

SCRIPPS E W CO /DE
Form 10-Q
November 09, 2011

Table of Contents

**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 September 30, 2011
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 0-16914
THE E. W. SCRIPPS COMPANY**

(Exact name of registrant as specified in its charter)

Ohio
(State or other jurisdiction of
incorporation or organization)

31-1223339
(I.R.S. Employer
Identification Number)

312 Walnut Street
Cincinnati, Ohio
(Address of principal executive offices)

45202
(Zip Code)

Registrant's telephone number, including area code: (513) 977-3000

Not Applicable

(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 and 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 (§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 smaller reporting company. See definitions of large accelerated filer, accelerated filer, or small 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of October 31, 2011 there were 42,786,580 of the Registrant's Class A Common shares outstanding and 11,932,735 of the Registrant's Common Voting shares outstanding.

**INDEX TO THE E. W. SCRIPPS COMPANY
REPORT ON FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

Item No.	Page
<u>PART I FINANCIAL INFORMATION</u>	
<u>1 Financial Statements</u>	3
<u>2 Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	3
<u>3 Quantitative and Qualitative Disclosures About Market Risk</u>	3
<u>4 Controls and Procedures</u>	3
<u>PART II OTHER INFORMATION</u>	
<u>1 Legal Proceedings</u>	3
<u>1A Risk Factors</u>	3
<u>2 Unregistered Sales of Equity and Use of Proceeds</u>	4
<u>3 Defaults Upon Senior Securities</u>	4
<u>4 (Removed and Reserved)</u>	4
<u>5 Other Information</u>	4
<u>6 Exhibits</u>	4
<u>Signatures</u>	5
<u>EX-31(a)</u>	
<u>EX-31(b)</u>	
<u>EX-32(a)</u>	
<u>EX-32(b)</u>	
<u>EX-101 INSTANCE DOCUMENT</u>	
<u>EX-101 SCHEMA DOCUMENT</u>	
<u>EX-101 CALCULATION LINKBASE DOCUMENT</u>	
<u>EX-101 LABELS LINKBASE DOCUMENT</u>	
<u>EX-101 PRESENTATION LINKBASE DOCUMENT</u>	
<u>EX-101 DEFINITION LINKBASE DOCUMENT</u>	

Table of Contents

PART I

As used in this Quarterly Report on Form 10-Q, the terms we, our, us or Scripps may, depending on the context, refer to The E. W. Scripps Company, to one or more of its consolidated subsidiary companies or to all of them taken as a whole.

ITEM 1. FINANCIAL STATEMENTS

The information required by this item is filed as part of this Form 10-Q. See Index to Financial Information at page F-1 of this Form 10-Q.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required by this item is filed as part of this Form 10-Q. See Index to Financial Information at page F-1 of this Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this item is filed as part of this Form 10-Q. See Index to Financial Information at page F-1 of this Form 10-Q.

ITEM 4. CONTROLS AND PROCEDURES

The information required by this item is filed as part of this Form 10-Q. See Index to Financial Information at page F-1 of this Form 10-Q.

PART II

ITEM 1. LEGAL PROCEEDINGS

We are involved in litigation arising in the ordinary course of business, such as defamation actions and governmental proceedings primarily relating to renewal of broadcast licenses, none of which is expected to result in material loss.

ITEM 1A. RISK FACTORS

There have been no material changes to the factors disclosed in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2010 except as follows:

We reached a definitive agreement to acquire the television stations owned by McGraw-Hill Companies, Inc. for \$212 million in cash. Failure to successfully integrate operations with our television station operations or to meet our performance expectations could have an adverse impact on our operations.

We may make future acquisitions and could face integration challenges and the acquired business could significantly under-perform relative to our expectations. If acquisitions are not successfully integrated, our revenues and profitability could be adversely affected and impairment charges may result if the acquired business significantly under-performs relative to our expectations.

Table of Contents**ITEM 2. UNREGISTERED SALES OF EQUITY AND USE OF PROCEEDS**

There were no sales of unregistered equity securities during the quarter for which this report is filed.

The following table provides information about Company purchases of Class A Common shares during the quarter ended September 30, 2011 and the remaining amount that may still be repurchased under the program:

Period	Total number of shares purchased	Weighted average price paid per share	Total market value of shares purchased	Maximum value that may yet be purchased under the plans or programs
7/1/11 7/31/11	494,448	\$ 9.00	\$ 4,450,850	\$ 47,254,521
8/1/11 8/31/11	852,330	\$ 7.84	\$ 6,685,312	\$ 40,569,209
9/1/11 9/30/11	647,351	\$ 7.57	\$ 4,902,536	\$ 35,666,673
Total	1,994,129	\$ 8.04	\$ 16,038,698	

We are authorized to repurchase up to \$75 million of our Class A Common Shares under a share repurchase program authorized by the board of directors in October 2010. The authorization expires December 31, 2012.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

There were no defaults upon senior securities during the quarter for which this report is filed.

ITEM 4. (REMOVED AND RESERVED)**ITEM 5. OTHER INFORMATION**

None.

ITEM 6. EXHIBITS

The information required by this item is filed as part of this Form 10-Q. See Index to Exhibits at page E-1 of this Form 10-Q.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE E. W. SCRIPPS COMPANY

Dated: November 9, 2011

BY: /s/ Douglas F. Lyons
Douglas F. Lyons
Vice President and Controller
(Principal Accounting Officer)

Table of Contents

THE E. W. SCRIPPS COMPANY
Index to Financial Information

Item	Page
<u>Condensed Consolidated Balance Sheets</u>	F-2
<u>Condensed Consolidated Statements of Operations</u>	F-4
<u>Condensed Consolidated Statements of Cash Flows</u>	F-5
<u>Condensed Consolidated Statements of Equity</u>	F-6
<u>Condensed Notes to Consolidated Financial Statements</u>	F-7
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	F-17
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	F-25
<u>Controls and Procedures</u>	F-26

F-1

Table of Contents**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

<i>(in thousands)</i>	As of September 30, 2011	As of December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 147,474	\$ 204,924
Restricted cash	10,010	2,500
Accounts and notes receivable (less allowances \$2,245 and \$2,789)	96,538	115,568
Inventory	6,984	7,859
Deferred income taxes	8,914	8,914
Income taxes receivable	38,246	14,596
Miscellaneous	8,330	8,218
Total current assets	316,496	362,579
Investments	17,411	10,652
Property, plant and equipment	354,889	389,650
Intangible assets	22,154	23,107
Deferred income taxes	25,311	30,844
Miscellaneous	12,455	10,710
TOTAL ASSETS	\$ 748,716	\$ 827,542

See notes to condensed consolidated financial statements.

Table of Contents**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

<i>(in thousands, except share data)</i>	As of September 30, 2011	As of December 31, 2010
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 19,075	\$ 34,091
Customer deposits and unearned revenue	27,020	26,072
Accrued liabilities:		
Employee compensation and benefits	31,389	36,981
Income taxes payable		7,310
Miscellaneous	26,686	25,528
Other current liabilities	6,429	8,502
Total current liabilities	110,599	138,484
Other liabilities (less current portion)	99,418	97,526
Equity:		
Preferred stock, \$.01 par authorized: 25,000,000 shares; none outstanding		
Common stock, \$.01 par:		
Class A authorized: 240,000,000 shares; issued and outstanding: 43,885,382 and 46,403,887 shares	439	464
Voting authorized: 60,000,000 shares; issued and outstanding: 11,932,735 and 11,932,735 shares	119	119
Total	558	583
Additional paid-in capital	525,717	558,225
Retained earnings	89,813	111,641
Accumulated other comprehensive loss, net of income taxes:		
Pension liability adjustments	(80,019)	(81,547)
Total The E.W. Scripps Company shareholders equity	536,069	588,902
Noncontrolling interest	2,630	2,630
Total equity	538,699	591,532
TOTAL LIABILITIES AND EQUITY	\$ 748,716	\$ 827,542

See notes to condensed consolidated financial statements.

Table of Contents**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

<i>(in thousands, except per share data)</i>	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Operating Revenues:				
Advertising	\$ 126,647	\$ 142,783	\$ 398,050	\$ 425,357
Circulation	28,606	28,780	89,897	90,622
Other	12,618	12,024	43,316	40,673
 Total operating revenues	 167,871	 183,587	 531,263	 556,652
Costs and Expenses:				
Employee compensation and benefits	83,058	88,609	259,931	261,062
Programs and program licenses	15,136	15,274	46,131	44,847
Newsprint and press supplies	12,026	11,795	37,405	35,111
Other expenses	54,404	52,786	172,661	167,512
Restructuring costs	2,614	3,206	6,529	10,269
 Total costs and expenses	 167,238	 171,670	 522,657	 518,801
Depreciation, Amortization, and (Gains) Losses:				
Depreciation	9,733	10,385	29,549	32,881
Amortization of intangible assets	319	339	952	1,039
Impairment of long-lived assets	9,000		9,000	
(Gains) losses, net on disposal of property, plant and equipment	(476)	525	(234)	1,260
 Net depreciation, amortization and losses	 18,576	 11,249	 39,267	 35,180
 Operating income (loss)	 (17,943)	 668	 (30,661)	 2,671
Interest expense	(362)	(741)	(1,167)	(2,434)
Miscellaneous, net	110	39	(622)	950
 Income (loss) from continuing operations before income taxes	 (18,195)	 (34)	 (32,450)	 1,187
Benefit for income taxes	(7,473)	(5,459)	(10,621)	(4,021)
 Income (loss) from continuing operations, net of tax	 (10,722)	 5,425	 (21,829)	 5,208
Income from discontinued operations, net of tax		820		99,664

Net income (loss) attributable to the shareholders of The E.W. Scripps Company	\$ (10,722)	\$ 6,245	\$ (21,829)	\$ 104,872
Net income (loss) per basic share of common stock attributable to the shareholders of The E.W. Scripps Company:				
Income (loss) from continuing operations	\$ (.19)	\$.08	\$ (.38)	\$.08
Income from discontinued operations	.00	.01	.00	1.56
Net income (loss) per basic share of common stock	\$ (.19)	\$.10	\$ (.38)	\$ 1.64
Net income (loss) per diluted share of common stock attributable to the shareholders of The E.W. Scripps Company:				
Income (loss) from continuing operations	\$ (.19)	\$.08	\$ (.38)	\$.08
Income from discontinued operations	.00	.01	.00	1.55
Net income (loss) per diluted share of common stock	\$ (.19)	\$.10	\$ (.38)	\$ 1.64

See notes to condensed consolidated financial statements.

Net income (loss) per share amounts may not foot since each is calculated independently.

Table of Contents**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

<i>(in thousands)</i>	Nine months ended September 30,	
	2011	2010
Cash Flows from Operating Activities:		
Net income (loss)	\$ (21,829)	\$ 104,872
Income from discontinued operations		(99,664)
Income (loss) from continuing operations	(21,829)	5,208
Adjustments to reconcile income (loss) from continuing operations to net cash flows from operating activities:		
Depreciation and amortization	30,501	33,920
Impairment of long-lived assets	9,000	
(Gains) losses, net on sale of property, plant and equipment	(234)	1,260
Deferred income taxes	4,617	18,816
Excess tax benefits of share-based compensation plans	(6,021)	(10,346)
Stock and deferred compensation plans	6,921	7,518
Pension expense, net of payments	2,297	(62,561)
Other changes in certain working capital accounts, net	(25,374)	51,531
Miscellaneous, net	4,623	(2,377)
Net cash provided by continuing operating activities	4,501	42,969
Net cash provided by discontinued operating activities		6,509
Net operating activities	4,501	49,478
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	(7,823)	(11,778)
Increase in short-term investments		(12,419)
Proceeds from sale of long-term investments	2,650	
Purchase of investments	(7,072)	
Proceeds from sale of property, plant and equipment	1,674	480
Changes in restricted cash	(7,510)	
Other		(657)
Net cash used in continuing investing activities	(18,081)	(24,374)
Net cash provided by discontinued investing activities		162,675
Net investing activities	(18,081)	138,301
Cash Flows from Financing Activities:		
Net payments on variable rate credit facility		(34,900)
Repurchase of Class A Common shares	(39,333)	
Dividends paid to noncontrolling interest		(623)

Edgar Filing: SCRIPPS E W CO /DE - Form 10-Q

Proceeds from exercise of stock options	2,037	5,275
Tax payments related to shares withheld for vested stock and RSUs	(9,509)	(11,881)
Excess tax benefits from share-based compensation plans	6,021	10,346
Miscellaneous, net	(3,086)	582
Net cash used in continuing financing activities	(43,870)	(31,201)
Change in cash – discontinued operations		5,229
Increase (decrease) in cash and cash equivalents	(57,450)	161,807
Cash and cash equivalents:		
Beginning of period	204,924	7,681
End of period	\$ 147,474	\$ 169,488
Supplemental Cash Flow Disclosures		
Income taxes paid	\$ 8,312	\$ 30,779

See notes to condensed consolidated financial statements.

Table of Contents**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)**

<i>(in thousands, except share data)</i>	Common Stock	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity
As of December 31, 2009	\$ 546	\$ 531,754	\$ (10,946)	\$ (91,459)	\$ 3,356	\$ 433,251
Net income			104,872			104,872
Spin-off of SNI (Note 15)			(7,115)			(7,115)
Dividends paid to noncontrolling interests					(623)	(623)
Changes in defined pension plans				4,309		4,309
Currency translation adjustment				(590)		(590)
Excess tax benefits of compensation plans		16,653				16,653
Compensation plans: 3,171,652 net shares issued*	32	2,533	5			2,570
As of September 30, 2010	\$ 578	\$ 550,940	\$ 86,816	\$ (87,740)	\$ 2,733	\$ 553,327
As of December 31, 2010	\$ 583	\$ 558,225	\$ 111,641	\$ (81,547)	\$ 2,630	\$ 591,532
Net loss			(21,829)			(21,829)
Repurchase 4,585,593 Class A Common Shares	(46)	(39,287)				(39,333)
Changes in defined pension plans				1,528		1,528
Excess tax benefits of compensation plans		6,900				6,900
Compensation plans: 2,067,088 net shares issued*	21	(121)	1			(99)
As of September 30, 2011	\$ 558	\$ 525,717	\$ 89,813	\$ (80,019)	\$ 2,630	\$ 538,699

* Net of \$9,508 in 2011 and \$11,881 in 2010 of tax payments related to shares withheld for vested stock and RSUs. See notes to condensed consolidated financial statements.

Table of Contents

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As used in the Notes to Consolidated Financial Statements, the terms we, our, us or Scripps may, depending on the context, refer to The E. W. Scripps Company, to one or more of its consolidated subsidiary companies or to all of them taken as a whole.

Basis of Presentation The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. The interim financial statements should be read in conjunction with the audited consolidated financial statements, including the notes thereto included in our 2010 Annual Report on Form 10-K. In management's opinion all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the interim periods have been made. Certain amounts in prior periods have been reclassified to conform to the current period's presentation.

Results of operations are not necessarily indicative of the results that may be expected for future interim periods or for the full year.

Nature of Operations We are a diverse media concern with interests in television and newspaper publishing. All of our media businesses provide content and advertising services via the Internet. Our media businesses are organized into the following reportable business segments: Television, Newspapers and Syndication and other. Additional information for our business segments is presented in Note 12.

Use of Estimates The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires us to make a variety of decisions that affect the reported amounts and the related disclosures. Such decisions include the selection of accounting principles that reflect the economic substance of the underlying transactions and the assumptions on which to base accounting estimates. In reaching such decisions, we apply judgment based on our understanding and analysis of the relevant circumstances, including our historical experience, actuarial studies and other assumptions.

Our financial statements include estimates and assumptions used in accounting for our defined benefit pension plans; the periods over which long-lived assets are depreciated or amortized; the recoverability of the carrying value of long-lived assets; the liability for uncertain tax positions and valuation allowances against deferred income tax assets; and self-insured risks.

While we re-evaluate our estimates and assumptions on an ongoing basis, actual results could differ from those estimated at the time of preparation of the financial statements.

Revenue Recognition We recognize revenue when persuasive evidence of a sales arrangement exists, delivery occurs or services are rendered, the sales price is fixed or determinable and collectability is reasonably assured.

Our primary sources of revenue are from the sale of print, broadcast and Internet advertising and the sale of newspapers.

The revenue recognition policies for each source of revenue are described in our annual report on Form 10-K for the year ended December 31, 2010.

Share-Based Compensation We have a Long-Term Incentive Plan (the Plan) which is described more fully in our Annual Report on Form 10-K for the year ended December 31, 2010. The Plan provides for the award of incentive and nonqualified share options, share appreciation rights, restricted and unrestricted Class A Common shares and restricted share units, and performance units to key employees and non-employee directors.

Share-based compensation costs for continuing operations totaled \$1.6 million and \$3.4 million for the third quarter of 2011 and 2010, respectively. Year-to-date share-based compensation for continuing operations was \$7.1 and \$9.0 million in 2011 and 2010, respectively.

Earnings Per Share (EPS) Unvested awards of share-based payments with rights to receive dividends or dividend equivalents, such as our restricted stock and restricted share units (RSUs), are considered participating securities for purposes of calculating EPS. Under the two-class method, we allocate a portion of net income to these participating securities and therefore exclude that income from the calculation of EPS allocated to common stock. We do not allocate losses to the participating securities.

Table of Contents

The following table presents information about basic and diluted weighted-average shares:

<i>(in thousands)</i>	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Numerator (for basic earnings per share)				
Net income (loss) attributable to the shareholders of The E.W. Scripps Company	\$ (10,722)	\$ 6,245	\$ (21,829)	\$ 104,872
Less income allocated to unvested restricted stock and RSUs		(649)		(12,261)
Numerator for basic earnings per share	\$ (10,722)	\$ 5,596	\$ (21,829)	\$ 92,611
Denominator				
Basic weighted-average shares outstanding	56,834	57,435	58,071	56,512
Effect of dilutive securities:				
Stock options held by employees and directors		67		129
Diluted weighted-average shares outstanding	56,834	57,502	58,071	56,641
Anti-dilutive securities ⁽¹⁾	14,230	10,292	14,230	10,292

(1) Amount outstanding at Balance Sheet date, before application of the treasury stock method and not weighted for period outstanding.

For the quarter ended and the year-to-date period ended September 30, 2011, we incurred a net loss and the inclusion of unvested stock, RSUs and stock options held by employees and directors would have been anti-dilutive and accordingly the diluted EPS calculation for the period excludes those common share equivalents.

2. ACCOUNTING CHANGES AND RECENTLY ISSUED ACCOUNTING STANDARDS

Accounting Changes In October 2009, the FASB issued amendments to the accounting and disclosure for revenue recognition. These amendments, which were effective for us on January 1, 2011, modified the criteria for recognizing revenue in multiple element arrangements and the scope of what constitutes a non-software deliverable. The adoption of this standard did not have a material impact on our financial condition or results of operations.

Recently Issued Accounting Standards In May 2011, the FASB issued amendments to disclosure requirements for common fair value measurement. These amendments, effective for the interim and annual periods beginning on or after December 15, 2011 (early adoption is prohibited), result in common definition of fair value and common requirements for measurement of and disclosure requirements between U.S. GAAP and IFRS. Consequently, the amendments change some fair value measurement principles and disclosure requirements. The implementation of this amended accounting guidance is not expected to have a material impact on our consolidated financial position and results of operations.

In June 2011, the FASB issued amendments to disclosure requirements for presentation of comprehensive income. This guidance, effective retrospectively for the interim and annual periods beginning on or after December 15, 2011 (early adoption is permitted), requires presentation of total comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The implementation of this amended accounting guidance is not expected to have a material impact on our consolidated financial position and results of operations.

In September 2011, the FASB issued changes to the testing of goodwill for impairment. These changes provide an entity the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not (more than 50%) that the fair value of a reporting unit is less than its carrying amount. Such qualitative factors may include the following: macroeconomic conditions; industry and market considerations; cost factors; overall financial performance; and other relevant entity-specific events. If an entity elects to perform a qualitative assessment and determines that an impairment is more likely than not, the entity is then required to perform the existing two-step quantitative impairment test, otherwise no further analysis is required. An entity also may elect not to perform the qualitative assessment and, instead, go directly to the two-step quantitative impairment test. These changes become effective for us for any goodwill impairment test performed on January 1, 2012 or later, although early adoption is permitted. The implementation of this amended accounting guidance is not expected to have a material impact on our consolidated financial position and results of operations.

Table of Contents

In September 2011, the FASB issued changes to the disclosure requirements with respect to multiemployer pension plans. These changes require additional separate disclosures for multiemployer pension plans and multiemployer other postretirement benefit plans. For significant multiemployer plans in which an employer participates, the additional disclosures include the plan name and identifying number, contributions to the plan and whether such contributions represent 5% of the total contributions made to the plan by all employers, indication of funded status, minimum contribution requirements under collective-bargaining agreements and expirations of such agreements. For plans which do not have publicly available information other than employer financial statements, additional qualitative and quantitative disclosures are required including the description of the nature of the plan benefits, the extent to which the employer could be responsible for the obligations of the plan and, to the extent available, total plan assets, actuarial present value of accumulated plan benefits and total contributions received by the plan as of the most recent date available. The additional disclosures are effective for our year ending December 31, 2011. The implementation of this amended accounting guidance is not expected to have a material impact on our consolidated financial position and results of operations.

3. DISCONTINUED OPERATIONS***Sale of Licensing***

On June 3, 2010, the Company and its wholly owned subsidiary, United Feature Syndicate, Inc. (UFS) completed the sale of its character licensing business United Media Licensing (UML) to Iconix Brand Group. The sale also included certain intellectual property including the rights to syndicate the Peanuts and Dilbert comic strips. The aggregate cash sale price was \$175 million, resulting in a pre-tax gain of \$162 million in the second quarter of 2010. The results of operations of UML and the gain on sale are presented as discontinued operations in our financial statements for all periods.

In connection with the sale, Iconix assumed UFS's real estate lease, which expires in February 2016. We were not released from our obligations as guarantor of that lease by the lessor. Total remaining lease payments at September 30, 2011, are approximately \$7.0 million. We believe that the likelihood of incurring future costs for this guarantee to be remote, and therefore we have not recorded a related liability.

Closure of Rocky Mountain News

After an unsuccessful search for a buyer, we closed the Rocky Mountain News after it published its final edition on February 27, 2009.

Under the terms of an agreement with Media News Group Inc. (MNG), we transferred our interests in the Denver Newspaper Agency, a limited liability partnership to MNG in the third quarter of 2009.

The results of the operations of the Rocky Mountain News and the earnings from our interest in the Denver JOA are presented as discontinued operations in our financial statements for all periods.

Table of Contents

Operating results of our discontinued operations were as follows:

<i>(in thousands)</i>	Three months ended September 30, 2010	Nine months ended September 30, 2010
Operating revenues	\$	\$ 27,979
Income from discontinued operations:		
Gain on sale of Licensing, before tax	\$ (311)	\$ 161,690
Income (loss) from Licensing, before tax	(324)	3,676
Income from Rocky Mountain News, before tax	2,560	2,560
Income tax expense	(1,105)	(68,262)
Income from discontinued operations, net of tax	\$ 820	\$ 99,664

4. INCOME TAXES

We file a consolidated federal income tax return, consolidated unitary tax returns in certain states, and other separate state income tax returns for certain of our subsidiary companies.

The income tax provision for interim periods is determined based upon the expected effective income tax rate for the full year and the tax rate applicable to certain discrete transactions in the interim period. To determine the annual effective income tax rate, we must estimate both the total income (loss) before income tax for the full year and the jurisdictions in which that income (loss) is subject to tax. The actual effective income tax rate for the full year may differ from these estimates if income (loss) before income tax is greater or less than what was estimated or if the allocation of income (loss) to jurisdictions in which it is taxed is different from the estimated allocations. We review and adjust our estimated effective income tax rate for the full year each quarter based upon our most recent estimates of income (loss) before income tax for the full year and the jurisdictions in which we expect that income will be taxed. The effective income tax rate for the nine months ended September 30, 2011, was 33%. The factors impacting the difference between this rate and the U.S. Federal statutory rate of 35% includes the impact of state taxes and non-deductible expenses. In addition, in the third quarter of 2011, we reached agreement with the Internal Revenue Service to settle the examinations of our 2005 through 2009 tax returns. We recognized additional tax benefits of approximately \$1 million as a result of the settlement.

The effective income tax rate for the nine months ended September 30, 2010, was 339%. The primary difference between this rate and the U.S. Federal statutory rate of 35% is the impact of state taxes, the change in our reserve for uncertain tax positions and non-deductible expenses.

At September 30, 2011, we had net deferred tax assets of \$34 million. Substantially all of our deferred tax assets reverse in 2011 and 2012. We can use any tax losses resulting from the deferred tax assets reversing in 2011 or 2012 to claim refunds of taxes paid in prior years. Management believes that it is more likely than not that we will realize the benefits of our Federal deferred tax assets and therefore has not recorded a valuation allowance for them. State net operating loss carryforwards are recognized as deferred tax assets, subject to valuation allowances. At each balance sheet date, we estimate the amount of carryforwards that are not expected to be used prior to expiration of the carryforward period. The tax effect of the carryforwards that are not expected to be used prior to their expiration is included as a valuation allowance.

5. RESTRICTED CASH

At September 30, 2011 and December 31, 2010, we had \$10 million and \$2.5 million, respectively in a restricted cash account on deposit with our insurance carrier. The restricted cash serves as collateral, in place of an irrevocable stand-by letter of credit, to provide financial assurance that we will fulfill our obligations with respect to cash requirements associated with workers compensation self-insurance. This cash is to remain on deposit with the carrier

until all claims have been paid or we provide a letter of credit in lieu of the cash deposit.

F-10

Table of Contents**6. INTANGIBLE ASSETS**

Intangible assets consisted of the following:

<i>(in thousands)</i>	As of September 30, 2011	As of December 31, 2010
Intangible assets:		
Amortizable intangible assets:		
Carrying amount:		
Television network affiliation relationships	\$ 5,264	\$ 5,641
Customer lists	12,469	12,469
Other	3,870	6,942
Total carrying amount	21,603	25,052
Accumulated amortization:		
Television network affiliation relationships	(1,733)	(1,925)
Customer lists	(9,270)	(8,657)
Other	(1,641)	(4,558)
Total accumulated amortization	(12,644)	(15,140)
Net amortizable intangible assets	8,959	9,912
Indefinite-lived intangible assets FCC licenses	13,195	13,195
Total intangible assets	\$ 22,154	\$ 23,107

Estimated amortization expense of intangible assets for each of the next five years is \$0.3 million for the remainder of 2011, \$1.0 million in 2012, \$0.9 million in 2013, \$0.7 million in 2014, \$0.7 million in 2015, \$0.6 million in 2016 and \$4.8 million in later years.

7. LONG-TERM DEBT

We have a Revolving Credit Agreement (Agreement), which expires June 30, 2013. See Note 16 for additional information. The maximum amount of availability under the facility is \$100 million. Borrowings under the Agreement are limited to a borrowing base, as follows:

- a) 100% of cash maintained in a blocked account (up to \$20 million),
- b) 85% of eligible accounts receivable,
- c) 40% of eligible newsprint inventory, and
- d) 50% of the fair market value of eligible real property (limited to \$25 million).

At September 30, 2011, no amounts were outstanding under the credit agreement and we had borrowing capacity of \$86 million.

Under the terms of the Agreement we granted the lenders mortgages on certain of our real property, pledges of our equity interests in our subsidiaries and security interests in substantially all other personal property, including cash, accounts receivables, inventories and equipment. If at any time, the amount of excess availability (defined as the

amount by which the borrowing base exceeds the aggregate borrowings and letters of credit under the Agreement) is equal to or less than \$30 million, we must then maintain a fixed charge coverage ratio (as defined therein) of at least 1.1 to 1.0.

The Agreement allows us to make acquisitions or return capital of up to \$150 million, respectively, over the remaining term of the Credit Facility, up to a maximum aggregate of \$200 million.

Table of Contents

Borrowings under the Agreement bear interest at variable interest rates based on either LIBOR or a base rate, in either case plus an applicable margin that varies depending upon average excess availability. The margin for LIBOR based loans ranges from 2.75% to 3.25% per annum. The margin for base rate loans ranges from 1.75% to 2.25% per annum. The weighted-average interest rate on borrowings under the credit facility was 3.0% at September 30, 2011 and December 31, 2010.

Commitment fees of 0.50% per annum of the total unused commitment are payable under the credit facility.

As of September 30, 2011, and December 31, 2010, we had outstanding letters of credit totaling \$1.1 million and \$10.4 million, respectively.

In October 2008, we entered into a 2-year \$30 million notional interest rate swap which expired in October 2010. Under this agreement we received payments based on the 3-month LIBOR and made payments based on a fixed rate of 3.2%. This swap was not designated as a hedge in accordance with generally accepted accounting principles and changes in fair value were recorded in miscellaneous-net with a corresponding adjustment to other long-term liabilities. For the nine-months ended September 30, 2010, a \$0.6 million gain was recorded in miscellaneous, net.

8. OTHER LIABILITIES

Other liabilities consisted of the following:

<i>(in thousands)</i>	As of September 30, 2011	As of December 31, 2010
Employee compensation and benefits	\$ 14,808	\$ 16,011
Liability for pension benefits	45,986	46,135
Liabilities for uncertain tax positions	16,806	16,205
Other	21,818	19,175
Other liabilities (less current portion)	\$ 99,418	\$ 97,526

9. NONCONTROLLING INTERESTS

Individuals and other entities own a 4% noncontrolling interest in the capital stock of the subsidiary company that publishes our Memphis newspaper and a 6% noncontrolling interest in the capital stock of the subsidiary company that publishes our Evansville newspaper. We are not required to redeem the noncontrolling interests in these subsidiary companies.

A summary of the components of net income (loss) attributable to The E.W. Scripps Company shareholders is as follows:

<i>(in thousands)</i>	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Net income (loss) attributable to The E.W. Scripps Company shareholders:				
Income (loss) from continuing operations, net of tax	\$ (10,722)	\$ 5,425	\$ (21,829)	\$ 5,208
Income from discontinued operations, net of tax		820		99,664
Net income (loss)	\$ (10,722)	\$ 6,245	\$ (21,829)	\$ 104,872

Table of Contents**10. SUPPLEMENTAL CASH FLOW INFORMATION**

The following table presents additional information about the change in certain working capital accounts:

<i>(in thousands)</i>	Nine months ended September 30,	
	2011	2010
Other changes in certain working capital accounts, net:		
Accounts receivable	\$ 16,380	\$ 13,563
Inventory	875	(718)
Income taxes receivable/payable net	(30,960)	(2,404)
Accounts payable	(15,016)	8,409
Customer deposits and unearned revenue	948	3,947
Accrued employee compensation and benefits	(5,592)	11,663
Other, net	7,991	17,071
Total	\$ (25,374)	\$ 51,531

11. EMPLOYEE BENEFIT PLANS

We sponsor defined benefit pension plans that cover substantially all non-union and certain union-represented employees. Benefits are generally based upon the employee's compensation and years of service. We also have a non-qualified Supplemental Executive Retirement Plan (SERP). The SERP, which is unfunded, provides defined pension benefits in addition to the defined benefit pension plan to eligible participants based on average earnings, years of service and age at retirement. Effective June 30, 2009, we froze the accrual of benefits under defined benefit pension plans and SERP that cover the majority of our employees.

We sponsor a defined contribution plan covering substantially all non-union and certain union employees. We match a portion of employees' voluntary contributions to this plan. We suspended our matching contributions in the second quarter of 2009. Our matching contributions were reinstated in July 2010.

Other union-represented employees are covered by defined benefit pension plans jointly sponsored by us and the union, or by union-sponsored multi-employer plans.

The components of the benefit plans expense consisted of the following:

<i>(in thousands)</i>	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Service cost	\$ 12	\$ 130	\$ 36	\$ 436
Interest cost	6,710	6,199	19,448	18,935
Expected return on plan assets, net of expenses	(5,753)	(6,055)	(17,257)	(18,133)
Amortization of prior service cost		4	1	14
Amortization of actuarial loss	893	954	2,237	3,068
Curtailment loss		8		58
Total for defined benefit plans	1,862	1,240	4,465	4,378
Multi-employer plans	116	112	349	451
SERP	296	350	836	909
Defined contribution plans	2,234	887	6,979	887

Net periodic benefit cost	4,508	2,589	12,629	6,625
Allocated to discontinued operations				(103)
Net periodic benefit cost continuing operations	\$ 4,508	\$ 2,589	\$ 12,629	\$ 6,522

We contributed \$3.0 million to fund current benefit payments for our SERP during the first nine months of 2011. We anticipate contributing an additional \$0.8 million to fund the SERP's benefit payments during the remainder of 2011. We did not make any contributions to our defined benefit plans during the first nine months of 2011.

Table of Contents

12. SEGMENT INFORMATION

We determine our business segments based upon our management and internal reporting structure. Our reportable segments are strategic businesses that offer different products and services.

Television includes six ABC-affiliated stations, three NBC-affiliated stations and one independent station. Our television stations reach approximately 10% of the nation's television households. Television stations earn revenue primarily from the sale of advertising to local and national advertisers.

Our newspaper business segment includes daily and community newspapers in 13 markets in the U.S. Newspapers earn revenue primarily from the sale of advertising to local and national advertisers and from the sale of newspapers to readers.

Syndication and other primarily include syndication of news features and comics and other features for the newspaper industry.

We allocate a portion of certain corporate costs and expenses, including information technology, pensions and other employee benefits, and other shared services, to our business segments. The allocations are generally amounts agreed upon by management, which may differ from an arms-length amount. Corporate assets are primarily cash, cash equivalents and other short-term investments, property and equipment primarily used for corporate purposes, and deferred income taxes.

Our chief operating decision maker evaluates the operating performance of our business segments and makes decisions about the allocation of resources to our business segments using a measure called segment profit. Segment profit excludes interest, income taxes, depreciation and amortization, divested operating units, restructuring activities, investment results and certain other items that are included in net income (loss) determined in accordance with accounting principles generally accepted in the United States of America.

Table of Contents

Information regarding our business segments is as follows:

<i>(in thousands)</i>	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Segment operating revenues:				
Television	\$ 69,939	\$ 78,515	\$ 215,933	\$ 220,164
Newspapers	95,948	100,416	304,080	321,016
Syndication and other	1,984	4,656	11,250	15,472
Total operating revenues	\$ 167,871	\$ 183,587	\$ 531,263	\$ 556,652
Segment profit (loss):				
Television	\$ 7,461	\$ 17,658	\$ 27,315	\$ 37,611
Newspapers	1,595	6,645	11,872	37,775
Syndication and other	156	(1,072)	(1,727)	(2,371)
Corporate and shared services	(5,965)	(8,108)	(22,325)	(24,895)
Depreciation and amortization	(10,052)	(10,724)	(30,501)	(33,920)
Impairment of long-lived assets	(9,000)		(9,000)	
Gains (losses), net on disposal of property, plant and equipment	476	(525)	234	(1,260)
Interest expense	(362)	(741)	(1,167)	(2,434)
Restructuring costs	(2,614)	(3,206)	(6,529)	(10,269)
Miscellaneous, net	110	39	(622)	950
Income (loss) from continuing operations before income taxes	\$ (18,195)	\$ (34)	\$ (32,450)	\$ 1,187
Depreciation:				
Television	\$ 4,193	\$ 4,083	\$ 12,369	\$ 12,790
Newspapers	5,254	6,099	16,135	19,251
Syndication and other	13	86	126	371
Corporate and shared services	273	117	919	469
Total depreciation	\$ 9,733	\$ 10,385	\$ 29,549	\$ 32,881
Amortization of intangibles:				
Television	\$ 80	\$ 96	\$ 238	\$ 283
Newspapers	239	243	714	756
Total amortization of intangibles	\$ 319	\$ 339	\$ 952	\$ 1,039
Additions to property, plant and equipment:				
Television	\$ 2,701	\$ 4,320	\$ 6,204	\$ 7,440
Newspapers	501	16	1,263	680
Syndication and other	67	65	362	186
Corporate and shared services	9	101	50	391

Edgar Filing: SCRIPPS E W CO /DE - Form 10-Q

Total additions to property, plant and equipment	\$	3,278	\$	4,502	\$	7,879	\$	8,697
--	----	-------	----	-------	----	-------	----	-------

No single customer provides more than 10% of our revenue.

F-15

Table of Contents**13. COMPREHENSIVE INCOME (LOSS)**

<i>(in thousands)</i>	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Net income (loss) attributable to the shareholders of The E.W. Scripps Company	\$ (10,722)	\$ 6,245	\$ (21,829)	\$ 104,872
Changes in defined pension plans, net of tax of \$367, \$1,643, \$917 and \$2,463	610	2,872	1,528	4,309
Currency translation adjustment, net of tax of \$0 and \$0				43
Total comprehensive income (loss)	\$ (10,112)	\$ 9,117	\$ (20,301)	\$ 109,224

14. CAPITAL STOCK

Our board of directors authorized the repurchase up to \$75 million of our Class A Common shares in 2010. Through September 30, 2011, we repurchased a total of \$39 million of shares at prices ranging from \$6.80 to \$9.69 per share. An additional \$36 million of shares may be repurchased pursuant to the authorization. We are under no obligation to repurchase any particular amount of common shares under the program. The authorization expires December 31, 2012.

15. SPIN-OFF OF SCRIPPS NETWORKS INTERACTIVE, INC.

On July 1, 2008, we distributed all of the shares of Scripps Networks Interactive, Inc. (SNI) to shareholders of record as of the close of business on June 16, 2008. SNI owned and operated our national lifestyle cable television networks and interactive media businesses.

SNI reimbursed us \$6 million in the first nine months of 2010 for its share of estimated taxes prior to the spin-off under the Tax Allocation Agreement.

At September 30, 2011, and December 31, 2010, we owed SNI \$7.3 million and \$7.5 million, respectively for its share of tax refund claims for prior years. We will pay SNI its share of the tax refund claims when we receive such refunds from the tax authorities.

16. ACQUISITION

On October 3, 2011, we reached a definitive agreement to acquire the television station group now owned by McGraw-Hill Broadcasting, Inc., for \$212 million in cash. We have secured a committed term bank loan in the amount of \$212 million to fund the acquisition. We are currently in the process of syndicating both the \$212 million term loan and a \$100 million revolving credit facility (New Financing) among a group of banks. The existing Revolving Credit Agreement will be terminated upon closing of the New Financing. We expect to complete the transaction, which is subject to pending regulatory and other approvals, no later than the first half of 2012.

17. IMPAIRMENT CHARGES

During the quarter ended September 30, 2011, we recorded a \$9 million non-cash charge to reduce the carrying value of long-lived assets at four of our newspapers. Our estimates of cumulative undiscounted future cash flows at these properties were not sufficient to recover the \$36 million carrying value of the assets and we wrote them down to their estimated fair value of \$27 million. The measurement of the fair value is a nonrecurring level 3 measurement (significant unobservable inputs) in the fair value hierarchy. In determining fair value, we utilized a market approach which employs available recent transactions for similar assets or prior transactions adjusted for changes in the market for those assets.

Estimating undiscounted cash flows requires significant judgments and estimates. We will continue to monitor the estimated cash flows of our newspaper properties and may incur additional impairment charges if future cash flows are less than our current estimates.

Table of Contents

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The E. W. Scripps Company (Scripps) is a diverse media company with interests in television stations and newspaper publishing. The company's portfolio of media properties includes: 10 television stations, including six ABC-affiliated stations, three NBC affiliates and one independent station; daily and community newspapers in 13 markets; and the Washington-based Scripps Media Center, home to the Scripps Howard News Service.

This discussion and analysis of financial condition and results of operations is based upon the condensed consolidated financial statements and the condensed notes to the consolidated financial statements. You should read this discussion in conjunction with those financial statements.

Forward-Looking Statements

Certain forward-looking statements related to our businesses are included in this discussion. Those forward-looking statements reflect our current expectations. Forward-looking statements are subject to certain risks, trends and uncertainties that could cause actual results to differ materially from the expectations expressed in the forward-looking statements. Such risks, trends and uncertainties, which in most instances are beyond our control, include changes in advertising demand and other economic conditions; consumers' tastes; newsprint prices; program costs; labor relations; technological developments; competitive pressures; interest rates; regulatory rulings; and reliance on third-party vendors for various products and services. The words believe, expect, anticipate, estimate, intend and similar expressions identify forward-looking statements. You should evaluate our forward-looking statements, which are as of the date of this filing, with the understanding of their inherent uncertainty. We undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of the statement.

Executive Overview

On October 3, 2011, we reached a definitive agreement to acquire the television station group now owned by McGraw-Hill Broadcasting Company, Inc., for \$212 million in cash. We have secured a committed term bank loan in the amount of \$212 million to fund the acquisition. We are currently in the process of syndicating both the \$212 million term loan and a \$100 million revolving credit facility (New Financing) among a group of banks. The existing Revolving Credit Agreement will be terminated upon closing of the New Financing. We expect to complete the transaction, which is subject to pending regulatory and other approvals, no later than the first half of 2012.

In the first nine months of 2011, we repurchased \$39 million of shares under the share repurchase program authorized by the board of directors in 2010.

In the first quarter of 2011, we entered into a five-year agreement with Universal Uclick (Universal) to provide syndication services for the news features and comics of United Media. Universal will provide editorial and production services, sales and marketing, sales support and customer service, and distribution and fulfillment for all the news features and comics of United Media. Under the terms of the agreement Scripps will receive a fixed fee from Universal and will continue to own certain copyrights and control the licenses for those properties, and will manage the business relationships with the creative talent that produces those comics and features. We completed the transition of the services in June 2011.

Also in the first quarter of 2011, we entered into agreements with Raycom Media, Inc. to produce news and provide services involving technical, promotional and online operations and certain local programming for WFLX, Raycom Media's Fox affiliate in West Palm Beach, Florida. Raycom will continue to program the station and conduct all advertising sales. Scripps will receive a minimum annual fee for its news content and the services provided and may receive additional incentive payments.

Our efforts to restructure our television and newspaper operations continue. We have invested in technology to automate our television station newsrooms and are installing common advertising, circulation and editorial systems in our newspapers. We are standardizing processes within our operating divisions and are centralizing or outsourcing processes that do not require a significant presence in the local market. Costs related to these efforts totaled \$6.5 million in the nine months ended September 30, 2011. We expect the restructuring program and installation of common newspaper systems to continue through 2012.

Table of Contents

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires us to make a variety of decisions which affect reported amounts and related disclosures, including the selection of appropriate accounting principles and the assumptions on which to base accounting estimates. In reaching such decisions, we apply judgment based on our understanding and analysis of the relevant circumstances, including our historical experience, actuarial studies and other assumptions. We are committed to incorporating accounting principles, assumptions and estimates that promote the representational faithfulness, verifiability, neutrality and transparency of the accounting information included in the financial statements.

Note 1 to the Consolidated Financial Statements included in our Annual Report on Form 10-K describes the significant accounting policies we have selected for use in the preparation of our financial statements and related disclosures. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used or changes in estimates that are likely to occur could materially change the financial statements. We believe the accounting for Other Indefinite-Lived Intangible Assets, Income Taxes and Pension Plans to be our most critical accounting policies and estimates. A detailed description of these accounting policies is included in the Critical Accounting Policies section of Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2010. There have been no significant changes in those accounting policies or other significant accounting policies.

Table of Contents**RESULTS OF OPERATIONS**

The trends and underlying economic conditions affecting the operating performance and future prospects differ for each of our business segments. Accordingly, we believe the following discussion of our consolidated results of operations should be read in conjunction with the discussion of the operating performance of our business segments.

Consolidated Results of Operations

Consolidated results of operations were as follows:

<i>(in thousands, except per share data)</i>	Quarter Period			Year-to-date		
	2011	Change	2010	2011	Change	2010
Operating revenues	\$ 167,871	(8.6)%	\$ 183,587	\$ 531,263	(4.6)%	\$ 556,652
Employee compensation and benefits	(83,058)	(6.3)%	(88,609)	(259,931)	(0.4)%	(261,062)
Programs and program licenses	(15,136)	(0.9)%	(15,274)	(46,131)	2.9%	(44,847)
Newsprint and press supplies	(12,026)	2.0%	(11,795)	(37,405)	6.5%	(35,111)
Other expenses	(54,404)	3.1%	(52,786)	(172,661)	3.1%	(167,512)
Restructuring costs	(2,614)	(18.5)%	(3,206)	(6,529)	(36.4)%	(10,269)
Depreciation and amortization	(10,052)	(6.3)%	(10,724)	(30,501)	(10.1)%	(33,920)
Impairment of long-lived assets	(9,000)			(9,000)		
Gains (losses), net on disposal of property, plant and equipment	476		(525)	234		(1,260)
Operating income (loss)	(17,943)		668	(30,661)		2,671
Interest expense	(362)		(741)	(1,167)		(2,434)
Miscellaneous, net	110		39	(622)		950
Income (loss) from continuing operations before income taxes	(18,195)		(34)	(32,450)		1,187
Benefit for income taxes	7,473		5,459	10,621		4,021
Income (loss) from continuing operations	(10,722)		5,425	(21,829)		5,208
Income from discontinued operations, net of tax			820			99,664
Net income (loss) attributable to the shareholders of The E.W. Scripps Company	\$ (10,722)		\$ 6,245	\$ (21,829)		\$ 104,872
Net income (loss) per basic share of common stock attributable to the shareholders of The E.W. Scripps Company:						
Income (loss) from continuing operations	\$ (.19)		\$.08	\$ (.38)		\$.08

Income from discontinued operations	.00	.01	.00	1.56
Net income (loss) per basic share of common stock	\$ (.19)	\$.10	\$ (.38)	\$ 1.64

Net income (loss) per share amounts may not foot since each is calculated independently.

Continuing Operations

Operating revenues decreased due to continued weakness in newspaper print advertising and lower political spending in a non-election year. Increased revenues from higher television retransmission rights and fees from our news and television service agreement with WFLX helped offset some of the reductions.

Employee compensation and benefits remained flat in the 2011 year-to-date period and decreased in the third quarter of 2011 compared to the 2010 third quarter. The primary factors affecting employee compensation and benefits in the year-to-date periods are:

The restoration of employer matching contributions to our defined contribution plan in the third quarter of 2010, Supplemental retirement plan contributions to employees nearing retirement age associated with freezing the accrual of benefits under our defined benefit pension plan in 2009 were instituted in the first quarter of 2011, An increase in non-forfeitable contributions made in the first quarter of 2011 to employee health savings accounts due to greater enrollment in those plans. Contributions made to employee accounts are generally made in January,

A decrease in the accrual for employee bonuses under our annual incentive plan. We began accruing 2010 performance bonuses in the second quarter of 2010, but have made no accruals for 2011 incentives.

Table of Contents

Expenses for programs and program licenses increased in 2011 year-to-date period primarily due to network affiliation fees under new network affiliation agreements with ABC and NBC.

Newsprint and press supplies increased by \$2.8 million in the 2011 year-to-date period primarily due to increased newsprint costs. The average price of newsprint increased 11% while newsprint consumption decreased 0.4%.

Newsprint and press supplies increased by \$0.7 million in the 2011 quarter primarily due to a 5.5% increase in newsprint prices and a 0.5% increase in consumption.

Other expenses increased in the year-to-date and third-quarter periods primarily due to higher newspaper distribution costs and increases in promotional spending.

During the quarter ended September 30, 2011, we recorded a \$9 million non-cash charge to reduce the carrying value of long-lived assets at four of our newspapers. Our estimates of cumulative undiscounted future cash flows at these properties were not sufficient to recover the \$36 million carrying value of the assets and we wrote them down to their estimated fair value of \$27 million.

Estimating undiscounted cash flows requires significant judgments and estimates. We will continue to monitor the estimated cash flows of our newspaper properties and may incur additional impairment charges if future cash flows are less than our current estimates.

The effective income tax rate was 33% and 339% for 2011 and 2010, respectively. The tax provision in both years was affected by the favorable settlement of the examinations of tax returns with federal and state tax authorities.

Discontinued Operations - Discontinued operations includes the results of Rocky Mountain News, UM Licensing and the gain on sale, which was sold in the second quarter of 2010.

Business Segment Results

Information regarding the operating performance of our business segments and a reconciliation of such information to the consolidated financial statements is as follows:

<i>(in thousands)</i>	Quarter Period		Year-to-date			
	2011	Change	2010	2011	Change	2010
Segment operating revenues:						
Television	\$ 69,939	(10.9)%	\$ 78,515	\$ 215,933	(1.9)%	\$ 220,164
Newspapers	95,948	(4.4)%	100,416	304,080	(5.3)%	321,016
Syndication and other	1,984	(57.4)%	4,656	11,250	(27.3)%	15,472
Total operating revenues	\$ 167,871	(8.6)%	\$ 183,587	\$ 531,263	(4.6)%	\$ 556,652
Segment profit (loss):						
Television	\$ 7,461		\$ 17,658	\$ 27,315		\$ 37,611
Newspapers	1,595		6,645	11,872		37,775
Syndication and other	156		(1,072)	(1,727)		(2,371)
Corporate and shared services	(5,965)		(8,108)	(22,325)		(24,895)
Depreciation and amortization	(10,052)		(10,724)	(30,501)		(33,920)
Impairment of long-lived assets	(9,000)			(9,000)		
Gains (losses), net on disposal of property, plant and equipment	476		(525)	234		(1,260)
Interest expense	(362)		(741)	(1,167)		(2,434)

Edgar Filing: SCRIPPS E W CO /DE - Form 10-Q

Restructuring costs	(2,614)	(3,206)	(6,529)	(10,269)
Miscellaneous, net	110	39	(622)	950
Income (loss) from continuing operations before income taxes	\$ (18,195)	\$ (34)	\$ (32,450)	\$ 1,187

F-20

Table of Contents**Television**

Television includes six ABC-affiliated stations, three NBC-affiliated stations and one independent station. Our television stations reach approximately 10% of the nation's households. Our television stations earn revenue primarily from the sale of advertising time to local and national advertisers.

National television networks offer affiliates a variety of programs and sell the majority of advertising within those programs. In the fourth quarter of 2010 and first quarter of 2011 we completed the renewal of our affiliation agreements with ABC and NBC, respectively. Under the renewal agreements with ABC and NBC we pay for network programming and no longer receive any network compensation. In addition to network programs, we broadcast locally produced programs, syndicated programs, sporting events, and other programs of interest in each station's market. News is the primary focus of our locally produced programming.

The operating performance of our television group is most affected by the health of the national and local economies, particularly conditions within the automotive, services and retail categories, and by the volume of advertising time purchased by campaigns for elective office and political issues. The demand for political advertising is significantly higher in the third and fourth quarters of even-numbered years.

Operating results for television were as follows:

<i>(in thousands)</i>	2011	Quarter Period Change	2010	2011	Year-to-date Change	2010
Segment operating revenues:						
Local	\$ 41,725	10.9%	\$ 37,638	\$ 128,553	7.4%	\$ 119,672
National	18,767	(6.6)%	20,099	61,257	(2.0)%	62,524
Political	2,053		14,775	3,435		20,001
Retransmission	3,994	32.4%	3,016	11,807	36.2%	8,669
Network compensation			68			1,061
Other	3,400	16.5%	2,919	10,881	32.1%	8,237
Total operating revenues	69,939	(10.9)%	78,515	215,933	(1.9)%	220,164
Segment costs and expenses:						
Employee compensation and benefits	31,256	3.1%	30,316	93,759	4.2%	90,005
Programs and program licenses	15,136	(0.9)%	15,276	46,131	2.9%	44,849
Other costs and expenses	16,086	5.4%	15,265	48,728	2.2%	47,699
Total costs and expenses	62,478	2.7%	60,857	188,618	3.3%	182,553
Segment profit	\$ 7,461	(57.7)%	\$ 17,658	\$ 27,315	(27.4)%	\$ 37,611

Revenues

Television time sales decreased due to lower political advertising in a non-election year.

Retransmission revenues increased year over year due to the renewal of certain agreements in the current year. Prior to the spin-off of SNI, the rights to retransmit our broadcast signals were included as consideration in negotiations between cable and satellite system operators and the Company's cable networks. SNI pays us fixed fees for the use of

our retransmission rights. As the retransmission contracts negotiated by SNI expire, we will negotiate standalone retransmission consent agreements with the cable and satellite system operators. Agreements covering the majority of households in our television markets expire between January 2016 and December 2019.

Under the renewal of the long-term network affiliation agreements with ABC and NBC, we no longer receive network compensation revenue.

Other revenues include revenue from our digital initiatives and revenue from our news production and television services arrangement with WFLX. Other revenues increased primarily due to our news production and television services agreement with WFLX.

Table of Contents

Costs and expenses

Employee compensation and benefits increased in the 2011 year-to-date and third-quarter periods primarily due to increased costs for our defined contribution retirement plans and other employee benefits. We restored the matching contribution to our defined contribution plan in July 2010 and in the first quarter of 2011 began making supplemental retirement plan contributions to employees nearing retirement age. The supplemental contributions are associated with freezing the accrual of benefits under our defined benefit pension plan in 2009. We reinstated some bonuses in the second quarter of 2010, but we have no accrual for employee bonuses in 2011.

Programs and program licenses increased in the 2011 year-to-date period primarily due to network affiliation fees we pay under new network affiliation agreements with ABC and NBC. Primarily as a result of replacing *Oprah* with lower-priced programming late in the third quarter of 2011, we expect program and program license costs to decrease approximately 25% in the fourth quarter of 2011 compared to the third quarter of 2011.

Other expenses in the 2011 year-to-date period increased due to increased promotional advertising spending.

Table of Contents**Newspapers**

We operate daily and community newspapers in 13 markets in the U.S. Our newspapers earn revenue primarily from the sale of advertising to local and national advertisers and from the sale of newspapers to readers. Our newspapers operate in mid-size markets, focusing on news coverage within their local markets. Advertising and circulation revenues provide substantially all of each newspaper's operating revenues, and employee, distribution and newsprint costs are the primary expenses at each newspaper. National and local economic conditions, particularly within the retail, labor, housing and auto markets, affect the operating performance of our newspapers.

Operating results for our newspaper business were as follows:

<i>(in thousands)</i>	2011	Quarter Period Change	2010	2011	Year-to-date Change	2010
Segment operating revenues:						
Local	\$ 18,595	(3.4)%	\$ 19,254	\$ 60,601	(6.4)%	\$ 64,718
Classified	18,683	(10.3)%	20,836	59,660	(7.9)%	64,743
National	3,069	(30.5)%	4,414	9,808	(29.8)%	13,976
Preprint and other	16,106	(4.1)%	16,799	50,770	(3.6)%	52,688
Print advertising	56,453	(7.9)%	61,303	180,839	(7.8)%	196,125
Circulation	28,604	(0.6)%	28,780	89,896	(0.8)%	90,622
Digital	6,400	(8.2)%	6,970	19,397	(5.9)%	20,623
Other	4,491	33.5%	3,363	13,948	2.2%	13,646
Total operating revenues	95,948	(4.4)%	100,416	304,080	(5.3)%	321,016
Segment costs and expenses:						
Employee compensation and benefits	46,521	(2.3)%	47,636	144,263	1.9%	141,575
Newsprint and press supplies	12,026	6.5%	11,289	37,405	8.1%	34,605
Distribution services	12,540	10.3%	11,369	37,862	8.4%	34,927
Other costs and expenses	23,266	(0.9)%	23,477	72,678	0.8%	72,134
Total costs and expenses	94,353	0.6%	93,771	292,208	3.2%	283,241
Segment profit	\$ 1,595	(76.0)%	\$ 6,645	\$ 11,872	(68.6)%	\$ 37,775

Revenues

The U.S. economic recession and secular changes in the demand for newspaper advertising affected operating revenue in 2011 and 2010, leading to lower advertising volumes and rate weakness in most of our local markets. Our help-wanted and automotive classified advertising, which had shown signs of improvement in the first half of 2011, softened in the third quarter. Real estate classified advertising and national advertising remain particularly weak. Digital revenues include advertising on our newspaper Internet sites, digital advertising provided through audience-extension programs such as our arrangement with Yahoo!, and other digital marketing services we offer to our local advertising customers, such as managing their search engine marketing campaigns. In 2011, we began to

report revenue from certain of our digital offerings net of the amounts paid to our partners. On an adjusted basis, assuming we had reported 2010 revenues net, digital revenues remained unchanged for the quarter and increased 1.5% for the year-to-date period. Pure-play digital advertising increased 6.4% and 6.2% for the quarter and year-to-date periods respectively, on an adjusted basis.

Circulation revenue remained substantially unchanged, as higher circulation rates have offset declines in circulation net paid levels.

Preprint and other revenues declined in the 2011 year-to-date and third-quarter periods due to reductions in the number of inserts by large national retailers. Preprint and other products include niche publications such as community newspapers, lifestyle magazines, publications focused on the classified advertising categories of real estate, employment and auto, and other publications aimed at younger readers.

Table of Contents

Other operating revenues represent revenue earned on ancillary services offered by our newspapers, including commercial printing and distribution services.

Costs and expenses

Employee compensation and benefits increased in the 2011 year-to-date period primarily due to increased costs for our defined contribution retirement plans and other increased employee benefits. We restored the matching contribution to our defined contribution plan in July 2010 and in the first quarter of 2011 began making supplemental retirement plan contributions to employees nearing retirement age. The supplemental contributions are associated with freezing the accrual of benefits under our defined benefit pension plan in 2009. We reinstated some bonuses in the second quarter of 2010, but we have no accrual for employee bonuses in 2011.

Newsprint and press supplies increased \$2.8 million in the 2011 year-to-date period primarily due to higher newsprint prices. Average newsprint prices increased 11% while newsprint consumption decreased 0.4%. Newsprint and press supplies increased \$0.7 million in the 2011 third quarter primarily due to a 5.5% increase in newsprint prices and a 0.5% increase in consumption.

Distribution services increased primarily due to transition of distribution processes from internal personnel to an external vendor.

Other expenses were substantially unchanged in 2011 compared with 2010.

Table of Contents**LIQUIDITY AND CAPITAL RESOURCES**

Our primary source of liquidity is our available cash and borrowings under our credit facility.

Cash flow from continuing operating activities in the first nine months of 2011 decreased \$38 million compared to the first nine months of 2010. Lower political advertising in a non-election year and the timing of network affiliation fees and tax payments and refunds contributed to the decline in cash flow from operating activities. In the first quarter of 2011, we paid approximately \$4.7 million of network affiliation fees for 2010 upon signing a definitive agreement with ABC. Tax benefits associated with 2011 losses are not available to us until we file our 2011 tax return in 2012 and we made tax payments for the 2010 tax year of \$8 million in 2011. Cash flow from operating activities in 2010 included \$6 million in payments from SNI for the final settlement of taxes for periods prior to the spin-off and \$2 million of refunds of Federal income taxes paid in 2008.

Capital expenditures in the first nine months of 2011 were \$7.8 million, down from \$11.8 million in the prior year. We expect capital expenditures for the remainder of 2011 to be approximately \$4 million.

At September 30, 2011, we had no borrowings under our Revolving Credit Agreement, and had cash and cash equivalents of \$147 million. At September 30, 2011, we had borrowing capacity of \$86 million under our Revolver. In October 2010, the board of directors authorized the repurchase of up to \$75 million of our Class A Common Shares. The shares may be repurchased from time to time at management's discretion, either in the open market, through pre-arranged trading plans or in negotiated block transactions. The authorization expires December 31, 2012. In the first nine months of 2011, we repurchased \$39 million worth of shares under this program.

We expect that our cash on hand at September 30, 2011, will be sufficient to meet our operating and capital needs over the next 12 months. On October 3, 2011, we reached a definitive agreement to acquire the television station group now owned by McGraw-Hill Broadcasting Company, Inc., for \$212 million in cash. We expect to finance the transaction with new debt and have secured an agreement for financing. The transaction, pending regulatory and other approvals, is expected to be completed no later than the first half of 2012.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Earnings and cash flow can be affected by, among other things, economic conditions and changes in the price of newsprint. We are also exposed to changes in the market value of our investments.

We also may use forward contracts to reduce the risk of changes in the price of newsprint on anticipated newsprint purchases. We held no newsprint derivative financial instruments at September 30, 2011.

The following table presents additional information about market-risk-sensitive financial instruments:

<i>(in thousands)</i>	As of September 30, 2011		As of December 31, 2010	
	Cost Basis	Fair Value	Cost Basis	Fair Value
Financial instruments subject to market value risk:				
Investments held at cost	\$ 15,248	\$ (a)	\$ 10,366	\$ (a)

- (a) Includes securities that do not trade in public markets so the securities do not have readily determinable fair values. We estimate the fair value of these securities approximates their carrying value. There can be no assurance that we would realize the carrying value upon sale of the securities.

Table of Contents

CONTROLS AND PROCEDURES

Scripps management is responsible for establishing and maintaining adequate internal controls designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America (GAAP). The company s internal control over financial reporting includes those policies and procedures that:

1. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP and that receipts and expenditures of the company are being made only in accordance with authorizations of management and the directors of the company; and
3. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company s assets that could have a material effect on the financial statements.

All internal control systems, no matter how well designed, have inherent limitations, including the possibility of human error, collusion and the improper overriding of controls by management. Accordingly, even effective internal control can only provide reasonable but not absolute assurance with respect to financial statement preparation.

Further, because of changes in conditions, the effectiveness of internal control may vary over time.

The effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) was evaluated as of the date of the financial statements. This evaluation was carried out under the supervision of and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures are effective.

There were no changes to the company s internal controls over financial reporting (as defined in Exchange Act Rule 13a-15(f)) during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the company s internal control over financial reporting.

Table of Contents

THE E. W. SCRIPPS COMPANY

Index to Exhibits

Exhibit

No.	Item
31(a)	Section 302 Certifications
31(b)	Section 302 Certifications
32(a)	Section 906 Certifications
32(b)	Section 906 Certifications

E-1