

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-05-10** | Period of Report: **1995-03-31**
SEC Accession No. **0000950138-95-000101**

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FILER

AMERICAN CITY BUSINESS JOURNALS INC

CIK: **769339** | IRS No.: **431366184** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-13834** | Film No.: **95535983**
SIC: **2711** Newspapers: publishing or publishing & printing

Mailing Address
*128 SOUTH TRYON ST STE
2300
CHARLOTTE NC 28202*

Business Address
*128 S TRYON ST STE 2300
CHARLOTTE NC 28202
7043757404*

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

(X) Quarterly report pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934

For the Quarter period ended March 31, 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 0-13834

American City Business Journals, Inc.

(Exact name of registrant as specified in its charter)

Delaware

43-1366184

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

128 S. Tryon St., St. 2300, Charlotte, N.C.

28202

(Address of principal executive offices)

(Zip Code)

Registrant's telephone no., including area code: (704) 375-7404

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 No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

6,883,263 shares of common stock, \$.01 par value per share, at April 25, 1995.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

<TABLE>

AMERICAN CITY BUSINESS JOURNALS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

ASSETS

<CAPTION>

March 31, December 31,
1995 1994

(Unaudited)

<u><S></u>	<u><C></u>	<u><C></u>
CURRENT ASSETS:		
Cash and cash equivalents	\$18,529,000	\$17,815,000
Accounts receivable, net of allowance for uncollectible accounts of \$509,000 in 1995 and \$462,000 in 1994	11,789,000	13,205,000
Prepaid expenses	1,709,000	668,000
Deferred income taxes	476,000	476,000
	-----	-----
Total current assets	32,503,000	32,164,000
FURNITURE AND EQUIPMENT	14,237,000	12,487,000
Less - Accumulated depreciation	(8,413,000)	(8,015,000)
	-----	-----
	5,824,000	4,472,000
DEFERRED INCOME TAXES	2,094,000	2,094,000
INTANGIBLES AND OTHER ASSETS, principally cost in excess of assets acquired - net	53,025,000	53,400,000
	-----	-----
Total assets	\$93,446,000	\$92,130,000
	=====	=====

</TABLE>

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<TABLE>

AMERICAN CITY BUSINESS JOURNALS, INC. AND SUBS

CONSOLIDATED BALANCE SHEET

LIABILITIES AND STOCKHOLDERS' INVESTMENT

<CAPTION>

<u><S></u>	<u>March 31,</u> <u>1995</u>	<u>December 31,</u> <u>1994</u>
	-----	-----
	(Unaudited)	
<u><S></u>	<u><C></u>	<u><C></u>
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 954,000	\$ 934,000
Accounts payable	2,729,000	2,738,000
Accrued payroll and payroll taxes	1,672,000	2,211,000
Other accrued liabilities	2,159,000	1,335,000
Deferred subscription revenue	13,595,000	12,867,000
Accrued income taxes	3,368,000	3,163,000
	-----	-----
Total current liabilities	24,477,000	23,248,000
LONG-TERM DEBT	35,588,000	35,788,000

DEFERRED SUBSCRIPTION REVENUE	2,763,000	2,677,000
CONVERTIBLE SUBORDINATED DEBENTURES	31,878,000	31,878,000
STOCKHOLDERS' INVESTMENT:		
Serial Preferred Stock, \$.01 par value - 2,500,000 shares authorized; No shares issued	---	---
Common stock, \$.01 par value - 30,000,000 shares authorized; 7,584,000 and 7,216,000 shares issued; 6,874,000 and 6,539,000 shares outstanding	76,000	72,000
Paid-in capital	7,759,000	7,691,000
Accumulated deficit	(1,412,000)	(1,856,000)
	-----	-----
	6,423,000	5,907,000
Treasury stock - 709,000 and 677,000 common shares at cost	(7,683,000)	(7,368,000)
	-----	-----
Total stockholders' investment	(1,260,000)	(1,461,000)
	-----	-----
Total liabilities and stockholders' investment	\$93,446,000	\$92,130,000
	=====	=====

</TABLE>

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<TABLE>

AMERICAN CITY BUSINESS JOURNALS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' INVESTMENT
FOR THE YEAR ENDED DECEMBER 31, 1994 AND
THE THREE MONTHS ENDED MARCH 31, 1995

<CAPTION>

	Common Stock	Paid-In Capital	Accumulated Deficit	Treasury Stock
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
BALANCE AT DECEMBER 31, 1993	\$51,000	\$43,550,000	(\$7,152,000)	(\$42,698,000)
Issuance of common stock, 185,295 shares		604,000		931,000
Retirement of treasury stock, 3,110,646 shares	(15,000)	(36,427,000)		36,442,000
Split of common stock (2 for 1) - par value of shares issued	36,000	(36,000)		
Purchase of treasury stock, 131,279 common shares at cost				(2,043,000)
Net income			5,296,000	
	-----	-----	-----	-----
BALANCE AT DECEMBER 31, 1994	72,000	7,691,000	(1,856,000)	(7,368,000)
Issuance of common stock, 6,090 shares		72,000		331,000
Common stock dividend (5%) - par value of shares issued	4,000	(4,000)		
Purchase of treasury stock, 33,400 common shares at cost				(646,000)
Net income			444,000	
	-----	-----	-----	-----
BALANCE AT MARCH 31, 1995 (UNAUDITED)	\$76,000	\$7,759,000	(\$1,412,000)	(\$7,683,000)
	=====	=====	=====	=====

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<TABLE>

AMERICAN CITY BUSINESS JOURNALS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

<CAPTION>

Three Months Ended
March 31,

<S>

	1995	1994
	-----	-----
	<C>	<C>

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$444,000	\$30,000
Adjustments to reconcile net income to net cash provided by operating activities-		
Depreciation and amortization	1,364,000	1,325,000
Provision for bad debts	200,000	168,000
(Gain)loss on sale of assets	2,000	(1,000)
Net activity from trades	(1,000)	(1,000)
Recognized imputed interest	71,000	64,000
Changes in assets and liabilities, net of assets acquired		
Decrease in accounts receivable and other current assets	176,000	545,000
Decrease in intangibles and other assets	35,000	37,000
Increase (decrease) in accounts payable and accrued expenses	406,000	(86,000)
Increase in deferred subscription revenue	814,000	811,000
	-----	-----
Net cash provided by operating activities	3,511,000	2,892,000
	-----	-----

CASH FLOWS FROM FINANCING ACTIVITIES:

Issuance of common stock	403,000	472,000
Payment of long-term debt	(176,000)	(184,000)
Purchase of treasury stock	(646,000)	---
	-----	-----
Net cash provided by (used for) financing activities	(419,000)	288,000
	-----	-----

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase price of companies acquired	(1,924,000)	---
Capital expenditures	(454,000)	(510,000)
	-----	-----
Net cash used for investing activities	(2,378,000)	(510,000)
	-----	-----
NET INCREASE IN CASH AND CASH EQUIVALENTS	714,000	2,670,000
CASH AND CASH EQUIVALENTS, beginning of period	17,815,000	13,992,000
	-----	-----
CASH AND CASH EQUIVALENTS, end of period	\$18,529,000	\$16,662,000
	=====	=====

</TABLE>

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<TABLE>

AMERICAN CITY BUSINESS JOURNALS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

<CAPTION>

	Three Months Ended March 31,	
	1995	1994
	-----	-----
<S>	<C>	<C>
Revenues	\$24,871,000	\$20,578,000
Operating expenses	22,968,000	19,299,000
	-----	-----
Operating income	1,903,000	1,279,000
Interest expense - net	(1,150,000)	(1,229,000)
Other income	---	1,000
	-----	-----
Income before income taxes	753,000	51,000
Provision for income taxes	309,000	21,000
	-----	-----
Net income	\$444,000	\$30,000
	=====	=====
Income per common share <F1>	\$.06	---
Weighted average shares outstanding <F1>	7,153,000	7,096,000

<FN>

<F1> Adjusted to reflect 2 for 1 stock split distributed April 29, 1994 and 5% stock dividend paid on January 16, 1995.

</TABLE>

AMERICAN CITY BUSINESS JOURNALS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(Unaudited)

1. The 1995 consolidated financial statements have been prepared by the Company, without audit, and reflect all adjustments which are, in the opinion of management, necessary to fairly present the financial position and results of operations for the interim periods. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted, although the Company believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these condensed financial statements be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 1994 included in the Company's Form 10-K filed March 29, 1995.
2. The consolidated financial statements include the accounts of American City Business Journals, Inc., and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in the consolidated statements.
3. Earnings per share are based on the weighted average number of common and common equivalent shares outstanding during the respective periods adjusted retroactively for a 2-for-1 common stock split distributed as a common stock dividend April 29, 1994 to shareholders of record April 18, 1994, and a 5% common stock dividend paid on January 16, 1995 to shareholders of record December 15, 1994. Fully diluted computations have been omitted because they are anti-dilutive.
4. In 1994 the Company acquired Winston Cup Illustrated magazine (September 1), The Austin Business Journal (October 1) and On Track magazine (October 21) for an aggregate purchase price of \$3,525,000 comprised of \$3,100,000 in cash, \$300,000 in notes and \$125,000 in non-competition agreements. The excess (\$2,100,000) of the purchase price plus the liabilities assumed (\$1,100,000) over the appraised value of the assets acquired was charged to goodwill. On February 1, 1995 the Company acquired Performance Printing Co. for \$1,300,000 in cash. The purchase price was allocated to the assets acquired as determined by an independent appraisal. Also, on January 20, 1995 the Company purchased a minority interest in Sunbelt Video, Inc., for \$624,000 in cash and obtained an option to acquire the remaining shares in three years at appraised value.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Condition and Liquidity:

At March 31, 1995 the Company had a current ratio of 1.3:1 and over \$18.5 million in cash and cash equivalents. The level of liquidity increased slightly from December 31, 1994 from internally generated funds.

The Company believes its existing liquidity and cash flow from operations is sufficient in 1995 to fund (a) interest (\$5 million) and principal (\$1 million) on long-term debt and convertible subordinated debentures; (b) capital additions of approximately \$1.2 million for new production systems, computer software and hardware upgrades and miscellaneous items of furniture and equipment; (c) working capital requirements which are not expected to be significant; and (d) the \$2,488,000 of federal income taxes relating to years prior to 1994 under the settlement initiative with the Internal Revenue Service as described in Note 5 to the consolidated financial statements for the year ended December 31, 1994.

The Company has no agreements in place for the extension of credit because no such arrangements are deemed necessary.

Three Months Ended March 31, 1995 Compared to 1994:

The comparative operating results are impacted by acquisitions as described in Note 4 to the Consolidated Financial Statements.

Total revenues increased 20.9% for the quarter (11.2% excluding acquisitions). Advertising revenue increased 13.6% (11.2% excluding acquisitions) from increases in local and national advertising in the business journals and a 84.6% (50.0% excluding acquisitions) increase in advertising in the motorsports publications. 22 of the 27 business journals operated throughout both periods increased advertising revenue. Advertising revenue, which comprised 69.6% of total revenue in the first quarter of 1995, is sensitive to change in economic conditions and a slowdown in the economy could adversely impact this revenue.

Circulation revenue increased 21.3% (10.5% excluding acquisitions) from an 8.9% increase in the business journals on a 2.9% increase in paid circulation and a 63.0% increase (16.3% excluding acquisitions) in the motorsports publications. Paid circulation of the business journals was 328,203 at March 31, 1995.

Other revenue increased 142.5% during the quarter primarily from the inclusion of Performance Printing Co. For publications operated throughout both periods, other revenue increased 16.3%.

Operating expenses increased 19.0% (7.7% at publications operated throughout both periods.) The increase consisted of normal compensation increases, increased commissions on the increase in advertising sales, and some increase in printing and distribution expenses.

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Operating income increased \$624,000 or 48.8% to \$1,903,000 for the quarter from increases in advertising and circulation revenue. Operating income as a percent of total revenue increased from 6.2% in 1994 to 7.7% in 1995.

Net interest expense decreased \$79,000 from the first quarter of 1994 primarily from an increased level of invested funds. There were modest changes in debt outstanding and a 1% increase in the interest rate on the Company's \$20 series promissory notes.

The Company recorded income tax expense in the first quarter of 1995 at an

estimated effective rate of 41%, compared to an effective rate of 42% in the first quarter of 1994.

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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 Matters

NOT APPLICABLE

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) The following Reports on Form 8-K were filed during the quarter for which this report is filed.

None

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SIGNATURES

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.

American City Business Journals, Inc.
(Registrant)

Date: April 27, 1995

By: /s/ Ray Shaw

Ray Shaw
Chairman and
Chief Executive Officer

By: /s/ Grant Hamrick

Grant Hamrick
Senior Vice President and
Chief Financial Officer

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5

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS FOR AMERICAN CITY BUSINESS JOURNALS, INC. AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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<CIK>

0000769339

<NAME>

AMERICAN CITY BUSINESS JOURNALS, INC.

<MULTIPLIER>

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