



The Washington Post Company's Ad-Based Businesses are Experiencing Weak Results; Cable and Kaplan Expect Strong Growth, Graham Tells Securities Analysts

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NEW YORK--The Washington Post Company's advertising-based businesses are experiencing weak results, but the company's cable and education operations are positioned for substantial growth in the years immediately ahead, Chairman and CEO Donald E. Graham told a meeting of securities analysts here today. (NYSE:WPO)

"The mix of our businesses is significantly different from what it was in 1990, when the company was overwhelmingly dependent on advertising," Graham said. "Obviously, we can't predict how bad things will get in the advertising-based businesses during the rest of the year, or in 2002. However, unlike the last time we faced a recession, we have two big divisions - Cable ONE and Kaplan - that are not ad-dependent and show every prospect of growing operating income that is very meaningful to the company's overall results."

Cable ONE, which has 760,000 subscribers concentrated in 13 states, expects significant gains from its unique strategy for rolling out digital and cable modem services.

In order to obtain the highest permanent digital penetration with the lowest churn rate possible, Cable ONE is offering free digital channels for one year to all customers who agree to self-install the service. Cable ONE has achieved 16 percent digital penetration in just nine months and hopes to achieve 30 percent penetration by year-end.

Graham said financial benefits from the service should begin to appear late in 2001 and ramp up quickly after that. By next June, the full impact of the strategy will be visible.

Cable ONE also is rolling out cable modem service, which will be available to 80 percent of the company's subscribers by year-end. Penetration is expected to rise from 3 percent in 2001 to 8 percent by the end of 2003.

In addition, the company expects future benefits from a trade, completed in March, of its 122,000 cable subscribers in California for 157,000 subscribers in Idaho.

"Kaplan already is coming on like a house afire," Graham told analysts. Through May 2001, revenue was up 72 percent over the same period in 2000, with revenue from Quest Education Corp., acquired last summer, accounting for three-quarters of the gain. Through the first five months of 2001, Kaplan's operating loss was \$13.7 million, compared to \$20.5 million in the same period of 2000.

Graham said the largest parts of Kaplan - Test Preparation and Quest - are benefiting from current economic conditions, as more students go to graduate school and career-oriented colleges like Quest during a recession.

The outlook for the company's advertising-based businesses is weak, Graham said. According to preliminary figures, for the first five months of 2001 total advertising revenue was down 8.4 percent from the same period last year.

Washington Post ad revenue was off 8.9 percent during the first five months of 2001, with retail revenue off 4.4 percent and general revenue down 7.1 percent. Classified advertising revenue, excluding recruitment, was up 10.4 percent, but recruitment revenue was down 31.5 percent.

Post-Newsweek Stations revenue was off 5.9 percent in the first five months of 2001, compared to the same period last year. However, Graham said the company's two television stations in Texas are doing well.

Newsweek, too, is suffering from the economic slowdown, with ad pages considerably below last year.

Graham said there is modestly good news to report from Washingtonpost.Newsweek Interactive. Although it is not growing as fast as in the past two years, revenue from washingtonpost.com is up 29 percent through May 2001 to almost \$13 million, compared to the same period of 2000. Revenue from WashingtonJobs is up 41 percent year to date.

washingtonpost.com is among the five top national news sites and continues to be the number one local site in the country, with local-market penetration that hovers near 30 percent. Monthly page views average in the 115-to-120 million range, which is about 30 percent higher than last year.

The complete text of Mr. Graham's presentation can be found on the company's web site, washpostco.com.

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