

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 quarterly period ended September 25, 1994 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 1-6961

GANNETT CO., INC.  
(Exact name of registrant as specified in its charter)

Delaware 16-0442930  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

1100 Wilson Boulevard, Arlington, Virginia 22234  
(Address of principal executive offices) (Zip Code)

(703) 284-6000  
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 X No \_\_\_\_

The number of shares outstanding of the issuer's Common Stock, Par Value \$1.00, as of September 25, 1994 was 139,199,000.

PART I. FINANCIAL INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

1994 Acquisition

On May 3, 1994, the Company purchased Nursing Spectrum, which publishes a group of biweekly periodicals specializing in advertising for nursing employment. The acquisition did not materially affect results of operations or financial condition.

In September 1994, the Company reached an agreement to purchase a tenth television station, KTHV-TV in Little Rock, a CBS affiliate. This acquisition is expected to be completed in the fourth quarter of 1994.

Operating Summary

Income from operations for the third quarter of 1994 rose \$24.3 million or 15%, reflecting significant performance gains across all three divisions. Newspapers posted a 10% earnings gain, reflecting advertising revenue growth in all major categories. Classified revenue continued to be very strong. Improved broadcast earnings, which rose 48%, reflected strong television and radio advertising revenue growth. Outdoor profits grew 25% from gains in local and national advertising.

Operating income for the first nine months of 1994 rose \$76.2 million or 16%, reflecting sustained earnings growth by newspaper and broadcasting operations.

## Newspapers

Newspaper publishing revenues rose \$47 million or 6% in the third quarter of 1994 and \$110.2 million or 5% for the year-to-date. Advertising revenue rose \$46.4 million or 10% for the quarter and \$100.5 million or 7% for the first nine months. Classified ad revenues were again particularly strong, led by significantly higher help-wanted advertising. National ad revenue was also up sharply for the quarter.

The tables below provide, on a pro forma basis, further details of newspaper ad revenue and lineage for the third quarter and year-to-date periods of 1994 and 1993:

## Advertising revenue, in thousands of dollars (pro forma)

Third Quarter	1994	1993	% Change
Local	\$189,088	\$183,918	3
National	70,560	61,275	15
Classified	180,844	158,798	14
Total Run-of-Press	440,492	403,991	9
Preprint and other advertising	79,179	75,725	5
Total ad revenue	\$519,671	\$479,716	8

## Advertising linage, in thousands of inches (pro forma)

Third Quarter	1994	1993	% Change
Local	7,487	7,517	-
National	514	467	10
Classified	8,120	7,496	8
Total Run-of-Press	16,121	15,480	4
Preprint	15,436	14,821	4
Total ad linage	31,557	30,301	4

## Advertising revenue, in thousands of dollars (pro forma)

Year-to-date	1994	1993	% Change
Local	\$ 573,567	\$ 564,455	2
National	225,325	210,384	7
Classified	522,017	462,497	13
Total Run-of-Press	1,320,909	1,237,336	7
Preprint and other advertising	239,628	230,521	4
Total ad revenue	\$1,560,537	\$1,467,857	6

## Advertising linage, in thousands of inches (pro forma)

Year-to-date	1994	1993	% Change
Local	22,612	22,912	(1)
National	1,596	1,494	7
Classified	23,677	21,956	8
Total Run-of-Press	47,885	46,362	3
Preprint	45,951	44,352	4
Total ad linage	93,836	90,714	3

Newspaper circulation revenues rose \$3.2 million or 2% for the quarter and \$8.1 million or 1% for the first nine months. Net paid daily circulation for the Company's local newspapers was even for the quarter, and Sunday circulation was down slightly. For the year-to-date, daily and Sunday circulation declined slightly. USA TODAY reported an average daily paid circulation of 2,009,523 in the ABC Publisher's statement for the six months ended September 25, 1994, which, subject to audit, is a 2% increase over the year-ago period.

Operating costs in total for the newspaper segment rose \$32.1 million or 6% for the quarter and \$62.9 million or 4% for the year-to-date. Newsprint costs increased 2% for the quarter reflecting higher consumption, with prices down slightly. For the first nine months, newsprint expense was down 2%, reflecting lower prices from a year ago, partly offset by higher consumption. The Company expects newsprint prices to trend higher than year ago levels for the remainder of 1994, and price increases are expected to continue in 1995. Payroll costs rose 3% for the quarter and year-to-date. Selling costs, employee benefits and facilities and equipment costs at several of the Company's newspaper operations were higher in the quarter.

Newspaper operating income rose \$15 million or 10% for the quarter and \$47.2 million or 10% for the first nine months, due principally to the improved ad revenue environment. Most of the Company's local newspapers reported improved ad revenues and operating income results. At USA TODAY, ad revenues rose 11% in the third quarter and 4% for the year-to-date. Operating results at USA TODAY improved for the quarter and for the year-to-date.

#### Broadcast

Broadcast revenues rose \$3 million or 3% for the third quarter and \$2.6 million or 1% for the first nine months. Operating costs declined \$5.8 million or 8% for the quarter and \$27.3 million or 12% for the year-to-date. On a pro forma basis, broadcast revenues increased 16% for the quarter and 13% for the year-to-date, while operating costs increased 7% for the quarter and 2% for the first nine months.

Pro forma local television ad revenues increased 17% for the quarter and 12% for the year to date, while national revenues increased 17% for the quarter and were up 14% for the year-to-date. Pro forma radio revenues increased 15% for the quarter and 19% for the first nine months.

Operating income for the broadcast division rose \$8.8 million or 48% for the quarter and \$29.8 million or 51% for the year-to-date, reflecting strong gains at most of the Company's television and radio stations. For the quarter and year-to-date periods, broadcast earnings comparisons were also favorably affected by the recent sale of four radio stations in Kansas City and St. Louis, Mo., and the Company's television station in Boston.

#### Outdoor

Outdoor revenues increased \$5.9 million or 10% for the quarter and \$4.2 million or 2% for the year-to-date, reflecting improved demand for local and national advertising. Operating costs rose 8% for the quarter, reflecting higher sales activity. For the first nine months, costs rose 3%. Operating income for Outdoor rose \$1.4 million or 25% for the quarter and was even for the first nine months.

#### Non-operating income and expense

Interest expense declined \$3.3 million or 24% for the quarter and \$5.9 million or 16% for the year-to-date. Average borrowings were lower during the first nine months of 1994, but average interest rates on borrowed funds were higher than a year ago.

#### Net Income

Net income rose \$16.8 million or 19% for the quarter and \$47.2 million or 18% for the first nine months. Net income per share was \$0.74 for the quarter compared to \$0.61 in 1993, an increase of 21%. For the year-to-date, net income per share rose to \$2.17 from \$1.84 in 1993, an 18% increase. The weighted average number of shares outstanding totaled 143,465,000 for the third quarter of 1994, compared with 146,676,000 for the third quarter of 1993. Average shares outstanding for the year-to-date totaled

145,919,000 for 1994 and 146,364,000 for 1993. At the end of the third quarter, 139,199,000 shares were outstanding. The decrease in shares outstanding is due principally to share repurchases as discussed below.

#### Liquidity and capital resources

In May 1994, the Company announced it would resume a share repurchase program originally authorized in 1988 for 7.5 million shares. Approximately 4.5 million shares had been purchased prior to 1994. The Company has purchased the remaining 3 million shares, and the program was expanded by an additional 5 million shares, which were purchased in August and September. The total cost of the share repurchase program in 1994 was \$399 million.

Cash flow from operating activities totaled \$512 million for the first nine-months of 1994, compared with \$419.9 million a year ago. Working capital totaled \$109.1 million, down from \$302.8 million at the end of 1993.

Capital expenditures for the year-to-date totaled \$95.6 million, compared with \$89.8 million in 1993. Long-term debt totaled \$916.3 million at the end of the third quarter, up from \$850.7 million at the end of 1993. The increase in long-term debt reflects borrowings to finance the share repurchases as discussed above.

The Company declared regular quarterly dividends of \$0.33 per share in the first and second quarters of 1994 and \$0.34 for the third quarter. Dividends declared totaled \$146.1 million.

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

ASSETS	Sept. 25, 1994	Dec. 26, 1993
- - - - -	-----	-----
Current Assets:		
Cash.....	\$ 6,328,000	\$ 32,461,000
Marketable securities.....	18,951,000	43,034,000
Trade receivables, less allowance (1994 - \$16,748,000 ; 1993 - \$13,915,000).....	442,241,000	449,063,000
Other receivables.....	29,383,000	135,036,000
Inventories (materials and supplies)	55,237,000	53,094,000
Prepaid expenses.....	61,550,000	45,269,000
	-----	-----
Total current assets.....	613,690,000	757,957,000
	-----	-----
Property, plant and equipment:		
Cost.....	2,859,541,000	2,794,610,000
Less accumulated depreciation.....	(1,415,898,000)	(1,316,341,000)
	-----	-----
Net property, plant and equipment..	1,443,643,000	1,478,269,000
	-----	-----
Intangible and other assets:		
Excess of cost of subsidiaries over net tangible assets acquired, less amortization (1994 - \$430,333,000 ; 1993 - \$396,915,000).....	1,495,393,000	1,501,102,000
Other assets.....	160,279,000	86,470,000
	-----	-----
Total intangible and other assets	1,655,672,000	1,587,572,000
	-----	-----
Total assets.....	\$ 3,713,005,000	\$ 3,823,798,000
	=====	=====
LIABILITIES & SHAREHOLDERS' EQUITY		
- - - - -		
Current Liabilities:		
Current portion of long-term debt...	\$ 69,000	\$ 164,000
Accounts payable and current portion of film contracts payable.....	204,044,000	187,208,000
Compensation, interest and other accruals.....	172,656,000	140,457,000
Dividend payable.....	48,981,000	48,399,000
Income taxes.....	2,563,000	5,760,000
Deferred income.....	76,299,000	73,151,000
	-----	-----
Total current liabilities.....	504,612,000	455,139,000
Deferred income taxes.....	186,398,000	205,314,000
Long-term debt, less current portion	916,303,000	850,686,000
Retiree medical and life insurance liabilities.....	314,203,000	308,024,000
Other long-term liabilities.....	100,346,000	96,715,000
	-----	-----
Total liabilities.....	2,021,862,000	1,915,878,000
	-----	-----
Shareholders' Equity:		
Preferred stock of \$1 par value per share. Authorized 2,000,000 shares, issued - none		
Common stock of \$1 par value per share. Authorized 400,000,000 shares; issued 162,211,590 shares..	162,212,000	162,212,000
Additional paid-in capital.....	69,436,000	70,938,000
Retained earnings.....	2,535,152,000	2,366,246,000
Foreign currency translation adjustment.....	(9,474,000)	(9,442,000)
	-----	-----
Total.....	2,757,326,000	2,589,954,000
Less treasury stock - 23,012,416 shares and 15,244,733 shares, respectively, at cost.....	(1,030,288,000)	(643,787,000)
Deferred compensation related to ESOP.....	(35,895,000)	(38,247,000)
	-----	-----
Total shareholders' equity.....	1,691,143,000	1,907,920,000
Total liabilities and shareholders' equity.....	\$ 3,713,005,000	\$ 3,823,798,000
	=====	=====

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Thirteen weeks ended		Thirty-nine weeks ended	
	Sept. 25, 1994	Sept 26, 1993	Sept. 25, 1994	Sept 26, 1993
Net Operating Revenues:				
Newspaper advertising.....	\$521,938,000	\$475,509,000	\$1,554,332,000	\$1,453,807,000
Newspaper circulation.....	210,724,000	207,558,000	635,809,000	627,735,000
Broadcasting.....	95,189,000	92,207,000	286,689,000	284,100,000
Outdoor advertising.....	65,929,000	60,063,000	176,031,000	171,875,000
Other.....	38,647,000	41,195,000	123,072,000	121,514,000
Total.....	932,427,000	876,532,000	2,775,933,000	2,659,031,000
Operating Expenses:				
Cost of sales and operating expenses, exclusive of depreciation.....	524,016,000	507,291,000	1,556,523,000	1,534,609,000
Selling, general and administrative expenses, exclusive of depreciation	167,447,000	154,499,000	501,850,000	483,748,000
Depreciation.....	42,203,000	40,687,000	123,204,000	122,732,000
Amortization of intangible assets...	11,506,000	11,114,000	33,961,000	33,797,000
Total.....	745,172,000	713,591,000	2,215,538,000	2,174,886,000
Operating income.....	187,255,000	162,941,000	560,395,000	484,145,000
Non-operating income (expense):				
Interest expense.....	(10,307,000)	(13,590,000)	(32,204,000)	(38,139,000)
Other.....	(217,000)	3,429,000	2,224,000	6,769,000
Total.....	(10,524,000)	(10,161,000)	(29,980,000)	(31,370,000)
Income before income taxes.....	176,731,000	152,780,000	530,415,000	452,775,000
Provision for income taxes.....	71,200,000	64,000,000	214,400,000	184,000,000
Net income.....	\$105,531,000	\$88,780,000	\$316,015,000	\$268,775,000
Net income per share.....	\$0.74	\$0.61	\$2.17	\$1.84
Dividends per share.....	\$0.34	\$0.33	\$1.00	\$0.97

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Thirty-nine weeks ended	
	Sept. 25, 1994	Sept. 26, 1993
	-----	-----
Cash Flows From Operating Activities:		
Net income.....	\$316,015,000	\$268,775,000
Adjustments to reconcile net income to operating cash flows:		
Depreciation.....	123,204,000	122,732,000
Amortization of intangibles.....	33,961,000	33,797,000
Deferred income taxes.....	(12,916,000)	(11,182,000)
Gain on sale of assets.....	(5,614,000)	(1,003,000)
Other, net.....	29,571,000	9,775,000
Changes in other assets & liabilities, net	27,765,000	(3,010,000)
	-----	-----
Net cash flow from operating activities....	511,986,000	419,884,000
	-----	-----
Cash Flows From Investing Activities:		
Purchase of property, plant and equipment..	(95,630,000)	(89,821,000)
Payments for acquisitions, net of cash acquired.....	(30,910,000)	(5,175,000)
Increase in other investments.....	(24,458,000)	
Proceeds from sale of assets.....	54,946,000	14,157,000
Collection of long-term receivables.....	1,012,000	1,321,000
	-----	-----
Net cash used by investing activities.....	(95,040,000)	(79,518,000)
	-----	-----
Cash Flows From Financing Activities:		
Proceeds from long-term debt.....	64,741,000	525,000,000
Payments of long-term debt.....		(738,425,000)
Dividends paid.....	(146,310,000)	(140,058,000)
Common stock transactions, net.....	(385,196,000)	7,286,000
	-----	-----
Net cash used for financing activities.....	(466,765,000)	(346,197,000)
	-----	-----
Effect of currency exchange rate change....	(397,000)	(2,473,000)
	-----	-----
Net decrease in cash and cash equivalents..	(50,216,000)	(8,304,000)
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Balance of cash and cash equivalents at beginning of year.....	75,495,000	73,329,000
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Balance of cash and cash equivalents at end of third quarter.....	\$25,279,000	\$65,025,000
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BUSINESS SEGMENT INFORMATION

	Thirteen weeks ended		Thirty-nine weeks ended	
	Sept. 25, 1994	Sept. 26, 1993	Sept. 25, 1994	Sept. 26, 1993
<b>OPERATING REVENUES:</b>				
Newspaper publishing.....	\$771,309,000	\$724,262,000	\$2,313,213,000	\$2,203,056,000
Broadcasting.....	95,189,000	92,207,000	286,689,000	284,100,000
Outdoor advertising.....	65,929,000	60,063,000	176,031,000	171,875,000
	<u>\$932,427,000</u>	<u>\$876,532,000</u>	<u>\$2,775,933,000</u>	<u>\$2,659,031,000</u>
<b>OPERATING INCOME (net of depreciation and amortization):</b>				
Newspaper publishing.....	\$167,691,000	\$152,738,000	\$510,447,000	\$463,219,000
Broadcasting.....	27,243,000	18,438,000	87,902,000	58,057,000
Outdoor advertising.....	7,006,000	5,623,000	10,462,000	10,495,000
Corporate.....	(14,685,000)	(13,858,000)	(48,416,000)	(47,626,000)
	<u>\$187,255,000</u>	<u>\$162,941,000</u>	<u>\$560,395,000</u>	<u>\$484,145,000</u>
<b>DEPRECIATION AND AMORTIZATION:</b>				
Newspaper publishing.....	\$38,920,000	\$36,400,000	\$114,063,000	\$110,144,000
Broadcasting.....	7,381,000	7,910,000	21,470,000	23,679,000
Outdoor advertising.....	4,998,000	4,639,000	14,238,000	14,126,000
Corporate.....	2,410,000	2,852,000	7,394,000	8,580,000
	<u>\$53,709,000</u>	<u>\$51,801,000</u>	<u>\$157,165,000</u>	<u>\$156,529,000</u>

NOTE TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

September 25, 1994

1. Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with the instructions for Form 10-Q and, therefore, do not include all information and footnotes which are normally included in Form 10-K and annual report to shareholders. The financial statements covering the 13 and 39 week periods ended September 25, 1994, and the comparative periods of 1993, reflect all adjustments which, in the opinion of the Company, are necessary for a fair statement of results for the interim periods.

PART II. OTHER INFORMATION

Item 5. Other Information

Effective August 23, 1994, Josephine Peters Louis was elected to the Company's board of directors. With her election, the board numbers 12. Mrs. Louis will serve on the board for a term that expires at the 1996 annual meeting of shareholders.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

See Exhibit Index for list of exhibits filed with this report. Management contracts and compensatory plans or arrangements are identified with an asterisk on the Exhibit Index.

(b) Reports on Form 8-K.

None.

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 thereunto duly authorized.

GANNETT CO., INC.

Dated: November 8, 1994

s/ Larry F. Miller

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Larry F. Miller  
Senior Vice President/Financial  
Planning and Controller

Dated: November 8, 1994

s/ Thomas L. Chapple

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Thomas L. Chapple  
General Counsel and Secretary

## EXHIBIT INDEX

Exhibit Number	Title or Description	Location
4-1	\$1,000,000,000 Revolving Credit Agreement among Gannett Co., Inc. and the Banks named therein.	Incorporated by reference to Exhibit 4-1 to Gannett Co., Inc.'s Form 10-K for the fiscal year ended December 26, 1993.
4-2	Amendment Number One to \$1,000,000,000 Revolving Credit Agreement among Gannett Co., Inc. and the Banks named therein.	Incorporated by reference to Exhibit 4-2 to Gannett Co., Inc.'s Form 10-Q for the fiscal quarter ended June 26, 1994.
4-3	Indenture dated as of March 1, 1983 between Gannett Co., Inc. and Citibank, N.A., as Trustee.	Incorporated by reference to Exhibit 4-2 to Gannett Co., Inc.'s Form 10-K for the fiscal year ended December 29, 1985.
4-4	First Supplemental Indenture dated as of November 5, 1986 among Gannett Co., Inc., Citibank, N.A., as Trustee, and Sovran Bank, N.A., as Successor Trustee.	Incorporated by reference to Exhibit 4 to Gannett Co., Inc.'s Form 8-K filed on November 9, 1986.
4-5	Rights Plan.	Incorporated by reference to Exhibit 1 to Gannett Co., Inc.'s Form 8-K filed on May 23, 1990.
11	Statement re computation of earnings per share.	Attached.
27	Financial Data Schedule.	Attached.

Gannett Co., Inc. agrees to furnish to the Securities and Exchange Commission, upon request, a copy of each agreement with respect to long-term debt not filed herewith in reliance upon the exemption from filing applicable to any series of debt which does not exceed 10% of the total consolidated assets of the registrant.

GANNETT CO., INC.  
Calculation of Earnings Per Share

	Thirteen weeks ended		Thirty-nine weeks ended	
	Sept. 25, 1994	Sept. 26, 1993	Sept. 25, 1994	Sept. 26, 1993
Net Income	\$105,531,000	\$88,780,000	\$316,015,000	\$268,775,000
Weighted average number of common shares outstanding	143,465,000	146,676,000	145,919,000	146,364,000
Net income per share	\$0.74	\$0.61	\$2.17	\$1.84

This schedule contains summary financial information extracted from the consolidated balance sheets and statements of income for Gannett Co., Inc. and is qualified in its entirety by reference to such financial statements.

9-MOS		
	DEC-25-1994	
	DEC-27-1993	
	SEP-25-1994	
		6,328,000
		18,951,000
		458,989,000
		16,748,000
		55,237,000
		613,690,000
		2,859,541,000
		1,415,898,000
		3,713,005,000
504,612,000		
		0
		162,212,000
		0
		0
		1,528,931,000
3,713,005,000		
		2,775,933,000
		2,775,933,000
		1,556,523,000
		2,215,538,000
		0
		0
		32,204,000
		530,415,000
		214,400,000
316,015,000		
		0
		0
		0
		316,015,000
		2.17
		0