

GateHouse Media, Inc.
Form 10-Q
November 07, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the quarterly period ended September 30, 2008

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 001-33091

GATEHOUSE MEDIA, INC.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of

incorporation or organization)
36-4197635
(I.R.S. Employer

Identification No.)
350 Willow Brook Office Park, Fairport, New York 14450

(Address of principal executive offices)

Telephone: (585) 598-0030

(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 is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition 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 ☐.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 3, 2008, 58,074,323 shares of the registrant's common stock were outstanding.

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Table of Contents**Item 1. Financial Statements****GATEHOUSE MEDIA, INC. AND SUBSIDIARIES****Condensed Consolidated Balance Sheets****(In thousands, except share data)**

	September 30, 2008 (unaudited)	December 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 12,418	\$ 12,096
Accounts receivable, net of allowance for doubtful accounts of \$4,327 and \$3,874 at September 30, 2008 and December 31, 2007, respectively	73,697	85,474
Inventory	10,735	9,046
Prepaid expenses	4,533	4,514
Deferred income taxes	3,890	3,890
Other current assets	4,535	4,208
Assets held for sale		1,540
Total current assets	109,808	120,768
Property, plant, and equipment, net of accumulated depreciation of \$51,054 and \$30,597 at September 30, 2008 and December 31, 2007, respectively	203,782	210,209
Goodwill	387,314	701,852
Intangible assets, net of accumulated amortization of \$90,281 and \$58,111 at September 30, 2008 and December 31, 2007, respectively	625,432	808,794
Deferred financing costs, net	7,395	8,416
Other assets	1,483	1,692
Long-term assets held for sale	13,664	23,264
Total assets	\$ 1,348,878	\$ 1,874,995
Liabilities and Stockholders Equity (Deficit)		
Current liabilities:		
Current portion of long-term liabilities	\$ 1,342	\$ 1,047
Short-term notes payable	13,354	10,000
Short-term debt	17,000	
Accounts payable	18,869	13,190
Accrued expenses	37,150	40,672
Accrued interest	7,878	9,947
Deferred revenue	29,713	29,840
Dividend payable		23,126
Liabilities held for sale		623
Total current liabilities	125,306	128,445
Long-term liabilities:		
Long-term debt	1,195,000	1,206,000
Long-term liabilities, less current portion	16,675	3,809
Deferred income taxes	11,966	25,327
Derivative instruments	19,508	44,101
Pension and other postretirement benefit obligations	14,600	13,325
Total liabilities	1,383,055	1,421,007
Stockholders equity (deficit):		

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Preferred stock, \$0.01 par value, 50,000,000 shares authorized at September 30, 2008; none issued and outstanding at September 30, 2008 and December 31, 2007

Common stock, \$0.01 par value, 150,000,000 shares authorized at September 30, 2008; 58,213,868 and 57,947,073 shares issued, and 58,085,930 and 57,891,295 outstanding at September 30, 2008 and December 31, 2007, respectively

	568	568
Additional paid-in capital	824,967	822,025
Accumulated other comprehensive loss	(38,851)	(49,962)
Accumulated deficit	(820,558)	(318,407)
Treasury stock, at cost, 127,938 and 55,778 shares at September 30, 2008 and December 31, 2007, respectively	(303)	(236)
Total stockholders' equity (deficit)	(34,177)	453,988
Total liabilities and stockholders' equity (deficit)	\$ 1,348,878	\$ 1,874,995

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents**GATEHOUSE MEDIA, INC. AND SUBSIDIARIES****Unaudited Condensed Consolidated Statements of Operations****(In thousands, except share and per share data)**

	Three months ended September 30, 2008	Three months ended September 30, 2007	Nine months ended September 30, 2008	Nine months ended September 30, 2007
Revenues:				
Advertising	\$ 123,821	\$ 117,910	\$ 374,562	\$ 304,244
Circulation	37,857	34,449	109,785	82,891
Commercial printing and other	9,927	8,935	30,541	23,665
Total revenues	171,605	161,294	514,888	410,800
Operating costs and expenses:				
Operating costs	96,091	88,042	288,028	220,703
Selling, general and administrative	47,220	41,499	145,112	111,674
Depreciation and amortization	16,749	16,336	53,394	40,400
Integration and reorganization costs	1,636	2,904	5,846	5,357
Impairment of long-lived assets	118	368	102,635	569
Loss on sale of assets	4	13	210	35
Goodwill and mastheads impairment			336,096	
Operating income (loss)	9,787	12,132	(416,433)	32,062
Interest expense	21,456	22,304	69,089	54,900
Amortization of deferred financing costs	340	511	1,504	1,714
Loss on early extinguishment of debt		2,240		2,240
Unrealized loss on derivative instrument	3,769	2,348	5,525	1,973
Other income	(41)	(6)	(5)	(214)
Loss from continuing operations before income taxes	(15,737)	(15,265)	(492,546)	(28,551)
Income tax benefit	(207)	(5,365)	(13,523)	(9,386)
Loss from continuing operations	(15,530)	(9,900)	(479,023)	(19,165)
Income (loss) from discontinued operations, net of income taxes	(2,976)	1,146	(11,523)	2,368
Net loss	\$ (18,506)	\$ (8,754)	\$ (490,546)	\$ (16,797)
Loss per share:				
Basic and diluted:				
Loss from continuing operations	\$ (0.27)	\$ (0.19)	\$ (8.40)	\$ (0.45)
Income (loss) from discontinued operations, net of income taxes	(0.05)	0.02	(0.20)	0.06
Net loss	\$ (0.32)	\$ (0.17)	\$ (8.60)	\$ (0.39)
Dividends declared per share	\$	\$ 0.40	\$ 0.20	\$ 1.17
Basic weighted average shares outstanding	57,110,077	52,327,761	57,034,723	42,893,602
Diluted weighted average shares outstanding	57,110,077	52,327,761	57,034,723	42,893,602

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See accompanying notes to unaudited condensed consolidated financial statements.

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GATEHOUSE MEDIA, INC. AND SUBSIDIARIES
Unaudited Condensed Consolidated Statement of Stockholders Equity (Deficit)

(In thousands, except share data)

	Common stock			Accumulated other		Accumulated	Treasury stock		
	Shares	Amount	Additional paid-in capital	comprehensive loss	deficit		Shares	Amount	Total
Balance at January 1, 2008	57,947,073	\$ 568	\$ 822,025	\$ (49,962)	\$ (318,407)		55,778	\$ (236)	\$ 453,988
Comprehensive loss:									
Net loss					(490,546)				(490,546)
Unrealized gain on derivative instruments, net of income taxes of \$0				11,186					11,186
Minimum pension liability adjustment, net of income taxes of \$0				(75)					(75)
Comprehensive loss									(479,435)
Restricted share grants	266,795								