

The Washington Post Company Reports First Quarter Earnings

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WASHINGTON, Apr 19, 2002 -- The Washington Post Company (NYSE: WPO) today reported net income of \$23.7 million (\$2.44 per share) for its first quarter ended March 31, 2002, down from net income of \$199.1 million (\$20.90 per share) in the first quarter of last year.

Results for the first quarter of 2002 include a charge arising from an early retirement program at Newsweek (\$6.1 million, or \$0.64 per share) and a net non-operating gain primarily from the sale of marketable securities (\$3.8 million, or \$0.40 per share). Results for the first quarter of 2001 include net non-operating gains principally from the sale and exchange of certain cable systems (\$189.5 million, or \$19.95 per share) and a charge of \$12.2 million, or \$1.29 per share, for amortization of goodwill and certain other intangible assets that are no longer amortized under Statement of Financial Accounting Standards No. 142 (SFAS 142), "Goodwill and Other Intangible Assets." Excluding these items, net income for the first quarter of 2002 totaled \$26.0 million, or \$2.68 per share, compared to net income of \$21.8 million, or \$2.24 per share, for the first quarter of 2001.

Revenue for the first quarter of 2002 was \$600.3 million, up 2 percent from \$586.4 million in 2001. The increase in revenue is due mostly to significant revenue growth at the education and cable divisions; the broadcast division showed modest revenue growth. These increases were offset partially by a collective \$26.4 million, or 12 percent, decline in advertising revenues at the company's newspaper and magazine publishing divisions, where the advertising climate remains soft.

Operating income for the quarter decreased 19 percent to \$48.9 million, from \$60.3 million in 2001, adjusted as if SFAS 142 had been adopted at the beginning of 2001. Excluding the \$10.3 million pre-tax charge from the Newsweek early retirement program, operating income for the quarter was \$59.2 million, a decrease of 2 percent. The results were adversely impacted by the decline in newspaper and magazine advertising revenues, increased depreciation expense, a reduced net pension credit, and higher stock-based compensation expense accruals at the education division. These factors were offset in part by improved operating results at the education and cable divisions and a 20 percent decrease in newsprint expense.

The company's operating income for the first quarter of 2002 includes \$16.1 million of net pension credits, compared to \$19.9 million in the first quarter of 2001. At December 30, 2001, the company modified certain assumptions surrounding the company's pension plans. Specifically, the company reduced its assumptions on discount rate from 7.5 percent to 7.0 percent and expected return on plan assets from 9.0 percent to 7.5 percent. These assumption changes result in an approximate \$5.5 million reduction in the company's net pension credit each quarter. Management expects the 2002 annual net pension credit to approximate \$65 million, compared to \$76.9 million in 2001, excluding charges related to early retirement programs.

Divisional Results

Newspaper Publishing

Newspaper publishing division revenue totaled \$200.8 million for the first quarter of 2002, an 8 percent decline from revenue of \$218.2 million in the first quarter of 2001. Division operating income decreased 35 percent to \$17.5 million, from \$26.8 million in 2001, adjusted as if SFAS 142 had been adopted at the beginning of 2001. The decline in division operating income is primarily attributable to a 46 percent decline in recruitment advertising revenue at The Washington Post newspaper and a reduced pension credit, partially offset by a 20 percent decrease in newsprint expense.

Print advertising revenue at The Washington Post newspaper decreased 14 percent to \$131.5 million, from \$152.6 million in 2001, primarily due to a \$16.2 million decline in recruitment advertising revenue, resulting from a 48 percent volume decline. The decline in recruitment advertising was partially offset by higher revenue from certain advertising categories, principally preprints and other classified advertising.

For the first quarter of 2002, Post daily and Sunday circulation declined 0.2 percent and 1.3 percent, respectively, compared to the first quarter of 2001. For the three months ended March 31, 2002, average daily circulation at The Post totaled 772,000 and average Sunday circulation totaled 1,063,000.

Revenues generated by the company's online publishing activities, primarily washingtonpost.com, totaled \$7.5 million for the first quarter of 2002, versus \$7.2 million for 2001.

Television Broadcasting

Revenue for the broadcast division increased 2 percent in the first quarter of 2002 to \$75.4 million, from \$74.2 million in 2001, due largely to significant Olympics related advertising at the company's NBC affiliates. Operating income for the first quarter of 2002 increased 5 percent to \$33.6 million, from \$32.1 million in 2001, adjusted as if SFAS 142 had been adopted at the beginning of 2001.

In April 2002 the company announced that its network affiliation with CBS at WJXT in Jacksonville, Florida, would end. WJXT will become an independent station when its network affiliation agreement with CBS expires in July 2002.

Magazine Publishing

Revenue for the magazine publishing division declined 10 percent for the first quarter of 2002, compared to the same period in 2001, primarily due to a 15 percent decrease in advertising revenue at Newsweek. In addition, there was one less issue of the magazine in the first quarter of 2002 than in the first quarter of 2001. The magazine division operating loss totaled \$11.6 million, compared to a loss of \$0.9 million for the first quarter of 2001, adjusted as if SFAS 142 had been adopted at the beginning of 2001. The decline in operating results is primarily attributable to a \$10.3 million charge in connection with an early retirement program at Newsweek. The decline in advertising revenue and a reduced pension credit also adversely impacted operating results, partially offset by decreases in magazine paper rates and printing and distribution costs.

Cable Television

Cable division revenue of \$102.0 million for the first quarter of 2002 represents a 14 percent increase over 2001 first quarter revenue of \$89.2 million. The 2002 revenue increase is due to rapid growth in the division's cable modem and digital service revenues and an increased number of basic subscribers from the cable exchange transactions completed in the first quarter of 2001.

Cable division cash flow (operating income excluding depreciation and amortization expense) totaled \$36.6 million for the first quarter of 2002, a 15 percent increase from \$31.7 million for the first quarter of 2001. Cable division operating income increased 4 percent to \$16.0 million in the first quarter of 2002, versus \$15.4 million in the first quarter of 2001, adjusted as if SFAS 142 had been adopted at the beginning of 2001. The increase in operating income is due mostly to the division's significant revenue growth, offset by increased depreciation expense, higher programming expense, and higher payroll costs.

The increase in depreciation expense is due to significant capital spending, primarily in 2001 and 2000, that has enabled the cable division to offer digital and broadband cable services to its subscribers. The cable division began its rollout plan for these services in the third quarter of 2000. At March 31, 2002, the cable division had approximately 238,400 digital cable subscribers, representing a 33 percent penetration of the subscriber base in the markets where digital services are offered. Digital services are offered in markets serving 97 percent of the cable division's subscriber base. The rollout plan for the new digital cable services included an offer for the cable division's customers to obtain these services free for one year. At the end of March 2002, the cable division had about 33,200 "paying" digital subscribers. In addition, the cable division has 22,800 "paying" digital subscribers in Idaho systems that it assumed from the cable exchange transactions noted above and who were not offered one-year free digital service by the prior owner. The benefits from these new services began to show in the first quarter of 2002 and are expected to continue throughout the year, with the remaining portion of free one-year periods generally ending later in 2002.

At March 31, 2002, the cable division had 751,700 basic subscribers, compared to 769,000 at the end of March 2001. At March 31, 2002, the cable division had 53,100 CableONE.net service subscribers, compared to 28,300 at the end of March 2001, due to a large increase in the company's cable modem deployment (offered to 89 percent of homes passed at the end of March 2002) and take-up rates. Of these subscribers, 44,400 and 14,300 were cable modem subscribers at the end of the first quarter of 2002 and 2001, respectively, with the remainder being dial-up subscribers.

Education

Education division revenue totaled \$147.1 million for the first quarter of 2002, a 21 percent increase over revenue of \$121.5 million for the same period of 2001. Including the charges for stock options held by Kaplan management, Kaplan reported a loss for the quarter of \$0.6 million, compared to a loss of \$6.6 million for the first quarter of 2001, adjusted as if SFAS 142 had been adopted as of the beginning of 2001. Excluding these charges, Kaplan operating earnings were \$16.1 million in 2002, compared to operating earnings of \$1.8 million in 2001. A summary of first quarter operating results, excluding goodwill amortization in 2001, is as follows (in thousands):

	First Quarter		
	2002	2001	% Change
Revenue			
Supplemental education	\$ 90,750	\$ 80,874	+12
Higher education	56,331	40,634	+39
	-----	-----	---
	\$ 147,081	\$ 121,508	+21
	=====	=====	===
Operating income (loss)			
Supplemental education	\$ 13,202	\$ 6,441	+105
Higher education	8,886	2,244	+296
Kaplan corporate overhead	(5,902)	(6,746)	+13
Other*	(16,738)	(8,514)	-97
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	\$ (550)	\$ (6,575)	+92
	=====	=====	===

* Other includes charges accrued for stock-based incentive compensation and amortization of certain intangibles.

Supplemental education includes Kaplan's test preparation, professional training, and Score! businesses. The improvement in supplemental education results for the first quarter of 2002 is due mostly to higher enrollments and to a lesser extent higher prices at Kaplan's traditional test preparation business (particularly the LSAT and MCAT prep courses), as well as higher revenues and profits from Kaplan's CFA and real estate exam preparation services. Score! also contributed to the improved results, with increased enrollment from new learning centers opened later in 2001 (148 centers at the end of March 2002, versus 137 centers at the end of March 2001) and strong cost controls.

Higher education includes all of Kaplan's post-secondary education businesses, including the fixed-facility colleges that were formerly part of Quest Education, as well as online post-secondary and career programs (various distance learning businesses). Higher education results are showing significant growth due to student enrollment increases and high student retention rates.

Corporate overhead represents unallocated expenses of Kaplan, Inc.'s corporate office, including expenses associated with the design and development of educational software that, if successfully completed, will benefit all of Kaplan's business units. The decrease in this expense category in 2002 is due to decreased spending for these development initiatives.

Other expense is comprised of accrued charges for stock-based incentive compensation arising from a stock option plan established for certain members of Kaplan's management and amortization of certain intangibles. Under the stock-based incentive plan, the amount of compensation expense varies directly with the estimated fair value of Kaplan's common stock and the number of options outstanding. The increase in other expense for 2002 is attributable to an increase in stock-based incentive compensation, which was due to an increase in Kaplan's estimated value.

Equity in Losses of Affiliates

The company's equity in losses of affiliates for the first quarter of 2002 was \$6.5 million, compared to losses of \$12.5 million for the first quarter of 2001. The company's affiliate investments consist of a 49 percent interest in BrassRing LLC, a 50 percent interest in the International Herald Tribune, and a 49 percent interest in Bowater Mersey Paper Company Limited. The reduction in first quarter 2002 affiliate losses is primarily attributable to improved operating results at BrassRing. The company's share of BrassRing's losses accounted for \$4.2 million of the total first quarter equity in losses of affiliates, versus \$14.1 million in the first quarter of 2001.

Other Non-Operating Income

The company recorded other non-operating income, net, of \$6.5 million for the first quarter of 2002, compared to non-operating income, net, of \$308.8 million for the first quarter of 2001. The 2002 non-operating income is comprised mostly of a gain from the sale of marketable securities, offset by write-downs recorded on certain investments. The 2001 non-operating income is comprised mostly of gains arising from the sale and exchange of certain cable systems completed in January and March of 2001, offset by write-downs recorded on certain investments.

Net Interest Expense

The company incurred net interest expense of \$8.7 million for the first quarter of 2002, compared to \$14.3 million for the same period of the prior year. The reduction is due to both lower average borrowings and lower interest rates. At March 31, 2002, the company had \$868.4 million in borrowings outstanding at an average interest rate of 3.5 percent.

Provision for Income Taxes

The effective tax rate for the first quarter of 2002 was 40.9 percent, compared to 38.8 percent for the same period of 2001. The 2001 rate benefited from a lower effective tax rate applicable to the one-time gains arising from the sale and exchange of cable systems. Excluding the effect of the cable gain transactions, the company's effective tax rate approximated 43 percent for the first quarter of 2001. The effective tax rate for 2002 has declined because the company no longer has any permanent difference from goodwill amortization not deductible for tax purposes as a result of the adoption of SFAS 142.

Earnings Per Share

The calculation of diluted earnings per share for the first quarter of 2002 was based on 9,512,000 weighted average shares outstanding, compared to 9,499,000 for the first quarter of 2001. The company made no repurchases of its stock during the first quarter of 2002.

Forward-looking Statements

This report contains certain forward-looking statements that are based largely on the company's current expectations. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results and achievements to differ materially from those expressed in the forward-looking statements. For more information about these forward-looking statements and related risks, please refer to the section titled "Forward-looking Statements" in Part I of the company's Annual Report on Form 10-K.

THE WASHINGTON POST COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In thousands, except share and per share amounts)

	First Quarter		% Change
	2002	2001	
Operating revenues	\$600,322	\$586,399	2
Operating expenses	(510,105)	(491,331)	4
Operating income before depreciation and amortization	90,217	95,068	- 5
Depreciation	(41,173)	(34,632)	19
Amortization	(152)	(17,192)	- 99

Operating income	48,892	43,244	13
Equity in losses of affiliates, net	(6,506)	(12,461)	
Interest income	133	325	
Interest expense	(8,867)	(14,624)	
Other income, net	6,454	308,769	
	-----	-----	
Income before income taxes	40,106	325,253	- 88
Provision for income taxes	(16,400)	(126,200)	- 87
	-----	-----	
Net income	23,706	199,053	- 88
Redeemable preferred stock dividends	(525)	(526)	
	-----	-----	
Net income available for common stock	\$23,181	\$198,527	- 88
	=====	=====	
Basic earnings per share	\$ 2.44	\$20.94	- 88
	=====	=====	
Diluted earnings per share	\$ 2.44	\$20.90	- 88
	=====	=====	
Basic average shares outstanding	9,498,000	9,479,000	
Diluted average shares outstanding	9,512,000	9,499,000	
Pro forma results: (1)			
Net income available for common stock, as reported	\$23,181	\$198,527	- 88
Amortization of goodwill and other intangibles, net of tax	--	12,224	
	-----	-----	
Pro forma net income available for common stock	\$23,181	\$210,751	- 89
	=====	=====	
Basic earnings per share	\$ 2.44	\$22.23	- 89
	=====	=====	
Diluted earnings per share	\$ 2.44	\$22.19	- 89
	=====	=====	

(1) First quarter 2001 results are adjusted as if SFAS 142 had been adopted at the beginning of 2001.

THE WASHINGTON POST COMPANY
BUSINESS SEGMENT INFORMATION
(Unaudited)
(In thousands)

First Quarter		% Change
2002	2001	
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Operating Revenues:			
Newspaper publishing	\$200,772	\$218,194	- 8
Television broadcasting	75,418	74,202	2
Magazine publishing (2)	75,018	83,318	- 10
Cable television	102,033	89,177	14
Education	147,081	121,508	21
	-----	-----	
	\$600,322	\$586,399	2
	=====	=====	

Operating Expenses:			
Newspaper publishing	\$183,229	\$191,918	- 5
Television broadcasting	41,867	45,654	- 8
Magazine publishing (2)	86,596	85,838	1
Cable television	85,991	81,421	6
Education	147,631	131,756	12
Corporate office	6,116	6,568	-7
	-----	-----	
	\$551,430	\$543,155	2
	=====	=====	

Operating Income:			
Newspaper publishing	\$17,543	\$26,276	- 33
Television broadcasting	33,551	28,548	18
Magazine publishing	(11,578)	(2,520)	- 359
Cable television	16,042	7,756	107
Education	(550)	(10,248)	95
Corporate office	(6,116)	(6,568)	7
	-----	-----	
	\$48,892	\$43,244	13
	=====	=====	

Depreciation:			
Newspaper publishing	\$10,879	\$9,502	14
Television broadcasting	2,765	2,926	- 6
Magazine publishing	1,050	1,219	- 14
Cable television	20,479	16,259	26
Education	6,000	4,726	27
	-----	-----	
	\$41,173	\$34,632	19
	=====	=====	

Amortization:			
Newspaper publishing	\$4	\$508	
Television broadcasting	--	3,534	
Magazine publishing	--	1,667	
Cable television	39	7,701	
Education	109	3,782	
	-----	-----	
	\$152	\$17,192	
	=====	=====	

Pro forma results: (1)

Operating Income:			
Newspaper publishing	\$17,543	\$26,784	- 35
Television broadcasting	33,551	32,082	5
Magazine publishing	(11,578)	(853)	- 1257
Cable television	16,042	15,418	4
Education	(550)	(6,575)	92
Corporate office	(6,116)	(6,568)	7
	-----	-----	
	\$48,892	\$60,288	- 19
	=====	=====	

(1) First quarter 2001 results are adjusted as if SFAS 142 had been adopted at the beginning of 2001.

(2) First quarter 2001 magazine publishing revenue and expenses were reclassified to conform with the current year presentation.

SOURCE The Washington Post Company

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