SCRIPPS E W CO /DE
Form 10-Q
May 10, 2006
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2006

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND 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	**31-1223339**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
312 Walnut Street	**45202**

Cincinnati, Ohio
(Address of principal executive offices) **(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 x No ¨

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date. As of April 30, 2006 there were 126,966,958 of the Registrant s Class A Common Shares outstanding and 36,568,226 of the Registrant s Common Voting Shares outstanding.

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INDEX TO THE E. W. SCRIPPS COMPANY

REPORT ON FORM 10-Q FOR THE QUARTER ENDED March 31, 2006

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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, employment and employee relations and various governmental and administrative proceedings, 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, 2005.

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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 equity securities that are registered by the Company pursuant to Section 12 of the Exchange Act during the quarter ended March 31, 2006:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans Or Programs
1/1/06 - 1/31/06	126,000	$ 49.26	126,000	4,124,000
2/1/06 - 2/28/06	133,000	$ 49.18	133,000	3,991,000
3/1/06 - 3/31/06	161,000	$ 46.35	161,000	3,830,000
Total	420,000	$ 48.12	420,000	3,830,000

Under a share repurchase program authorized by the Board of Directors on October 28, 2004, we are authorized to repurchase up to 5.0 million Class A Common Shares. There is no expiration date for the program and we are under no commitment or obligation to repurchase any particular amount of Class A Common Shares under the program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the quarter for which this report is filed.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

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.

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SIGNATURES

Pursuant to the requirements of the Securities and 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: May 10, 2006

BY: /s/ Joseph G. NeCastro
Joseph G. NeCastro
Executive Vice President and Chief Financial Officer

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THE E. W. SCRIPPS COMPANY

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CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)	March 31, 2006 (Unaudited)	As of December 31, 2005	March 31, 2005 (Unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 32,771	$ 19,243	$ 23,170
Short-term investments	23,318	12,800	4,269
Accounts and notes receivable (less allowances - $8,600, $8,702, $10,605)	454,459	466,224	362,658
Programs and program licenses	183,013	172,879	143,786
Inventories	11,218	11,725	10,256
Deferred income taxes	31,804	32,249	17,874
Assets of discontinued operations	259,987	259,254	370,322
Miscellaneous	23,558	21,656	16,781
Total current assets	1,020,128	996,030	949,116
Investments	234,994	210,021	230,496
Property, plant and equipment	475,506	490,891	456,364
Goodwill and other intangible assets:			
Goodwill	1,918,784	1,647,794	1,257,598
Other intangible assets	332,055	227,585	86,731
Total goodwill and other intangible assets	2,250,839	1,875,379	1,344,329
Other assets:			
Programs and program licenses (less current portion)	176,431	169,624	165,050
Unamortized network distribution incentives	168,502	172,271	188,382
Prepaid pension	60,992	66,153	28,223
Miscellaneous	48,201	52,259	38,932
Total other assets	454,126	460,307	420,587
TOTAL ASSETS	$ 4,435,593	$ 4,032,628	$ 3,400,892

See notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)	March 31, 2006 (Unaudited)	As of December 31, 2005	March 31, 2005 (Unaudited)
LIABILITIES AND SHAREHOLDERS EQUITY			
Current liabilities:			
Current portion of long-term debt	$ 40,462		
Accounts payable	68,715	$ 62,107	$ 70,308
Customer deposits and unearned revenue	51,007	45,797	44,703
Accrued liabilities:			
Employee compensation and benefits	50,608	72,543	44,871
Network distribution incentives	8,343	8,871	36,561
Accrued income taxes	39,804	4,705	36,741
Miscellaneous	80,382	82,886	61,743
Liabilities of discontinued operations	77,854	83,102	90,141
Other current liabilities	52,471	28,954	24,673
Total current liabilities	469,646	388,965	409,741
Deferred income taxes	349,829	318,020	210,729
Long-term debt (less current portion)	1,048,483	825,775	453,137
Other liabilities (less current portion)	121,905	121,528	84,623
Minority interests	103,060	91,261	84,601
Shareholders 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: 127,085,500, 126,994,386; and 126,735,127 shares	1,271	1,270	1,267
Voting - authorized: 60,000,000 shares; issued and outstanding: 36,568,226, 36,668,226 and 36,668,226 shares	366	367	367
Total	1,637	1,637	1,634
Additional paid-in capital	386,802	363,416	328,991
Stock compensation:			
Performance awards and restricted stock units		4,828	1,643
Unvested restricted stock awards		(1,634)	(3,329)
Retained earnings	1,968,890	1,930,994	1,840,906
Accumulated other comprehensive income (loss), net of income taxes:			
Unrealized gains on securities available for sale	4,069	4,906	5,491
Pension liability adjustments	(18,550)	(18,550)	(18,495)
Foreign currency translation adjustment	(178)	1,482	1,220
Total shareholders equity	2,342,670	2,287,079	2,158,061
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 4,435,593	$ 4,032,628	$ 3,400,892

See notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(in thousands, except per share data)	Three months ended March 31, 2006	2005
Operating Revenues:		
Advertising	$ 418,758	$ 374,056
Referral fees	58,153	
Network affiliate fees, net	48,286	41,975
Circulation	32,534	33,789
Licensing	18,930	21,108
Other	13,068	11,975
Total operating revenues	589,729	482,903
Costs and Expenses:		
Employee compensation and benefits (exclusive of JOA editorial compensation costs)	161,729	137,030
Marketing and advertising	58,321	27,107
Programs and program licenses	55,478	54,175
Newsprint and ink	23,474	20,819
JOA editorial costs and expenses	9,213	8,997
Other costs and expenses	114,022	99,566
Total costs and expenses	422,237	347,694
Depreciation, Amortization, and Losses (Gains):		
Depreciation	17,254	14,007
Amortization of intangible assets	8,094	1,296
Gain on formation of Colorado newspaper partnership	(3,535)	
Losses (gains) on disposal of property, plant and equipment	96	49
Net depreciation, amortization and losses (gains)	21,909	15,352
Operating income	145,583	119,857
Interest expense	(12,153)	(7,372)
Equity in earnings of JOAs and other joint ventures	11,370	18,157
Interest and dividend income	542	208
Miscellaneous, net	1,037	333
Income from continuing operations before income taxes and minority interests	146,379	131,183
Provision for income taxes	50,548	46,916
Income from continuing operations before minority interests	95,831	84,267
Minority interests	14,349	11,335
Income from continuing operations	81,482	72,932
Income (loss) from discontinued operations, net of tax	(6,417)	(2,921)
Net income	$ 75,065	$ 70,011
Net income (loss) per basic share of common stock:		
Income from continuing operations	$ .50	$ .45
Income (loss) from discontinued operations	(.04)	(.02)

Net income per basic share of common stock	$	.46	$	.43
Net income (loss) per diluted share of common stock:				
Income from continuing operations	$	.49	$	.44
Income (loss) from discontinued operations		(.04)		(.02)
Net income per diluted share of common stock	$	.45	$	.42

See notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in thousands)	**Three months ended March 31, 2006**	**2005**
Cash Flows from Operating Activities:		
Income from continuing operations	$ 81,482	$ 72,932
Adjustments to reconcile income from continuing operations to net cash flows from operating activities:		
Depreciation and amortization	25,348	15,303
Gain on formation of Colorado newspaper partnership	(3,535)	
Deferred income taxes	152	(3,444)
Excess tax benefits of stock compensation plans		1,486
Dividends received greater (less) than equity in earnings of JOAs and other joint ventures	6,428	(1,087)
Stock and deferred compensation plans	12,855	3,886
Minority interests in income of subsidiary companies	14,349	11,335
Affiliate fees billed greater than amounts recognized as revenue	3,802	4,283
Network launch incentive payments	(1,440)	(5,079)
Payments for programming less (greater) than program cost amortization	(20,944)	(3,815)
Prepaid and accrued pension expense	5,161	3,956
Other changes in certain working capital accounts, net	34,862	24,196
Miscellaneous, net	2,384	967
Net cash provided by continuing operating activities	160,904	124,919
Net cash provided by (used in) discontinued operating activities	(10,008)	(8,747)
Net operating activities	150,896	116,172
Cash Flows from Investing Activities:		
Purchase of subsidiary companies and long-term investments	(374,535)	(565)
Proceeds from formation of Colorado newspaper partnership, net of transaction costs	20,029	
Additions to property, plant and equipment	(10,273)	(7,110)
Decrease (increase) in short-term investments	(10,518)	4,368
Sale of long-term investments	1,138	2,071
Miscellaneous, net	914	(45)
Net cash provided by (used in) continuing investing activities	(373,245)	(1,281)
Net cash provided by (used in) discontinued investing activities	(2,390)	(1,299)
Net investing activities	(375,635)	(2,580)
Cash Flows from Financing Activities:		
Increase in long-term debt	263,379	
Payments on long-term debt	(24)	(78,758)
Dividends paid	(18,010)	(16,326)
Dividends paid to minority interests	(335)	(363)
Repurchase Class A Common shares	(19,280)	
Proceeds from employee stock options	7,774	6,780
Excess tax benefits of stock compensation plans	2,753	
Miscellaneous, net	2,010	(14,169)
Net cash provided by (used in) continuing financing activities	238,267	(102,836)
Net cash provided by discontinued financing activities		135
Net financing activities	238,267	(102,701)

Increase in cash and cash equivalents	13,528	10,891
Cash and cash equivalents:		
Beginning of year	19,243	12,279
End of period	$ 32,771	$ 23,170
Supplemental Cash Flow Disclosures:		
Interest paid, excluding amounts capitalized	$ 11,102	$ 7,718
Income taxes paid continuing operations	$ 9,157	$ 17,904
Income taxes paid (refunds received) discontinued operations	(623)	(1,918)
Total income taxes paid	$ 8,534	$ 15,986

See notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

AND SHAREHOLDERS EQUITY (UNAUDITED)

(in thousands, except share data)	Common Stock	Additional Paid-in Capital	Stock Compensation	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders Equity
As of December 31, 2004	$ 1,632	$ 320,359	$ (4,090)	$ 1,787,221	$ (9,001)	$ 2,096,121
Comprehensive income:						
Net income				70,011		70,011
Unrealized gains (losses), net of tax of $1,651					(3,064)	(3,064)
Adjustment for losses (gains) in income, net of tax of ($347)					643	643
Change in unrealized gains (losses)					(2,421)	(2,421)
Currency translation, net of tax of $32					(362)	(362)
Total				70,011	(2,783)	67,228
Dividends: declared and paid - $.10 per share				(16,326)		(16,326)
Compensation plans, net: 251,201 shares issued; 35,406 shares repurchased; 2,500 shares forfeited	2	7,146	2,404			9,552
Tax benefits of compensation plans		1,486				1,486
As of March 31, 2005	$ 1,634	$ 328,991	$ (1,686)	$ 1,840,906	$ (11,784)	$ 2,158,061
As of December 31, 2005	$ 1,637	$ 363,416	$ 3,194	$ 1,930,994	$ (12,162)	$ 2,287,079
Comprehensive income:						
Net income				75,065		75,065
Unrealized gains (losses), net of tax of $444					(826)	(826)
Adjustment for losses (gains) in income, net of tax of $6					(11)	(11)
Change in unrealized gains (losses)					(837)	(837)
Currency translation, net of tax of $20					(1,660)	(1,660)
Total				75,065	(2,497)	72,568
Adoption of FAS 123-R		3,194	(3,194)			
Dividends: declared and paid - $.11 per share				(18,010)		(18,010)
Convert 100,000 voting shares to Class A shares						
Repurchase 420,000 Class A Common shares	(4)	(1,057)		(19,159)		(20,220)
Compensation plans, net: 470,753 shares issued; 57,323 shares repurchased; 2,316 shares forfeited	4	18,496				18,500
Tax benefits of compensation plans		2,753				2,753
As of March 31, 2006	$ 1,637	$ 386,802		$ 1,968,890	$ (14,659)	$ 2,342,670

See notes to condensed consolidated financial statements.

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CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The 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. Aside from information disclosed in this form 10-Q, the information disclosed in the notes to consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2005, has not changed materially. Financial information as of December 31, 2005, included in these financial statements has been derived from the audited consolidated financial statements included in that report. In management s opinion all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the interim periods have been made.

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 national television networks, newspaper publishing, broadcast television, interactive media, and licensing and syndication. All of our media businesses provide content and advertising services via the Internet. Our media businesses are organized into the following reportable business segments: Scripps Networks, Newspapers, Broadcast television, and Interactive media.

Scripps Networks includes five national television networks, Home & Garden Television (HGTV), Food Network, DIY Network (DIY), Fine Living and Great American Country (GAC); our online network HGTVPro.com; Scripps Network branded broadband channels; and our 12% interest in FOX Sports Net South, a regional television network. Our networks also operate internationally through licensing agreements and joint ventures with foreign entities. We own approximately 70% of Food Network and approximately 90% of Fine Living. Each of our networks is distributed by cable and satellite television systems. Scripps Networks earns revenue primarily from the sale of advertising time and from affiliate fees from cable and satellite television systems.

Our newspaper business segment includes daily and community newspapers in 18 markets in the U.S. Three of our newspapers are operated pursuant to the terms of joint operating agreements (See Note 7). Each of those newspapers maintains an independent editorial operation and receives a share of the operating profits of the combined newspaper operations. Newspapers earn revenue primarily from the sale of advertising space to local and national advertisers and from the sale of newspapers to readers.

Broadcast television includes six ABC-affiliated stations, three NBC-affiliated stations and one independent. Each station is located in one of the 61 largest television markets in the U.S. Broadcast television stations earn revenue primarily from the sale of advertising time to local and national advertisers.

Interactive media includes our online comparison shopping services, Shopzilla and uSwitch. Shopzilla, acquired on June 27, 2005, operates a product comparison shopping service that helps consumers find products offered for sale on the Web by online retailers. Shopzilla aggregates and organizes information on millions of products from thousands of retailers. Shopzilla also operates BizRate, a Web-based consumer feedback network which collects millions of consumer reviews of stores and products each year. We acquired uSwitch on March 16, 2006. uSwitch operates an online comparison service that helps consumers compare prices and arrange for the purchase of a range of essential home services including gas, electricity, home phone, broadband providers and personal finance products in the United Kingdom. Our interactive media businesses earn revenue primarily from referral fees and commissions paid by participating online retailers and service providers.

Financial information for our business segments is presented in Note 17. Licensing and other media aggregates our operating segments that are too small to report separately, and primarily includes syndication and licensing of news features and comics.

Our operations are geographically dispersed and we have a diverse customer base. We believe bad debt losses resulting from default by a single customer, or defaults by customers in any depressed region or business sector, would not have a material effect on our financial position. Approximately 70% of our operating revenues are derived from advertising. Operating results can be affected by changes in the demand for advertising both nationally and in individual markets.

The six largest cable television systems and the two largest satellite television systems provide service to more than 95% of homes receiving HGTV and Food Network. The loss of distribution by any of these cable and satellite television systems could adversely affect our business. While no assurance can be given regarding renewal of our distribution contracts, we have not lost carriage upon the expiration of our distribution contracts with any of these cable and satellite television systems.

One customer accounts for approximately 30% of Interactive Media s annual operating revenues. Our Interactive Media business could be adversely affected upon the loss of this customer.

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 recognition of certain revenues; rebates due to customers; the periods over which long-lived assets are depreciated or amortized; the fair value of such long-lived assets; income taxes payable; estimates for uncollectible accounts receivable; 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 - Our primary sources of revenue are from:

- The sale of advertising space, advertising time and internet advertising
- Referral fees paid by participating online retailers and service providers
- Subscriber fees paid by cable and satellite televisions systems for our programming services (network affiliate fees)
- The sale of newspapers to distributors and to individual subscribers
- Royalties from licensing copyrighted characters

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, 2005.

Newspaper Joint Operating Agreements (JOA) - We include our share of JOA earnings in Equity in earnings of JOAs and other joint ventures in our Consolidated Statements of Income. The related editorial costs and expenses are included in JOA editorial costs and expenses. Our residual interest in the net assets of the Denver and Albuquerque JOAs is classified as an investment in the Consolidated Balance Sheets. We do not have a residual interest in the net assets of the Cincinnati JOA.

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Stock-Based Compensation We have a stock-based compensation plan, which is described more fully in Note 18 to this Form 10-Q.

Effective January 1, 2006, we adopted Financial Accounting Standard No. 123-R - Share Based Payment (FAS 123-R). In accordance with FAS 123-R, share based compensation is based on the grant-date fair value of the award. Compensation costs, net of estimated forfeitures, are recognized on a straight-line basis over the requisite service period of the award, which is generally the vesting period. However, under the provisions of our plan, awards generally vest upon retirement. As a result, grants to retiree-eligible employees are generally expensed immediately upon grant.

Prior to fiscal 2006, we applied the provisions of Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, in accounting for stock-based compensation. Under APB 25 we recognized compensation costs equal to the intrinsic value of the award on the date of grant over the vesting period, including grants to retiree-eligible employees. Any unrecognized compensation expense was recognized upon retirement of the employee. Compensation expense included in our financial statements and in our pro forma disclosures was attributed to each period based upon how each tranche of an award vested.

We adopted FAS 123-R using the modified prospective application method. Under this transition method we will apply the provisions of FAS 123-R to new and modified awards after the date of adoption and to the unvested portion of awards outstanding as of January 1, 2006. Prior period reported amounts have not been restated to apply the provisions of FAS 123-R. The effect of app