TRIBUNE PUBLISHING CO

FORM 8-K
(Current report filing)

Filed 09/19/14 for the Period Ending 09/19/14

Address	435 NORTH MICHIGAN AVENUE CHICAGO, IL 60611
Telephone	312 222 9100
CIK	0001593195
Symbol	TPUB
SIC Code	2711 - Newspapers: Publishing, or Publishing and Printing
Fiscal Year	12/13

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): September 19, 2014

TRIBUNE PUBLISHING COMPANY
(Exact Name of Registrant as Specified in its Charter)

Delaware	**001-36230**	**38-3919441**
(State or Other Jurisdiction of Incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

435 North Michigan Avenue
Chicago, Illinois, 60611
(Address of Principal Executive Offices) (Zip Code)

312-222-9100
(Registrant's Telephone Number, Including Area Code)

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2 below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On September 19, 2014, Tribune Publishing Company (the "Company") made available Supplemental Financial Schedules to its Investor Presentation. A copy of these schedules is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

Item 9.01. Financial Statement and Exhibits.

Exhibit	Description
99.1	Investor Presentation Update – Supplemental Financial Schedules

SIGNATURE

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 hereunto duly authorized.

TRIBUNE PUBLISHING COMPANY

Date: September 19, 2014

By: /s/ John B. Bode
Name: John B. Bode
Title: Executive Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit	Description
99.1	Investor Presentation Update – Supplemental Financial Schedules

Exhibit 99.1

tribune

PUBLISHING

INVESTOR PRESENTATION UPDATE - SUPPLEMENTAL FINANCIAL SCHEDULES

September 2014

Disclaimer

Non-GAAP Financial Measures

To provide investors with additional information regarding Tribune Publishing Company's ("Tribune Publishing" or "Company") financial results, this presentation includes references to Adjusted EBITDA and Pro forma Adjusted EBITDA. These measures are not presented in accordance with generally accepted accounting principles in the United States (GAAP), and Tribune Publishing's use of these terms may vary from that of others in the Company's industry. These measures should not be considered as an alternative to net income (loss), operating profit, revenues or any other performance measures derived in accordance with GAAP as measures of operating performance or liquidity. Further information regarding the Company's presentation of these measures, including a reconciliation to net income, the most directly comparable GAAP financial measure, is included in this presentation.

Adjusted EBITDA

Adjusted EBITDA is defined as net income before income taxes, interest income, interest expense, depreciation and amortization, income and losses from equity investments, corporate management fee from Tribune Media Company ("Tribune Media"), pension credits, stock-based compensation, certain unusual and non-recurring items (including spin-related costs) and reorganization items. The Company's management uses Adjusted EBITDA (a) as a measure of operating performance; (b) for planning and forecasting in future periods; and (c) in communications with the Company's Board of Directors concerning the Company's financial performance. Management believes the presentation of Adjusted EBITDA enhances investors' overall understanding of the financial performance of the Company's business as a stand-alone company. In addition, Adjusted EBITDA, or a similarly calculated measure, is used as the basis for certain financial maintenance covenants that the Company is subject to in connection with certain credit facilities. Since not all companies use identical calculations, the Company's presentation of Adjusted EBITDA may not be comparable to other similarly titled measures of other companies and should not be used by investors as a substitute or alternative to net income or any measure of financial performance calculated and presented in accordance with GAAP. Instead, management believes Adjusted EBITDA should be used to supplement the Company's financial measures derived in accordance with GAAP to provide a more complete understanding of the trends affecting the business.

Although Adjusted EBITDA is frequently used by investors and securities analysts in their evaluations of companies, Adjusted EBITDA has limitations as an analytical tool, and investors should not consider it in isolation or as a substitute for, or more meaningful than, amounts determined in accordance with GAAP. Some of the limitations to using non-GAAP measures as an analytical tool are: they do not reflect the Company's interest income and expense, or the requirements necessary to service interest or principal payments on the Company's debt; they do not reflect future requirements for capital expenditures or contractual commitments; and although depreciation and amortization charges are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and non-GAAP measures do not reflect any cash requirements for such replacements.

Pro forma Adjusted EBITDA

Pro forma Adjusted EBITDA is defined as Adjusted EBITDA after taking into consideration rental expenses and public company costs expected to be incurred post-spin, and reductions for partial economics on reasonable-case modified affiliate agreements for digital products, including CareerBuilder.com and Cars.com. Management believes the presentation of Pro forma Adjusted EBITDA enhances investors' overall understanding of the financial performance of the Company's business as a stand-alone company and includes elements used as the basis for forecasting going forward. Management believes this measure improves the understanding and comparability of future results by providing quantitative estimates for historical periods presented.

GAAP Income Statement

(dollars in thousands)	Three Months Ended						LTM
	Mar. 31, 2013	Jun. 30, 2013	Sep. 29, 2013	Dec. 29, 2013	Mar. 30, 2014	Jun. 29, 2014	Jun. 29, 2014
Operating revenue Note (1)							
Advertising	$ 251,979	$ 260,538	$ 244,028	$ 296,332	$ 233,035	$ 242,131	$ 1,015,526
Circulation	107,114	106,518	106,227	108,756	107,307	109,010	431,300
Other	81,420	79,804	73,522	78,869	76,180	78,782	307,353
Total operating revenues	440,513	446,860	423,777	483,957	416,522	429,923	1,754,179
Operating expenses Note (2)							
Cost of sales	259,948	253,628	245,875	250,627	247,523	246,281	990,306
Selling, general and administrative	135,952	146,823	143,724	163,570	143,882	154,116	605,292
Depreciation	5,276	5,694	5,597	5,284	2,740	2,894	16,515
Amortization	1,684	1,616	1,698	1,582	1,606	1,621	6,507
Total operating expenses	402,860	407,761	396,894	421,063	395,751	404,912	1,618,620
Income from operations	37,653	39,099	26,883	62,894	20,771	25,011	135,559
Loss on equity investments, net	(351)	(297)	(216)	(323)	(335)	(294)	(1,168)
Gain on investment transaction	-	-	-	-	-	1,484	1,484
Interest income (expense), net	13	(1)	(5)	7	(2)	(53)	(53)
Reorganization items, net	58	(261)	164	(231)	(9)	-	(76)
Income before income taxes	37,373	38,540	26,826	62,347	20,425	26,148	135,746
Income tax expense	(16,180)	(16,614)	(8,542)	(29,656)	(8,653)	(10,945)	(57,796)
Net income	$ 21,193	$ 21,926	$ 18,284	$ 32,691	$ 11,772	$ 15,203	$ 77,950

LTM means last twelve months.

See page 3 for Note (1) and page 4 for Note (2).

tribune PUBLISHING

Supplemental Revenue Information

Note (1) - Quarterly Operating Revenues

(dollars in thousands)

	Three Months Ended						LTM
	Mar. 31, 2013	Jun. 30, 2013	Sep. 29, 2013	Dec. 29, 2013	Mar. 30, 2014	Jun. 29, 2014	Jun. 29, 2014
Advertising							
Retail	$ 129,493	$ 136,470	$ 126,458	$ 165,934	$ 113,341	$ 125,895	$ 531,628
National	53,776	52,614	45,428	61,800	51,003	44,873	203,104
Classified	68,710	71,454	72,142	68,598	68,691	71,363	280,794
Total advertising [1a]	251,979	260,538	244,028	296,332	233,035	242,131	1,015,526
Circulation	107,114	106,518	106,227	108,756	107,307	109,010	431,300
Other revenue							
Commercial print and delivery	49,389	48,434	44,707	46,986	45,575	44,266	181,534
Direct mail and marketing	20,208	18,563	17,219	19,505	17,799	17,729	72,252
Other	11,823	12,807	11,596	12,378	12,806	16,787	53,567
Total other revenues	81,420	79,804	73,522	78,869	76,180	78,782	307,353
Total operating revenues	$ 440,513	$ 446,860	$ 423,777	$ 483,957	$ 416,522	$ 429,923	$ 1,754,179

Note (1a)

	Three Months Ended						LTM
	Mar. 31, 2013	Jun. 30, 2013	Sep. 29, 2013	Dec. 29, 2013	Mar. 30, 2014	Jun. 29, 2014	Jun. 29, 2014
Advertising							
ROP (Run of Press)	$ 126,462	$ 126,694	$ 116,146	$ 139,327	$ 113,292	$ 115,232	$ 483,997
Preprint	81,009	85,452	79,867	105,544	73,199	79,601	338,211
Digital	44,508	48,392	48,015	51,461	46,544	47,298	193,318
Total advertising	$ 251,979	$ 260,538	$ 244,028	$ 296,332	$ 233,035	$ 242,131	$ 1,015,526

Supplemental Operating Expense Information

Note (2) - Quarterly Operating Expenses
(dollars in thousands)

	Three Months Ended						LTM
	Mar. 31, 2013	Jun. 30, 2013	Sep. 29, 2013	Dec. 29, 2013	Mar. 30, 2014	Jun. 29, 2014	Jun. 29, 2014
Compensation	$ 151,446	$ 147,114	$ 148,516	$ 150,806	$ 143,712	$ 140,939	$ 583,973
Newsprint and ink	42,909	42,217	37,130	39,940	35,498	35,499	148,067
Circulation distribution	78,703	77,593	74,700	78,314	73,540	73,392	299,946
Promotion and marketing	11,409	13,649	13,703	13,246	10,063	14,503	51,515
Affiliate fees	7,292	7,752	8,322	8,445	9,305	9,170	35,242
Other (outside services, occupancy costs)	72,077	78,741	65,455	89,882	84,128	87,438	326,903
Corporate allocations (2a)	32,064	33,385	41,773	33,564	35,159	39,456	149,952
Depreciation and amortization	6,960	7,310	7,295	6,866	4,346	4,515	23,022
Total operating expenses	$ 402,860	$ 407,761	$ 396,894	$ 421,063	$ 395,751	$ 404,912	$ 1,618,620

Note (2a)

	Three Months Ended						LTM
	Mar. 31, 2013	Jun. 30, 2013	Sep. 29, 2013	Dec. 29, 2013	Mar. 30, 2014	Jun. 29, 2014	Jun. 29, 2014
Corporate management fee (2a-i)	$ 5,727	$ 6,656	$ 8,239	$ 8,828	$ 9,060	$ 8,960	$ 35,087
Allocated depreciation (2a-ii)	3,380	4,266	4,836	4,645	4,781	5,195	19,457
Shared service centers (2a-iii)	21,370	20,765	26,653	18,699	20,285	23,099	88,736
Other (2a-iii)	1,587	1,698	2,045	1,392	1,033	2,202	6,672
Total corporate allocations	$ 32,064	$ 33,385	$ 41,773	$ 33,564	$ 35,159	$ 39,456	$ 149,952

(2a-i) Corporate management fee replaced by public company costs post-spin.
(2a-ii) Allocated depreciation becomes a part of Depreciation and Amortization post-spin.
(2a-iii) Shared service center and Other corporate allocations become direct costs spread across Compensation (60%) and other general & administrative costs (40%) post-spin.

GAAP Net Income Reconciliation to Adjusted EBITDA and Pro forma Adjusted EBITDA

(dollars in thousands)

	Three Months Ended						LTM
	Mar. 31, 2013	Jun. 30, 2013	Sep. 29, 2013	Dec. 29, 2013	Mar. 30, 2014	Jun. 29, 2014	Jun. 29, 2014
Net income	$ 21,193	$ 21,926	$ 18,284	$ 32,691	$ 11,772	$ 15,203	$ 77,950
Income tax expense	16,180	16,614	8,542	29,656	8,653	10,945	57,796
Reorganization items, net	(58)	261	(164)	231	335	294	696
Gain on investment fair value adjustments	-	-	-	-	-	(1,484)	(1,484)
Interest expense, (income), net	(13)	1	5	(7)	2	53	53
Loss on equity investments, net	351	297	216	323	9	-	548
Income from operations	37,653	39,099	26,883	62,894	20,771	25,011	135,559
Depreciation and amortization	6,960	7,310	7,295	6,866	4,346	4,515	23,022
Allocated depreciation (1)	3,380	4,266	4,836	4,645	4,781	5,195	19,457
Allocated corporate management fee (2)	5,727	6,656	8,239	8,828	9,060	8,960	35,087
Spin-related and restructuring costs (3)	2,430	8,449	8,473	17,805	6,726	7,619	40,623
Litigation settlement (4)	-	-	-	-	-	(867)	(867)
Stock-based compensation (5)	-	455	684	559	697	622	2,562
Pension credits (6)	(5,894)	(5,989)	(5,941)	(5,942)	(5,472)	(4,968)	(22,323)
Intercompany rent (7)	-	-	-	7,543	8,396	8,394	24,333
Adjusted EBITDA	50,256	60,246	50,469	103,198	49,305	54,481	257,453
Est. modified affiliate agreement - CareerBuilder (8)	(5,000)	(5,000)	(4,000)	(3,000)	(4,000)	(3,000)	(14,000)
Est. modified affiliate agreement - Cars.com (9)	(4,000)	(4,000)	(4,000)	(3,000)	(4,000)	(4,000)	(15,000)
Est. incremental public company costs (10)	(6,000)	(6,000)	(6,000)	(7,000)	(6,000)	(4,000)	(23,000)
Est. incremental related party rent (11)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)	(28,000)
Pro forma Adjusted EBITDA	$ 28,256	$ 38,246	$ 29,469	$ 83,198	$ 28,305	$ 36,481	$ 177,453

Note: Pro forma Adjusted EBITDA does not include the full fiscal year impact of 2014 acquisitions, including the Landmark Media properties - The Capital and the Carroll County Times.

See page 6 for footnotes.

tribune PUBLISHING

Footnotes to GAAP Net Income Reconciliation to Adjusted EBITDA and Pro forma Adjusted EBITDA

(1) Allocated depreciation represents depreciation for technology assets that were used by Tribune Publishing prior to the spin-off. As a result of the spin-off, these technology assets were assigned to Tribune Publishing and the related depreciation will be included in post-spin operating results as depreciation.

(2) Allocated corporate management fee is added back to Adjusted EBITDA in order to reflect public company costs in the Pro forma Adjusted EBITDA that more closely approximates Tribune Media post-spin costs.

(3) Spin-related and restructuring costs include costs related to the internal restructuring and the distribution and separation from Tribune Media.

(4) Adjustment to litigation settlement.

(5) Stock-based compensation is due to Tribune Media's equity compensation plan and is included for comparative purposes.

(6) Pension credits are due to allocations from Tribune Media and as part of the spin-off, Tribune Media retained this single-employer plan. No pension allocations will be made subsequent to the spin-off.

(7) Intercompany rent is added back to Adjusted EBITDA so that incremental rent expense estimated subsequent to spin off could be reflected in Pro forma Adjusted EBITDA. Intercompany rent represents rental expense recorded by Tribune Publishing for facilities owned by Tribune Media and its affiliates pursuant to lease agreements. No rent expense for these leases was recorded in the comparable periods in 2013 (except in fourth quarter of 2013) because although the properties subject to leases are legally owned by holding companies controlled by Tribune Media, Tribune Publishing determined that pursuant to the terms of the leases, it maintained forms of continuing involvement with the properties, which, pursuant to ASC Topic 840, "Leases," precluded Tribune Publishing from derecognizing those properties from its combined financial statements. As a result, Tribune Publishing continued to account for and depreciate the carrying values of the transferred properties subject to leases until December 1, 2013 when, due to modifications to certain provisions of the leases, Tribune Publishing derecognized the properties from its financial statements and began accounting for these operating leases on December 1, 2013. Because of the difference in accounting for the periods presented, intercompany rent expense is added back to net income for the 2014 periods for better comparability between the periods presented. The Company began rent payments effective with the spin-off.

(8) On September 1, 2014, Tribune Publishing began a 5-year modified agreement with CareerBuilder.com.

(9) Upon completion of the sale of Classified Ventures to Gannett Co., estimated October 1, 2014, Tribune Publishing begins a 5-year modified agreement with Cars.com.

(10) Subsequent to the spin-off, public company costs replace allocated corporate management fees and is estimated at $25 million annually. For the second quarter ended June 29, 2014, the Pro forma adjustment is $4 million as approximately $2 million of the public company costs were reflected in operating results.

(11) Subsequent to the spin-off, Tribune Publishing begins rent payments to Tribune Media.