

# SECURITIES AND EXCHANGE COMMISSION

## FORM 8-K

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### FILER

#### **Network Communications, Inc.**

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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): January 21, 2009**

**Network Communications, Inc.**

(Exact name of registrant as specified in its charter)

Georgia

(State or other jurisdiction of  
incorporation)

333-134701

(Commission File Number)

58-1404355

(IRS Employer Identification No.)

2305 Newpoint Parkway, Lawrenceville, GA 30043  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (770) 962-7220

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- 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))
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**ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

Attached hereto is Exhibit 99.1, which is a copy of the press release of Network Communications, Inc. (the “Company”) dated January 26, 2009, reporting the Company’ s financial results for the third quarter of fiscal year 2009 ended December 7, 2008 and for the comparable period in the prior fiscal year. Exhibit 99.1 is incorporated by reference herein.

**ITEM 2.06. MATERIAL IMPAIRMENTS**

During the nine periods ended December 7, 2008, the Company saw indicators of potential impairment of its goodwill, including the continued decline of its revenues and the current market value of its outstanding debt securities, which caused the Company to conduct an interim goodwill impairment analysis. On January 21, 2009, the Company determined, in step one of its goodwill impairment analysis, that its goodwill was in fact impaired, and as a result it has recorded an estimate of \$85.4 million for the impairment loss in its statements of operations for the three periods and nine periods ended December 7, 2008. This is a preliminary estimate only. The Company is continuing to evaluate the impairment of its goodwill, and the amount of the actual impairment charge may vary materially from this estimate. The Company will complete the second step of the impairment analysis in the fourth quarter of fiscal year 2009 and may be required to record an additional impairment charge in its statements of operations during the fourth quarter of fiscal year 2009. The impairment(s) will not result in any current or future cash expenditures.

The information in this Current Report on Form 8-K is intended to be furnished only and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended.

**ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS**

(d) Exhibit – The following exhibit is furnished as a part of this report:

<u>Exhibit</u>	<u>Description</u>
99.1	Press release dated January 26, 2009 reporting financial results for the third quarter ended December 7, 2008, for Network Communications, Inc..

**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.

NETWORK COMMUNICATIONS, INC.

Date: January 26, 2009

By: /s/ Gerard P. Parker  
Gerard P. Parker  
Senior Vice President and  
Chief Financial Officer  
*(Principal Financial and Accounting Officer)*

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**Exhibit Index**

<b><u>Exhibit</u></b>	<b><u>Description</u></b>
99.1	Press release January 26, 2009 reporting financial results for the third quarter of fiscal year 2009 ended December 7, 2008, for Network Communications, Inc.

**Network Communications, Inc. Reports Fiscal Year 2009  
Third Quarter Results**

	Third quarter
Revenue	\$ 43.5 million
Operating Loss	\$(82.5) million
Net Loss	\$(80.8) million
EBITDA <sup>1</sup>	\$ 8.5 million

LAWRENCEVILLE, GA, January 26, 2009 – Network Communications, Inc. (“NCT”) today reported financial results for the quarter ended December 7, 2008. The Company reported revenues of \$43.5 million, down 20.2% from the same period in fiscal year 2008. Operating loss was \$(82.5) million compared to the operating profit of \$7.9 million from the same period last fiscal year. For the quarter, the net loss was \$(80.8) million compared to a net income of \$0.6 million in the same period last fiscal year. The Company recorded a noncash estimated charge of \$85.4 million in the quarter for goodwill impairment. EBITDA for the third quarter decreased by \$5.3 million or 38.1% from \$13.8 million in the same period of fiscal year 2008 to \$8.5 million in fiscal year 2009.

“The third quarter was extremely challenging as the real estate market weakened further leading into the winter months and we experienced a meaningful slowdown in our remodeling and home improvement publications in the face of a weakening economy and declining consumer sentiment,” said Dan McCarthy, Chairman and Chief Executive Officer for Network Communications, Inc. “We remain focused on maintaining and growing our competitive market share across all our brands, further reducing our operating expenses and managing our cash flow.”

***Financial Highlights***

***FISCAL YEAR 2009 THIRD QUARTER***

Revenue: Third quarter revenue was \$43.5 million, a decrease of 20.2% from revenue of \$54.5 million in the same period of fiscal year 2008. Revenue from our resale and new sales product area was \$18.5 million, a decrease of \$10.7 million or 36.7% compared to \$29.2 million in the same period of fiscal year 2008. *The Real Estate Book* (“TREB”) had revenue of \$11.9 million for the quarter which was down \$7.4 million or 38.3% from the prior year quarter. Revenue for our *Unique Homes* and *Enclave* publications was \$1.6 million for the quarter, down \$1.2 million or 43.5% from the third quarter of fiscal year 2008. By Design Publishing contributed \$2.3 million of revenue in the current quarter which was a decline of \$1.1 million versus the year ago quarter. Rental and leasing product area revenue increased by \$1.2 million or 6.7% compared to the same period of fiscal year 2008. *Apartment Finder* (“AF”) posted revenue growth of \$1.7 million or 10.1% due to solid growth in ad pages across our markets. This growth was partially offset by year-over-year declines in revenue from our *Black’s Guide* and *Mature Living Choices* brands of \$0.1 million and \$0.3 million, respectively. The remodeling and home improvement product area posted revenue of \$5.5 million, a decrease of \$1.5 million or 21.7%, compared to the prior year quarter.

Operating (loss) profit: Third quarter fiscal year 2009 operating loss was \$(82.5) million compared to an operating profit of \$7.9 million in the same period of fiscal year 2008. The decrease resulted from the decline in revenue of \$11.0 million and the estimated goodwill impairment charge of \$85.4 million, partially offset by a reduction of \$6.0 million in operating expenses.



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Network Communications, Inc. Reports Fiscal Year 2009 Third Quarter Results—page 2

Depreciation and amortization expense for the third quarter of fiscal year 2009 was \$5.6 million, a decrease of \$0.3 million compared to \$5.9 million in the same period of fiscal year 2008.

Goodwill Impairment: As a result of declines in revenue and operating income in fiscal year 2009 and the current market value of its outstanding debt securities, the Company performed an assessment of goodwill for impairment under SFAS 142 as of December 7, 2008. The first step assessment indicated an impairment of goodwill and as a result the Company recorded an estimated noncash impairment charge of \$85.4 million in its statements of operations for the three periods and nine periods ended December 7, 2008. This is a preliminary estimate only. The Company is continuing the second step of the assessment to evaluate the impairment of its goodwill, and the amount of the actual impairment charge resulting from its step two analysis may vary materially from this estimate.

Net (Loss) Income: Third quarter net loss was \$(80.8) million compared to net income of \$0.6 million in the same period of fiscal year 2008. Excluding the goodwill impairment charge, the year-over-year decline was the result of lower revenue and operating profit being partially offset by a decline in interest expense and an increase in income tax benefit.

EBITDA<sup>1</sup>: EBITDA for the third quarter was \$8.5 million, a decrease of \$5.3 million or 38.1%, from the \$13.8 million a year ago. EBITDA is reconciled to Net (Loss) Income in the second table below.

Cash Flow: Network Communications, Inc. used \$4.4 million in cash from operations during the third quarter of fiscal year 2009 compared to a use of \$2.6 million in the same period of fiscal year 2008. Cash capital spending was \$1.4 million in the fiscal year 2009 third quarter, an increase of \$0.2 million from the \$1.2 million in cash capital spending during the same period in fiscal year 2008. The Company made the semi-annual interest payment on its senior notes in the third quarter of fiscal year 2009. The Company ended the quarter with a cash balance of \$3.4 million. At the end of the third quarter, the Company had \$4.0 million drawn on its revolving loan facility.

**Network Communications, Inc.**  
**Condensed Consolidated Statements of Operations**  
**(unaudited, in thousands)**

	Quarter ended			Nine Periods ended		
	12/7/08	12/2/07	Change	12/7/08	12/2/07	Change
<b>Revenue</b>	\$43,476	\$54,455	-20.2 %	\$138,673	\$163,966	-15.4 %
<b>Operating expenses</b>	40,578	46,587	-12.9 %	126,526	141,109	-10.3 %
<b>Impairment loss</b>	85,352	—	—	85,352	—	—
<b>Operating (loss) profit</b>	(82,454)	7,868	—	(73,205)	22,857	—
<b>Other expense:</b>						
<b>Interest expense, net</b>	(6,752 )	(7,098 )	-4.9 %	(20,033 )	(24,479 )	-18.2 %
<b>Other income (expense), net</b>	23	(20 )	—	88	(38 )	—
<b>(Loss) income before (benefit) expense from income taxes</b>	(89,183)	750	—	(93,150)	(1,660 )	—
<b>Income tax (benefit) expense</b>	(8,414 )	182	—	(9,698 )	(486 )	—
<b>Net (loss) income</b>	\$(80,769)	\$568	—	\$(83,452)	\$(1,174 )	—

**Network Communications, Inc.  
EBITDA<sup>1</sup> Reconciliation  
(unaudited, in thousands)**

	Quarter ended		Nine Periods Ended	
	12/7/08	12/2/07	12/7/08	12/2/07
<b>Net (loss) income</b>	\$ (80,769)	\$ 568	\$ (83,452)	\$ (1,174)
<b>Loss on disposal of fixed assets</b>	–	37	–	82
<b>Impairment loss</b>	85,352	–	85,352	–
<b>Depreciation</b>	1,619	1,699	4,828	4,669
<b>Amortization</b>	3,984	4,196	12,012	11,860
<b>Interest expense, net</b>	6,752	7,098	20,033	24,479
<b>Income tax (benefit) expense</b>	(8,414 )	182	(9,698 )	(486 )
<b>EBITDA<sup>1</sup></b>	<b>\$8,524</b>	<b>\$13,780</b>	<b>\$29,075</b>	<b>\$39,430</b>

1 To supplement the consolidated financial results as determined in accordance with generally accepted accounting principles (“GAAP”), we present non-GAAP financial measures for “EBITDA”. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. We believe that EBITDA is an accurate indicator of the Company’s results because it focuses on revenue and operating costs driven by operating managers’ performance. EBITDA is used by the Company’s chief operating decision maker, its Chairman and CEO, to make decisions and to assess the Company’s performance. EBITDA is not intended to represent cash flows from operating activities and should not be considered as an alternative to net loss as determined in conformity with accounting principles generally accepted in the United States of America. EBITDA as presented may not be comparable to similarly titled measures reported by other companies since not all companies necessarily calculate EBITDA in an identical manner, and therefore, is not necessarily an accurate measure of comparison between companies.

**Network Communications, Inc.  
Revenue Summary by Area  
(unaudited, in thousands)**

	Quarter ended			Nine Periods ended		
	12/7/08	12/2/07	Change	12/7/08	12/2/07	Change
<b>Revenue</b>						
<b>Resale and new sales</b>	\$18,474	\$29,171	-36.7 %	\$60,862	\$86,930	-30.0 %
<b>Rental and leasing</b>	19,528	18,294	6.7 %	58,478	53,228	9.9 %
<b>Remodeling and home improvement</b>	5,474	6,990	-21.7 %	19,333	23,808	-18.8 %
<b>Total</b>	<b>\$43,476</b>	<b>\$54,455</b>	<b>-20.2 %</b>	<b>\$138,673</b>	<b>\$163,966</b>	<b>-15.4 %</b>

**Conference Call**

Network Communications, Inc. will host a conference call discussing its fiscal year 2009 third quarter results on Tuesday, January 27, at 10:00 a.m. EST. The conference call number is (888) 554-7613 if you are in the U.S., or (973) 935-8644 if you are outside the U.S. The conference ID is 82569469. Please note that a replay of the Earnings Conference Call will be available after the conference call at (800) 642-1687 in the U.S., or (706) 645-9291, if you are outside the U.S. The conference ID is 82569469. The replay will be available for 10 days from the date of the call.

**ABOUT NETWORK COMMUNICATIONS, INC.**

Network Communications, Inc. is the leading publisher of printed and online real estate information in North America. The Company was acquired by Court Square Capital Partners (formerly known as Citigroup Venture Capital Equity Partners, L.P) in January of 2005. Its magazines are read by over 12 million readers in over 600 markets and deliver more than one million leads to advertisers each month. Network Communications, Inc. assets, *The Real Estate Book*®, *Apartment Finder / Blue Book*™, *Mature Living Choices*®, *Black's Guide*®, *New Home Finder*®, *Enclave*™, *Unique Homes*™, *Kansas City Homes & Gardens*™, *Atlanta Homes & Lifestyles*, *Atlanta Home Improvement*, *At Home In Arkansas*, *Relocating In Las Vegas*, *Colorado Homes & Lifestyles*, *St. Louis Homes & Lifestyles*, *Seattle Homes & Lifestyles*, *Mountain Living*, *New England Home*, and *Home by Design*, include publications that millions of readers around the country turn to when looking for the latest information about the real estate and home design markets. Network Communications, Inc. is on a March fiscal year end. Online magazine content can be accessed at [www.livingchoices.com](http://www.livingchoices.com). More information about NCI can be found at [www.nci.com](http://www.nci.com).

*Statements in this release and any exhibits hereto which are not purely historical facts, including statements about forecasted financial projections or other statements about anticipations, beliefs, expectations, hopes, intentions or strategies for the future, may be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Readers are cautioned not to place undue reliance on forward-looking statements. All forward-looking statements are based upon information available to Network Communications, Inc. ("the Company") on the date this release was submitted. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Any forward-looking statements involve risks and uncertainties that could cause actual events or results to differ materially from the events or results described in the forward-looking statements, including, but not limited to, risks and uncertainties related to: the Company's revenue being dependent on the residential market for existing and new home sales; significant increases in paper, ink, printing plates or fuel costs; and other changes or events which impact the residential and commercial real estate markets or alter the manner in which consumers access housing related information. More information on potential risks and uncertainties is available in the Company's recent Quarterly Reports on Form 10-Q and Annual Report on Form 10-K for the year ended March 30, 2008 (SEC File No. 333-134701).*

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