

PRIMEDIA INC  
Form 10-Q  
November 09, 2004

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

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

**For the quarterly period ended: September 30, 2004**

**Commission file number: 1-11106**

**PRIMEDIA Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**13-3647573**  
(I.R.S. Employer  
Identification No.)

**745 Fifth Avenue, New York, New York**  
(Address of principal executive offices)

**10151**  
(Zip Code)

Registrant's telephone number, including area code **(212) 745-0100**

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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, and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Number of shares of common stock, par value \$.01 per share, of PRIMEDIA Inc. outstanding as of October 29, 2004: 260,641,303.

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**PRIMEDIA Inc.**

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**PRIMEDIA INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	<b>September 30, 2004</b>	<b>December 31,</b>
	<b>(Unaudited)</b>	<b>2003</b>
	<b>(dollars in thousands, except per share amounts)</b>	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 20,033	\$ 8,685
Accounts receivable, net	183,242	194,080
Inventories	18,916	17,500
Prepaid expenses and other	33,031	36,059
Assets held for sale	40,017	31,879
Total current assets	295,239	288,203
Property and equipment (net of accumulated depreciation and amortization of \$282,770 in 2004 and \$280,612 in 2003)	79,101	110,859
Other intangible assets, net	254,338	268,407
Goodwill	902,232	910,534
Other non-current assets	46,432	58,118
Total Assets	\$ 1,577,342	\$ 1,636,121
<b>LIABILITIES AND SHAREHOLDERS DEFICIENCY</b>		
Current liabilities:		
Accounts payable	\$ 82,742	\$ 78,794
Accrued expenses and other	203,646	213,934
Deferred revenues	167,500	173,607
Current maturities of long-term debt	16,222	22,195
Liabilities of businesses held for sale	28,041	16,049
Total current liabilities	498,151	504,579
Long-term debt	1,664,617	1,562,441
Shares subject to mandatory redemption	474,559	474,559
Deferred revenues	17,692	17,850
Deferred income taxes	74,288	61,364
Other non-current liabilities	11,195	28,583
Total Liabilities	2,740,502	2,649,376
Shareholders' deficiency:		
Series J convertible preferred stock (\$.01 par value, 1,319,093 shares issued and outstanding, aggregate liquidation and redemption values of \$164,887 at December 31, 2003)		164,533
Common stock (\$.01 par value, 350,000,000 shares authorized at September 30, 2004 and December 31, 2003 and 269,156,873 shares and 268,333,049 shares issued at September 30, 2004 and December 31, 2003, respectively)	2,691	2,683
Additional paid-in capital (including warrants of \$31,690 at September 30, 2004 and December 31, 2003)	2,350,754	2,345,152
Accumulated deficit	(3,439,767)	(3,447,710)
Accumulated other comprehensive loss	(179)	(176)
Unearned compensation		(175)
Common stock in treasury, at cost (8,520,409 shares at September 30, 2004 and 8,610,491 at December 31, 2003)	(76,659)	(77,562)
Total Shareholders' Deficiency	(1,163,160)	(1,013,255)

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Total Liabilities and Shareholders Deficiency	\$	1,577,342	\$	1,636,121
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See notes to condensed consolidated financial statements (unaudited).

## PRIMEDIA INC. AND SUBSIDIARIES

## CONDENSED STATEMENTS OF CONSOLIDATED OPERATIONS (UNAUDITED)

	Three Months Ended September 30,	
	2004	2003
	(dollars in thousands, except per share amounts)	
<b>Revenues, net:</b>		
Advertising	\$ 213,165	\$ 202,474
Circulation	70,233	72,679
Other	40,739	34,937
<b>Total revenues, net</b>	<b>324,137</b>	<b>310,090</b>
<b>Operating costs and expenses:</b>		
Cost of goods sold	70,512	68,608
Marketing and selling	67,405	61,466
Distribution, circulation and fulfillment	53,306	56,842
Editorial	27,788	25,733
Other general expenses	38,177	36,898
Corporate administrative expenses (excluding \$1,344 and \$770 of non-cash compensation in 2004 and 2003, respectively)	6,980	6,615
Depreciation of property and equipment	8,819	13,763
Amortization of intangible assets and other	4,452	9,537
Non-cash compensation	1,344	770
Provision for severance, closures and restructuring related costs	1,926	448
Gain on sale of businesses and other, net	(293)	(706)
<b>Operating income</b>	<b>43,721</b>	<b>30,116</b>
<b>Other income (expense):</b>		
Provision for impairment of investments		(1,248)
Interest expense	(32,289)	(29,884)
Interest on shares subject to mandatory redemption	(10,945)	(11,008)
Amortization of deferred financing costs	(1,334)	(1,116)
Other income, net	17,680	519
<b>Income (loss) from continuing operations before income tax expense</b>	<b>16,833</b>	<b>(12,621)</b>
Provision for deferred income taxes	(4,330)	(3,982)
<b>Income (loss) from continuing operations</b>	<b>12,503</b>	<b>(16,603)</b>
Discontinued operations (including gain on sale of businesses, net of \$999 and \$2,713 in 2004 and 2003, respectively)	(3,763)	(22,225)
<b>Net income (loss)</b>	<b>8,740</b>	<b>(38,828)</b>
Preferred stock dividends and related accretion, net	(2,551)	(4,845)
<b>Income (loss) applicable to common shareholders</b>	<b>\$ 6,189</b>	<b>\$ (43,673)</b>
<b>Basic and diluted income (loss) per common share:</b>		
Continuing operations	\$ 0.04	\$ (0.08)
Discontinued operations	(0.02)	(0.09)
<b>Income (loss) applicable to common shareholders</b>	<b>\$ 0.02</b>	<b>\$ (0.17)</b>

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Basic common shares outstanding	260,496,328	259,343,692
Diluted common shares outstanding	264,365,201	259,343,692

See notes to condensed consolidated financial statements (unaudited).

## PRIMEDIA INC. AND SUBSIDIARIES

## CONDENSED STATEMENTS OF CONSOLIDATED OPERATIONS (UNAUDITED)

	Nine Months Ended September 30,	
	2004	2003
(dollars in thousands, except per share amounts)		
Revenues, net:		
Advertising	\$ 631,190	\$ 617,347
Circulation	208,785	214,445
Other	133,192	122,998
Total revenues, net	973,167	954,790
Operating costs and expenses:		
Cost of goods sold	205,486	206,308
Marketing and selling	202,975	196,154
Distribution, circulation and fulfillment	165,993	168,703
Editorial	81,443	77,741
Other general expenses	120,593	117,034
Corporate administrative expenses (excluding \$4,830 and \$2,793 of non-cash compensation in 2004 and 2003, respectively)	20,566	20,842
Depreciation of property and equipment	27,653	35,116
Amortization of intangible assets and other	14,999	29,778
Severance related to separated senior executives	658	5,576
Non-cash compensation	4,830	2,793
Provision for severance, closures and restructuring related costs	8,719	3,348
Provision for unclaimed property	5,500	
(Gain) loss on sale of businesses and other, net	(243)	625
Operating income	113,995	90,772
Other income (expense):		
Provision for impairment of investments	(804)	(8,975)
Interest expense	(90,053)	(94,443)
Interest on shares subject to mandatory redemption	(32,835)	(11,008)
Amortization of deferred financing costs	(3,653)	(2,360)
Other income (expense), net	17,793	(3,283)
Income (loss) from continuing operations before income tax expense	4,443	(29,297)