weathering the current economic slowdown as well as possible in light of the wide-ranging impact of the real estate slump. Our audiences continue to grow, and we continue to focus on our top priorities of revenue growth, online innovation, strong local news, people development and cost control. We believe we have the right strategies and the right people to continue building on our position as, by far, the leading provider of local news, information and advertising in our markets.

The loss of the Sunday and World Series affected nearly all revenue categories. Total operating revenue from continuing operations for the quarter decreased 6.2 percent from a year ago to \$279.9 million. Total advertising revenue decreased 6.5 percent, to \$217.6 million, with online advertising revenue up 24.0 percent. Combined print and online retail advertising decreased 2.5 percent. Combined print and online classified advertising revenue decreased 9.5 percent, with employment down 7.9 percent, automotive down 9.5 percent and real estate down 19.8 percent. National advertising revenue decreased 24.1 percent. Circulation revenue decreased 4.3 percent. Same property⁽²⁾ revenue results were identical.

Operating expenses, exclusive of depreciation and amortization, decreased 4.9 percent, with compensation down 3.6 percent, newsprint and ink down 18.8 percent and other cash costs down 1.1 percent. Same property operating expenses decreased 4.3 percent for the quarter compared with a year ago, with compensation down 1.9 percent, newsprint and ink down 19.4 percent and other cash costs down 1.2 percent.

Edgar Filing: LEE ENTERPRISES, INC - Form 8-K

Compared with a year ago, operating cash flow decreased 10.0 percent to \$72.4 million. Operating income, which includes equity in earnings of associated companies and depreciation and amortization, decreased 15.8 percent to \$53.7 million.

Non-operating expenses, which consist primarily of financial expense, net of financial income, decreased 13.1 percent to \$19.1 million. Income from continuing operations before income taxes decreased 17.2 percent to \$34.6 million. Income from continuing operations decreased 17.9 percent, to \$21.8 million. Net income, including discontinued operations, decreased 17.0 percent to \$22.1 million.

Free cash flow⁽³⁾ totaled \$48.1 million for the quarter, compared with \$42.0 million a year ago. Timing of income tax payments had a positive impact on results for the current year quarter. Recent declines in LIBOR and continuing debt reduction are expected to favorably impact interest expense and free cash flow for the rest of the year. Net debt was reduced by \$33.0 million in the quarter.

STOCK REPURCHASE

On Jan. 7, Lee announced that its board of directors has authorized the purchase of up to \$30 million of Lee common stock. The repurchase is expected to take place in open market purchases or privately negotiated transactions as warranted beginning after today's earnings announcement.

FINANCIAL CALENDAR

Because of the adoption of period accounting this fiscal year, most enterprises will have one fewer publishing day in 2008 than in 2007. The lost publishing day is a Sunday, which affects year-over-year comparisons, as Sundays provide significantly more revenue than any other day of the week. Compared with 2007, the 2008 financial calendar loses a Sunday in the first fiscal quarter, regains one Sunday in the second quarter and loses it again in the fourth quarter.

ABOUT LEE

Lee Enterprises is a premier provider of local news, information and advertising in primarily midsize markets, with 50 daily newspapers and a joint interest in five others, rapidly growing online sites and more than 300 weekly newspapers and specialty publications in 23 states. Lee's newspapers have circulation of 1.6 million daily and 1.9 million Sunday, reaching more than four million readers daily. Lee's online sites attract nearly 12 million unique visitors monthly, and Lee's weekly publications are distributed to more than 4.5 million households. Lee's markets include St. Louis, Mo.; Lincoln, Neb.; Madison, Wis.; Davenport, Iowa; Billings, Mont.; Bloomington, Ill.; Tucson, Ariz.; and Napa, Calif. 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 INCOME
(Unaudited)

(Thousands, except EPS data)	Three Periods Ended December		
	2007	2006	%
Advertising revenue:			
Retail	\$ 127,569	\$ 131,721	(3.2)%
National	13,582	17,903	(24.1)
Classified:			
Daily newspapers:			
Employment	15,367	19,150	(19.8)
Automotive	11,729	13,996	(16.2)
Real estate	11,543	14,786	(21.9)
All other	9,988	9,343	6.9
Other publications	10,673	11,262	(5.2)
Total classified	59,300	68,537	(13.5)
Online	13,475	10,867	24.0
Niche publications	3,644	3,561	2.3
Total advertising revenue	217,570	232,589	(6.5)
Circulation			
Circulation	49,805	52,036	(4.3)
Commercial printing	4,175	4,184	(0.2)
Online services and other	8,306	9,680	(14.2)
Total operating revenue	279,856	298,489	(6.2)
Operating expenses:			
Compensation	108,194	112,191	(3.6)
Newsprint and ink	25,103	30,925	(18.8)
Other operating expenses	74,126	74,923	(1.1)
Operating expenses, excluding depreciation and amortization	207,423	218,039	(4.9)
Operating cash flow⁽¹⁾	72,433	80,450	(10.0)
Depreciation	8,159	8,248	(1.1)
Amortization	14,872	14,955	(0.6)
Equity in earnings of associated companies:			
Tucson partnership	2,412	3,912	(38.3)
Madison Newspapers	1,889	2,593	(27.2)
Operating income	53,703	63,752	(15.8)
Non-operating income (expense):			
Financial income	1,796	1,509	19.0

Edgar Filing: LEE ENTERPRISES, INC - Form 8-K

Financial expense	(20,850)	(23,435)	(11.0)
	(19,054)	(21,926)	(13.1)

Edgar Filing: LEE ENTERPRISES, INC - Form 8-K

Income from continuing operations before income taxes	34,649	41,826	(17.2)
Income tax expense	12,254	14,799	(17.2)
Minority interest	607	504	20.4
Income from continuing operations	21,788	26,523	(17.9)
Discontinued operations	338	128	NM
Net income	\$ 22,126	\$ 26,651	(17.0)%
Earnings per common share:			
Basic:			
Continuing operations	\$ 0.48	\$ 0.58	(17.2)%
Discontinued operations	0.01		NM
	\$ 0.48	\$ 0.58	(17.2)%
Diluted:			
Continuing operations	\$ 0.48	\$ 0.58	(17.2)%
Discontinued operations	0.01		NM
	\$ 0.49	\$ 0.58	(15.5)%
Average common shares:			
Basic	45,746	45,573	
Diluted	45,515	45,637	

SELECTED BALANCE SHEET INFORMATION
(Unaudited)

(Thousands)	December 30, 2007	December 31, 2006
Cash	\$ 7,732	\$ 10,743
Restricted cash and investments	114,810	99,810
Debt (principal amount)	1,374,625	1,487,000

SELECTED STATISTICAL INFORMATION
(Unaudited)

(Dollars in thousands)	Three Periods Ended December		
	2007	2006	%
Capital expenditures	\$ 6,036	\$ 5,644	6.9%
Same property newsprint volume (tonnes)	40,542	44,015	(7.9)
Same property full-time equivalent employees	7,980		