

PRIMEDIA INC
Form 10-Q
May 08, 2009
Table of Contents

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 31, 2009

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File number: 1-11106

PRIMEDIA Inc.

(Exact name of registrant as specified in its charter)

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Delaware (State or other jurisdiction of incorporation or organization) 3585 Engineering Drive, Norcross, Georgia (Address of principal executive offices) Registrant's telephone number, including area code (678) 421-3000	13-3647573 (I.R.S. Employer Identification No.) 30092 (Zip Code)
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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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock
Common Stock, par value \$0.01 per share

Outstanding Shares at May 1, 2009
44,047,691

Table of Contents

PRIMEDIA Inc.

INDEX

Part I. Financial Information:

Item 1.	Financial Statements (Unaudited)	
	<u>Condensed Consolidated Balance Sheet as of March 31, 2009 and December 31, 2008</u>	1
	<u>Condensed Consolidated Statement of Operations for the Three Months Ended March 31, 2009 and 2008</u>	2
	<u>Condensed Consolidated Statement of Changes in Stockholders' Deficiency for the Three Months Ended March 31, 2009</u>	3
	<u>Condensed Consolidated Statement of Cash Flows for the Three Months Ended March 31, 2009 and 2008</u>	4
	<u>Notes to Condensed Consolidated Financial Statements</u>	5
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	19
Item 3.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	27
Item 4.	<u>Controls and Procedures</u>	27

Part II. Other Information:

Item 1A.	<u>Risk Factors</u>	28
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	28
Item 6.	<u>Exhibits</u>	28
	<u>Signatures</u>	29

Table of Contents**PRIMEDIA INC. AND SUBSIDIARIES****Condensed Consolidated Balance Sheet (Unaudited)**

	March 31, 2009	December 31, 2008
	(Dollars in thousands, except per share data)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 14,417	\$ 31,470
Accounts receivable (net of allowance for doubtful accounts of \$2,102 and \$1,528, respectively)	25,225	27,983
Inventories	1,006	936
Prepaid expenses and other	32,605	26,545
Deferred tax asset, net	1,162	2,102
Total current assets	74,415	89,036
Property and equipment (net of accumulated depreciation and amortization of \$77,587 and \$83,203, respectively)	17,686	18,765
Intangible assets, net	23,018	23,637
Goodwill	129,305	129,305
Deferred tax asset non-current, net	12,934	12,867
Other non-current assets	12,870	12,544
Total assets	\$ 270,228	\$ 286,154
Liabilities and stockholders' deficiency		
Current liabilities:		
Accounts payable	\$ 12,003	\$ 14,792
Accrued expenses and other	43,010	44,491
Deferred revenue	2,009	1,990
Revolving credit facility	4,400	13,200
Current maturities of long-term debt and capital lease obligations	3,036	3,045
Total current liabilities	64,458	77,518
Long-term debt	244,826	245,531
Deferred revenue	8,925	9,350
Other non-current liabilities	51,347	51,043
Total liabilities	369,556	383,442
Commitments and contingencies (Note 16)		
Stockholders' deficiency:		
Common stock - par value \$0.01; 350,000,000 shares authorized; 45,693,804 and 45,595,618 shares issued, respectively; 44,047,691 and 44,188,550 shares outstanding, respectively	456	455
Additional paid-in capital (including warrants of \$31,690 at March 31, 2009 and December 31, 2008)	2,372,979	2,372,578
Accumulated deficit	(2,392,305)	(2,389,610)
Common stock in treasury, at cost (1,646,113 and 1,407,068 shares, respectively)	(76,304)	(75,877)
Accumulated other comprehensive loss	(4,154)	(4,834)
Total stockholders' deficiency	(99,328)	(97,288)

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Total liabilities and stockholders' deficiency	\$ 270,228	\$ 286,154
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The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**PRIMEDIA INC. AND SUBSIDIARIES****Condensed Consolidated Statement of Operations (Unaudited)**

	Three Months Ended March 31,	
	2009	2008
	(Dollars in thousands, except per share data)	
Revenue, net:		
Advertising	\$ 58,040	\$ 63,573
Distribution	10,418	13,915
Total revenue, net	68,458	77,488
Costs and expenses:		
Cost of goods sold (exclusive of depreciation and amortization of property and equipment)	6,535	8,744
Marketing and selling	20,313	20,158
Distribution and circulation	19,234	21,177
General and administrative expenses	11,382	14,554
Depreciation and amortization of property and equipment	3,476	3,316
Amortization of intangible assets	619	755
Provision for restructuring costs	4,289	496
Interest expense	4,248	5,002
Amortization of deferred financing costs	225	242
Other income, net	(2,089)	(172)
Total costs and expenses	68,232	74,272
Income from continuing operations before provision for income taxes	226	3,216
Provision for income taxes	(503)	(1,002)
(Loss) income from continuing operations	(277)	2,214
Discontinued operations, net of tax (including gain on sale of business, net of tax, of \$0 and \$116, respectively)	665	11,383
Net income	\$ 388	\$ 13,597
Basic and diluted (loss) earnings per common share:		
Continuing operations	\$ (0.01)	\$ 0.05
Discontinued operations	0.02	0.26
Net income	\$ 0.01	\$ 0.31
Dividends declared per share of common stock outstanding	\$ 0.07	\$ 0.07
Weighted-average basic shares of common stock outstanding	44,119,293	44,171,917
Weighted-average diluted shares of common stock outstanding	44,119,293	44,203,993

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

PRIMEDIA INC. AND SUBSIDIARIES

Condensed Consolidated Statement of Changes in Stockholders Deficiency (Unaudited)

Three Months Ended March 31, 2009

	Common Stock Shares	Par Value	Additional Paid-in Capital	Accumulated Deficit	Common Stock in Treasury	Accumulated Other Comprehensive (Loss) Gain	Total Stockholders Deficiency
(Dollars in thousands, except per share data)							
Balance at December 31, 2008	45,595,618	\$ 455	\$ 2,372,578	\$ (2,389,610)	\$ (75,877)	\$ (4,834)	\$ (97,288)
Comprehensive income:							
Net income				388			388
Other comprehensive income							
Unrealized gains on cash flow hedges, net						680	680
Total comprehensive income							1,068
Non-cash charges for stock-based compensation			462				462
Issuances of common stock, net of shares withheld for employee taxes	98,186	1	(61)				(60)
Repurchases of common stock					(427)		(427)
Cash dividends declared on common stock (\$0.07 per share)				(3,083)			(3,083)
Balance at March 31, 2009	45,693,804	\$ 456	\$ 2,372,979	\$ (2,392,305)	\$ (76,304)	\$ (4,154)	\$ (99,328)

Total comprehensive income for the three months ended March 31, 2008 was \$10.0 million.

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**PRIMEDIA INC. AND SUBSIDIARIES****Condensed Consolidated Statement of Cash Flows (Unaudited)**

	Three Months Ended March 31,	
	2009	2008
	(Dollars in thousands)	
Operating activities:		
Net income	\$ 388	\$ 13,597
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	4,320	4,426
Gain on sale of cost-method investment	(1,798)	
Gain on sale of business, net		(116)
Stock-based compensation	462	(9)
Deferred income taxes	455	563
Bad debt expense	1,784	1,126
Loss on disposal of property and equipment	12	74
Decrease (increase) in:		
Accounts receivable, net	974	195
Inventories	(70)	(396)
Prepaid expenses and other	(6,610)	(20,134)
(Decrease) increase in:		
Accounts payable	(3,060)	1,297
Accrued expenses and other	(351)	(15,261)
Deferred revenue	(406)	(469)
Other non-current liabilities	272	(1,540)
Other, net		5
Net cash used in operating activities	(3,628)	(16,642)
Investing activities:		
Proceeds from sales of available for sale securities		15,425
Proceeds from sale of cost-method investment	1,798	