

Gannett Co., Inc.
Form 10-Q
August 03, 2016

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 June 26, 2016

OR

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

Commission file number 1-36874

GANNETT CO., INC.
(Exact name of registrant as specified in its charter)

Delaware 47-2390983
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

7950 Jones Branch Drive, McLean, Virginia 22107-0910
(Address of principal executive offices) (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:

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 July 29, 2016, the total number of shares of the registrant's Common Stock, \$0.01 par value, outstanding was 116,539,796.

INDEX TO GANNETT CO., INC.
Q2 2016 FORM 10-Q

| Item No. | | Page |
|----------|--|-----------|
| | <u>Part I</u> | |
| 1 | <u>Financial Statements</u> | <u>2</u> |
| 2 | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | <u>18</u> |
| 3 | <u>Quantitative and Qualitative Disclosures About Market Risk</u> | <u>30</u> |
| 4 | <u>Controls and Procedures</u> | <u>30</u> |
| | <u>Part II</u> | |
| 1 | <u>Legal Proceedings</u> | <u>31</u> |
| 1A | <u>Risk Factors</u> | <u>31</u> |
| 2 | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | <u>32</u> |
| 3 | <u>Defaults Upon Senior Securities</u> | <u>32</u> |
| 4 | <u>Mine Safety Disclosures</u> | <u>32</u> |
| 5 | <u>Other Information</u> | <u>32</u> |
| 6 | <u>Exhibits</u> | <u>32</u> |

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEETS

Gannett Co., Inc. and Subsidiaries

In thousands

| | Jun. 26, 2016 | Dec. 27, 2015 |
|--|------------------|------------------|
| | (Unaudited) | |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 144,126 | \$ 196,696 |
| Accounts receivable, less allowance for doubtful accounts of \$9,111 and \$8,836, respectively | 302,492 | 330,473 |
| Other receivables | 20,417 | 36,114 |
| Inventories | 34,314 | 25,777 |
| Assets held for sale | 7,535 | 12,288 |
| Prepaid expenses and other current assets | 47,633 | 28,188 |
| Total current assets | 556,517 | 629,536 |
| Property, plant and equipment, at cost less accumulated depreciation of \$1,620,944 and \$1,645,984, respectively | 1,124,819 | 896,585 |
| Goodwill | 583,595 | 575,685 |
| Intangible assets, net | 97,422 | 59,713 |
| Deferred income taxes (see Note 1) | 135,188 | 201,991 |
| Investments and other assets | 70,693 | 64,289 |
| Total assets | \$2,568,234 | \$2,427,799 |
| LIABILITIES AND EQUITY | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$377,819 | \$393,026 |
| Dividends payable | — | 18,501 |
| Deferred income | 115,972 | 78,967 |
| Total current liabilities | 493,791 | 490,494 |
| Income taxes | 21,347 | 22,221 |
| Postretirement medical and life insurance liabilities (see Note 1) | 88,573 | 87,594 |
| Pension liabilities (see Note 1) | 508,515 | 612,443 |
| Long-term portion of revolving credit facility | 200,000 | — |
| Other noncurrent liabilities | 158,980 | 156,471 |
| Total liabilities | 1,471,206 | 1,369,223 |
| Equity | | |
| Preferred stock of \$0.01 par value per share, 5,000,000 shares authorized, none issued | — | — |
| Common stock of \$0.01 par value per share, 500,000,000 shares authorized, 116,535,299 and 115,668,957 shares issued and outstanding, respectively | 1,165 | 1,156 |
| Additional paid-in capital (see Note 1) | 1,733,717 | 1,708,291 |
| Retained earnings | 28,836 | 22,553 |
| Accumulated other comprehensive loss (see Note 1) | (666,690) | (673,424) |
| Total equity | 1,097,028 | 1,058,576 |
| Total liabilities and equity | \$2,568,234 | \$2,427,799 |

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

CONDENSED CONSOLIDATED AND COMBINED STATEMENTS OF INCOME

Gannett Co., Inc. and Subsidiaries

Unaudited, in thousands, except share data

| | Three months ended | | Six months ended | |
|---|--------------------|------------------|------------------|------------------|
| | Jun. 26, 2016 | Jun. 28, 2015 | Jun. 26, 2016 | Jun. 28, 2015 |
| Operating revenues: | | | | |
| Advertising | \$409,834 | \$410,487 | \$761,055 | \$807,753 |
| Circulation | 287,586 | 265,904 | 550,289 | 537,162 |
| Other | 51,371 | 50,681 | 96,815 | 99,517 |
| Total operating revenues | 748,791 | 727,072 | 1,408,159 | 1,444,432 |
| Operating Expenses: | | | | |
| Cost of sales and operating expenses | 486,647 | 468,531 | 906,410 | 948,375 |
| Selling, general and administrative expenses | 203,236 | 176,884 | 369,561 | 355,213 |
| Depreciation | 29,292 | 23,958 | 53,251 | 48,386 |
| Amortization | 1,640 | 3,608 | 2,958 | 7,007 |
| Facility consolidation and asset impairment charges | 3,943 | 5,097 | 4,487 | 6,646 |
| Total operating expenses | 724,758 | 678,078 | | |