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Cash Flow Trends and Their Fundamental Drivers: A Continuing Look

Comprehensive Industry Review (Qtr 4, 2008)

Media Industry (2540)

EXECUTIVE SUMMARY

This research report is one of a series that looks at the cash flow performance of Corporate America. Our primary focus is on free cash margin, or free cash flow measured as a percent of revenue. The current study provides our comprehensive review for the Media Industry (GICS: 2540) through Q4, 2008.

Free cash margin declined slightly from 9.74% during the twelve months ended December 2007 to 8.95% during the twelve months ended December 2008. Over that time period, operating cash margin and capital expenditures to revenue remained relatively flat while the median cash cycle increased from 31.34 days at December 2007 to 33.75 days at December 2008. For purposes of comparison, during the last recession, free cash margin bottomed at 0.65% in March 2001.

Data for this research were provided by Cash Flow Analytics, LLC., www.cashflowanalytics.com.

Charles Mulford is a principal in Cash Flow Analytics, LLC.

May, 2009

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Georgia Tech Financial Analysis Lab

The Georgia Tech Financial Analysis Lab conducts research on issues of financial reporting and analysis. Unbiased information is vital to effective investment decision-making. Accordingly, we think that independent research organizations, such as our own, have an important role to play in providing information to market participants.

Because our Lab is housed within a university, all of our research reports have an educational quality, as they are designed to impart knowledge and understanding to those who read them. Our focus is on issues that we believe will be of interest to a large segment of stock market participants. Depending on the issue, we may focus our attention on individual companies, groups of companies, or on large segments of the market at large.

A recurring theme in our work is the identification of reporting practices that give investors a misleading signal, whether positive or negative, of corporate earning power. We define earning power as the ability to generate a sustainable stream of earnings that is backed by cash flow. Accordingly, our research may look into reporting practices that affect either earnings or cash flow, or both. At times, our research may look at stock prices generally, though from a fundamental and not technical point of view.

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Media Industry (2540)

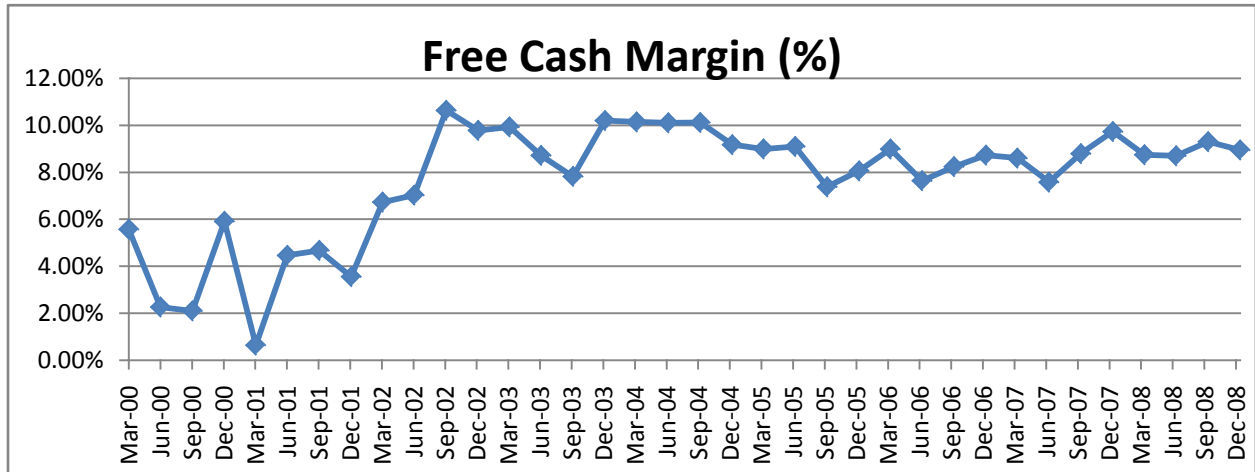
Observations

Free cash margin declined slightly from 9.74% during the twelve months ended December 2007 to 8.95% during the twelve months ended December 2008. Over that time period, operating cash margin and capital expenditures to revenue remained relatively flat while the median cash cycle increased from 31.34 days at December 2007 to 33.75 days at December 2008. For purposes of comparison, during the last recession, free cash margin bottomed at 0.65% in March 2001.

There are no six-digit sub-industries in the Media group.

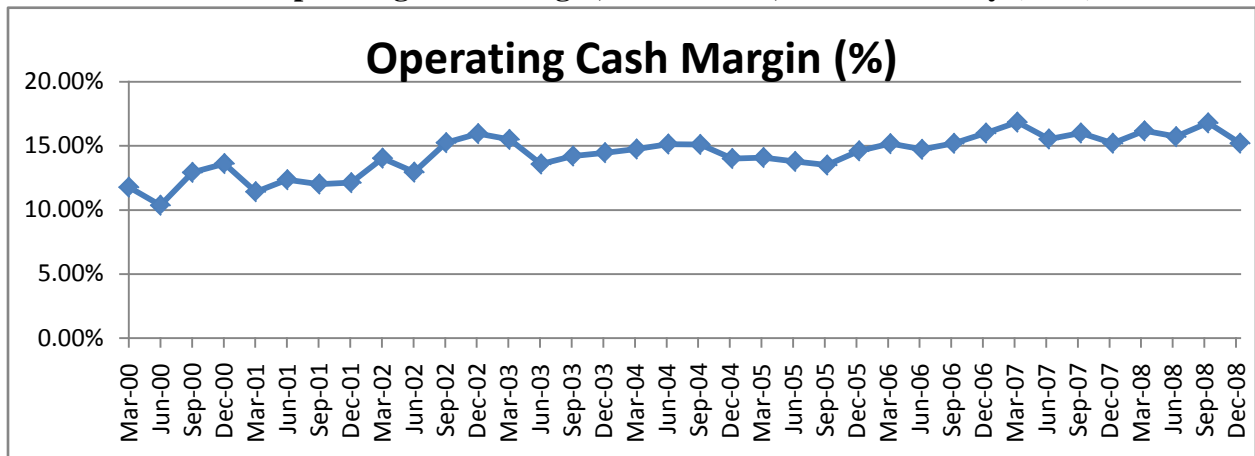
Cash Flow Margins

Exhibit 1: Median Free Cash Margin, 2000 – 2008, Media Industry (2540)



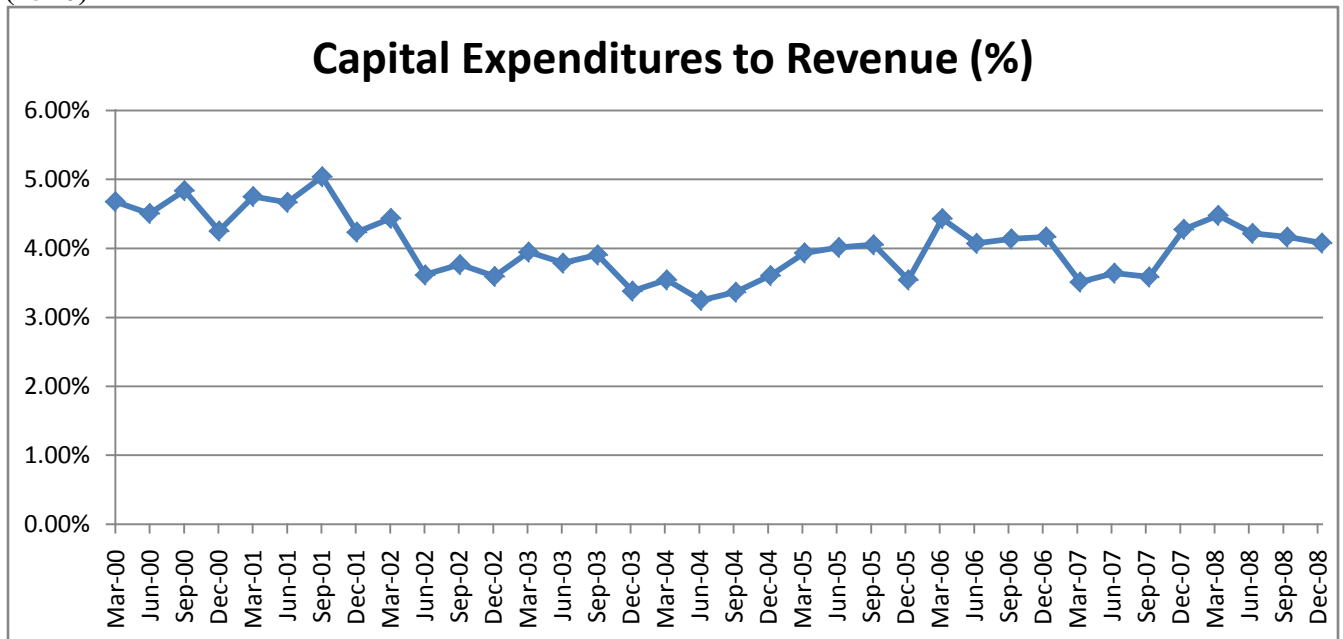
Refer to Table 1 for data supporting the graph.

Exhibit 2: Median Operating Cash Margin, 2000 – 2008, Media Industry (2540)



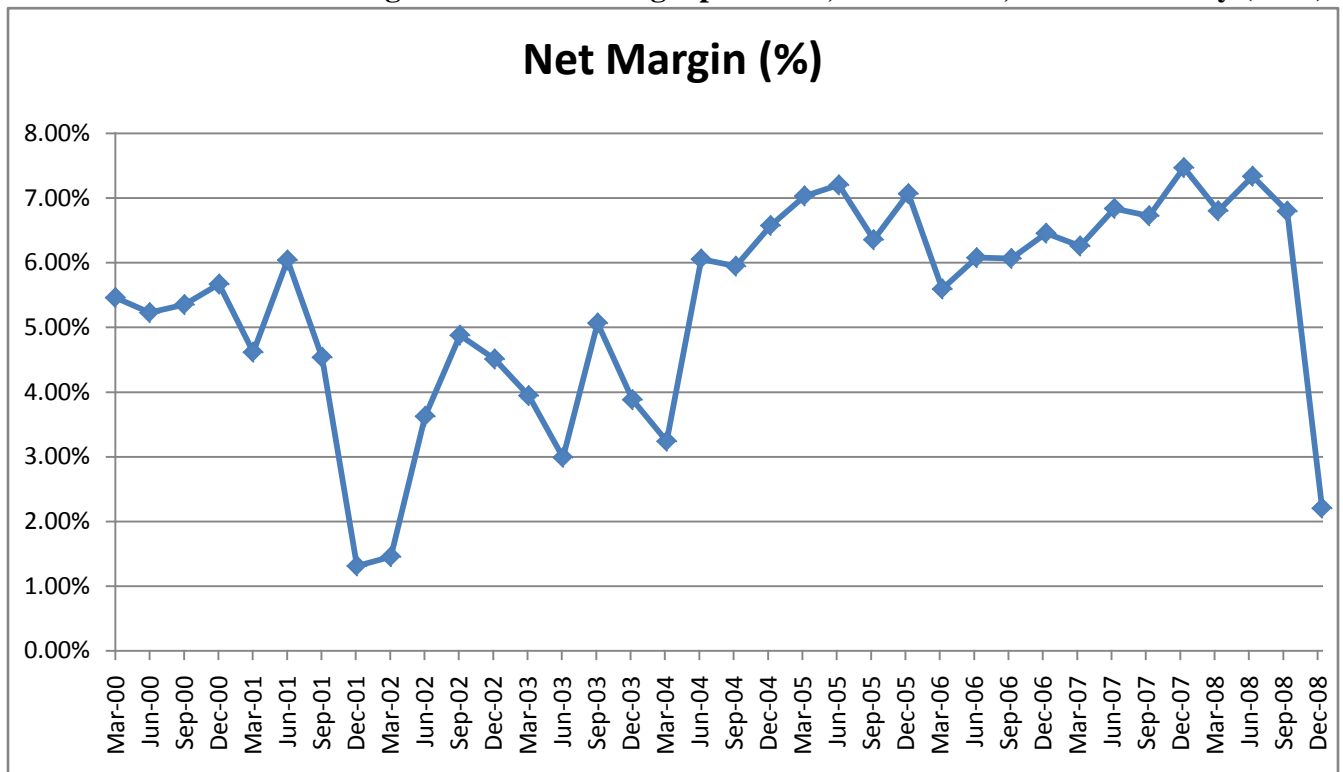
Refer to Table 1 for data supporting the graph.

Exhibit 3: The Ratio of Capital Expenditures to Revenue, 2000 – 2008, Media Industry (2540)



Refer to Table 1 for data supporting the graph.

Exhibit 4: Median Net Margin from Continuing Operations, 2000 – 2008, Media Industry (2540)



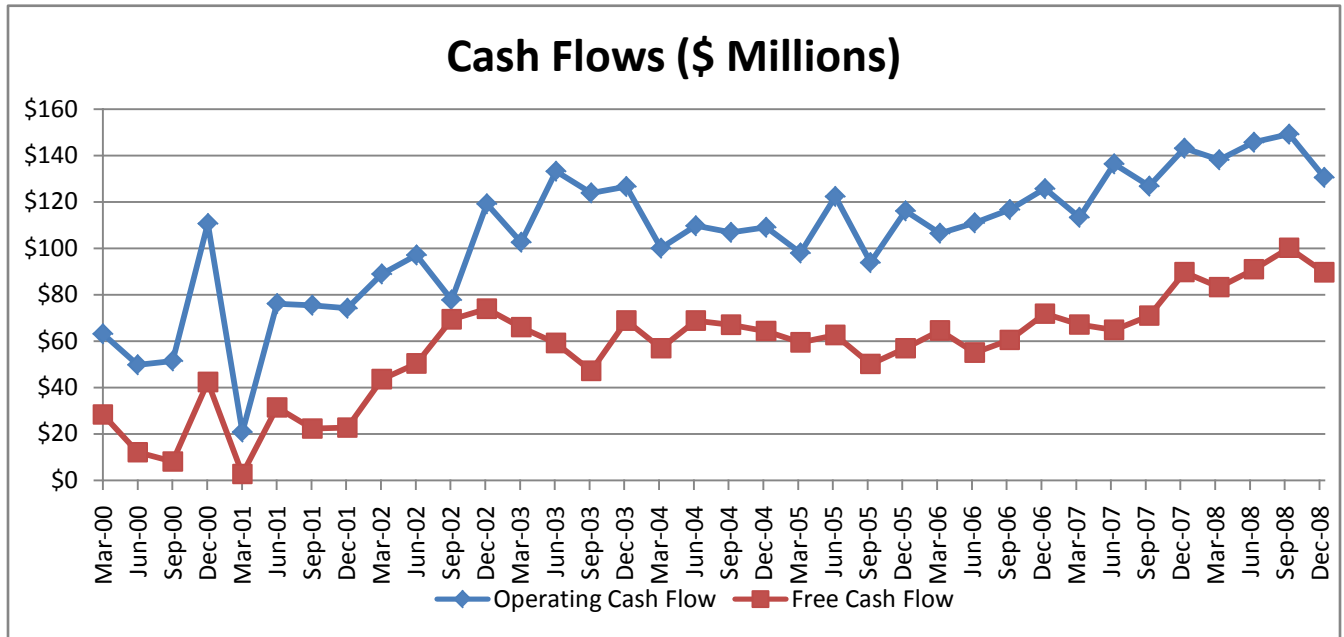
Refer to Table 1 for data supporting the graph.

Table 1: Median Margins, 2000 – 2008, Media Industry (2540)

Date	Operating Cash Margin (%)	Free Cash Margin (%)	Net Margin (%)	Capital Expenditures / Revenue (%)
Mar-00	11.77%	5.58%	5.46%	4.68%
Jun-00	10.36%	2.27%	5.23%	4.51%
Sep-00	12.92%	2.11%	5.35%	4.84%
Dec-00	13.61%	5.92%	5.67%	4.25%
Mar-01	11.42%	0.65%	4.62%	4.75%
Jun-01	12.35%	4.47%	6.04%	4.67%
Sep-01	12.01%	4.68%	4.54%	5.04%
Dec-01	12.12%	3.56%	1.31%	4.24%
Mar-02	14.03%	6.74%	1.45%	4.44%
Jun-02	12.94%	7.03%	3.63%	3.62%
Sep-02	15.24%	10.64%	4.88%	3.77%
Dec-02	15.95%	9.79%	4.51%	3.59%
Mar-03	15.49%	9.94%	3.95%	3.95%
Jun-03	13.57%	8.72%	2.99%	3.79%
Sep-03	14.20%	7.83%	5.07%	3.91%
Dec-03	14.46%	10.21%	3.88%	3.38%
Mar-04	14.75%	10.15%	3.24%	3.54%
Jun-04	15.13%	10.11%	6.06%	3.25%
Sep-04	15.10%	10.12%	5.95%	3.37%
Dec-04	14.00%	9.18%	6.58%	3.61%
Mar-05	14.08%	9.00%	7.03%	3.94%
Jun-05	13.77%	9.10%	7.21%	4.02%
Sep-05	13.50%	7.39%	6.36%	4.05%
Dec-05	14.60%	8.06%	7.07%	3.54%
Mar-06	15.16%	8.99%	5.60%	4.43%
Jun-06	14.72%	7.65%	6.08%	4.07%
Sep-06	15.19%	8.25%	6.07%	4.14%
Dec-06	15.99%	8.73%	6.46%	4.17%
Mar-07	16.84%	8.61%	6.26%	3.51%
Jun-07	15.53%	7.58%	6.84%	3.64%
Sep-07	15.99%	8.80%	6.73%	3.59%
Dec-07	15.20%	9.74%	7.47%	4.28%
Mar-08	16.16%	8.75%	6.80%	4.48%
Jun-08	15.71%	8.71%	7.34%	4.22%
Sep-08	16.78%	9.31%	6.80%	4.17%
Dec-08	15.20%	8.95%	2.21%	4.08%

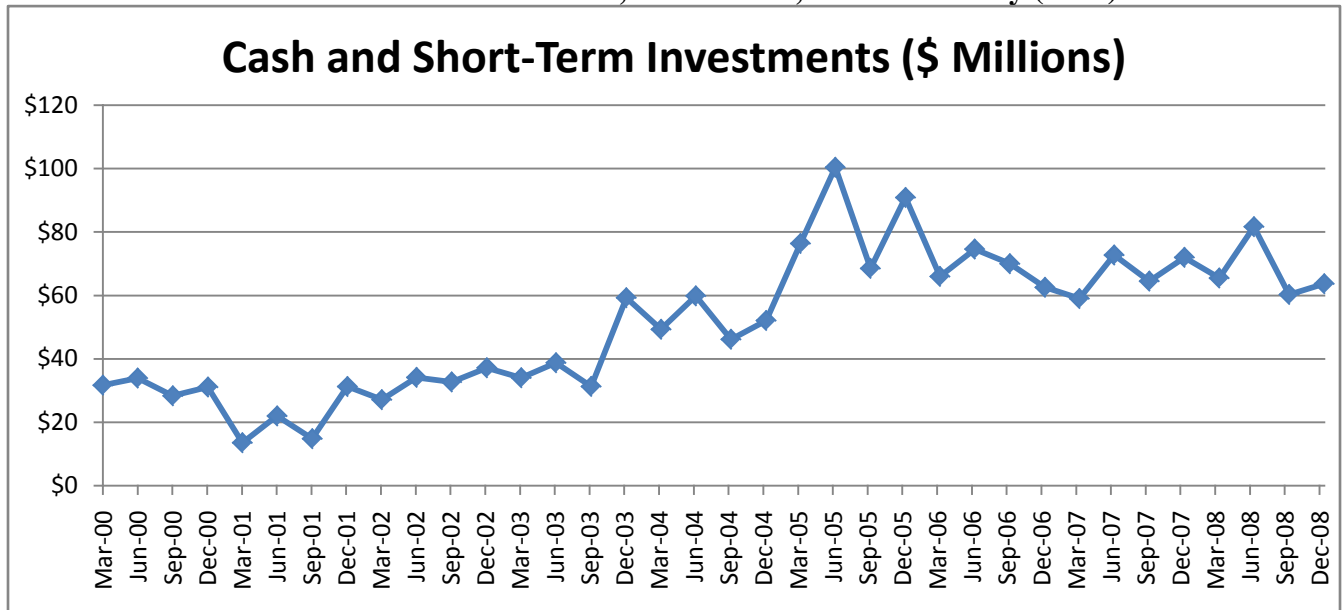
Cash Flow Measures

Exhibit 5: Median Free Cash Flow and Median Operating Cash Flow, 2000 – 2008, Media Industry (2540)



Refer to Table 2 for data supporting the graph.

Exhibit 6: Cash and Short-term Investments, 2000 – 2008, Media Industry (2540)



Refer to Table 2 for data supporting the graph.

Table 2: Cash Flow Measures, 2000 – 2008, Media Industry (2540)

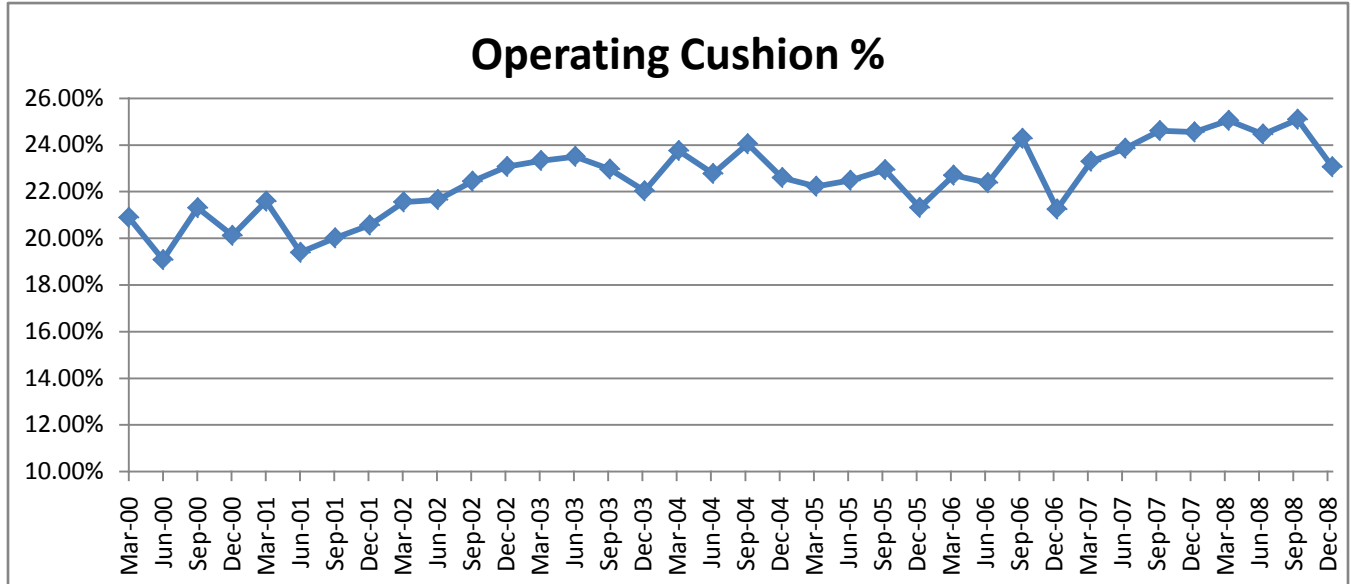
Date	Operating Cash Flow	% Change	Free Cash Flow	% Change	Cash and Short-Term Investments	% Change
Mar-00	50,058,000		45,518,200		38,810,000	
Jun-00	38,024,000	-24.04%	39,515,520	-13.19%	24,325,000	-37.32%
Sep-00	39,548,000	4.01%	38,288,847	-3.10%	24,219,000	-0.44%
Dec-00	40,288,000	1.87%	28,093,497	-26.63%	37,226,000	53.71%
Mar-01	41,586,000	3.22%	35,623,313	26.80%	36,092,000	-3.05%
Jun-01	43,372,000	4.29%	36,170,376	1.54%	31,588,000	-12.48%
Sep-01	39,129,000	-9.78%	38,726,194	7.07%	27,099,000	-14.21%
Dec-01	45,920,000	17.36%	46,733,189	20.68%	45,353,000	67.36%
Mar-02	74,848,000	63.00%	60,655,415	29.79%	64,806,000	42.89%
Jun-02	77,875,000	4.04%	71,615,035	18.07%	57,057,000	-11.96%
Sep-02	97,040,000	24.61%	84,369,091	17.81%	59,119,000	3.61%
Dec-02	102,349,000	5.47%	79,849,408	-5.36%	68,413,000	15.72%
Mar-03	88,111,500	-13.91%	68,920,701	-13.69%	80,890,000	18.24%
Jun-03	61,609,000	-30.08%	47,813,816	-30.62%	65,925,000	-18.50%
Sep-03	73,556,000	19.39%	56,217,936	17.58%	78,102,000	18.47%
Dec-03	76,112,000	3.47%	69,641,344	23.88%	111,102,000	42.25%
Mar-04	68,816,000	-9.59%	75,426,283	8.31%	107,840,500	-2.94%
Jun-04	77,944,000	13.26%	70,935,611	-5.95%	81,177,000	-24.72%
Sep-04	66,281,000	-14.96%	61,483,952	-13.32%	71,878,500	-11.45%
Dec-04	85,481,000	28.97%	59,197,905	-3.72%	90,900,000	26.46%
Mar-05	81,431,500	-4.74%	55,005,419	-7.08%	100,765,500	10.85%
Jun-05	63,160,000	-22.44%	52,487,716	-4.58%	103,785,000	3.00%
Sep-05	72,116,000	14.18%	59,959,904	14.24%	101,327,000	-2.37%
Dec-05	71,652,000	-0.64%	68,066,960	13.52%	110,289,000	8.84%
Mar-06	76,309,000	6.50%	75,231,190	10.53%	91,620,000	-16.93%
Jun-06	67,824,000	-11.12%	75,521,520	0.39%	82,560,000	-9.89%
Sep-06	66,994,000	-1.22%	70,045,441	-7.25%	80,513,000	-2.48%
Dec-06	71,998,000	7.47%	78,281,146	11.76%	98,892,000	22.83%
Mar-07	88,720,000	23.23%	69,354,752	-11.40%	102,255,000	3.40%
Jun-07	99,460,000	12.11%	85,681,854	23.54%	89,378,000	-12.59%
Sep-07	101,364,000	1.91%	94,437,642	10.22%	92,190,000	3.15%
Dec-07	108,991,000	7.52%	91,549,236	-3.06%	107,722,500	16.85%
Mar-08	112,825,000	3.52%	81,173,527	-11.33%	116,227,000	7.89%
Jun-08	104,741,500	-7.16%	80,794,009	-0.47%	110,907,500	-4.58%
Sep-08	113,900,000	8.74%	78,923,797	-2.31%	86,212,000	-22.27%
Dec-08	130,617,000	-12.50%	89,700,456	-10.48%	63,684,000	5.62%

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Cash Flow Drivers

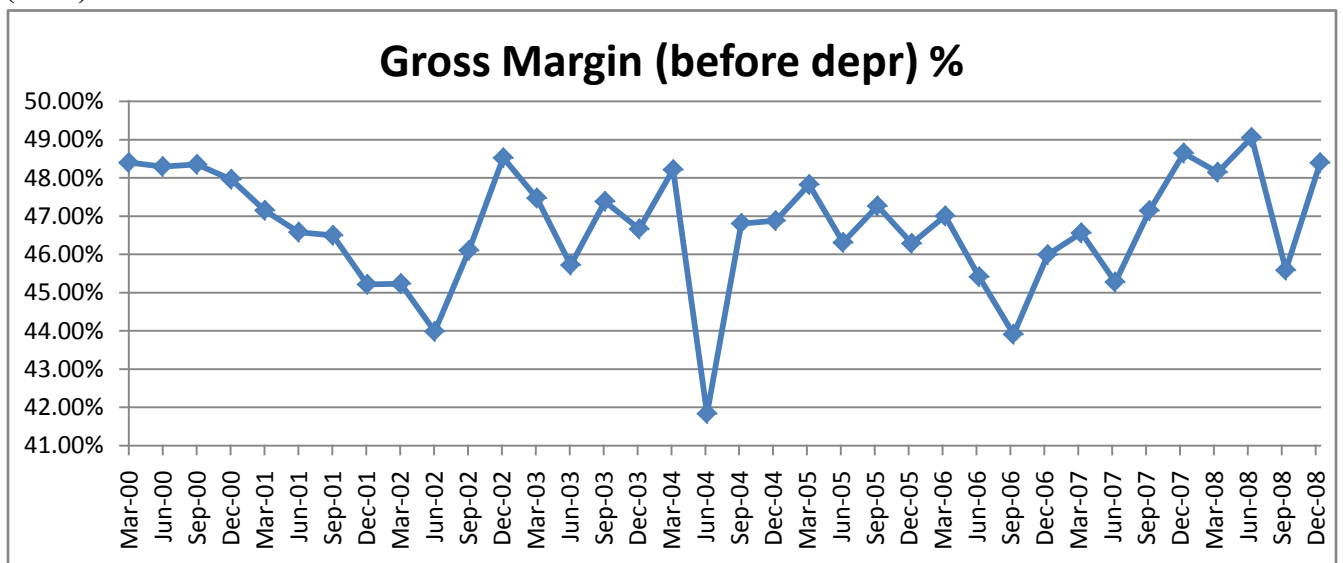
Profitability

Exhibit 7: Median Operating Cushion, 2000 – 2008, Media Industry (2540)



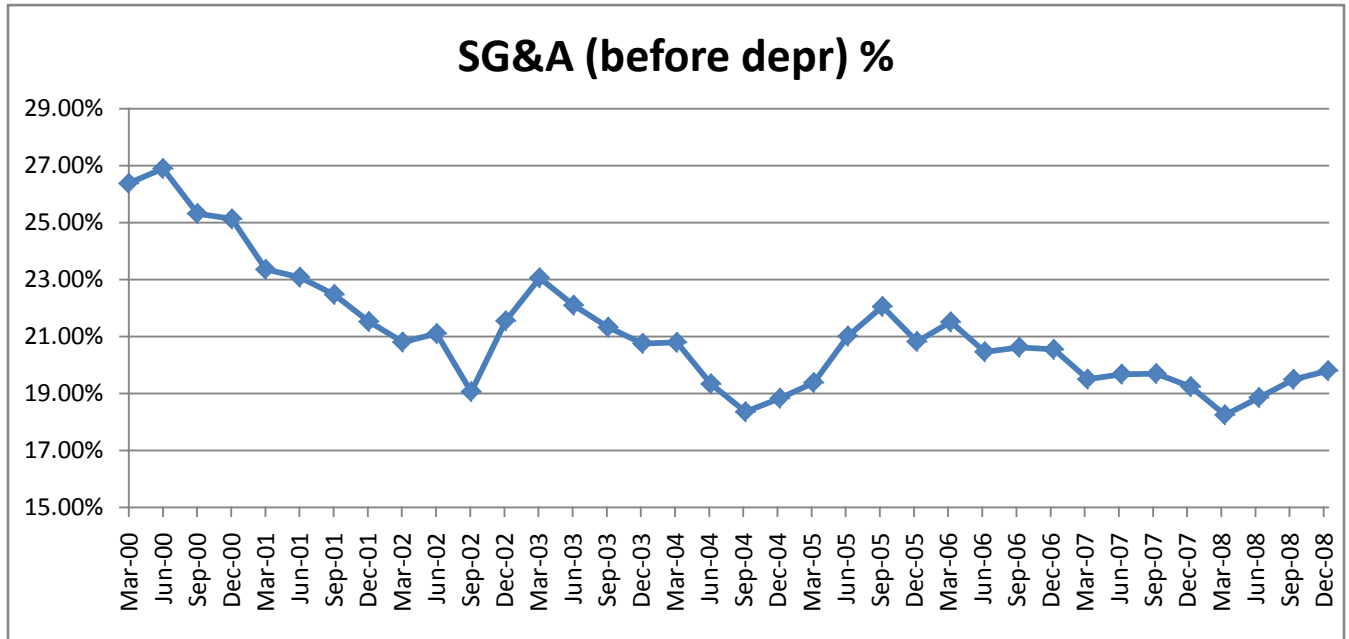
Refer to Table 3 for data supporting the graph.

Exhibit 8: Median Gross Margin % (before depreciation), 2000 – 2008, Media Industry (2540)



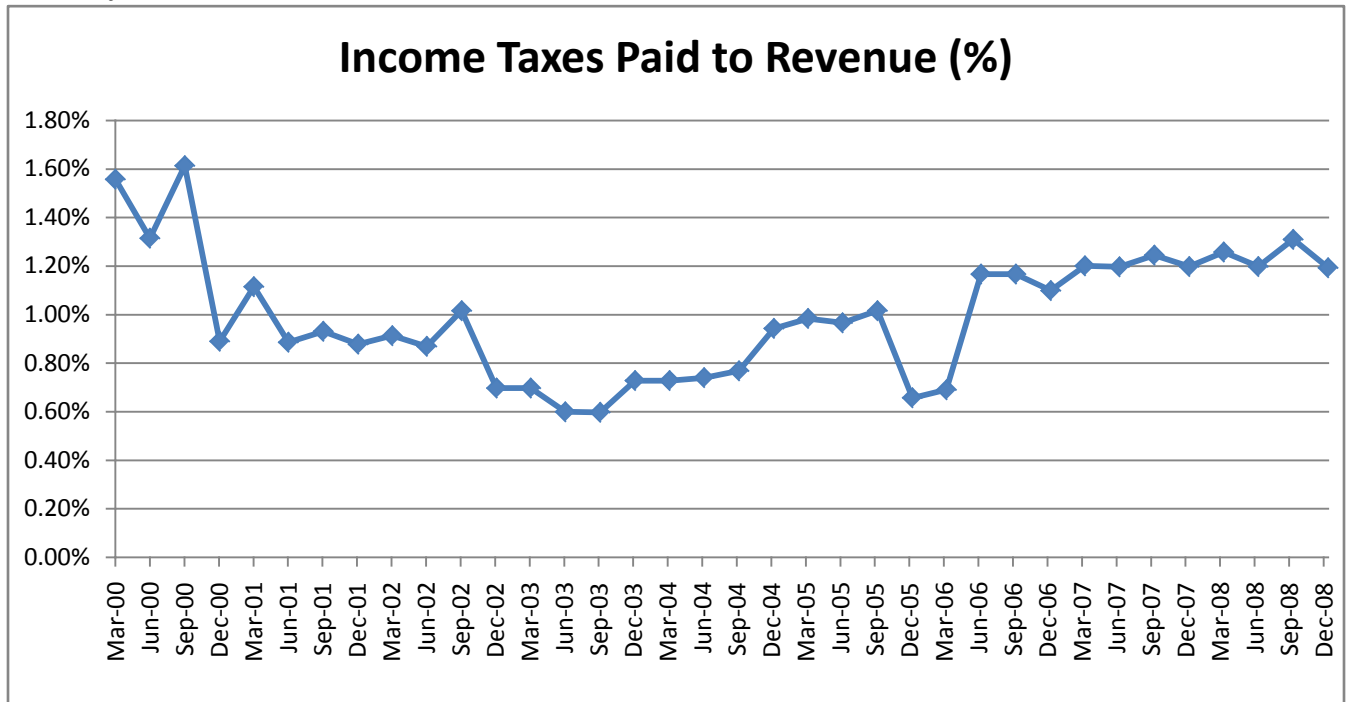
Refer to Table 3 for data supporting the graph.

Exhibit 9: Median Selling, General and Administrative Expense % (before depreciation), 2000 – 2008, Media Industry (2540)



Refer to Table 3 for data supporting the graph.

Exhibit 10: Median Income Taxes Paid % (before depreciation), 2000 – 2008, Media Industry (2540)



Refer to Table 3 for data supporting the graph.

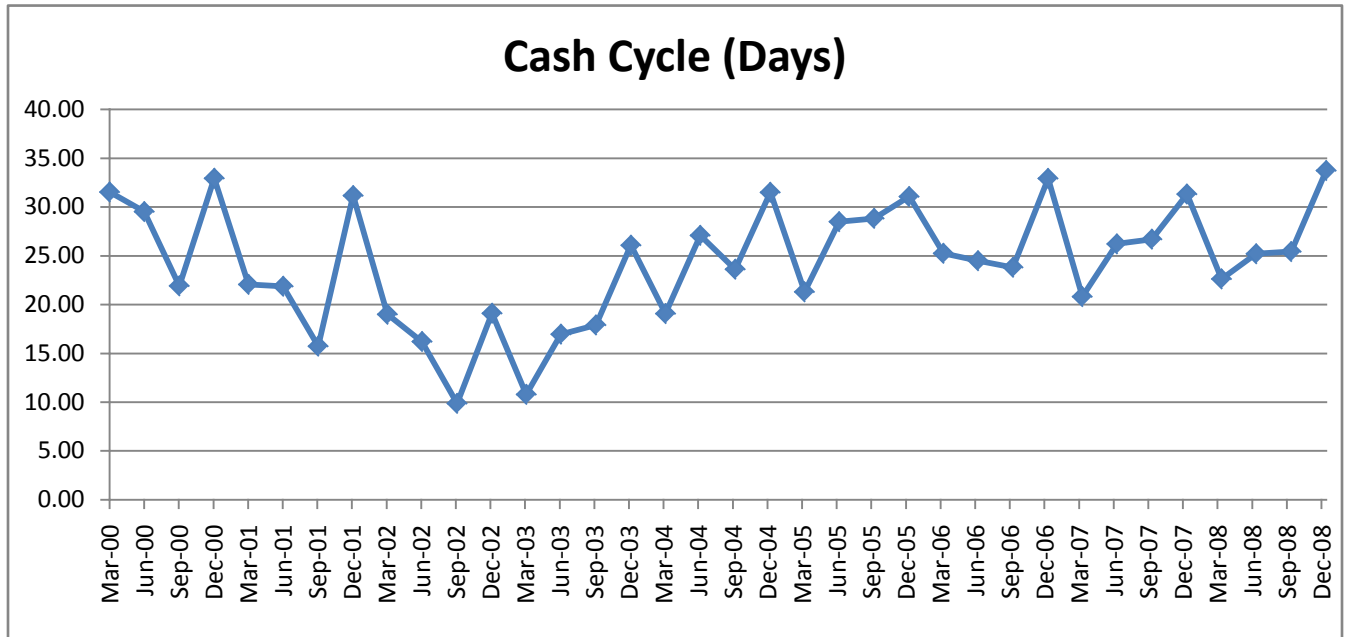
Table 3: Profitability, 2000 – 2008, Media Industry (2540)

Date	Operating Cushion %	Gross Margin (before depr) %	SG&A (before depr.) %	Revenue	% Change	Income Taxes Paid to Revenue
Mar-00	13.31%	35.67%	21.00%	1,066,000,000		3.01%
Jun-00	13.66%	35.90%	20.05%	973,049,000	-8.72%	2.93%
Sep-00	13.71%	36.79%	22.00%	1,037,357,000	6.61%	2.93%
Dec-00	12.94%	36.44%	20.17%	892,991,000	-13.92%	2.66%
Mar-01	12.72%	36.43%	20.71%	1,063,700,000	19.12%	2.77%
Jun-01	13.48%	36.42%	20.99%	865,320,000	-18.65%	2.77%
Sep-01	12.78%	37.25%	22.11%	876,356,500	1.28%	2.81%
Dec-01	12.29%	34.23%	18.34%	889,817,000	1.54%	2.43%
Mar-02	12.07%	34.05%	19.27%	977,840,000	9.89%	2.40%
Jun-02	12.73%	34.14%	19.35%	892,288,000	-8.75%	2.46%
Sep-02	12.77%	35.63%	20.62%	964,108,000	8.05%	2.45%
Dec-02	13.05%	37.53%	21.27%	983,246,000	1.99%	2.22%
Mar-03	13.10%	35.53%	20.87%	1,068,538,000	8.67%	2.28%
Jun-03	13.37%	35.55%	21.40%	953,226,000	-10.79%	2.27%
Sep-03	12.84%	37.04%	21.92%	1,018,810,000	6.88%	2.24%
Dec-03	13.21%	37.43%	22.71%	1,121,800,000	10.11%	2.32%
Mar-04	13.08%	37.16%	22.83%	1,199,146,000	6.89%	2.32%
Jun-04	13.24%	37.55%	22.88%	1,099,436,000	-8.32%	2.31%
Sep-04	13.12%	37.27%	22.83%	1,198,284,000	8.99%	2.30%
Dec-04	13.80%	35.70%	21.59%	1,231,750,000	2.79%	2.14%
Mar-05	13.48%	35.26%	21.59%	1,347,511,500	9.40%	2.42%
Jun-05	13.74%	36.01%	21.54%	1,401,167,000	3.98%	2.44%
Sep-05	13.76%	36.44%	21.67%	1,275,200,000	-8.99%	2.57%
Dec-05	13.97%	36.58%	21.12%	1,195,625,500	-6.24%	2.72%
Mar-06	13.81%	37.44%	21.47%	1,376,600,000	15.14%	2.77%
Jun-06	13.86%	38.09%	22.19%	1,325,404,000	-3.72%	2.62%
Sep-06	13.57%	37.67%	22.64%	1,294,979,500	-2.30%	2.59%
Dec-06	13.42%	37.38%	22.66%	1,372,631,000	6.00%	2.69%
Mar-07	12.63%	37.72%	22.38%	1,359,630,500	-0.95%	2.79%
Jun-07	13.15%	37.30%	22.57%	1,406,927,000	3.48%	2.81%
Sep-07	13.08%	37.22%	22.68%	1,426,766,000	1.41%	2.81%
Dec-07	12.04%	36.95%	21.23%	1,434,941,000	0.57%	2.16%
Mar-08	11.92%	36.85%	21.28%	1,440,524,000	0.39%	2.20%
Jun-08	11.64%	36.59%	21.57%	1,452,085,000	0.80%	2.16%
Sep-08	11.05%	36.11%	21.61%	1,444,697,000	-0.51%	2.13%
Dec-08	23.06%	48.40%	19.80%	1,001,792,000	-6.96%	1.19%

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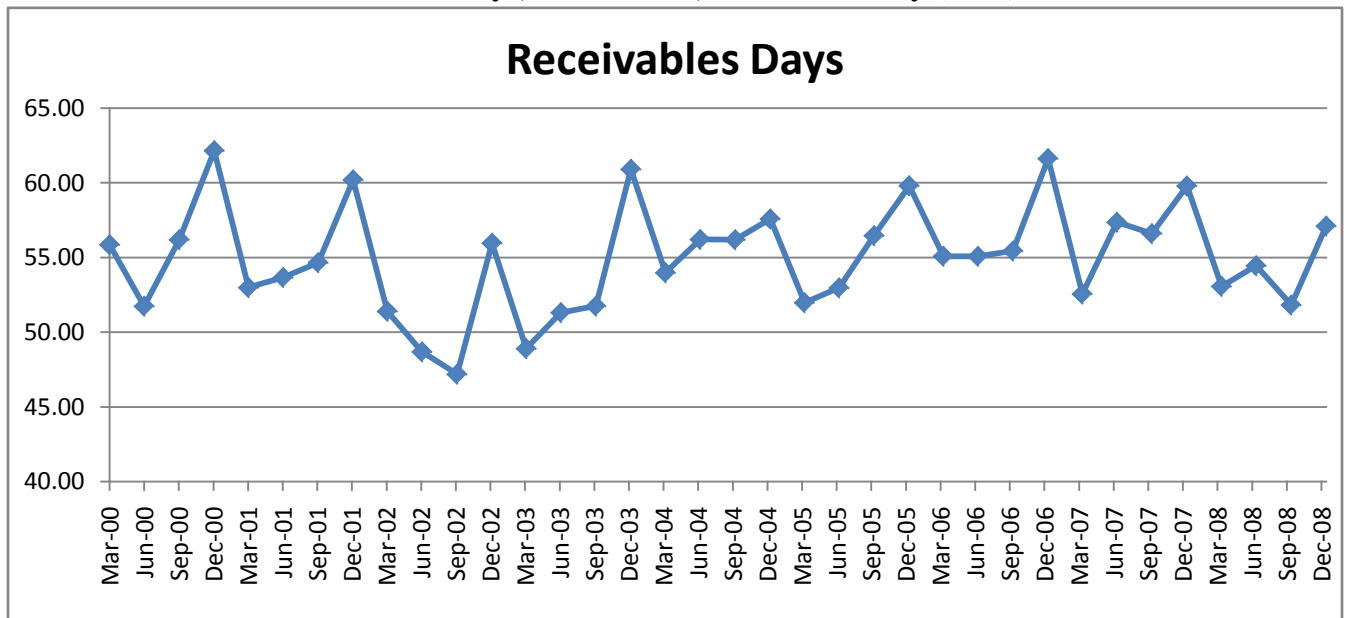
Efficiency

Exhibit 11: Median Cash Cycle, 2000 – 2008, Media Industry (2540)



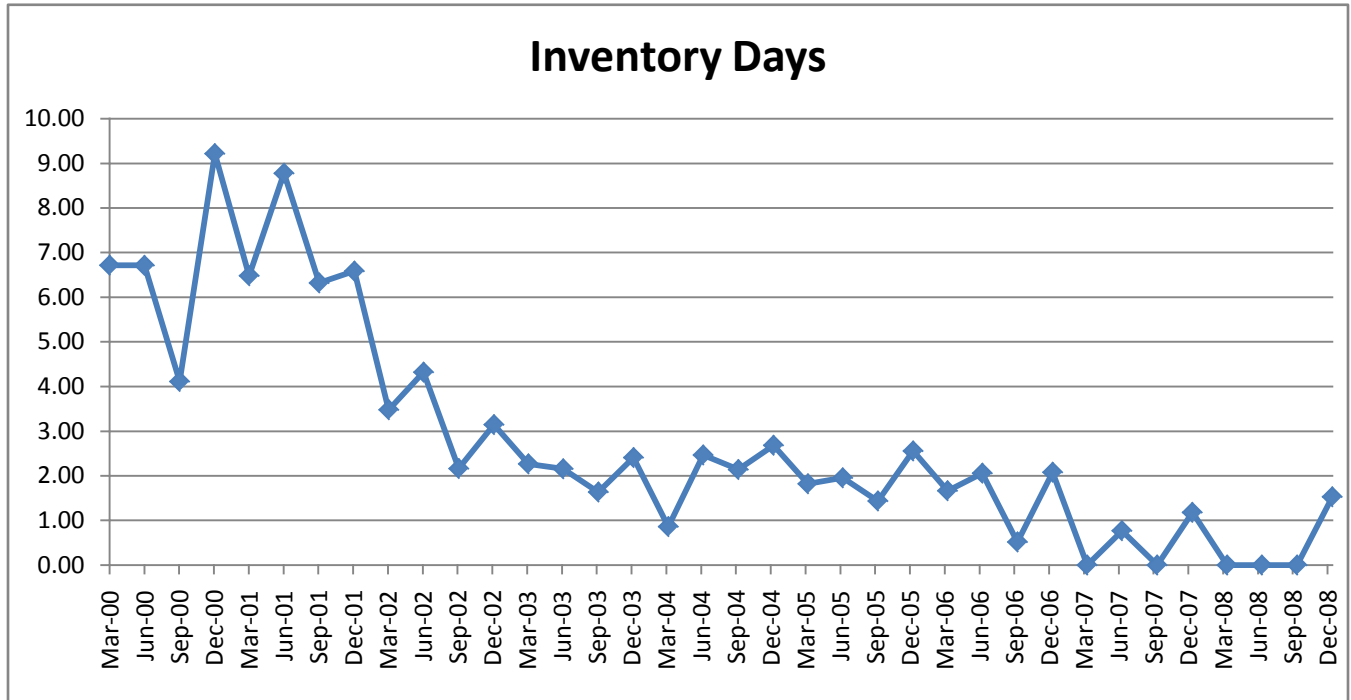
Refer to Table 4 for data supporting the graph.

Exhibit 12: Median Receivables Days, 2000 – 2008, Media Industry (2540)



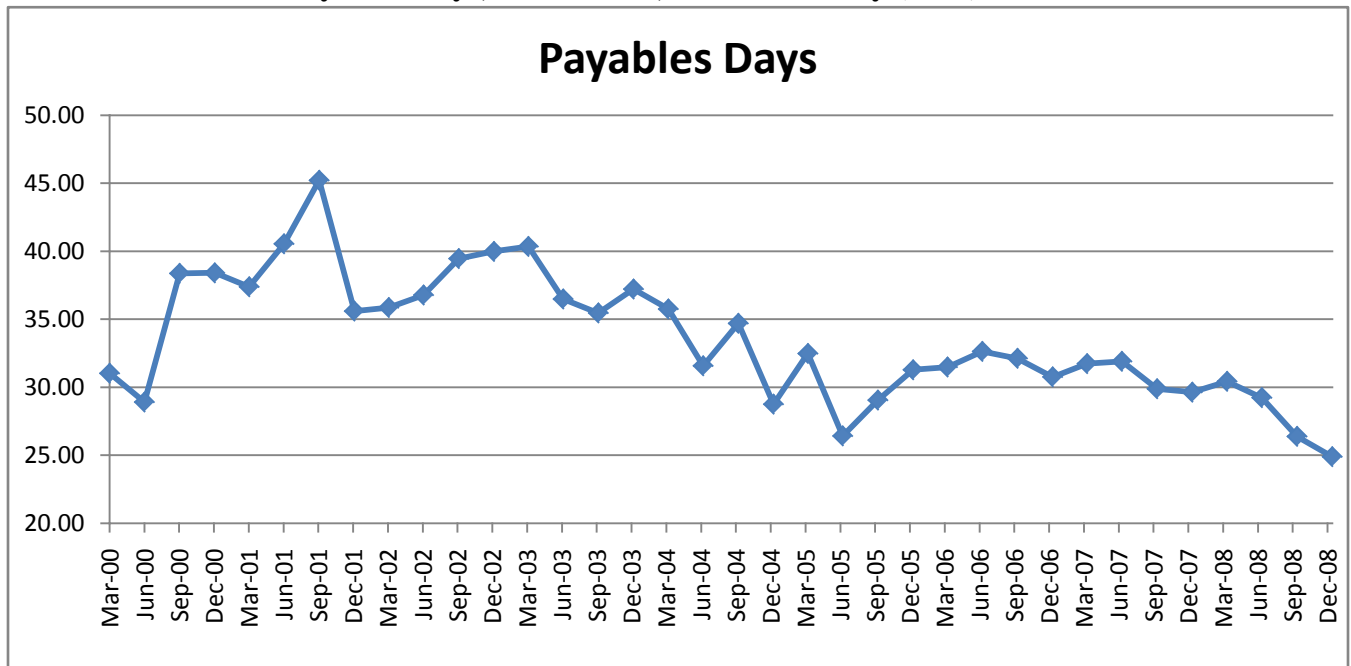
Refer to Table 4 for data supporting the graph.

Exhibit 13: Median Inventory Days, 2000 – 2008, Media Industry (2540)



Refer to Table 4 for data supporting the graph.

Exhibit 14: Median Payables Days, 2000 – 2008, Media Industry (2540)



Refer to Table 4 for data supporting the graph.

Table 4: Efficiency, 2000 – 2008, Media Industry (2540)

Date	Cash Cycle (Days)	Receivables Days	Inventory Days	Payables Days
Mar-00	31.55	55.86	6.72	31.03
Jun-00	29.54	51.74	6.71	28.91
Sep-00	21.92	56.19	4.11	38.38
Dec-00	32.95	62.16	9.22	38.42
Mar-01	22.07	52.99	6.48	37.39
Jun-01	21.88	53.66	8.78	40.56
Sep-01	15.74	54.66	6.32	45.23
Dec-01	31.18	60.20	6.58	35.61
Mar-02	19.01	51.40	3.48	35.87
Jun-02	16.22	48.69	4.32	36.79
Sep-02	9.88	47.19	2.16	39.47
Dec-02	19.12	55.97	3.15	39.99
Mar-03	10.80	48.90	2.27	40.36
Jun-03	16.97	51.31	2.16	36.50
Sep-03	17.91	51.75	1.64	35.47
Dec-03	26.09	60.91	2.41	37.23
Mar-04	19.08	53.98	0.86	35.76
Jun-04	27.10	56.21	2.47	31.58
Sep-04	23.63	56.20	2.14	34.71
Dec-04	31.51	57.59	2.68	28.76
Mar-05	21.31	51.98	1.82	32.49
Jun-05	28.50	52.97	1.95	26.42
Sep-05	28.84	56.46	1.43	29.05
Dec-05	31.08	59.81	2.56	31.28
Mar-06	25.26	55.09	1.66	31.49
Jun-06	24.50	55.08	2.06	32.64
Sep-06	23.83	55.44	0.52	32.13
Dec-06	32.94	61.63	2.08	30.76
Mar-07	20.82	52.56	0.00	31.74
Jun-07	26.23	57.36	0.77	31.91
Sep-07	26.71	56.60	0.00	29.89
Dec-07	31.34	59.79	1.18	29.64
Mar-08	22.64	53.07	0.00	30.43
Jun-08	25.21	54.45	-	29.23
Sep-08	25.44	51.82	0.00	26.38
Dec-08	33.75	57.11	1.53	24.89

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