

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

CAPITAL CITIES ABC INC /NY/

CIK: 17109 | IRS No.: 141284013 | State of Incorp.: NY | Fiscal Year End: 1231
Type: 10-Q | Act: 34 | File No.: 001-04278 | Film No.: 95535966
SIC: 4833 Television broadcasting stations

Mailing Address
77 W 66TH ST
NEW YORK NY 10023

Business Address
77 W 66TH ST
NEW YORK NY 10023
2124567777

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended April 2, 1995

OR

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 1-4278

CAPITAL CITIES/ABC, INC.

(Exact name of registrant as specified in its chapter)

NEW YORK
(State of incorporation)

14-1284013
(I.R.S. Employer
Identification No.)

77 WEST 66TH STREET, NEW YORK, NEW YORK
(Address of principal executive offices)

10023
(Zip Code)

Registrant's telephone number, including
area code (212) 456-7777

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

The number of shares outstanding of the issuer's common stock
as of April 28, 1995: 153,926,413 shares, excluding 30,008,547
treasury shares.

PART I FINANCIAL INFORMATION

CAPITAL CITIES/ABC, INC.

CONSOLIDATED STATEMENT OF INCOME (Unaudited)

(Thousands of Dollars)

<TABLE>
<CAPTION>

Three Months Ended

	April 2, 1995	April 3, 1994
<S>	<C>	<C>
Net revenues	\$1,606,815	\$1,404,949
Costs and expenses		
Direct operating expenses	951,592	864,449
Selling, general and administrative	326,248	284,989
Depreciation	28,022	25,935
Amortization of intangible assets	16,059	15,814
	1,321,921	1,191,187
Operating income	284,894	213,762
Other income (expense)		
Interest expense	(14,493)	(13,031)
Interest income	14,689	3,959
Miscellaneous, net	(5,931)	791
	(5,735)	(8,281)
Income before income taxes	279,159	205,481
Income taxes	121,400	89,400
Net income	\$ 157,759	\$ 116,081
Net income per share	\$1.02	\$0.76
Dividends per common share	\$0.05	\$.005
Average shares outstanding	154,060	153,450

(000's)

</TABLE>

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CAPITAL CITIES/ABC, INC.

CONSOLIDATED BALANCE SHEET

(Thousands of Dollars)

<TABLE>

<CAPTION>

	April 2, 1995	December 31, 1994
Assets	(Unaudited)	(Audited)

<S>	<C>	<C>
Current assets		
Cash and short-term cash investments	\$ 896,059	\$ 781,371
Short-term investments	374,458	238,029
Accounts and notes receivable, net	920,753	1,056,280
Program licenses and rights	515,491	440,443
Other current assets	214,651	200,064
	-----	-----
Total current assets	2,921,412	2,716,187
	-----	-----
Property, plant and equipment, at cost	2,144,523	2,122,494
Less accumulated depreciation	(853,704)	(831,838)
	-----	-----
Property, plant and equipment, net	1,290,819	1,290,656
	-----	-----
Intangible assets, net	2,029,070	1,999,305
Program licenses and rights, noncurrent	159,947	195,563
Investment in unconsolidated equity affiliates	336,581	334,460
Other assets	226,686	232,041
	-----	-----
	\$ 6,964,515	\$ 6,768,212
	-----	-----

<CAPTION>

Liabilities and Stockholders' Equity

<S>	<C>	<C>
Current liabilities		
Accounts payable	\$ 151,884	\$ 163,566
Accrued compensation	71,718	131,370
Accrued expenses and other current liabilities	313,352	273,254
Program licenses and rights	271,221	281,923
Taxes on income	243,830	189,267
Long-term debt due within one year	3,413	4,176
	-----	-----
Total current liabilities	1,055,418	1,043,556
Deferred compensation	207,115	188,492
Deferred income taxes	245,368	247,532
Program licenses and rights, noncurrent	40,745	39,259
Other liabilities	238,100	233,987
Long-term debt due after one year	610,631	610,666
	-----	-----
Total liabilities	2,397,377	2,363,492
	-----	-----
Minority interest	129,402	116,163
	-----	-----
Stockholders' equity		
Preferred stock, no par value	-	-
Common stock, \$0.10 par value (300,000,000 shares authorized)	18,394	18,394
Additional paid-in capital	1,036,059	1,036,068
Unrealized net gains on investments	55,983	57,008
Retained earnings	4,898,680	4,748,624
	-----	-----

	6,009,116	5,860,094
Less common stock in treasury, at cost	(1,571,380)	(1,571,537)
Total stockholders' equity	4,437,736	4,288,557
	-----	-----
	\$ 6,964,515	\$ 6,768,212
	-----	-----

</TABLE>

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CAPITAL CITIES/ABC, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

(Thousands of Dollars)

<TABLE>

<CAPTION>

	Three Months Ended	
	April 2,	April 3,
	1995	1994
	----	----
<S>	<C>	<C>
Cash flows from operating activities		
Net income	\$ 157,759	\$116,081
Adjustments to reconcile net income to net cash		
Noncash and nonoperating items		
Depreciation	28,022	25,935
Amortization of intangible assets	16,059	15,814
Increase (decrease) in deferred liabilities	17,169	(3,731)
Other noncash and nonoperating items, net	20,988	5,450
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions		
(Increase) in program assets and liabilities, net	(48,648)	(96,527)
Decrease in accounts receivable	135,996	65,660
Increase in accounts payable, accrued expenses and other current liabilities	22,826	67,831
(Increase) in other operating assets, net	(14,576)	(7,402)
Net cash provided by operating activities	----- 335,595	----- 189,111
Cash flows from investing activities		
Capital expenditures	(27,563)	(30,384)
(Increase) in short-term investments	(136,363)	(26,247)
Acquisitions of operating companies and equity investments	(47,012)	(27,460)
Proceeds from dispositions of real estate	-	22,000
Other investing activities, net	(1,616)	(29,323)
Net cash (used in) investing activities	----- (212,554)	----- (91,414)

Cash flows from financing activities		
Reduction of long-term debt	(798)	(3,910)
Common stock purchased for treasury	-	(27,345)
Dividends	(7,703)	(767)
Other financing activities, net	148	43
	-----	-----
Net cash (used in) financing activities	(8,353)	(31,979)
	-----	-----
Net increase in cash and short-term cash investments	114,688	65,718
Cash and short-term cash investments		
Beginning of period	781,371	264,283
	-----	-----
End of period	\$ 896,059	\$330,001
	-----	-----

</TABLE>

* * * * *

Cash and short-term cash investments at April 2, 1995 and April 3, 1994 excludes \$374,458,000 and \$198,813,000, respectively, of highly liquid U.S. Government instruments with original maturities in excess of three months, to conform to the definition of a cash investment prescribed by the Financial Accounting Standards Board.

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CAPITAL CITIES/ABC, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (Unaudited)

Three Months Ended April 2, 1995

(Thousands of Dollars)

<TABLE>
<CAPTION>

	Common stock	Additional paid-in capital	Unreal- ized net gains on investments	Retained earnings	Treasury stock	Total
	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 1994	\$18,394	\$1,036,068	\$57,008	\$4,748,624	\$ (1,571,537)	\$ 4,288,557
Net income for three months	-	-	-	157,759	-	157,759
3,858 shares issued from exercise of employee stock options	-	(9)	-	-	157	148
Dividends	-	-	-	(7,703)	-	(7,703)
Change in unrealized net gains, net of						

income taxes of						
\$710	-	-	(1,025)	-	-	(1,025)
Balance at April 2,	-----	-----	-----	-----	-----	-----
1995	\$18,394	\$1,036,059	\$55,983	\$4,898,680	\$ (1,571,380)	\$ (4,437,736)
	-----	-----	-----	-----	-----	-----

</TABLE>

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CAPITAL CITIES/ABC, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

- (1) The results presented in the financial statements are unaudited, but in the opinion of management contain all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the results of operations.
- (2) Earnings per share, average shares outstanding and dividends per share for 1994 have been restated to reflect the Company's ten-for-one stock split which became effective June 3, 1994.

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CAPITAL CITIES/ABC, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

A summary of the Company's operations by business segment for the first quarter is as follows (in thousands of dollars):

<TABLE>

<CAPTION>

	Three Months Ended	
	April 2,	April 3,
	-----	-----
	1995	1994
	-----	-----
Broadcasting		

<S>	<C>	<C>
Net revenues	\$1,329,804	\$1,144,949
	-----	-----
Direct operating costs	1,050,850	935,946
Amortization of intangible assets	12,092	11,748
	-----	-----

Costs and expenses	1,062,942	947,694
	-----	-----
Income from operations	\$ 266,862	\$ 197,255
	-----	-----

Publishing

- - - - -

<S>	<C>	<C>
Net revenues	\$ 277,011	\$ 260,000
	-----	-----
Direct operating costs	242,439	228,266
Amortization of intangible assets	3,967	4,066
	-----	-----
Costs and expenses	246,406	232,332
	-----	-----
Income from operations	\$ 30,605	\$ 27,668
	-----	-----

Consolidated

- - - - -

<S>	<C>	<C>
Net revenues	\$1,606,815	\$1,404,949
	-----	-----
Income from operations	297,467	224,923
General corporate expense	(12,573)	(11,161)
	-----	-----
Operating income	\$ 284,894	\$ 213,762
	-----	-----

</TABLE>

Results of Operations

- - - - -

Consolidated net revenues for the first quarter of 1995 were \$1,606,815,000, up 14% from the \$1,404,949,000 reported in 1994. Broadcasting net revenues for the first quarter of 1995 were \$1,329,804,000, compared with \$1,144,949,000 in 1994, a 16% increase. The ABC Television Network and the television stations reported a significant increase in net revenues for the first quarter of 1995. These gains were due to greater advertiser demand and the broadcast of Super Bowl XXIX in 1995, and in part to the absence of the Winter Olympics, which were broadcast on another network in 1994. ESPN continued to report significant revenue increases, while radio revenues increased moderately as a result of greater advertiser demand and recent radio station acquisitions. Publishing Group revenues increased 7%, with the newspaper operations reporting somewhat stronger gains than the specialized publications.

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Total costs and expenses for the first quarter of 1995 were \$1,321,921,000 compared with \$1,191,187,000 reported in 1994, an 11% increase. Broadcasting costs in the first quarter of 1995 increased 12% from 1994. Costs and expenses for the ABC Television Network increased significantly, primarily due to higher programming, affiliate compensation, production and general and administrative expenses. Programming at the Network included higher expenses due to the telecast of the 1995 Super Bowl and Pro Bowl in 1995 versus the final 1993 NFL regular season game and Wildcard playoff games in 1994. Television station expenses rose moderately due to higher news, general and administrative costs and syndicated programming expense. ESPN expenses increased slightly in the first quarter of 1995. Increased programming, sales and general and administrative costs were substantially offset by the absence of the telecast of National Football League games in the first quarter of 1995. Costs at the

Company's radio operations increased moderately, mainly due to higher selling, general and administrative expenses, affiliate compensation expense and the inclusion of recently acquired stations. Publishing Group costs increased 6% from 1994, due to higher newsprint, advertising and general and administrative expenses.

Operating income for the first quarter of 1995 was \$284,894,000 compared with \$213,762,000 reported in 1994, an increase of 33%. Broadcasting operating income rose 35% from 1994. The ABC Television Network and the television stations operating income increased significantly, primarily because of improved advertiser demand. ESPN and the radio operations also reported significant earnings gains. Publishing earnings increased 11%, with improvements reported at both the newspaper operations and the specialized publications.

Net interest income (interest income less interest expense) for the first quarter of 1995 increased \$9,268,000 from 1994. Interest income was \$10,730,000 higher in the first quarter of 1995 due to a higher level of invested cash, as well as higher interest rates in 1995. Interest expense increased \$1,462,000, primarily as a result of a reduction of capitalized interest. Interest of \$899,000 and \$1,873,000 was capitalized in the first quarter of 1995 and 1994, respectively.

The Company's income tax provision for the first quarter of 1995 has been computed by applying the estimated 1995 annual effective income tax rate of 43.5% to income before taxes. For the full year 1994, the effective tax rate was 43.6%.

Consolidated net income for the first quarter of 1995 was \$157,759,000 compared with \$116,081,000 reported for the same period of 1994. Earnings per share for the first quarter of 1995 were \$1.02, an increase of 34% from the \$0.76 reported in last year's comparable quarter. Average shares outstanding for the

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first quarter of 1995 were 154,060,000 compared with 153,450,000 in 1994. Earnings per share and average shares outstanding for 1994 have been restated to reflect the Company's ten-for-one stock split effective June 3, 1994.

Given the performance for the second through fourth quarters of 1994, the Company anticipates that comparative earnings gains for the balance of 1995 are likely to be more moderate than those achieved in the first quarter of 1995.

Liquidity and Capital Resources

Net Cash Provided By Operating Activities

For the first quarter of 1995, net cash provided by operating activities was \$335,595,000, an increase of \$146,484,000 from the \$189,111,000 reported in 1994. The increase was attributable to higher 1995 net income, a smaller increase in net program assets than in the prior year, increases in deferred liabilities and positive changes in other working capital items.

Net Cash Used In Investing Activities

For the first quarter of 1995, net cash used in investing activities was \$212,554,000, an increase of \$121,140,000 from the \$91,414,000 used in the prior year. An increase in acquisition activity and an increase in short-term

investments accounted for most of the increased use of cash for investing activities.

Net Cash Used In Financing Activities

For the first quarter of 1995, net cash used in financing activities was \$8,353,000, a decrease of \$23,626,000 from the \$31,979,000 used in 1994. The decrease was primarily attributable to the absence of common stock repurchases, partially offset by higher cash dividends paid.

At April 2, 1995, cash and short-term cash investments were \$896,059,000, an increase of \$114,688,000 from December 31, 1994. However, after the inclusion of short-term investments, the balance at April 2, 1995 aggregated \$1,270,517,000, an increase of \$251,117,000 from \$1,019,400,000 at December 31, 1994. The Company's policy is very conservative with respect to investment of its cash. At April 2, 1995, substantially all of the Company's cash was invested in highly liquid United States Government securities with a weighted average life to maturity of 50 days. The Financial Accounting Standards Board requirements arbitrarily define cash equivalents as those investments with original maturities at the date of purchase of three months or less. At April 2, 1995, \$374,458,000 of the Company's investments did not meet the definition of a cash equivalent and are therefore classified in the consolidated financial statements as short-term investments. The Company believes that this distinction is not meaningful with respect to the statement of its cash and cash equivalents position.

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Interest paid during the first quarter of 1995 and 1994 was \$15,081,000 and \$14,847,000, respectively. Income taxes paid, net of refunds received, during the first quarter of 1995 and 1994 was \$77,526,000 and \$44,172,000, respectively.

Interest-bearing debt at April 2, 1995 and December 31, 1994 was as follows (000's omitted):

<TABLE>
<CAPTION>

	April 2, ----- 1995 ----	December 31, ----- 1994 ----
<S>	<C>	<C>
Commercial paper supported by		
bank revolving credit agreement	\$100,000	\$100,000
8 7/8% notes due 2000	250,000	250,000
8 3/4% debentures due 2021	250,000	250,000
Other long-term debt	14,044	14,842
	-----	-----
	\$614,044	\$614,842
	-----	-----

</TABLE>

A subsidiary of the Company has issued commercial paper, \$100,000,000 of which is outstanding at April 2, 1995, at a weighted average interest rate of 6.2%. The commercial paper is supported by a \$1,000,000,000 bank revolving credit agreement terminating on June 30, 1999, unless otherwise extended. The amount of commercial paper outstanding at April 2, 1995 is classified as long-term, since the Company intends to renew or replace with long-term borrowings all, or substantially all, of the commercial paper. However, the amount of commercial paper outstanding in 1995 is expected to fluctuate and may be reduced

from time to time.

The Company has unconditionally guaranteed the commercial paper and any borrowings which may be made by a subsidiary under the bank revolving credit agreement.

At April 2, 1995 and at December 31, 1994, interest-bearing debt represented 11% and 12%, respectively, of the Company's total capitalization.

Capital expenditures in the first quarter of 1995 were \$27,563,000. The Company anticipates that 1995 capital expenditures for property, plant and equipment will be approximately \$150,000,000.

As the operator of the ABC Television Network, ESPN and television and radio stations, the Company expects to continue to enter into programming commitments to purchase the broadcast rights for various feature film, sports and other programming. Total commitments to purchase broadcast programming approximated \$3,842,000,000 at April 2, 1995. This amount is substantially payable over the next five years. The Company plans to fund its operations and commitments from internally generated funds and, if needed, from the various external sources of funds which are available.

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PART II

OTHER INFORMATION

ITEM 1. Legal Proceedings

Not applicable.

ITEM 2. Changes in Securities

Not applicable.

ITEM 3. Defaults Upon Senior Securities

Not applicable.

ITEM 4. Submission of Matters to a Vote of Security Holders

Not applicable.

ITEM 5. Other Information

Not applicable.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None.

(b) Reports on Form 8-K

None filed during First Quarter 1995.

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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 thereunto duly authorized.

CAPITAL CITIES/ABC, INC.

(Registrant)

Date: May 8, 1995

/S/ Ronald J. Doerfler

Ronald J. Doerfler
Senior Vice President and
Chief Financial Officer

<TABLE> <S> <C>

<ARTICLE> 5

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CAPITAL CITIES/ABC, INC. CONSOLIDATED FINANCIAL STATEMENTS FROM FORM 10-Q FOR THE PERIOD ENDING APRIL 2, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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