

# VALUEVISION MEDIA INC

## FORM 8-K (Current report filing)

Filed 5/22/2007 For Period Ending 5/21/2007

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

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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

Date of Report (Date of Earliest Event Reported):

May 21, 2007

ValueVision Media, Inc.

(Exact name of registrant as specified in its charter)

Minnesota

0-20243

41-1673770

(State or other jurisdiction  
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)

Registrant's telephone number, including area code:

(952) 943-6000

Not Applicable

Former name or former address, if changed since last report

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:

- 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))
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**Item 2.02 Results of Operations and Financial Condition.**

On May 21, 2007, we issued a press release discussing our results of operations and financial condition for our fiscal quarter ended May 5, 2007. A copy of the press release is furnished as Exhibit 99 hereto.

**Item 2.05 Costs Associated with Exit or Disposal Activities.**

On May 21, 2007, we initiated a restructuring of our operations that includes a 12% reduction in our salaried workforce, a consolidation of our distribution operations into a single warehouse facility, the closure of our two outlet stores and other cost saving measures with the intent of simplifying our structure by streamlining the corporate organization and reducing operating costs. We expect these changes to generate on-going, annualized savings of more than \$10 million. These reductions, which were announced May 21, 2007 at our Eden Prairie headquarters, are being implemented immediately.

We expect to incur restructuring charges of \$2 - \$3 million as a result of these actions. We expect \$1.7 million of these expenditures to relate to employee termination costs, \$160,000 of these expenditures to relate to employee retention costs and \$350,000 of these expenditures to relate to the closing of our Eden Prairie, MN distribution center, all of which will be cash expenditures. We also anticipate that \$275,000 of these charges to relate to asset write downs related to the closing of two outlet stores, which will be a non-cash expense. We also expect to incur approximately \$930,000 in cash expenses relating to capital investments in our Bowling Green, KY distribution center. We expect there to be no other significant cash costs and no other non-cash impairment costs associated with this restructuring initiative.

**Item 2.06 Material Impairments.**

The information provided in Item 2.05 is hereby incorporated by reference into this Item 2.06. We estimated our impairment charges in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets."

**Item 7.01 Regulation FD Disclosure.**

The following information is furnished on this Current Report.

On May 21, 2007, we issued a press release announcing that our board of directors has authorized a new stock repurchase program. A copy of the press release is furnished herewith as Exhibit 99 and is incorporated by reference herein.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

99 Press Release dated May 21, 2007

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**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.

May 22, 2007

ValueVision Media, Inc.

By: *Nathan E. Fagre*

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*Name: Nathan E. Fagre*

*Title: Seniore Vice President and General Counsel*

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Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
99	Press Release dated May 21, 2007

## ValueVision Media Announces 5% Revenue Growth in the First Quarter

### Cost Reduction Plan Underway \$25 Million Stock Buyback Authorized

MINNEAPOLIS, MN—(PR NEWswire)—May 21, 2007—ValueVision Media, Inc. (Nasdaq:VVTV) today announced results for the first quarter ended May 5, 2007.

#### **First Quarter Performance**

ValueVision's first quarter revenues were \$188 million, an increase of 5% over last year. First quarter EBITDA (defined below) was a loss of (\$1.4) million, excluding stock option expense, versus EBITDA of \$1.9 million in the same quarter last year. The gain on the sale of ValueVision's 12.5% equity stake in Polo.com was \$40.2 million in the quarter, which is not included in the above EBITDA. Net income for the quarter was \$34.4 million compared to a net loss of (\$2.1) million for the same quarter last year.

"Our sales growth slowed to less than 10% for the first time in several quarters," said William J. Lansing, President and Chief Executive Officer of ValueVision Media, Inc. "The quarter had a strong start, but slowed in the last six weeks, driven by across-the-board softness in consumer demand. With the high fixed-cost nature of our business, we were unable to reduce spending quickly enough to ensure EBITDA profitability for the quarter. Our focus is to grow this business profitably and we have taken steps to reduce our cost base and simplify our operations."

"Despite the first quarter financial results, we are pleased that many of our initiatives continued to accelerate this quarter," Lansing continued. "Sales through our ShopNBC.com website increased 28% in the first quarter and now represent 28% of total merchandise sales. Continued growth in our search and affiliate programs drove these results."

#### **First Quarter Events**

**Polo.com.** The Company reached an agreement with Polo Ralph Lauren Corp. to sell our 12.5% equity stake in Ralph Lauren Media, LLC (Polo.com) for cash proceeds of \$43.75 million. The gain on the sale of this non-strategic asset was \$40.2 million.

**ShopNBC License Agreement.** The Company and NBC Universal came to an agreement to extend the ShopNBC brand license through May 2011.

**Vendor relationship.** During the first quarter, one of our major electronics vendors, Viscom Technology Group, informed us of their decision to discontinue operations. We are working with them on an orderly wind-down of their business. We continue to grow our overall electronics business with other vendors and new product offerings. We also expect to retain relationships with key manufacturers that Viscom previously represented.

#### **Outlook for Fiscal 2007**

"In light of our first quarter results, we have taken decisive steps to improve the financial performance of our company and maximize long-term shareholder value," continued Lansing. "We are restructuring our business operations to improve profitability and we have authorized an incremental \$25 million stock buyback to improve return on capital."

#### **Restructuring Impact**

The Company has initiated a restructuring of its operations that includes a 12% reduction in the salaried workforce, a consolidation of our distribution operations into a single warehouse facility, the closure of our two outlet stores and other cost saving and margin-enhancing measures. The Company expects these changes to generate on-going, annualized savings of over \$10 million. These reductions, which were announced today at the company's Eden Prairie headquarters, are being implemented immediately.

ValueVision expects to incur restructuring charges of \$2 — \$3 million during fiscal 2007 as a result of the actions announced today.

#### **\$25 Million Stock Buyback**

ValueVision is also announcing today the authorization of a \$25 million stock buyback program. The program permits the Company to buy back up to \$25 million of common stock over the next 12 months. The timing and amount of any repurchase will be determined by Company management based on its evaluation of market conditions and other factors. The buyback will be funded through existing cash balances.

"This buyback program reflects our belief in the positive long-term trends of our Company and our industry," said Mr. Lansing. "This will enable us to repurchase shares at attractive prices while still preserving a strong balance sheet."

#### **Financial Guidance**

At this time we are adjusting our fiscal 2007 guidance. Annual sales are projected to grow in the 6% — 8% range. EBITDA is expected to be \$15 to \$20 million, excluding the impact of the one-time restructuring charge, stock option expense and equity income from Ralph Lauren Media, LLC (Polo.com). This is comparable to last year's EBITDA of \$14.3 million on the same basis.

## Conference Call Information

Management has scheduled a conference call at **11:00 a.m. EST/10:00 a.m. CST on Tuesday, May 22, 2007** to discuss first quarter results.

To participate in the conference call, please dial **1-888-469-0883** (Pass code: VALUEVISION) five to ten minutes prior to call time. If you are unable to participate live, a replay will be available for 30 days after the conference call. To access the replay, please dial 1-866-395-4250.

You also may participate via live audio stream by logging on to <https://e-meetings.mci.com>.

To access the audio stream, please use conference number 7192187 with pass code 'VALUEVISION'. A rebroadcast of the audio stream will be available using the same access information for 30 days after the initial broadcast.

To be placed on the Company's e-mail notification list for press releases, SEC filings, certain analytical information, and/or upcoming events, please go to [www.valuevisionmedia.com](http://www.valuevisionmedia.com) and click on "Investor Relations." Click on "E-mail Alerts" and complete the requested information.

## EBITDA Defined

The Company defines EBITDA as net income (loss) from continuing operations 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 (loss) 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 and as a way to evaluate its core business operations. Management has excluded non-cash stock option expense and earnings and gains from non-operating investments from its EBITDA presentation in order to maintain comparability of previously issued financial guidance of its ongoing core business operations.

## About ValueVision Media, Inc

Founded in 1990, ValueVision Media is an integrated direct marketing company that sells general merchandise directly to consumers through television, the Internet, and direct mail. It operates ShopNBC, one of the top three television shopping networks in the United States. For more information, please visit [www.valuevisionmedia.com](http://www.valuevisionmedia.com) or [www.shopnbc.com](http://www.shopnbc.com).

## Forward-Looking Information

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.

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SOURCE: ValueVision Media, Inc.

CONTACT: Investor Relations, Frank Elsenbast, Senior Vice President and Chief Financial Officer, 952-943-6516 or Amy Kahlow, Director of Communications, 952-943-6717.

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

	<u>May 5, 2007</u> (Unaudited)	<u>February 3, 2007</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 60,564	\$ 41,496
Short-term investments	55,447	29,798
Accounts receivable, net	109,081	117,169
Inventories	72,456	66,622
Prepaid expenses and other	<u>5,443</u>	<u>5,360</u>

Total current assets	302,991	260,445
<b>Property and equipment, net</b>	37,816	40,107
<b>FCC broadcasting license</b>	31,943	31,943
<b>NBC Trademark License Agreement, net</b>	13,028	12,234
<b>Cable distribution and marketing agreement, net</b>	1,535	1,759
<b>Other assets</b>	1,119	5,492
	<u>\$388,432</u>	<u>\$ 351,980</u>

#### LIABILITIES AND SHAREHOLDERS' EQUITY

##### Current liabilities:

Accounts payable	\$ 61,707	\$ 57,196
Accrued liabilities	46,433	47,709
Deferred revenue	468	369
Total current liabilities	108,608	105,274

##### Other long-term obligations

Deferred revenue	2,030	1,699
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##### Series A Redeemable Convertible Preferred Stock,

**\$.01 par value, 5,339,500 shares authorized; 5,339,500 shares issued and outstanding**

	43,680	43,607
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##### Shareholders' equity:

Common stock, \$.01 par value, 100,000,000 shares authorized; 37,628,342 and 37,593,768 shares issued and outstanding	376	376
Warrants to purchase 4,036,858 shares of common stock	22,972	22,972
Additional paid-in capital	288,428	287,541
Accumulated deficit	(77,662)	(112,042)
Total shareholders' equity	234,114	198,847
	<u>\$388,432</u>	<u>\$ 351,980</u>

### VALUEVISION MEDIA, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share and per share data)

(Unaudited)

	For the Three Month Periods Ended	
	May 5, 2007	May 6, 2006
<b>Net sales</b>	\$ 188,109	\$ 178,724
<b>Cost of sales</b>	121,996	115,522
(exclusive of depreciation and amortization shown below)		
<b>Operating expense:</b>		
Distribution and selling	60,460	54,909
General and administrative	7,495	6,806
Depreciation and amortization	5,586	5,376
Asset impairments and write offs	-	29
Total operating expense	73,541	67,120
<b>Operating loss</b>	(7,428)	(3,918)
<b>Other income:</b>		
Gain on sale of investments	40,240	-
Other income	—	350
Interest income	1,240	946
Total other income	41,480	1,296
<b>Income (loss) before income taxes and equity in net income of affiliates</b>	34,052	(2,622)
Equity in income of affiliates	609	546
Income tax provision	(281)	(15)
<b>Net income (loss)</b>	34,380	(2,091)
<b>Accretion of redeemable preferred stock</b>	(72)	(72)
<b>Net income (loss) available to common shareholders</b>	\$ 34,308	\$ (2,163)
<b>Net income (loss) per common share</b>	\$ 0.80	\$ 0.06
<b>Net income (loss) per common share —assuming dilution</b>	\$ 0.80	\$ 0.06
Weighted average number of common shares outstanding:		

Basic	<u>37,599,124</u>	<u>37,679,102</u>
Diluted	<u>42,938,684</u>	<u>37,679,102</u>

**VALUE VISION MEDIA, INC.**  
**Key Performance Metrics\***  
(Unaudited)

	<b>Q1</b>		
	<b>For the three months ending</b>		
	<u>5/5/2007</u>	<u>5/6/2006</u>	<u>%</u>
<b>Program Distribution</b>			
Cable FTEs	40,379	38,329	5%
Satellite FTEs	<u>27,136</u>	<u>25,211</u>	<u>8%</u>
Total FTEs (Average 000s)	67,515	63,540	6%
Net Sales per FTE (Annualized)	\$ 10.98	\$ 11.10	-1%
Active Customers - 12 month rolling	850,700	804,044	6%
% New Customers - 12 month rolling	53%	56%	
% Retained - 12 month rolling	47%	44%	
Customer Penetration - 12 month rolling	1.3%	1.3%	
<b>Product Mix</b>			
Jewelry	40%	45%	
Watches, Apparel and Health & Beauty	23%	22%	
Home & All Other	37%	33%	
Shipped Units (000s)	1,149	1,291	11%
Average Price Point — shipped units	\$ 225	\$ 193	17%

\*Includes ShopNBC TV and ShopNBC.com only.

**Reconciliation of EBITDA to net income (loss):**

	<u>First Quarter</u>	<u>First Quarter</u>
	<u>5-May-07</u>	<u>6-May-06</u>
EBITDA, before non-cash stock option expense (000's)	\$ (1,383)	\$ 1,858
Less: non-cash stock option expense	(459)	(400)
<b>EBITDA (as defined) (a)</b>	(1,842)	1,458
A reconciliation of EBITDA to net income (loss) is as follows:		
EBITDA, as defined	(1,842)	1,458
Adjustments:		
Depreciation and amortization	(5,586)	(5,376)
Interest income	1,240	946
Income taxes	(281)	(15)
Gain on sale of RLM	40,240	—
Equity in income of RLM and other investment income	609	896
Net income (loss)	<u>\$34,380</u>	<u>\$(2,091)</u>

(a) EBITDA as defined for this statistical presentation represents net income (loss) from continuing operations 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 and as a way to evaluate its core business operations.

Management has excluded non-cash stock option expense and earnings and gains from its non-operating investments from its EBITDA presentation in order to maintain comparability to our analyst's coverage and guidance of our ongoing core business operations.