

MEDIA GENERAL INC  
Form 10-Q  
August 05, 2016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, DC. 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 30, 2016

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: 1-6383

MEDIA GENERAL, INC.  
(Exact name of registrant as specified in its charter)  
Commonwealth of Virginia 46-5188184  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

333 E. Franklin St., Richmond, VA 23219  
(Address of principal executive offices) (Zip Code)

(804) 887-5000  
(Registrant's telephone number, including area code)

N/A  
(Former name, former address and former fiscal year,  
if changed since last report.)

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 website, 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 (as defined in Rule 12b-2 of the Exchange Act).

Larger accelerated filer  Accelerated filer  
Non-accelerated filer  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 August 1, 2016.

Voting Common shares (no par value): 129,323,690

MEDIA GENERAL, INC.  
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## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

Media General, Inc.

## CONSOLIDATED CONDENSED BALANCE SHEETS

(Unaudited, in thousands, except shares)

## ASSETS

	June 30, 2016	December 31, 2015
Current assets:		
Cash and cash equivalents	\$25,378	\$ 41,091
Trade accounts receivable (less allowance for doubtful accounts 2016 - \$4,814; 2015 - \$4,634)	307,612	298,474
Prepaid expenses and other current assets	28,912	15,083
Total current assets	361,902	354,648
Property and equipment, net of accumulated depreciation (2016 - \$179,956 ; 2015 - \$145,274)	455,696	470,537
Other assets, net	31,225	38,070
Definite lived intangible assets, net of accumulated amortization (2016 - \$183,625; 2015 - \$138,072)	828,945	871,129
Broadcast licenses	1,097,100	1,097,100
Goodwill	1,544,624	1,544,624
Total assets (a)	\$4,319,492	\$ 4,376,108

See accompanying notes.

(a) Consolidated assets as of June 30, 2016 and December 31, 2015, include total assets of variable interest entities (VIEs) of \$140 million and \$145 million, respectively, which can only be used to settle the obligations of the VIEs. See Note 1 and Note 3.

Media General, Inc.  
CONSOLIDATED CONDENSED BALANCE SHEETS  
(Unaudited, in thousands except shares)

LIABILITIES AND STOCKHOLDERS' EQUITY

	June 30, 2016	December 31, 2015
Current liabilities:		
Trade accounts payable	\$25,477	\$ 35,800
Accrued salaries and wages	28,078	21,465
Accrued expenses and other current liabilities	97,052	95,500
Current installments of long-term debt	3,373	3,804
Current installments of obligation under capital leases	820	859
Total current liabilities	154,800	157,428
Long-term debt, net	2,201,751	2,199,110
Deferred tax liability and other long-term tax liabilities	304,665	315,234
Long-term capital lease obligations	13,790	14,012
Retirement and postretirement plans	176,045	182,987
Other liabilities	31,548	34,920
Total liabilities (b)	2,882,599	2,903,691
Commitments and contingencies		
Noncontrolling interests	2,890	24,447
Stockholders' equity:		
Preferred stock (no par value): authorized 50,000,000 shares; none outstanding	—	—
Common stock (no par value):		
Voting common stock, authorized 400,000,000 shares; issued 2016 - 129,322,905 and 2015 - 128,600,384	1,299,327	1,305,155
Accumulated other comprehensive loss	(31,224 )	(31,224 )
Retained earnings	165,900	174,039
Total stockholders' equity	1,434,003	1,447,970
Total liabilities, noncontrolling interests and stockholders' equity	\$4,319,492	\$4,376,108

See accompanying notes.

(b) Consolidated liabilities as of June 30, 2016 and December 31, 2015, include total liabilities of VIEs of \$34 million and \$38 million, respectively, for which the creditors of the VIEs have no recourse to the Company, except for certain of the debt, which the Company guarantees. See Note 1 and Note 3.

Media General, Inc.

## CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited, in thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Net operating revenue	\$362,706	\$320,523	\$706,169	\$617,257
Operating costs:				
Operating expenses, excluding depreciation expense	153,599	134,169	304,742	260,045
Selling, general and administrative expenses	76,158	79,051	154,479	159,521
Amortization of program license rights	12,076	12,047	24,142	23,805
Corporate and other expenses	18,101	12,366	28,453	25,017
Depreciation and amortization	40,337	42,618	80,458	82,901
(Gain) loss related to property and equipment, net	87	(196)	(681)	(424)
Merger-related expenses	1,561	3,616	67,443	8,893
Restructuring expenses	996	—	4,978	—
Total operating costs	302,915	283,671	664,014	559,758
Operating income	59,791	36,852	42,155	57,499
Other income (expense):				
Interest expense	(28,529)	(29,288)	(57,085)	(60,311)
Debt modification and extinguishment costs	—	(1,827)	—	(2,440)
Other, net	122	2,622	196	5,912
Total other expense	(28,407)	(28,493)	(56,889)	(56,839)
Income (loss) before income taxes	31,384	8,359	(14,734)	660
Income tax benefit (expense)	(12,156)	(3,616)	8,249	(459)
Net income (loss)	\$19,228	\$4,743	\$(6,485)	201
Net income attributable to noncontrolling interests (included above)	730	3,108	1,207	5,999
Net income (loss) attributable to Media General	\$18,498	\$1,635	\$(7,692)	\$(5,798)
Other comprehensive income	—	—	—	—
Total comprehensive income (loss) attributable to Media General	\$18,498	\$1,635	\$(7,692)	\$(5,798)
Earnings (loss) per common share (basic and diluted):				
Net earnings (loss) per common share (basic)	\$0.14	\$0.01	\$(0.06)	\$(0.04)
Net earnings (loss) per common share (assuming dilution)	\$0.14	\$0.01	\$(0.06)	\$(0.04)

See accompanying notes.

Media General, Inc.

## CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited, in thousands)

	Six Months Ended	
	June 30,	June 30,
	2016	2015
Cash flows from operating activities:		
Net income (loss)	\$(6,485)	\$ 201
Adjustments to reconcile net income (loss):		
Deferred income tax benefit	(10,569)	(1,041 )
Depreciation and amortization	80,458	82,901
Amortization of program license rights	24,142	23,805
Amortization of debt premiums, discounts and issue costs	4,241	3,702
Gain on disposal of property and equipment, net	(681 )	(424 )
Gain on relocation of spectrum	—	(5,620 )
Stock-based compensation	3,861	6,860
Debt modification and extinguishment costs	—	2,440
Change in assets and liabilities:		
Program license rights, net of liabilities	(24,958 )	(23,269)
Trade accounts receivable	(9,674 )	19,854
Company owned life insurance (cash surrender value less policy loans including repayments)	(895 )	(347 )
Trade accounts payable, accrued expenses and other liabilities	(2,099 )	(8,599 )
Prepaid expenses and other assets, net	(12,956)	6,247
Retirement and postretirement plans	(6,942 )	(7,020 )
Other, net	1,263	(3,302 )
Net cash provided by operating activities	38,706	96,388
Cash flows from investing activities:		
Capital expenditures	(24,314)	(24,050)
Release of restricted cash at qualified intermediary	—	119,903
Proceeds from the sale of property and equipment	6,072	691
Proceeds from spectrum relocation	—	3,120
Other, net	(114 )	(69 )
Net cash (used) provided by investing activities	(18,356)	99,595
Cash flows from financing activities:		
Borrowings under Media General Revolving Credit Facility	60,000	—
Repayments under Media General Revolving Credit Facility	(60,000)	—
Repayment of borrowings under Media General Credit Agreement	—	(135,000)
Repayment of borrowings under Shield Media Credit Agreement	(1,600 )	(1,200 )
Repayment of other borrowings	(431 )	(580 )
Repurchase of shares	—	(18,747)
Payment for acquisition of noncontrolling interest	(35,305)	(9,218 )
Cash paid for debt modification	—	(3,425 )
Exercise of stock options	1,714	1,817
Other, net	(441 )	(1,472 )
Net cash used by financing activities	(36,063)	(167,825)
Net (decrease) increase in cash and cash equivalents	(15,713)	28,158