

GANNETT CO INC /DE/
Form 10-Q
May 06, 2015

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 29, 2015

OR

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

Commission file number 1-6961

GANNETT CO., INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or
organization)

16-0442930

(I.R.S. Employer Identification No.)

7950 Jones Branch Drive, McLean, Virginia

(Address of principal executive offices)

22107-0910

(Zip Code)

Registrant's telephone number, including area code: (703) 854-6000.

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 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 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 ☐

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

The total number of shares of the registrant's Common Stock, \$1 par value outstanding as of March 29, 2015 was 226,856,486.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEETS

Gannett Co., Inc. and Subsidiaries

In thousands, except share data

| | Mar. 29, 2015 (Unaudited) | Dec. 28, 2014 |
|--|------------------------------|---------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 135,681 | \$ 118,484 |
| Trade receivables, less allowance for doubtful accounts (2015 - \$18,476; 2014 - \$16,498) | 831,587 | 912,004 |
| Other receivables | 67,372 | 72,763 |
| Inventories | 41,732 | 38,861 |
| Deferred income taxes | 162,449 | 158,648 |
| Assets held for sale | 23,477 | 69,998 |
| Prepaid expenses and other current assets | 111,170 | 109,707 |
| Total current assets | 1,373,468 | 1,480,465 |
| Property, plant and equipment | | |
| Cost | 3,832,280 | 3,901,869 |
| Less accumulated depreciation | (2,276,092) | (2,292,654) |
| Net property, plant and equipment | 1,556,188 | 1,609,215 |
| Intangible and other assets | | |
| Goodwill | 4,475,941 | 4,499,927 |
| Indefinite-lived and amortizable intangible assets, less accumulated amortization | 3,204,871 | 3,239,593 |
| Deferred income taxes | 62,085 | 63,647 |
| Investments and other assets | 311,907 | 312,608 |
| Total intangible and other assets | 8,054,804 | 8,115,775 |
| Total assets ^(a) | \$ 10,984,460 | \$ 11,205,455 |

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

CONDENSED CONSOLIDATED BALANCE SHEETS

Gannett Co., Inc. and Subsidiaries

In thousands, except share data

| | Mar. 29, 2015 (Unaudited) | Dec. 28, 2014 |
|---|------------------------------|---------------|
| LIABILITIES AND EQUITY | | |
| Current liabilities | | |
| Accounts payable and current portion of film contracts payable | \$230,553 | \$281,784 |
| Accrued expenses | 509,017 | 564,628 |
| Dividends payable | 45,496 | 45,309 |
| Income taxes | 24,380 | 11,267 |
| Deferred income | 237,484 | 217,094 |
| Current portion of long-term debt | 7,854 | 7,854 |
| Total current liabilities | 1,054,784 | 1,127,936 |
| Noncurrent liabilities | | |
| Income taxes | 58,612 | 56,578 |
| Deferred income taxes | 664,589 | 650,372 |
| Long-term debt | 4,351,548 | 4,488,028 |
| Post-retirement medical and life insurance liabilities | 94,596 | 97,648 |
| Pension liabilities | 907,996 | 941,715 |
| Other noncurrent liabilities | 303,851 | 333,435 |
| Total noncurrent liabilities | 6,381,192 | 6,567,776 |
| Total liabilities ^(a) | 7,435,976 | 7,695,712 |
| Redeemable noncontrolling interest | 12,817 | 20,470 |
| Commitments and contingent liabilities (See Note 13) | | |
| Equity | | |
| Gannett Co., Inc. shareholders' equity | | |
| Preferred stock of \$1 par value per share, 2,000,000 shares authorized, none issued | — | — |
| Common stock of \$1 par value per share, 800,000,000 shares authorized, 324,418,632 shares issued | 324,419 | 324,419 |
| Additional paid-in capital | 527,195 | 546,406 |
| Retained earnings | 8,669,892 | 8,602,369 |
| Accumulated other comprehensive loss | (781,037) | (778,769) |
| | 8,740,469 | 8,694,425 |
| Less treasury stock, at cost (2015 - 97,562,146 shares; 2014 - 97,679,541 shares) | (5,445,983) | (5,439,511) |
| Total Gannett Co., Inc. shareholders' equity | 3,294,486 | 3,254,914 |
| Noncontrolling interests | 241,181 | 234,359 |
| Total equity | 3,535,667 | 3,489,273 |
| Total liabilities, redeemable noncontrolling interest and equity | \$10,984,460 | \$11,205,455 |
| The accompanying notes are an integral part of these condensed consolidated financial statements. | | |

^(a) Our consolidated assets as of Mar. 29, 2015 include total assets of \$60.3 million related to variable interest entities (VIEs) and our consolidated assets as of Dec. 28, 2014, include \$60.0 million of such assets. These assets can only be used to settle the obligations of the VIEs. Consolidated liabilities as of Mar. 29, 2015 include total liabilities of \$3.2 million related to VIEs and our consolidated liabilities as of Dec. 28, 2014 include \$4.3 million of such liabilities. The VIEs' creditors have no recourse to us regarding these liabilities. See further description in Note 1 - Summary of

significant accounting policies.

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Gannett Co., Inc. and Subsidiaries

Unaudited, in thousands, except share data

| | Thirteen Weeks Ended | |
|---|----------------------|---------------|
| | Mar. 29, 2015 | Mar. 30, 2014 |
| Operating Revenues | \$1,472,765 | \$1,404,066 |
| Operating Expenses: | | |
| Cost of sales and operating expenses, exclusive of depreciation | 700,639 | 767,532 |
| Selling, general and administrative expenses, exclusive of depreciation | 447,244 | 355,213 |
| Depreciation | 49,483 | 44,764 |
| Amortization of intangible assets | 32,087 | 17,743 |
| Facility consolidation and asset impairment charges | 12,384 | 14,820 |
| Total | 1,241,837 | 1,200,072 |
| Operating income | 230,928 | 203,994 |
| Non-operating (expense) income: | | |
| Equity income in unconsolidated investees, net | 5,058 | 8,491 |
| Interest expense | (70,759) | (69,648) |
| Other non-operating items | 22,780 | (20,748) |
| Total | (42,921) | (81,905) |
| Income before income taxes | 188,007 | 122,089 |
| Provision for income taxes | 60,523 | 52,500 |