

LEE ENTERPRISES, INC
Form 10-Q
August 03, 2018

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 June 24, 2018

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 incorporation or organization) (I.R.S. Employer Identification No.)
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, smaller reporting company or an emerging growth company. See definitions of "large accelerated filer", "accelerated filer", "small reporting company" and "emerging growth 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
Emerging growth 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.

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

As of July 31, 2018 57,079,578 shares of Common Stock of the Registrant were outstanding.

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References to “we”, “our”, “us” and the like throughout this document refer to Lee Enterprises, Incorporated (the “Company”). References to “2018”, “2017” 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;
- Changes in technology that impact our ability to deliver digital advertising;
- Potential changes in newsprint, other commodities and energy costs;
- Interest rates;
- Labor costs;
- Legislative and regulatory rulings, including the 2017 Tax Act;
- 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.

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FINANCIAL INFORMATION

Item 1. Financial Statements

LEE ENTERPRISES, INCORPORATED
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(Thousands of Dollars)	June 24 2018	September 24 2017
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ASSETS

Current assets:

Cash and cash equivalents	16,029	10,621
Accounts receivable, net	45,960	49,469
Income taxes receivable	246	—
Inventories	5,145	3,616
Other	5,608	4,132
Total current assets	72,988	67,838

Investments:

Associated companies	27,876	29,181
Other	10,757	9,949
Total investments	38,633	39,130

Property and equipment:

Land and improvements	19,503	20,424
Buildings and improvements	168,766	172,138
Equipment	276,159	278,880
Construction in process	2,864	752
	467,292	472,194

Less accumulated depreciation	362,680	357,998
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Property and equipment, net	104,612	114,196
Goodwill	246,426	246,426
Other intangible assets, net	123,995	136,302
Medical plan assets, net	15,342	15,392
Other	2,814	1,566

Total assets	604,810	620,850
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The accompanying Notes are an integral part of the Consolidated Financial Statements.

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(Thousands of Dollars and Shares, Except Per Share Data)	June 24 2018	September 24 2017
LIABILITIES AND EQUITY		
Current liabilities:		
Current maturities of long-term debt	18,006	30,182
Accounts payable	17,757	17,027
Compensation and other accrued liabilities	19,030	22,423
Accrued interest	10,736	1,512
Income taxes payable	—	183
Unearned revenue	26,860	26,881
Total current liabilities	92,389	98,208
Long-term debt, net of current maturities	463,505	496,379
Pension obligations	41,116	43,537
Postretirement and postemployment benefit obligations	2,973	5,004
Deferred income taxes	35,546	53,397
Income taxes payable	6,540	5,497
Warrants and other	11,010	10,041
Total liabilities	653,079	712,063
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: June 24, 2018: 57,080 shares; September 24, 2017: 56,712 shares	571	567
Class B Common Stock, \$2 par value; authorized 30,000 shares; none issued	—	—
Additional paid-in capital	252,963	251,790
Accumulated deficit	(286,824)	(328,524)
Accumulated other comprehensive loss	(16,050)	(16,068)
Total stockholders' deficit	(49,340)	(92,235)
Non-controlling interests		