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Tribune

NYSE: TRB

Sell

October 10th, 2001

S&P Sector - Consumer Discretionary

Industry – Media

MARKET DATA

Price (10-9-01 close)	\$30.23
52 wk range (low on 10-2-01)	\$29.71-\$45.90
Valuation Result	\$21.97
Shares Out:	297.5 million
Market Cap:	\$8.93 billion
Beta (Source: Yahoo Finance)	0.61
Book Value/share (m.r.q. — as of July 1, 2001)	\$18.42
P/S (ttm)	1.83
P/E (ttm)	40.39



COMPANY OVERVIEW— FROM YAHOO! FINANCE

Tribune Company is a media and entertainment company. Through its subsidiaries, the Company is engaged in newspaper publishing, television and radio broadcasting and entertainment, and the development and distribution of information and entertainment through the Internet. The Company's operations are divided into three industry segments, identified according to product: publishing, broadcasting and entertainment, and interactive. These segments operate primarily in the United States.

INVESTMENT CONCLUSION

- ☐ Sell 400 shares of TRB.

SUMMARY

- ☐ The stock is currently overvalued by approximately 20%: Bloomberg's DDM valuation of TRB on October 10, 2001 rendered a price of \$23.79 / share. Our 2-stage model gives a current price valuation of \$21.97 / share based on the following CAPM assumptions: beta of 0.6375, risk-free rate equal to the one-year T-bill, and a risk premium of 7.73%
- ☐ Along with other media companies, TRB has warned that third-quarter and full-year earnings will fall short of expectations. On September 19, the Company cited "the tough advertising market following the (September 11th) attacks."
- ☐ The following revenue losses were cited as being directly attributable to the terrorist attacks on America: \$10MM to the newspaper group; \$10MM to \$12MM to the TV group; and \$5MM in the third quarter for the Chicago Cubs baseball team.
- ☐ The near term outlook for the media industry is flat due to high costs combined with low advertising spending.

INDUSTRY INSIGHT

News & Trends

Due to the lack of consumer spending; therefore, decreased revenues for retailers and diminishing advertising budgets, the advertising revenues for the media industry have been in a sharp downturn hurting the bottom line for media stocks.

Industry competitors have instituted cost cutting measures to maintain a level of profitability without advertising revenues. The newsprint media has reduced editions, cut pages sizes, and laid off employees. The decline in circulation seems to have reached the bottom and with aggressive pricing the media companies have been able to maintain a rise in circulation revenue.

Both newsprint and TV media will face challenges ahead following the events of September 11, 2001. They will face increased costs of attempting to cover the worldwide events as they unveil along with flat advertising revenues. These concerns may be counterbalanced by increased circulation of newsprint and a slight increase in TV advertising due to the number of people reading newspapers and watching the evening news to remain up to date on current events. The future holds promise as the economy recovers from the low points of the past year. As consumer confidence and spending increase the retailers will be looking to flood the media with advertising to attract consumers back to the store. The remaining question is, "when will this happen?"

INVESTMENT HIGHLIGHTS

Overall Effect on Wright Fund

Currently, TRB represents 2.6% of the Wright Fund's consumer discretionary sector. The stock's latest close on October 9, 2001 was just 23 cents above the stop price of \$30.00, and just over its 52-week low of \$29.71.

Based on our recent analysis of the consumer discretionary sector, we have recommended that the sector be equal-weight to slightly overweight in relation to the S&P 500 index. We are recommending selling our shares in TRB which is currently overvalued and faces industry uncertainty (at least in the near-term), which will cause the sector to be temporarily underweight. However, we are also making a separate recommendation to purchase shares in the Hotels, Restaurants, & Leisure industry group where we feel there are some *bargains*. The net effect of the buy/sell will be an equal- to slightly overweight holding versus the S&P 500.

Rationale & Risks

With respect to the consumer discretionary sector as a whole, we are basically recommending selling an overvalued stock (TRB) with a poor near-term outlook in exchange for the purchase of a separate equity in an industry group that appears to have hit its low point and offers some growth opportunities.

Recent Results & Guidance

Recent Industry Results:

- ☐ Long-term outlook for the newspaper (and media) industry is positive, however it is neutral for the near to intermediate future.
- ☐ According to Standard & Poor's, soft advertising demand and cost cutting measures will continue to characterize operations in the Publishing (newspapers) group through 2001.
- ☐ The Advertising & Marketing Industry Index was down 20% year to date through August 24, versus a 9.4% decline for the S&P 1500. This index fell 11.4% in 2000.
- ☐ Standard & Poor's predicts that the downward trend in domestic advertising spending will bottom out by the fall.
- ☐ In the wake of the recent economy in the media industry, firms have countered by cutting costs, improving productivity, and reducing workforces. These measures should help pull the industry out of its slump when consumer confidence improves.

TRB Earnings & Growth Estimates:

Earnings Estimates	Qtr(9/01)	Qtr(12/01)	FY(12/01)	FY(12/02)
Average Estimate	0.10	0.34	0.83	1.16
Number of Analysts	9	10	12	16
High Estimate	0.14	0.52	0.95	1.77
Low Estimate	0.05	0.25	0.74	0.69
Year Ago EPS	0.22	0.36	1.30	0.83
Growth Rate	-53.81%	-5.28%	-36.14%	39.27%

Zacks Industry:
PUBLSHG-NEWSPR

Tribune: Recent Annual Financials (from MSN Money)

Annual Income Statement (Values in Mil- lions)	Dec-00	Dec-99	Dec-98	Dec-97	Dec-96
Sales	4,910.40	3,221.90	2,980.90	2,719.80	2,405.70
Cost of Sales	2,127.40	1,454.10	1,391.00	1,255.00	1,172.70
Gross Operating Profit	2,783.00	1,767.80	1,589.90	1,464.80	1,233.00
Selling, General & Admin. Expense	1,379.40	775.2	692	650.3	600.1
Other Taxes	0	0	0	0	0
EBITDA	1,403.60	992.6	897.9	814.5	632.9
Depreciation & Amortization	370.6	222.2	195.6	172.5	142.9
EBIT	1,033.00	770.4	702.3	642	490
Other Income, Net	-195.2	470.8	91.2	103.5	32.1
Total Income Avail for Interest Exp.	837.8	2,553.10	793.5	745.5	522.1
Interest Expense	240.7	113	88.5	86.5	47.8
Minority Interest	16.3	0	0	0	0
Pre-tax Income	597.1	2,440.10	705	659	474.3
Income Taxes	270.4	957	290.8	265.4	191.7
Special Income/Charges	0	1,311.90	0	0	0
Net Income from Cont. Operations	310.4	1,483.10	414.3	393.6	282.8
Net Income from Discont. Oper.	-86	0	0	0	89.3
Net Income from Total Operations	224.4	1,483.10	414.3	393.6	372.1
Normalized Income	310.4	171.2	414.3	393.6	282.8
Extraordinary Income	0	0	0	0	0
Income from Cum. Eff. of Acct. Chg.	0	0	0	0	0
Income from Tax Loss Carryforward	0	0	0	0	0
Other Gains (Losses)	0	-3.1	0	0	0
Total Net Income	224.4	1,480.00	414.3	393.6	372.1
Dividends Paid per Share	0.4	0.58	0.34	0.32	0.3
Preferred Dividends	23	18.6	18.8	18.8	18.8
Basic EPS from Cont. Operations	1.06	6.17	1.63	1.53	0.99
Basic EPS from Discont. Operations	-0.32	0	0	0	0.33
Basic EPS from Total Operations	0.74	6.17	1.63	1.53	1.32
Diluted EPS from Cont. Operations	0.99	5.62	1.51	1.41	0.99
Diluted EPS from Discont. Operations	-0.29	0	0	0	0.33
Diluted EPS from Total Operations	0.7	5.62	1.51	1.41	1.32

Tribune: Recent Annual Financials (from MSN Money)

Annual Balance Sheet (Values in Millions)	Dec-00	Dec-99	Dec-98	Dec-97	Dec-96
Assets					
Current Assets					
Cash and Equivalents	115.8	631	12.4	66.6	274.1
Receivables	813.7	594.9	555.2	442.3	350.8
Inventories	51.3	112.7	99	99.5	80.5
Other Current Assets	510.3	745.9	278.5	239.3	181.2
Total Current Assets	1,491.20	2,084.60	945.1	847.7	886.7
Non-Current Assets					
Property, Plant & Equipment, Gross	2,924.70	1,790.40	1,664.50	1,550.90	1,456.20
Accum. Depreciation & Depletion	1,180.90	1,077.90	987.8	900.5	813.5
Property, Plant & Equipment, Net	1,743.80	712.5	676.7	650.4	642.7
Intangibles	8,775.40	3,342.70	2,911.80	2,665.20	1,251.50
Other Non-Current Assets	2,665.80	2,657.90	1,402.00	614.2	920
Total Non-Current Assets	13,185.00	6,713.10	4,990.50	3,929.80	2,814.20
Total Assets	14,676.20	8,797.70	5,935.60	4,777.60	3,700.90
Liabilities & Shareholder's Equity					
Current Liabilities					
Accounts Payable	298.2	176.6	157.7	138.9	119.6
Short Term Debt	141.4	30.7	29.9	33.3	31.1
Other Current Liabilities	1,009.60	653.3	640.5	534	522.4
Total Current Liabilities	1,449.20	860.6	828.1	706.2	673.1
Non-Current liabilities					
Long Term Debt	4,007.00	2,694.20	1,616.30	1,521.50	979.8
Deferred Income Taxes	2,146.40	1,251.40	701.8	363.2	189.7
Other Non-Current Liabilities	1,187.60	521.6	432.8	360.7	318.9
Minority Interest	0	0	0	0	0
Total Non-Current Liabilities	7,341.00	4,467.20	2,750.90	2,245.40	1,488.40
Total Liabilities	8,790.20	5,327.80	3,579.00	2,951.60	2,161.50
Shareholder's Equity					
Preferred Stock Equity	372.7	281.1	293.2	303.9	312.5
Common Stock Equity	5,513.20	3,188.80	2,063.40	1,522.10	1,227.00
Total Equity	5,885.90	3,469.90	2,356.60	1,826.00	1,539.50
Total Liabilities & Stock Equity	14,676.10	8,797.70	5,935.60	4,777.60	3,701.00
Total Common Shares Outstanding	299.5 Mil	237.8 Mil	238.8 Mil	245.1 Mil	245.9 Mil
Preferred Shares	1.4 Mil	1.3 Mil	1.3 Mil	1.4 Mil	1.4 Mil
Treasury Shares	237.4 Mil	89.3 Mil	89.1 Mil	82.0 Mil	81.2 Mil

Tribune: Recent Annual Financials (from MSN Money)

Annual Cash Flow (in Millions)	Dec-00	Dec-99	Dec-98	Dec-97	Dec-96
Cash Flow from Operating Activities					
Net Income (Loss)	224.4	1,483.10	414.3	393.6	372.1
Depreciation and Amortization	370.6	222.2	195.6	172.5	142.9
Deferred Income Taxes	-44	720.1	7.9	-14	-24.5
Operating (Gains) Losses	330.7	-1,735.30	-85.1	-77.1	13.3
Extraordinary (Gains) Losses	0	0	0	0	0
Change in Working Capital					
(Increase) Decr. in Receivables	23.2	-75.5	-50	-44	-34.9
(Increase) Decr. in Inventories	27.9	-21.2	-4.8	-3.7	-12.9
(Increase) Decr. in Other Curr. Assets	0	0	0	0	0
(Decrease) Incr. in Payables	-20.4	-6.2	28.4	36.3	3.7
(Decrease) Incr. in Other Curr. Liabs.	122.7	-57.8	52.5	-46.4	7.6
Other Non-Cash Items	58.3	42.5	-12.9	-33.3	-125.8
Net Cash from Cont. Operations	1,093.40	571.9	545.9	384.1	341.5
Net Cash from Discont. Operations	10.6	0	0	0	0
Net Cash from Operating Activities	1,104.00	571.9	545.9	384.1	341.5
Cash Flow from Investing Activities					
Cash Flow Provided by:					
Sale of Property, Plant, Equipment	1,982.30	0	0	0	426.8
Sale of Short Term Investments	506.3	98.6	51.6	402.5	0
Cash Used by:					
Purchase of Property, Plant, Equipmt.	-3,207.30	-355.4	-294.4	-1,343.50	-594.7
Purchase of Short Term Investments	-224.7	-556.1	-40.2	-48.3	-72.1
Other Investing Changes Net	-61.6	67.3	-64.8	7	89.1
Net Cash from Investing Activities	-1,005.00	-745.6	-347.9	-982.3	-150.8
Cash Flow from Financing Activities					
Cash Flow Provided by:					
Issuance of Debt	513.6	1,230.90	469.9	626.4	470
Issuance of Capital Stock	122.5	54	46.1	57.1	51.3
Cash Used for:					
Repayment of Debt	-187.4	-183.7	-336.9	-55.4	-219.8
Repurchase of Capital Stock	-923.1	-204.6	-330.2	-140	-148.4
Payment of Cash Dividends	-139.8	-104.1	-101.1	-97.4	-92.4
Other Financing Charges, Net	0	0	0	0	0
Net Cash from Financing Activities	-614.2	792.4	-252.1	390.7	60.6
Effect of Exchange Rate Changes	0	0	0	0	0
Net Change in Cash & Cash Equivalents	-515.2	618.6	-54.2	-207.6	251.3
Cash at Beginning of Period	631	12.4	66.6	274.2	22.9
Free Cash Flow	-2,243.10	112.4	150.4	-1,056.80	-345.6

CHARTS / TECHNICAL**TRB Daily Stock Chart (source: BigCharts.com 10-10-01)**

Current Consumer Discretionary Correlation Matrix
 (based on historical weekly returns for the most recent 52 weeks)

	<i>LMCa</i>	<i>BBBY</i>	<i>JNY</i>	<i>LOW</i>	<i>TRB</i>	<i>WMT</i>
LMCa	1					
BBBY	0.3318	1				
JNY	0.2876	0.4257	1			
LOW	0.2465	0.4839	0.5614	1		
TRB	0.3774	0.4000	0.5505	0.3479	1	
WMT	0.0486	0.5194	0.6154	0.4010	0.4079	1