

VALUEVISION MEDIA INC

FORM 8-K (Unscheduled Material Events)

Filed 8/25/2003 For Period Ending 8/20/2003

| | |
|-------------|--|
| 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 |

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 20, 2003

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 | |
| EDEN PRAIRIE, MINNESOTA | 55344-3433 |
| ----- | ----- |
| (Address of principal executive offices) | (Zip Code) |

Telephone Number: (952) 943-6000

(Registrant's Telephone Number, Including Area Code)

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(c) Exhibits

99 Press Release dated August 20, 2003.

ITEM 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On August 20, 2003 ValueVision Media, Inc. issued a press release discussing its results of operations and financial condition for its second quarter ended July 31, 2003. A copy of the press release is attached hereto as Exhibit 99 and incorporated herein by reference. The information in this Current Report, including Exhibit 99 hereto, is being furnished pursuant to Item 12 and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended.

EBITDA represents operating income for the respective periods excluding depreciation and amortization expense, other non-operating income 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 an indication of operating performance or as a measure of liquidity. EBITDA, as presented, may not be comparable to similarly entitled measures reported by other companies.

Our management uses EBITDA to evaluate our operating performance and as a measure of performance for incentive compensation purposes.

For the second quarter ended July 31, 2003, Exhibit 99 states that EBITDA for such quarter was \$3.6 million. Net loss for such quarter, which includes depreciation and amortization expense, other non-operating income and income taxes, was \$(.1) million. The difference between these measures includes \$(4.3) million of depreciation and amortization expense, \$0.8 million of other non-operating income and \$(.1) million of income taxes.

Exhibit 99 includes an outlook for the third quarter ending October 31, 2003 that EBITDA for such quarter is expected to be \$3.0 million to \$5.0 million. Net income (loss), which includes depreciation and amortization expense, along with other non-operating income, is expected to range from \$(1.1) million to \$0.9 million. The difference between these measures includes approximately \$(4.5) million of depreciation and amortization expense and \$0.4 million of other non-operating income.

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 22, 2003

VALUEVISION MEDIA, INC.

By /s/ Richard D. Barnes

*Richard D. Barnes
Executive Vice President,
Chief Operating Officer and
Chief Financial Officer*

EXHIBIT INDEX

| No. | Description | Manner of Filing |
|-----|--|----------------------|
| --- | ----- | ----- |
| 99 | Press Release dated August 20, 2003..... | Filed Electronically |

[VALUEVISION LOGO]

For Immediate Release

**VALUEVISION MEDIA REPORTS RECORD FISCAL SECOND QUARTER 2003
TV AND INTERNET RESULTS**

MINNEAPOLIS, AUGUST 20 -- ValueVision Media (Nasdaq: VVTV), which owns and operates ShopNBC and ShopNBC.com, today announced financial results for the second quarter ended July 31, 2003.

FINANCIAL AND DISTRIBUTION HIGHLIGHTS FOR THE SECOND QUARTER ENDED JULY 31, 2003

- Consolidated net sales a second quarter record \$144 million, up 12% over prior-year period -- Internet net sales a second quarter record \$26 million, up 33% over previous-year quarter -- EBITDA (as defined below) was \$3.6 million, up 10% over year-ago quarter
- Full-time equivalent (FTE) homes of 53 million, up 400,000 from last quarter

"In the face of a difficult economic, post-Iraq environment, I am pleased to say that our performance for the second quarter was at the high-end of expectations and revenue growth out-paced our peer group. Internet sales were particularly strong and gross margin improved again to 37.6%," said Gene McCaffery, ValueVision Media Chairman and CEO. "Additionally in the quarter, we continued to broaden our merchandise mix and lower our price points by introducing brand name cosmetics and apparel lines, such as Benefit Cosmetics and Jones New York, which were well-received by our customer base."

Added McCaffery, "The `Shop & Style' test-show on NBC, which concluded last Friday, was a great learning experience for us and NBC. We determined there is definitely a viewer interest in this kind of programming. Merchandise was more diversified and the price points were lower than what has been traditionally sold on ShopNBC. The lower price points and greater diversity of merchandise is where we want to be, so you could say the `Shop & Style' show format and merchandise selection is a glimpse of things to come. In the meantime, we're going to digest the information from this test, conduct a number of consumer research projects and further explore our options with NBC on this unique show concept."

EBITDA was \$3.6 million for the quarter. The Company defines EBITDA as its operating income (loss) for respective periods being reported excluding depreciation and amortization expense.

BUSINESS HIGHLIGHTS FOR THE SECOND QUARTER ENDED JULY 31, 2003

- "Shop & Style" Show Test With NBC Concluded -- ShopNBC Continues to Diversify Merchandise Mix

-- ShopNBC Achieved Record Sales During Second Annual All-Star Anniversary Weekend in June

"SHOP & STYLE" SHOW TEST WITH NBC CONCLUDED

"Shop & Style" concluded its test run Friday, August 15th. The purpose of the show was to explore the appeal of commerce-oriented, entertainment programming with NBC's daytime audience and whether that influence would entice viewers to purchase product by leveraging the talents of both media companies. The Company learned there is a definite viewer interest in this kind of programming. Additionally, the show provided ShopNBC with increased online traffic, new customers, and additional awareness in four major U.S. markets, including New York City, San Francisco, Chicago, and Philadelphia. The next step is to evaluate the results and determine where to go with the concept.

SHOPNBC CONTINUES TO DIVERSIFY MERCHANDISE MIX AND PROGRAMMING PARTNERS In the second quarter, ShopNBC continued to expand and diversify its merchandise mix and programming partners. Popular brands added include Kitchen Aid, DeLongli, Schwinn Scooters, Sirius Satellite Radio, Benefit cosmetics, Jones apparel, Karen Kane, Nine West and Bandalino shoes, Cuisinart, Discovery Channel, Wustof Trident, Reebok treadmills, and Champion Clothing.

SHOPNBC ACHIEVED RECORD ORDERS IN SECOND ANNUAL ALL-STAR ANNIVERSARY WEEKEND IN JUNE

On June 20-23, ShopNBC achieved record sales in its second annual All-Star Anniversary Weekend - the single largest promotion of the year for the Company where vendors offer customers the best in merchandise values. During the weekend sales event, the Company achieved \$20.8 million in orders with ShopNBC.com contributing \$4.2 million to the order total, including the first ever three consecutive million dollar plus days of on-line sales.

OUTLOOK FOR THE THIRD QUARTER ENDING OCTOBER 31, 2003

-- Consolidated net sales expected to be \$153 million to \$158 million, up 13% to 16% over the prior-year period -- EBITDA for the quarter expected to be \$3 million to \$5 million

"We are cautiously optimistic on the direction of the economy leading out of the second quarter," said Dick Barnes, ValueVision Media EVP, COO, and CFO. "Our guidance assumes a continuing improvement in economic conditions and consumer spending through the third and fourth quarters."

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 initiatives; 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.

ValueVision Media operates in the converged world of television, the Internet, and e-commerce. The live home shopping industry, the majority of ValueVision's business, is \$7 billion and growing at a double digit rate annually while the attendant e-commerce space is many times that size and also growing substantially. The Company owns and operates the nation's third largest home shopping network, ShopNBC, with fiscal 2002 sales of \$555 million. At the close of fiscal 2002, ShopNBC was broadcast into approximately 55 million cable and satellite homes. The Company also operates ShopNBC.com, which contributed \$94 million in sales in fiscal 2002. In addition, the Company operates wholly owned subsidiary FanBuzz, a leading provider of e-commerce solutions to sports, entertainment, and media brands, such as the National Hockey League, The Weather Channel, 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 STATEMENTS OF OPERATIONS
(In thousands, except share and per share data)

(Unaudited)

| | For the Three Months Ended July 31, | | For the Six Months Ended July 31, | |
|---|--|------------|--------------------------------------|------------|
| | 2003 | 2002 | 2003 | 2002 |
| Net sales | \$ 144,214 | \$ 128,336 | \$ 287,689 | \$ 261,185 |
| Cost of sales | 89,933 | 79,924 | 180,319 | 160,954 |
| Gross profit | 54,281 | 48,412 | 107,370 | 100,231 |
| Operating (income) expense: | | | | |
| Distribution and selling | 45,773 | 41,215 | 93,450 | 83,568 |
| General and administrative | 4,939 | 3,945 | 10,337 | 8,106 |
| Depreciation and amortization | 4,301 | 4,097 | 8,554 | 7,418 |
| Gain on sale of television stations | -- | -- | (4,417) | -- |
| Total operating (income) expense | 55,013 | 49,257 | 107,924 | 99,092 |
| Operating income (loss) | (732) | (845) | (554) | 1,139 |
| Other income (expense): | | | | |
| Gain (loss) on sale and conversion of investments | 361 | (526) | 361 | (532) |
| Unrealized gain on security holdings | -- | -- | -- | 1,021 |
| Write-down of investments | -- | (86) | -- | (1,070) |
| Equity in losses of affiliates | -- | (2,132) | -- | (4,230) |
| Interest income | 395 | 1,091 | 749 | 2,127 |
| Total other income (expense) | 756 | (1,653) | 1,110 | (2,684) |
| Income (loss) before income taxes | 24 | (2,498) | 556 | (1,545) |
| Income tax provision (benefit) | 100 | (906) | 100 | (563) |
| Net income (loss) | (76) | (1,592) | 456 | (982) |
| Accretion of redeemable preferred stock | (71) | (70) | (141) | (141) |
| Net income (loss) available to common shareholders | \$ (147) | \$ (1,662) | \$ 315 | \$ (1,123) |
| Net income (loss) per common share | \$ (0.00) | \$ (0.04) | \$ 0.01 | \$ (0.03) |
| Net income (loss) per common share -- assuming dilution | \$ (0.00) | \$ (0.04) | \$ 0.01 | \$ (0.03) |
| Weighted average number of common shares outstanding: | | | | |
| Basic | 35,689,645 | 38,007,047 | 35,835,416 | 38,080,110 |
| Diluted | 35,689,645 | 38,007,047 | 42,489,465 | 38,080,110 |

SUBSCRIBER INFORMATION (estimated in millions)

| | July 31, 2003 | January 31, 2003 | July 31, 2002 |
|----------------------------------|------------------|---------------------|------------------|
| Full-time Equivalent Subscribers | 53.1 | 50.5 | 46.6 |
| Total Subscribers | 59.4 | 55.1 | 53.1 |
| Full-time Subscribers | 46.4 | 44.1 | 39.7 |

VALUEVISION MEDIA, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

| | July 31, 2003 | January 31, 2003 |
|--|-----------------------------------|---------------------|
| | (In thousands, except share data) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 74,685 | \$ 55,109 |
| Short-term investments | 63,050 | 113,525 |
| Accounts receivable, net | 73,998 | 76,734 |
| Inventories | 57,771 | 61,246 |
| Prepaid expenses and other | 7,414 | 7,449 |
| Total current assets | 276,918 | 314,063 |
| Property and equipment, net | 51,702 | 39,905 |
| FCC Licenses | 31,943 | --- |
| NBC Trademark License Agreement, net | 23,527 | 25,141 |
| Cable distribution and marketing agreement, net | 4,893 | 5,341 |
| Goodwill | 9,442 | 9,442 |
| Other intangible assets, net | 933 | 1,242 |
| Investments and other assets | 5,145 | 11,140 |
| | \$404,503 | \$406,274 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 54,573 | \$ 56,961 |
| Accrued liabilities | 32,878 | 30,310 |
| Income taxes payable | 88 | 226 |
| Total current liabilities | 87,539 | 87,497 |
| Long-term capital lease obligations | 1,302 | 1,669 |
| Series A Redeemable Convertible Preferred Stock, \$.01 par value, 5,339,500 shares authorized; 5,339,500 shares issued and outstanding | 42,603 | 42,462 |
| Shareholders' equity: | | |
| Common stock, \$.01 par value, 100,000,000 shares authorized; 35,794,235 and 36,171,250 shares issued and outstanding | 358 | 362 |
| Common stock purchase warrants; 8,235,343 and 8,235,343 shares | 47,638 | 47,638 |
| Additional paid-in capital | 240,921 | 244,134 |
| Accumulated other comprehensive losses | -- | (2,517) |
| Deferred compensation | (1,243) | -- |
| Note receivable from officer | (4,128) | (4,098) |
| Accumulated deficit | (10,487) | (10,873) |
| Total shareholders' equity | 273,059 | 274,646 |
| | \$ 404,503 | \$406,274 |

VALUE VISION MEDIA, INC.
OPERATING STATISTICS

| | Second Quarter 31-Jul-03 | Second Quarter 31-Jul-02 | Six Months Ending 31-Jul-03 | Six Months Ending 31-Jul-02 |
|--|--------------------------------|--------------------------------|--------------------------------------|--------------------------------------|
| Ending FTE Households: (in millions) | | | | |
| Cable | 34.5 | 30.1 | NA | NA |
| Satellite | 18.6 | 16.5 | | |
| Total | 53.1 | 46.6 | | |
| ShopNBC Merchandise Sales Mix: | | | | |
| Jewelry | 70% | 75% | 69% | 74% |
| Computers & Accessories | 15% | 15% | 15% | 16% |
| Others | 15% | 10% | 16% | 10% |
| Total | 100% | 100% | 100% | 100% |
| EBITDA (as defined) (000's) (A) | \$ 3,569 | \$ 3,252 | \$ 8,000 | \$ 8,557 |
| A reconciliation of EBITDA to net income (loss) is as follows: | | | | |
| EBITDA, as presented | \$ 3,569 | \$ 3,252 | \$ 8,000 | \$ 8,557 |
| Less: | | | | |
| Depreciation and amortization | (4,301) | (4,097) | (8,554) | (7,418) |
| Other non-operating income (expense) | 756 | (1,653) | 1,110 | (2,684) |
| Income taxes | \$ (100) | 906 | (100) | 563 |
| Net income (loss) | (76) | \$ (1,592) | \$ 456 | \$ (982) |

A reconciliation of EBITDA to net income (loss) is as follows:

| | |
|---|--------------------|
| EBITDA, as forecasted | \$ 3000 - \$ 5000 |
| Less: | |
| Depreciation and amortization, as forecasted | (4,500) |
| Other non-operating income, as forecasted | 400 |
| Income taxes, as forecasted | --- |
| Net income (loss) | \$(1,100) - \$ 900 |

(A) EBITDA as defined for this statistical presentation represents operating income for the respective periods excluding depreciation and amortization expense.

Source: ValueVision Media

Contact: Anthony Giombetti, Director, Corporate Communications of ValueVision Media, +1-952-943-6017, or agiombetti@shopnbc.com

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