

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 March 26, 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 1-6961

GANNETT CO., INC.

(Exact name of registrant as specified in its charter)

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

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

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

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(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  No

The number of shares outstanding of the issuer's Common Stock, Par Value \$1.00, as of March 26, 1995 was 140,088,867.

PART I. FINANCIAL INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

Operating Summary

Income from operations for the first quarter of 1995 rose \$14.7 million or 10%, reflecting gains in all three divisions. Newspaper earnings rose 6%, despite sharp increases in newsprint costs, due to continued strength in classified advertising coupled with cost containment efforts. Improved broadcast earnings, which rose 24%, resulted principally from television advertising revenue growth. The outdoor division also improved, reducing its first quarter seasonal loss by 40% from the comparable period a year ago.

Newspapers

Newspaper publishing revenues rose \$20.5 million or 3% in the first quarter of 1995. Newspaper advertising revenue rose \$24.5 million or 5% in the quarter, reflecting continued gains in classified advertising, particularly in employment and automotive.

The tables below provide, on a pro forma basis, further details of newspaper ad revenue and lineage for the first quarters of 1995 and 1994:

Advertising revenue, in thousands of dollars (pro forma)

First quarter	1995	1994	% Change
Local	\$183,577	\$181,001	1
National	80,048	75,758	6
Classified	177,314	158,245	12

Total Run-of-Press	440,939	415,004	6
Preprint and other advertising	75,803	75,340	1
Total ad revenue	\$516,742	\$490,344	5

Advertising lineage, in thousands of inches (pro forma)

First quarter	1995	1994	% Change
Local	7,072	7,106	0
National	509	491	4
Classified	7,649	7,183	6
Total Run-of-Press	15,230	14,780	3
Preprint	13,863	13,561	2
Total ad lineage	29,093	28,341	3

Newspaper circulation revenues for the quarter declined slightly. Net paid daily circulation for the Company's local newspapers was down less than 1%, while Sunday circulation declined 2%. USA TODAY reported an average daily paid circulation of 2,055,809 in the ABC Publisher's statement for the six months ended March 26, 1995, which, subject to audit, is a 2% increase over the comparable period a year ago.

Operating costs in total for the newspaper segment rose \$12.5 million or 2% for the quarter. Newsprint expense increased 14%, reflecting significantly higher prices from a year ago. The impact of newsprint price increases was partially offset by newsprint conservation efforts, as consumption was below 1994 levels for the comparable period, and by cost controls in other areas. Newsprint conservation efforts will continue, however, the Company expects further newsprint price increases in 1995, which together with recent increases, will significantly affect newsprint expense comparisons for the remainder of 1995. Payroll costs rose 1% for the quarter.

Newspaper operating income rose \$8.1 million or 6% for the first quarter, due principally to ad revenue gains. Most of the Company's local newspapers reported improved ad revenues and operating income results. At USA TODAY, operating results were even with last year.

#### Broadcast

Broadcast revenues increased \$13 million or 15% for the quarter, while operating costs were up \$7.9 million or 13%. Operating costs include certain program costs for the Company's Denver television station related to its pending affiliation change to NBC in July. On a pro forma basis, broadcast revenues increased 12% while operating costs increased 9%.

Pro forma local television ad revenues grew 11% while national revenues increased 13%. Radio revenues increased 13%. Operating income rose \$5.1 million or 24%, reflecting strong gains at most of the Company's television and radio stations.

#### Outdoor

Outdoor revenues increased \$3.7 million or 8% for the quarter, as strong demand boosted poster and bulletin sales and occupancy rates. Operating costs were up \$1.8 million or 3%. The outdoor group reported a seasonal loss of \$2.8 million, which was 40% below 1994's first quarter loss of \$4.7 million. Most of the Company's outdoor operations reported improved earnings for the quarter.

#### Non-operating Income and Expense

Interest expense increased \$0.6 million or 5% for the first quarter, reflecting higher average interest rates, partially offset by lower average borrowings.

#### Net Income

Net income rose \$7.5 million or 10% for the quarter. Net income per share rose to \$0.62 from \$0.54, an increase of 15%. The weighted average number of shares outstanding totaled 140,011,000 for the first quarter of 1995 compared with 147,123,000 for the first quarter of 1994. The decline in the number of shares outstanding reflects shares purchased under the Company's share repurchase program during the second and third quarters of 1994.

#### Liquidity and capital resources

Cash flow from operating activities totaled \$124.1 million for the first quarter of 1995 compared with \$142.3 million a year ago. Principal uses of cash flow in the first quarter were for capital expenditures, reduction of debt, dividends and pension funding.

Capital expenditures for the quarter totaled \$26.6 million, compared with \$28.1 million in 1994. The Company's long-term debt (commercial paper obligations) was reduced by \$82 million from operating cash flow in the first quarter of 1995. Also during the quarter, \$60 million of debt payable in the first quarter of 1996 was reclassified to current liabilities. The Company's regular quarterly dividend of \$0.34 per share, totaling \$47.6 million, was declared in the first quarter and paid on April 1, 1995. A contribution of \$45 million was made to the Company's pension plan during the quarter.

The Company's Board of Directors previously authorized the expenditure of up to \$250 million for share repurchases.

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	Mar. 26, 1995	Dec. 25, 1994
<b>ASSETS</b>		
Cash	\$ 15,931,000	\$ 44,229,000
Marketable securities	36,000	23,000
Trade receivables, less allowance (1995 - \$16,446,000 ; 1994 - \$15,846,000)	433,550,000	487,615,000
Other receivables	30,538,000	29,745,000
Inventories	71,005,000	53,047,000
Prepaid expenses	29,529,000	36,178,000
Total current assets	580,589,000	650,837,000
Property, plant and equipment:		
Cost	2,838,847,000	2,814,456,000
Less accumulated depreciation	(1,424,557,000)	(1,386,312,000)
Net property, plant and equipment	1,414,290,000	1,428,144,000
Intangible and other assets:		
Excess of acquisition cost over the value of assets acquired, less amortization (1995 - \$453,561,000; 1994 - \$442,166,000)	1,461,314,000	1,472,002,000
Investments and other assets	196,541,000	156,069,000
Total intangible and other assets	1,657,855,000	1,628,071,000
Total assets	\$ 3,652,734,000	\$ 3,707,052,000
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		
Current maturities of long-term debt	\$ 61,347,000	\$ 1,026,000
Accounts payable and current portion of film contracts payable	187,663,000	215,885,000
Compensation, interest and other accruals	141,898,000	148,506,000
Dividend payable	47,607,000	47,739,000
Income taxes	57,696,000	37,618,000
Deferred income	80,597,000	76,280,000
Total current liabilities	576,808,000	527,054,000
Deferred income taxes	160,208,000	164,691,000
Long-term debt, less current portion	624,842,000	767,270,000
Postretirement medical and life insurance liabilities	308,873,000	306,863,000
Other long-term liabilities	108,519,000	118,936,000
Total liabilities	1,779,250,000	1,884,814,000
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, issued 162,209,782 shares	162,210,000	162,212,000
Additional paid-in capital	74,152,000	76,604,000
Retained earnings	2,676,486,000	2,639,440,000
Foreign currency translation adjustment	(11,286,000)	(12,894,000)
Total	2,901,562,000	2,865,362,000
Less treasury stock - 22,120,915 shares and 22,444,480 shares respectively, at cost	(993,961,000)	(1,008,199,000)
Deferred compensation related to ESOP	(34,117,000)	(34,925,000)
Total shareholders' equity	1,873,484,000	1,822,238,000
Total liabilities and shareholders' equity	\$ 3,652,734,000	\$ 3,707,052,000

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Thirteen weeks ended  
Mar. 26, 1995    Mar. 27, 1994

Net Operating Revenues:

Newspaper advertising	\$ 516,742,000	\$ 492,244,000
Newspaper circulation	211,964,000	212,140,000
Broadcasting	96,983,000	84,007,000
Outdoor advertising	50,596,000	46,921,000
Other	37,535,000	41,313,000
Total	913,820,000	876,625,000

Operating Expenses:

Cost of sales and operating expenses exclusive of depreciation	534,222,000	516,424,000
Selling, general and administrative expenses, exclusive of depreciation	171,777,000	165,945,000
Depreciation	39,259,000	40,490,000
Amortization of intangible assets	11,395,000	11,310,000
Total	756,653,000	734,169,000
Operating income	157,167,000	142,456,000

Non-operating income (expense):

Interest expense	(11,732,000)	(11,168,000)
Other	(529,000)	1,023,000
Total	(12,261,000)	(10,145,000)

Income before income taxes	144,906,000	132,311,000
Provision for income taxes	58,700,000	53,600,000
Net income	\$ 86,206,000	\$ 78,711,000

Net income per share	\$0.62	\$0.54
Dividends per share	\$0.34	\$0.33

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Thirteen weeks ended	
	Mar. 26, 1995	Mar. 27, 1994
Cash flows from operating activities		
Net Income	\$ 86,206,000	\$ 78,711,000
Adjustments to reconcile net income to operating cash flows:		
Depreciation	39,259,000	40,490,000
Amortization of intangibles	11,395,000	11,310,000
Deferred income taxes	(4,483,000)	(4,134,000)
(Gain) loss on sale of assets	121,000	(56,000)
Other, net	21,119,000	21,714,000
Changes in other assets and liabilities, net	(29,529,000)	(5,729,000)
Net cash flow from operating activities	124,088,000	142,306,000
Cash flows from investing activities:		
Purchase of property, plant and equipment	(26,630,000)	(28,082,000)
Increase in other investments		(23,529,000)
Proceeds from sale or collection of other assets	1,279,000	18,121,000
Net cash used by investing activities	(25,351,000)	(33,490,000)
Cash flows from financing activities:		
Payments of long-term debt	(82,106,000)	(108,985,000)
Dividends paid	(48,023,000)	(48,457,000)
Common stock transactions, net	3,136,000	2,298,000
Net cash used for financing activities	(126,993,000)	(155,144,000)
Effect of currency exchange rate changes	(29,000)	270,000
Net decrease in cash and cash equivalents	(28,285,000)	(46,058,000)
Balance of cash and cash equivalents at beginning of year	44,252,000	75,495,000
Balance of cash and cash equivalents at end of first quarter	\$ 15,967,000	\$ 29,437,000

BUSINESS SEGMENT INFORMATION

	Thirteen weeks ended	
	Mar. 26, 1995	Mar. 27, 1994
OPERATING REVENUES:		
Newspaper publishing	\$766,241,000	\$745,697,000
Broadcasting	96,983,000	84,007,000
Outdoor advertising	50,596,000	46,921,000
	-----	-----
	\$913,820,000	\$876,625,000
	=====	=====
OPERATING INCOME:		
(Net of depreciation and amortization)		
Newspaper publishing	\$150,741,000	\$142,660,000
Broadcasting	26,240,000	21,173,000
Outdoor advertising	(2,828,000)	(4,729,000)
Corporate	(16,986,000)	(16,648,000)
	-----	-----
	\$157,167,000	\$142,456,000
	=====	=====
DEPRECIATION & AMORTIZATION:		
Newspaper publishing	\$36,724,000	\$37,573,000
Broadcasting	7,064,000	7,081,000
Outdoor advertising	4,205,000	4,572,000
Corporate	2,661,000	2,574,000
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	\$50,654,000	\$51,800,000
	=====	=====



NOTE TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

March 26, 1995

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 week period ended March 26, 1995, and the comparative period of 1994, 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 6. Exhibits and Reports on Form 8-K

(a) Exhibits.  
See Exhibit Index for list of exhibits filed with this report.

(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: May 9, 1995

s/ Larry F. Miller

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

Dated: May 9, 1995

s/ Thomas L. Chapple

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Thomas L. Chapple  
Senior Vice President/General Counsel  
and Secretary

EXHIBIT INDEX

Exhibit Number	Title or Description	Location
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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  
March 26, 1995    March 27, 1994  
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Net Income	\$86,206,000	\$78,711,000
	=====	=====
Weighted average number of common shares outstanding	140,011,000	147,123,000
	=====	=====
Net income per share	\$0.62	\$0.54
	=====	=====

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.

	3-MOS	
	DEC-31-1995	
	DEC-26-1994	
	MAR-26-1995	
	15,931,000	
	36,000	
	449,996,000	
	16,446,000	
	71,005,000	
	580,589,000	
	2,838,847,000	
	1,424,557,000	
	3,652,734,000	
576,808,000		0
	162,210,000	
0		0
	0	
	1,711,274,000	
3,652,734,000		
	913,820,000	
913,820,000		
	534,222,000	
756,653,000		
0		
0		
11,732,000		
144,906,000		
58,700,000		
86,206,000		
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	0	
	86,206,000	
	0.62	
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