# VALUEVISION MEDIA INC

## FORM 8-K
(Unscheduled Material Events)

### Filed 8/24/2004 For Period Ending 8/18/2004

| | |
|---|---|
| Address | 6740 SHADY OAK RD |
| | MINNEAPOLIS, Minnesota 55344-3433 |
| Telephone | 612-947-5200 |
| CIK | 0000870826 |
| Industry | Retail (Catalog & Mail Order) |
| Sector | Services |
| Fiscal Year | 01/31 |

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

# FORM 8-K

**CURRENT REPORT**
**PURSUANT TO SECTION 13 OR 15(D) OF THE**
**SECURITIES EXCHANGE ACT OF 1934**

AUGUST 18, 2004
Date of report (Date of earliest event reported)

# VALUEVISION MEDIA, INC.

(Exact Name of Registrant as Specified in its Charter)

| MINNESOTA | 0-20243 | 41-1673770 |
|---|---|---|
| (State of Incorporation) | (Commission File Number) | (I.R.S. Employer Identification No.) |

| 6740 SHADY OAK ROAD<br>EDEN PRAIRIE, MINNESOTA | 55344-3433 |
|---|---|
| (Address of principal executive offices) | (Zip Code) |

Telephone Number: (952) 943-6000
(Registrant's Telephone Number, Including Area Code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

|_| Written communications pursuant to Rule 425 under the Securities Act

(17 CFR 230.425)

|_| Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

|_| Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

|_| Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.**

On August 18, 2004 the registrant issued a press release discussing its results of operations and financial condition for its second fiscal quarter ended July 31, 2004. A copy of the press release is furnished as Exhibit 99 hereto.

The registrant defines EBITDA as net income (loss) for the respective periods excluding depreciation and amortization expense, interest income (expense), and income taxes. The registrant's management views EBITDA as an important alternative operating performance measure because it is commonly used by analysts and institutional investors in analyzing the financial performance of companies in the broadcast and television home shopping sectors. However, EBITDA should not be construed as an alternative to operating income or to cash flows from operating activities (as determined in accordance with generally accepted accounting principles) and should not be construed as a measure of liquidity. EBITDA, as presented, may not be comparable to similarly entitled measures reported by other companies.

The registrant's management uses EBITDA to evaluate operating performance and as a measure of performance for incentive compensation purposes.

For the quarter ended July 31, 2004, Exhibit 99 states that the net loss for such quarter was $7.8 million. EBITDA for such quarter, which excludes depreciation and amortization expense, interest income and income taxes, was $(3.2) million. The difference between these measures includes $(4.9) million of depreciation and amortization expense and $.3 million of interest income. For the quarter ended July 31, 2003, Exhibit 99 states that net loss for such quarter was $.1 million. EBITDA for such quarter, which excludes depreciation and amortization expense, interest income and income taxes, was $3.9 million. The difference between these measures includes $(4.3) million of depreciation and amortization expense, $.4 million of interest income and $(.1) of income taxes.

For the six months ended July 31, 2004, Exhibit 99 states that the net loss for such period was $15.7 million. EBITDA for such period, which excludes depreciation and amortization expense, interest income and income taxes, was $(6.6) million. The difference between these measures includes $(9.7) million of depreciation and amortization expense and $.6 million of interest income. For the six months ended July 31, 2003, Exhibit 99 states that net income for such period was $.5 million. EBITDA for such period, which excludes depreciation and amortization expense, interest income and income taxes, was $8.4 million. The difference between these measures includes $(8.5) million of depreciation and amortization expense, $.7 million of interest income and $(.1) of income taxes.

**ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS**

(c) Exhibits

99 Press Release dated August 18, 2004.

## 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.

| | |
|---|---|
| *Date: August 24, 2004* | *VALUEVISION MEDIA, INC.* |
| | *By /s/ Richard D. Barnes* |
| | *---------------------------* |
| | *Richard D. Barnes*<br>*Executive Vice President,*<br>*Chief Operating Officer*<br>*and Chief Financial Officer* |

## EXHIBIT INDEX

| No. | Description | Manner of Filing |
| --- | --- | --- |
| 99 | Press Release dated August 24, 2004........................................... | Filed Electronically |

**EXHIBIT 99.1**

**VALUEVISION VALUEVISION MEDIA**

6740 Shady Oak Road
Minneapolis, MN 55344-3433
Contact: Anthony Giombetti
Director, Corporate Communications
952-943-6017, agiombetti@shopnbc.com

**FOR IMMEDIATE RELEASE**

## VALUEVISION MEDIA ANNOUNCES FINANCIAL RESULTS FOR FISCAL SECOND QUARTER 2004

Achieves Second Quarter Record Sales, Redesigns Look of ShopNBC Television Network, Debuts Key Merchandising Initiative "Our Top Value"

**MINNEAPOLIS -- AUGUST 18, 2004 -- VALUEVISION MEDIA (NASDAQ: VVTV) today** announced financial results for its second quarter ended July 31, 2004.

Consolidated net sales were a second-quarter-record $161.5 million, an increase of 12% over prior-year period. Internet net sales were a second-quarter-record $31 million, up 20% over previous-year quarter. Net loss was $8 million in the second quarter and EBITDA, as defined below, was ($3.2) million.

**QUARTERLY HIGHLIGHTS**

o Sales growth per full-time equivalent home was positive for the second consecutive quarter, up 3% over year-ago.

o ShopNBC.com continued strong growth, representing 19% of company sales.

o Home, apparel, and cosmetics categories grew to 17.9% from 14.5% over year-ago quarter.

o New customer count was up 33% over last year's same period.

o Unit volume growth was a second-quarter-record 36% versus year-ago period.

o Average price point was $186, a 21% decrease versus prior-year quarter.

"Our second quarter results were in line with expectations," said William Lansing, president and CEO ValueVision Media, "and we continued to make great progress on our key strategic metrics, as noted above. In addition, we recently launched a redesign of our television network as well as a major merchandising initiative called Our Top Value. I'm confident we are building a great foundation and layering on top of that some exciting developments which will position us for accelerated growth in the second half of 2004 and beyond."

**RECENT COMPANY DEVELOPMENTS**

o ValueVision Redesigns Look of the ShopNBC Television Network

o Company Debuts Key Merchandising Initiative: "Our Top Value"

o ValueVision Renews Fulfillment and Customer Services Agreement with Ralph Lauren Media

o FanBuzz Signs E-Commerce and Fulfillment Deals with Chicago Bulls and Washington Wizards

**- MORE -**

**VALUEVISION REDESIGNS LOOK OF THE SHOPNBC TELEVISION NETWORK**

On August 16, ValueVision launched a brand new look for ShopNBC. The new look for the shopping network incorporates a state-of-the-art television communication redesign with graphic and sound elements choreographed to present product offers more clearly and effectively. This includes a higher level of aesthetic appeal, such as a new tower, original music, a coming-up menu, catchy promotional packages, and topical transition segments. As part of the redesign, the Company launched a new tagline "Be Good To Yourself," which will be the unifying theme across all customer touch points.

"The new look and tagline were designed to provide a much improved viewing experience for our customers, to further differentiate ShopNBC from the competition, and to strengthen the visual connection we have with our strategic partner NBC," said Lansing.

**COMPANY DEBUTS KEY MERCHANDISING INITIATIVE: "OUR TOP VALUE"**

Coincident with the launch of ShopNBC's TV network redesign, ValueVision debuted a key merchandising initiative called "Our Top Value" (OTV), a daily special product offer at an exceptional value for one day only. OTV products are unique, high quality, and timely. They have broad consumer appeal and are priced at least 15% below ShopNBC's regular price and well below retail.

"The OTV strategy is one of many elements of our merchandising strategy," said Lansing. "For our consumers, it's about unbelievable product at unbelievable values. For vendors, it's a way for new ones to get in the door with us and existing vendors to expand their relationship with us. Not only does OTV complement our category diversification strategy, it should also drive incremental sales and profit."

**VALUEVISION RENEWS FULFILLMENT AND CUSTOMER SERVICES AGREEMENT WITH RALPH LAUREN MEDIA**

In the second quarter, ValueVision signed a two-year agreement with Ralph Lauren Media to continue to provide fulfillment and customer care services. ValueVision has a 12.5% ownership stake in the venture with NBC and Polo Ralph Lauren, and has provided these services since the launch of RLM in February 2000.

**FANBUZZ SIGNS E-COMMERCE AND FULFILLMENT DEALS WITH CHICAGO BULLS AND WASHINGTON WIZARDS**

During the second quarter, FanBuzz entered into e-commerce and fulfillment agreements with the Chicago Bulls and the Washington Wizards. This marks the third NBA franchise to sign with FanBuzz, including the Boston Celtics. FanBuzz is a wholly owned subsidiary of ValueVision.

**- MORE -**

**OUTLOOK**

The following forward-looking statements reflect ValueVision's expectations for full year 2004:

o Consolidated net sales growth is expected to be in the low to mid teens. Unit growth is expected to be approximately 20% as average price points decline.

o EBITDA was negative in the first half of the year and is expected to be positive in the second half, as the Company's upfront investment to improve on-air quality, customer service levels, and test various marketing initiatives improve the business. The third quarter is expected to be slightly negative and the fourth quarter is expected to be positive.

o Full-time equivalent (FTE) household growth is expected to be up approximately 7% to 8%, driven predominantly by satellite and digital cable growth.

o Net sales per FTE is expected to be up approximately 3% to 6% on average for the year.

o New customer acquisition is expected to be up over 20% for the year.

A conference call will be held Thursday, August 19, 2004, at 11 a.m. ET / 8 a.m. PT. To participate via webcast, please go to www.valuevisionmedia.com and select the link Calendar of Events. A replay of the call will be available through Thursday, September 2. This call will contain forward-looking statements and other material information regarding the Company's financial and operating results.

The Company defines EBITDA as net income (loss) for the respective periods excluding depreciation and amortization expense, interest income (expense), and income taxes. Management views EBITDA as an important alternative operating performance measure because it is commonly used by analysts and institutional investors in analyzing the financial performance of companies in the broadcast and television home shopping sectors. However, EBITDA should not be construed as an alternative to operating income or to cash flows from operating activities (as determined in accordance with generally accepted accounting principles) and should not be construed as a measure of liquidity. EBITDA, as presented, may not be comparable to similarly entitled measures reported by other companies. Management uses EBITDA to evaluate operating performance and as a measure of performance for incentive compensation purposes.

This release contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and are accordingly subject to uncertainty and changes in circumstances. Actual results may vary materially from the expectations contained herein due to various important factors, including (but not limited to): consumer spending and debt levels; interest rates; competitive pressures on sales, pricing and gross profit margins; the level of cable distribution for the Company's programming and the fees associated therewith; the success of the Company's e-commerce and rebranding initiatives; the performance of its equity investments; the success of its strategic alliances and relationships; the ability of the Company to manage its operating expenses successfully; risks associated with acquisitions; changes in governmental or regulatory requirements; litigation or governmental proceedings affecting the Company's operations; and the ability of the Company to obtain and retain key executives and employees. More detailed information about those factors is set forth in the Company's filings with the Securities and Exchange Commission, including the Company's annual report on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K. The Company is under no obligation (and expressly disclaims any such obligation to) update or alter its forward-looking statements whether as a result of new information, future events or otherwise.

**- MORE -**

ValueVision Media is an integrated direct marketing company that sells products directly to consumers through television, the Internet, and direct mail. The television home shopping industry is a $7 billion industry growing at a double-digit rate annually. The e-commerce space is even larger and growing faster. The Company owns and operates the nation's third largest home shopping network, ShopNBC, with fiscal 2003 sales of $617 million. At the close of fiscal 2003, ShopNBC was broadcast into approximately 56 million full-time equivalent cable and satellite homes. The Company also operates ShopNBC.com, which contributed $111 million in sales in fiscal 2003. Through its wholly-owned subsidiary FanBuzz, the Company provides e-commerce solutions to sports, entertainment, and media brands, such as the National Hockey League, Elvis Presley, Peanuts, and ESPN. GE Equity and NBC own approximately 40% of ValueVision Media. For more information, please visit the Company's website at www.valuevisionmedia.com.

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**VALUEVISION MEDIA, INC. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**
(In thousands except share and per share data)

| | JULY 31, 2004 (Unaudited) | JANUARY 31, 2004 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 25,720 | $ 81,033 |
| Short-term investments | 86,721 | 46,148 |
| Accounts receivable, net | 83,695 | 71,166 |
| Inventories | 64,014 | 67,620 |
| Prepaid expenses and other | 7,979 | 5,017 |
| Total current assets | 268,129 | 270,984 |
| PROPERTY AND EQUIPMENT, NET | 53,877 | 54,511 |
| FCC BROADCASTING LICENSE | 31,943 | 31,943 |
| NBC TRADEMARK LICENSE AGREEMENT, NET | 20,301 | 21,914 |
| CABLE DISTRIBUTION AND MARKETING AGREEMENT, NET | 3,998 | 4,445 |
| GOODWILL | 9,442 | 9,442 |
| OTHER INTANGIBLE ASSETS, NET | 437 | 661 |
| INVESTMENTS AND OTHER ASSETS | 3,033 | 2,691 |
| | $ 391,160 | $ 396,591 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | $ 56,731 | $ 51,482 |
| Accrued liabilities | 36,824 | 33,355 |
| Total current liabilities | 93,555 | 84,837 |
| LONG-TERM CAPITAL LEASE OBLIGATIONS | 1,702 | 2,002 |
| SERIES A REDEEMABLE CONVERTIBLE PREFERRED STOCK, $.01 PAR VALUE, 5,339,500 SHARES AUTHORIZED; 5,339,500 SHARES ISSUED AND OUTSTANDING | 42,888 | 42,745 |
| SHAREHOLDERS' EQUITY: | | |
| Common stock, $.01 par value, 100,000,000 shares authorized; 36,850,664 and 36,487,821 shares issued and outstanding | 368 | 365 |
| Warrants to purchase 8,035,343 and 8,235,343 shares of common stock | 46,683 | 47,638 |
| Additional paid-in capital | 248,914 | 246,143 |
| Accumulated other comprehensive losses | | -- |
| Deferred compensation | (693) | (646) |
| Note receivable from former officer | (4,191) | (4,158) |
| Accumulated deficit | (38,066) | (22,335) |
| Total shareholders' equity | 253,015 | 267,007 |
| | $ 391,160 | $ 396,591 |

**VALUEVISION MEDIA, INC.**
**AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF OPERATIONS**
(In thousands, except share and per share data)

(Unaudited)

| | FOR THE THREE MONTHS ENDED JULY 31, 2004 | FOR THE THREE MONTHS ENDED JULY 31, 2003 | FOR THE SIX MONTHS ENDED JULY 31, 2004 | FOR THE SIX MONTHS ENDED JULY 31, 2003 |
|---|---|---|---|---|
| NET SALES | $ 161,478 | $ 144,214 | $ 320,675 | $ 287,689 |
| COST OF SALES | 107,578 | 89,933 | 213,691 | 180,319 |
| Gross profit | 53,900 | 54,281 | 106,984 | 107,370 |
| OPERATING (INCOME) EXPENSE: | | | | |
| Distribution and selling | 52,275 | 45,773 | 103,077 | 93,450 |
| General and administrative | 5,107 | 4,939 | 10,782 | 10,337 |
| Depreciation and amortization | 4,918 | 4,301 | 9,702 | 8,554 |
| Gain on sale of television stations | -- | -- | -- | (4,417) |
| Total operating (income) expense | 62,300 | 55,013 | 123,561 | 107,924 |
| OPERATING LOSS | (8,400) | (732) | (16,577) | (554) |
| OTHER INCOME: | | | | |
| Gain on sale and conversion of investments | -- | 361 | -- | 361 |
| Other Income | 250 | -- | 250 | -- |
| Interest income | 322 | 395 | 596 | 749 |
| Total other income | 572 | 756 | 846 | 1,110 |
| INCOME (LOSS) BEFORE INCOME TAXES | (7,828) | 24 | (15,731) | 556 |
| Income tax provision | -- | 100 | -- | 100 |
| NET INCOME (LOSS) | (7,828) | (76) | (15,731) | 456 |
| ACCRETION OF REDEEMABLE PREFERRED STOCK | (71) | (71) | (142) | (141) |
| NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS | $ (7,899) | $ (147) | $ (15,873) | $ 315 |
| NET INCOME (LOSS) PER COMMON SHARE | $ (0.21) | $ (0.00) | $ (0.43) | $ 0.01 |
| NET INCOME (LOSS) PER COMMON SHARE ---ASSUMING DILUTION | $ (0.21) | $ (0.00) | $ (0.43) | $ 0.01 |
| Weighted average number of common shares outstanding: | | | | |
| Basic | 36,809,884 | 35,689,645 | 36,725,181 | 35,835,416 |
| Diluted | 36,809,884 | 35,689,645 | 36,725,181 | 42,489,465 |

**SUBSCRIBER INFORMATION (ESTIMATED IN MILLIONS)**
(Unaudited)

| | ENDING JULY 31, 2004 | ENDING JANUARY 31, 2004 | ENDING JULY 31, 2003 |
|---|---|---|---|
| Full-time Equivalent Subscribers | 57.6 | 55.6 | 53.1 |
| Total Subscribers | 61.5 | 61.9 | 59.4 |
| Full-time Subscribers | 51.7 | 49.0 | 46.4 |

**VALUE VISION MEDIA, INC.**
**KEY PERFORMANCE METRICS***
(Unaudited)

| | Q2 FOR THE THREE MONTHS ENDING 7/31 | | | YTD FOR THE SIX MONTHS ENDING 7/31 | | |
|---|---|---|---|---|---|---|
| | F04 | F03 | % | F04 | F03 | % |
| PROGRAM DISTRIBUTION | | | | | | |
| Cable FTE's | 36,192 | 34,437 | 5% | 36,046 | 33,968 | 6% |
| Satellite FTE's | 20,942 | 18,413 | 14% | 20,544 | 18,143 | 13% |
| Total FTE's (Average 000's) | 57,134 | 52,850 | 8% | 56,590 | 52,111 | 9% |
| Net Sales per FTE (Annualized) | $ 10.83 | $ 10.51 | 3.0% | $ 10.81 | $ 10.59 | 2.0% |
| New Customer Count | 129,935 | 98,001 | 33% | 278,505 | 212,509 | 31% |
| Customer Penetration - 12 month rolling | 1.4% | 1.4% | | n/a | n/a | |
| PRODUCT MIX | | | | | | |
| Jewelry | 67.4% | 70.5% | | 66.3% | 69.2% | |
| Apparel | 3.2% | 0.4% | | 3.9% | 0.6% | |
| Health & Beauty | 2.8% | 2.2% | | 3.1% | 2.3% | |
| Computer & Electronics | 14.7% | 15.0% | | 14.3% | 15.0% | |
| Fitness | 0.8% | 1.1% | | 1.4% | 1.3% | |
| Home | 11.1% | 10.8% | | 10.9% | 11.5% | |
| Shipped Units (000's) | 1,233 | 905 | 36% | 2,549 | 1,834 | 39% |
| Average Price Point - shipped units | $ 186 | $ 237 | (21%) | $ 177 | $ 228 | (22%) |

***Includes ShopNBC TV and ShopNBC.com only.**

**RECONCILIATION OF EBITDA TO NET INCOME (LOSS):**

| | SECOND QUARTER 31-JUL-04 | SECOND QUARTER 31-JUL-03 | SIX MONTHS ENDING 31-JUL-04 | SIX MONTHS ENDING 31-JUL-03 |
|---|---|---|---|---|
| EBITDA (AS DEFINED) (000'S) (a) | $ (3,232) | $ 3,930 | $ (6,625) | $ 8,361 |

A reconciliation of EBITDA to net loss is as follows:

| | | | | |
|---|---|---|---|---|
| EBITDA, as presented | $ (3,232) | $ 3,930 | $ (6,625) | $ 8,361 |
| Adjustments: | | | | |
| Depreciation and amortization | (4,918) | (4,301) | (9,702) | (8,554) |
| Interest income | 322 | 395 | 596 | 749 |
| Income taxes | -- | (100) | -- | (100) |
| Net income (loss) | $ (7,828) | $ (76) | $(15,731) | $ 456 |

(a) EBITDA as defined for this statistical presentation represents net income (loss) for the respective periods excluding depreciation and amortization expense, interest income (expense) and income taxes. Previous to the second quarter of fiscal 2004, management defined EBITDA as operating income (loss) excluding depreciation and amortization expense, other non-operating income (expense) and income taxes. The change was made to conform to the more common definition of EBITDA. Management views EBITDA as an important alternative operating performance measure because it is commonly used by analysts and institutional investors in analyzing the financial performance of companies in the broadcast and television home shopping sectors. However, EBITDA should not be construed as an alternative to operating income or to cash flows from operating activities (as determined in accordance with generally accepted accounting principles) and should not be construed as a measure of liquidity. EBITDA, as presented, may not be comparable to similarly entitled measures reported by other companies. Management uses EBITDA to evaluate operating performance and as a measure of performance for incentive compensation purposes.