

GUILD

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The Washington-Baltimore Newspaper Guild



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Second Quarter in Perspective

There are a variety of ways to look at the Washington Post Co.'s second-quarter financial results, released July 19. But any way you slice them, the numbers don't reflect the gloomy scenario painted by company negotiators at the bargaining table and in their literature since March.

So how did the quarter play out for the company overall? With "a sharp increase in net income," The Post reported. The Dow Jones wire called it "a huge increase." Reuters said "earnings rose sharply" while AP used the phrase "substantially higher net income."

Perhaps most important for our concerns in the Guild, the company itself reported "significant increases at The Washington Post newspaper" in operating profit despite a "soft" advertising climate. Meanwhile, the company's newspaper division is climbing back toward a 20 percent profit margin.

As always, there are caveats. And the company is famous for ignoring its quarterly results in favor of the longer term. But the numbers do suggest that a turnaround in advertising at The Post is underway, if slowly. And the results indicate that the flagship newspaper remains highly profitable, even though the company declines to provide certain specifics.

Now, the Numbers

The company's overall second-quarter profit, after taxes, was \$51 million, a rise of 253 percent from the same period in 2001, exceeding analysts' expectations. Excluding one-time charges — such as an early retirement program at Newsweek this year and various write-downs last year — second-quarter profit was \$56 million this year, an increase of 69 percent.

For the first six months of 2002, Post Co. profit totaled \$63 million, or \$82 million if one-time items are not counted. (Last year's 12-month profit, boosted substantially by the sale and swap of cable systems, was \$230 million.)

Comparing the figures for 2002 and 2001 indicates that the picture is getting better, by the quarter, as this year proceeds.

In the newspaper division — primarily The Post newspaper, but including the suburban Gazette chain and the online publisher Washingtonpost.Newsweek Interactive (WPNI) — operating profit jumped, even though revenue, or sales, increased just slightly in the quarter. Ad revenue at The Post itself was down about 7 percent in the first six months compared with last year, mainly because recruitment advertising has yet to recover, but it was up 1 percent in the second quarter, to \$143.7 million.

Pre-tax profit, or operating income, for the division was \$37.8 million for the quarter and \$55.4 million for the half, reflecting increases of 63 percent and 12 percent, respectively. Using the company's "pro forma" results, which are adjusted to reflect a change in accounting rules, the respective increases are 59 percent and 9 percent.

The operating profit margin for the division was 17.6 percent for the quarter, 13.3 percent for the half. (For the full year 2001, the division's operating profit was \$85 million, a margin of about 10 percent.) The company and its negotiators have declined Guild requests — at the bargaining table and at the annual shareholders meeting — to disclose the profit margin for The Post newspaper.

The company attributed the second-quarter rise in newspaper division operating income to "an increase in print advertising, cost control initiatives employed throughout the division, and a 30 percent decrease in newsprint expense." But it noted that as some advertising categories are generating higher revenue, recruitment advertising was down 29 percent in volume for the quarter, 40 percent for the half compared with 2001.

Revenue from "online publishing activities, primarily washingtonpost.com," inched upward by \$500,000 to \$8.7 million for the quarter, or about 6 percent. For the half, the figure was \$16.2 million, up 5 percent. Online local and national ad revenue, the company said, grew 56 percent in the quarter, 47 percent in the half. In a separate advertising category, WashingtonJobs.com, revenue was down 13 percent for the half "due to the weak employment market," but flat in the second quarter, the company said. It did not disclose expenses for the online activities.

(OVER)

Global Reach

On Jan. 22, telecommunications giant Global Crossing Ltd. announced that it had been chosen to provide Internet access for WPNI and to “handle the majority of Internet traffic for the Washington Post’s Web site.”

“We appreciate the confidence that Washingtonpost.Newsweek Interactive has placed in our services and in our network,” said John Legere, Global Crossing’s CEO.

Six days later, the Bermuda-based firm filed for Chapter 11 protection, becoming what was then the fourth-largest bankruptcy in U.S. history. Post ombudsman Michael Getler took the paper to task on March 3 for failing as yet to put the Global Crossing story on Page A1.

While the Post’s Jan. 29 report on the bankruptcy filing, on the front Business page, noted the huge profits reaped by Global Crossing’s chairman, by Democratic National Committee Chairman Terry McAuliffe and potentially by former president George Bush, it did not mention the WPNI connection.

Eric Schvimmer, WPNI’s vice president for technology, told me recently that the contract with Global Crossing was actually signed last year and that the relationship continues, although there is no reference to it on the WPNI sites. The bankruptcy, he said, has had no effect on washingtonpost.com operations. He would not discuss the financial terms, citing confidentiality, but said the WPNI-Global Crossing deal did not involve stock. And yes, he said, there is a back-up plan.

Allegations that Global Crossing concealed its financial condition, shredded documents or engaged in other improprieties are under investigation by the Securities and Exchange Commission, the Justice Department and Congress.

According to the Post Co.’s SEC Form 10-K for the year 2001, WPNI has “approximately 240 full-time and 35 part-time employees, none of whom is represented by a union.” The filing does not note that a number of employees on the payroll of The Post newspaper — and situated in the Post newsroom or commercial offices — write, edit or sell primarily or exclusively for the Post’s Web site.

— Keith Sinzinger, Post Foreign Desk

**If you’re not a Guild member, please join today.
If you are a Guild member, please recruit a colleague.**

Postscript: A Friendly Reminder

Washingtonpost.com may not be turning a profit, but it’s certainly an award-winning point of pride for the company. Much of its value to Web readers stems from extra efforts by Post reporters and editors to keep the news on the site ahead of the newspaper itself — with staff-produced, bylined stories.

Until a fair contract settlement is reached, the Guild is asking reporters not to file early stories specifically for the Web site. For those filing from other time zones, we ask that you request your byline be withheld on these early stories.

We’ve been told repeatedly that this extra work is “voluntary.” At the bargaining table, the Guild is proposing simply that the company meet to discuss appropriate compensation if such work becomes mandatory. Our efforts have been rebuffed.

As the slogan goes: We Make The Post. With a committed show of unity, we hope to make the Post negotiators understand our need and desire for a fair contract