

Other selected data:

	Year Ended	
	June 2, 2002	June 3, 2001
1. Market price per common share	\$19.90	\$12.80
2. Dividends paid in total	\$1,727,142	\$1,639,185
3. Dividends paid per share	\$.35	\$.32

## Case 9-5

## Connecting

The Gannett Co., Inc. presented this data as part of its 2001 annual report.

## 5-YEAR SUMMARY (Part of 5-Year Summary, which is part of 11-year summary)

In thousands of dollars, except per share amounts

	2001	2000	1999	1998	1997
<i>Net operating revenues</i>					
Newspaper advertising	\$4,119,773	\$3,972,936	\$3,115,250	\$2,773,247	\$2,479,828
Newspaper circulation	1,233,106	1,120,991	971,114	958,456	903,309
Broadcasting	662,652	788,767	728,642	721,298	703,558
All other	328,714	339,624	280,356	256,030	221,470
<b>Total</b> (Notes a and b, see page 50)	<b>6,344,245</b>	<b>6,222,318</b>	<b>5,095,362</b>	<b>4,709,031</b>	<b>4,308,165</b>
<i>Operating expenses</i>					
Costs and expenses	4,310,633	4,029,147	3,252,170	3,069,754	2,812,218
Depreciation	202,456	195,428	169,460	163,776	152,964
Amortization of intangible assets	241,321	180,487	110,631	89,687	80,741
<b>Total</b>	<b>4,754,410</b>	<b>4,405,062</b>	<b>3,532,261</b>	<b>3,323,217</b>	<b>3,045,923</b>
Operating income	1,589,835	1,817,256	1,563,101	1,385,814	1,262,242
<i>Non-operating (expense) income</i>					
Interest expense	(221,854)	(219,228)	(94,619)	(79,412)	(98,242)
Other	2,616	10,812	58,705(11)	305,323	(9,047)
<b>Income before income taxes</b>	<b>1,370,597</b>	<b>1,608,840</b>	<b>1,527,187</b>	<b>1,611,725</b>	<b>1,154,953</b>
<b>Provision for income taxes</b>	<b>539,400</b>	<b>636,900</b>	<b>607,800</b>	<b>645,300</b>	<b>473,600</b>
<b>Income from continuing operations</b>	<b>831,197</b>	<b>971,940</b>	<b>919,387(11)</b>	<b>966,425</b>	<b>681,353</b>
<i>Discontinued operations:</i>					
Income from the operation of discontinued businesses (net of income taxes) (12)	—	2,437	38,541	33,488	31,326
Gain on sale of discontinued businesses (net of income taxes) (13)	—	744,700	—	—	—
<b>Total</b>	<b>—</b>	<b>747,137</b>	<b>38,541</b>	<b>33,488</b>	<b>31,326</b>
<b>Net income</b>	<b>\$ 831,197</b>	<b>\$1,719,077</b>	<b>\$ 957,928</b>	<b>\$ 999,913</b>	<b>\$ 712,679</b>

Other:

Market price per share:	
December 30, 2001	67.93
December 31, 2000	63.06
December 26, 1999	79.31

Total dividends declared:

2001	\$238,301,000
2000	228,212,000
1999	228,781,000

- Required
- a.
    1. For net operating revenues prepare a horizontal common-size analysis for 1997–2001. Use 1997 as the base.
    2. Comment on the results in (1).
  - b.
    1. For net operating revenues prepare a vertical common-size analysis for 1997–2001. Use total net operating revenues as the base.
    2. Comment on the results in (1).
  - c. Based on these data compute the following for 1999–2001.
    1. Degree of financial leverage
    2. Percentage of earnings retained
  - d. Comment on the results in (c).

Case 9-5  
(Continued)

**Web Case****Thomson Analytics** *Business School Edition*

Please complete the web case that covers material covered in this chapter at <http://gibson.swlearning.com>. You'll be using Thomson Analytics Business School Edition, a version of the powerful tool used by Wall Street professionals, that combines a full range of fundamental financial information, earnings estimates, market data, and source documents for 500 publicly traded companies.

**Endnotes**

1. Justin Fox, "The Next Best Thing to Free Money (Silicon Valley's Stock-Options Culture)," *Fortune* (July 7, 1997), p. 54.
2. Copyrighted material—reproduced with permission of the author.