

LIBERTY CORP
Form 10-Q
August 13, 2002

FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2002
- 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 1-5846

THE LIBERTY CORPORATION

(Exact name of registrant as specified in its charter)

South Carolina
(State or other jurisdiction of
incorporation or organization)

57-0507055
(IRS Employer
identification No.)

135 South Main Street, Greenville, SC 29601

(Address of principal executive offices)

Registrant's telephone number, including area code: 864/241-5400

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate the number of shares outstanding of each of the Registrant's classes of common stock as of the latest practicable date.

Title of each class	Number of shares Outstanding as of June 30, 2002
Common Stock	19,787,217

Edgar Filing: LIBERTY CORP - Form 10-Q

PART I, ITEM 1
THE LIBERTY CORPORATION AND SUBSIDIARIES
CONSOLIDATED AND CONDENSED BALANCE SHEETS

<i>(In 000's)</i>	June 30, 2002	December 31, 2001
	<u>(Unaudited)</u>	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 50,494	\$ 35,489
Receivables (net of allowance for doubtful accounts)	39,226	40,035
Program rights	1,679	4,678
Prepaid and other current assets	2,681	4,638
Income taxes receivable	6,719	6,719
Deferred income taxes	12,850	20,272
	<u>113,649</u>	<u>111,831</u>
Property, plant, and equipment		
Land	5,639	5,639
Buildings and improvements	43,744	37,819
Furniture and equipment	157,137	153,092
Less: Accumulated depreciation	(116,388)	(108,241)
	<u>90,132</u>	<u>88,309</u>
Intangible assets subject to amortization (net of \$637 and \$6,018 accumulated amortization in 2002 and 2001, respectively)		
	467	903
FCC licenses and network affiliations	304,285	380,718
Goodwill	101,387	101,387
Investments and other assets	51,658	54,190
	<u>661,578</u>	<u>737,338</u>
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 19,790	\$ 16,919
Program contract obligations	1,675	4,949
Accrued income taxes	300	663
	<u>21,765</u>	<u>22,531</u>
Total current liabilities	21,765	22,531
Deferred income taxes	89,974	123,556
Other liabilities	8,498	9,580
	<u>120,237</u>	<u>155,667</u>
Total liabilities	120,237	155,667
Shareholders' equity		
Common stock	106,814	104,865
Unearned stock compensation	(3,249)	(3,687)
Retained earnings	437,420	480,556
Unrealized investment gains (losses)	356	(63)
	<u>541,341</u>	<u>581,671</u>
Total shareholders' equity	541,341	581,671
Total liabilities and shareholders' equity	\$ 661,578	\$ 737,338

See Notes to Consolidated and Condensed Financial Statements.

Edgar Filing: LIBERTY CORP - Form 10-Q

THE LIBERTY CORPORATION AND SUBSIDIARIES
CONSOLIDATED AND CONDENSED STATEMENTS OF OPERATIONS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
(In 000's, except per share data)				
(Unaudited)				
REVENUES				
Station revenues (net of commissions)	\$47,586	\$44,665	\$ 87,096	\$83,731
Cable advertising and other revenues	4,219	3,473	7,535	6,348
Net revenues	51,805	48,138	94,631	90,079
EXPENSES				
Operating expenses	28,897	26,289	55,754	51,888
Amortization of program rights	1,864	1,972	3,716	3,936
Depreciation and amortization of intangibles	4,190	7,448	8,910	15,320
Corporate, general, and administrative expenses	2,795	3,221	5,600	6,151
Total operating expenses	37,746	38,930	73,980	77,295
Operating income	14,059	9,208	20,651	12,784
Net investment income	198	2,534	200	5,882
Income before income taxes and cumulative effect of a change in accounting principle	14,257	11,742	20,851	18,666
Provision for income taxes	5,417	4,462	7,923	7,093
Income before the cumulative effect of a change in accounting principle	8,840	7,280	12,928	11,573
Cumulative effect of a change in accounting principle (net of income taxes of \$29,045)			(47,388)	
NET INCOME (LOSS)	\$ 8,840	\$ 7,280	\$ (34,460)	\$ 11,573
EARNINGS (LOSS) PER SHARE:				
Basic earnings per common share from income before the cumulative effect of a change in accounting principle	\$ 0.45	\$ 0.37	\$ 0.65	\$ 0.59
Cumulative effect of a change in accounting principle			(2.39)	
Basic earnings (loss) per common share	\$ 0.45	\$ 0.37	\$ (1.74)	\$ 0.59
Diluted earnings per common share from income before the cumulative effect of a change in accounting principle	\$ 0.44	\$ 0.37	\$ 0.65	\$ 0.59
Cumulative effect of a change in accounting principle			(2.38)	
Diluted earnings (loss) per common share	\$ 0.44	\$ 0.37	\$ (1.73)	\$ 0.59
Dividends per common share	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22

See Notes to Consolidated and Condensed Financial Statements.

Edgar Filing: LIBERTY CORP - Form 10-Q

THE LIBERTY CORPORATION AND SUBSIDIARIES
CONSOLIDATED AND CONDENSED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30,	
	2002	2001
	(Unaudited)	
OPERATING ACTIVITIES		
Net income (loss)	\$ (34,460)	\$ 11,573
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Cumulative effect of a change in accounting principle	76,433	
Gain on sale of operating assets		62
Realized investment (gains) losses	3,042	(1,459)
Depreciation	8,325	8,827
Amortization of intangibles	585	6,456
Amortization of program rights	3,716	3,936
Cash paid for program rights	(3,991)	(3,979)
Provision for deferred income taxes	(26,160)	5,154
Changes in operating assets and liabilities:		
Receivables	809	2,190
Other assets	9,596	45,461
Accounts payable and accrued expenses	2,871	(51,308)
Accrued income taxes	(363)	(135,829)
Other liabilities	(1,082)	(463)
All other operating activities	561	(605)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	39,882	(109,984)
INVESTMENT ACTIVITIES		
Purchase of property, plant, and equipment	(10,148)	(5,699)
Investments acquired	(8,000)	
Proceeds from sale of investments	96	1,245
Proceeds from sale of investment properties	1,203	843
Other		16
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(16,849)	(3,595)
FINANCING ACTIVITIES		
Dividends paid	(8,676)	(8,649)
Stock issued for employee benefit and compensation programs	648	4,475
Repurchase of common stock		(9,642)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(8,028)	(13,816)
INCREASE (DECREASE) IN CASH	15,005	(127,395)
Cash at beginning of period	35,489	149,003
CASH AT END OF PERIOD	\$ 50,494	\$ 21,608

See Notes to Consolidated and Condensed Financial Statements.

Edgar Filing: LIBERTY CORP - Form 10-Q

THE LIBERTY CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED AND CONDENSED FINANCIAL STATEMENTS June 30, 2002 (Unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated and condensed financial statements of The Liberty Corporation and Subsidiaries have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The information included is not necessarily indicative of the annual results that may be expected for the year ended December 31, 2002, but it does reflect all adjustments (which are of a normal and recurring nature) considered, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. The December 31, 2001 financial information was derived from the Company's previously filed 2001 Form 10-K. For further information, refer to the consolidated financial statements and footnotes thereto included in The Liberty Corporation annual report on Form 10-K for the year ended December 31, 2001.

2. ADOPTION OF FASB STATEMENT NO. 142 GOODWILL AND OTHER INTANGIBLE ASSETS

During the second quarter of 2001, the Financial Accounting Standards Board (FASB) issued Statement No. 142 Goodwill and Other Intangible Assets. Statement No. 142 requires that goodwill and certain other identified intangibles no longer be amortized to earnings, but instead be reviewed for impairment. The amortization of goodwill and certain other identified intangibles ceases upon adoption of the Statement, which for the Company was January 1, 2002. The Company recorded \$3.8 million (\$2.4 million net of income taxes) and \$7.4 million (\$4.6 million net of income taxes) of amortization expense related to intangibles that are no longer required to be amortized for the three and six month periods ending June 30, 2001, respectively. In connection with the adoption of Statement No. 142, the Company reduced the carrying value of its FCC licenses by \$76.4 million (\$47.4 million after-tax) as a cumulative effect of a change in accounting principle.

The following table reconciles net income for the three and six month periods ended June 30, 2001 as reported to the adjusted June 30, 2001 net income, had Statement No. 142 been in effect as of January 1, 2001.

<i>(in 000's)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Reported income before cumulative effect of a change in accounting principle	\$8,840	\$7,280	\$ 12,928	\$11,573
Add back : Goodwill and indefinite lived intangible amortization (net of income taxes)	—	2,381	—	4,581
Adjusted income before cumulative effect of a change in accounting principle	8,840	9,661	12,928	16,154
Cumulative effect of a change in accounting principle (net of income taxes)	—	—	(47,388)	—
Adjusted net income (loss)	\$8,840	\$9,661	\$(34,460)	\$16,154

Edgar Filing: LIBERTY CORP - Form 10-Q

The following tables reconcile basic and diluted earnings per share as reported at June 30, 2001 to the adjusted June 30, 2001 basic and diluted earnings per share, had Statement No. 142 been in effect as of January 1, 2001.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Basic earnings per share:				
Reported basic earnings before the cumulative effect of a change in accounting principle per share	\$0.45	\$0.37	\$ 0.65	\$0.59
Add back : Goodwill and indefinite lived intangible amortization (net of income taxes)		0.12		0.23
Adjusted basic earnings before the cumulative effect of a change in accounting principle per share	0.45	0.49	0.65	0.82
Cumulative effect of a change in accounting principle (net of income taxes)			(2.39)	
Adjusted basic earnings (loss) per share	\$0.45	\$0.49	\$ (1.74)	\$0.82
Diluted earnings per share:				
Reported diluted earnings before the cumulative effect of a change in accounting principle per share	\$0.44	\$0.37	\$ 0.65	\$0.59
Add back : Goodwill and indefinite lived intangible amortization (net of income taxes)		0.12		0.23
Adjusted diluted earnings before the cumulative effect of a change in accounting principle per share	0.44	0.49	0.65	0.82