

Edgar Filing: PENTON MEDIA INC - Form 10-Q

PENTON MEDIA INC  
Form 10-Q  
August 14, 2001

1

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549-1004

-----  
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2001

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER 1-14337  
-----

PENTON MEDIA, INC.  
-----

(Exact Name of Registrant as Specified in its Charter)

DELAWARE  
-----

(State of Incorporation)

36-2875386  
-----

(I.R.S. Employer Identification No.)

1300 EAST NINTH STREET, CLEVELAND, OH  
-----

(Address of Principal Executive Offices)

44114  
-----

(Zip Code)

216/696-7000  
-----

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No  
--- ---

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date (August 10, 2001).

Common Stock 31,934,690

2

PENTON MEDIA, INC.  
FORM 10-Q  
TABLE OF CONTENTS  
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2001

Edgar Filing: PENTON MEDIA INC - Form 10-Q

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Consolidated Balance Sheets at June 30, 2001 and December 31, 2000

Consolidated Statements of Income for the Three and Six Months Ended  
June 30, 2001 and 2000

Consolidated Statements of Cash Flows for the Six Months Ended  
June 30, 2001 and 2000

Notes to Consolidated Financial Statements

Item 2. Management's Discussion and Analysis of Financial Condition and Results  
of Operations

Item 3. Quantitative and Qualitative Disclosure About Market Risk

PART II - OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

Item 6. Exhibits and Reports on Form 8-K

Signature

2

3

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PENTON MEDIA, INC.  
CONSOLIDATED BALANCE SHEETS  
(UNAUDITED; DOLLARS IN THOUSANDS)

	June 30, 2001	December 31, 2000
	-----	-----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 55,669	\$ 11,605
Accounts and notes receivable, less allowance for doubtful accounts of \$7,559 and \$3,863 in 2001 and 2000, respectively	71,463	70,059
Inventories	1,795	798

Edgar Filing: PENTON MEDIA INC - Form 10-Q

Deferred tax assets	5,562	5,562
Prepayments, deposits and other	21,709	11,763
	-----	-----
	156,198	99,787
	-----	-----
PROPERTY, PLANT AND EQUIPMENT:		
Land, buildings and improvements	8,808	8,205
Machinery and equipment	69,403	63,998
	-----	-----
	78,211	72,203
Less: Accumulated depreciation	(41,868)	(36,706)
	-----	-----
	36,343	35,497
	-----	-----
OTHER ASSETS:		
Goodwill, less accumulated amortization of \$63,082 and \$49,142 in 2001 and 2000, respectively	573,856	574,626
Other intangibles, less accumulated amortization of \$18,269 and \$14,901 in 2001 and 2000, respectively	52,758	54,122
Investments	11,894	17,725
	-----	-----
	638,508	646,473
	-----	-----
	\$ 831,049	\$ 781,757
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

3

4

PENTON MEDIA, INC.  
CONSOLIDATED BALANCE SHEETS  
(UNAUDITED; DOLLARS IN THOUSANDS)

	June 30, 2001	December 31, 2000
	-----	-----
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Senior debt facility	\$ 14,750	\$ 11,250
Accounts payable	8,722	12,054
Income taxes payable	-	3,260
Accrued earnouts	2,868	14,704
Accrued compensation and benefits	12,036	18,485

Edgar Filing: PENTON MEDIA INC - Form 10-Q

Other accrued expenses	23,564	15,024
Unearned income, principally trade show and conference deposits	47,392	55,772
	-----	-----
	109,332	130,549
	-----	-----
LONG-TERM LIABILITIES AND DEFERRED CREDITS:		
Revolving credit facility	-	91,000
Senior debt facility	192,500	199,875
Senior subordinated notes, net of discount	180,836	-
Notes payable	3,526	-
Net deferred pension credits	15,640	15,395
Deferred tax liability	3,674	5,978
Other	3,395	2,391
	-----	-----
	399,571	314,639
	-----	-----
STOCKHOLDERS' EQUITY:		
Preferred stock, none issued	-	-
Common stock	319	318
Capital in excess of par value	228,105	226,446
Retained earnings	104,069	112,745
Notes receivable officers/directors	(11,289)	(10,207)
Accumulated other comprehensive income	942	7,267
	-----	-----
	322,146	336,569
	-----	-----
	\$ 831,049	\$ 781,757
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

4

5

PENTON MEDIA, INC.  
CONSOLIDATED STATEMENTS OF INCOME  
(UNAUDITED; DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)

	Three Months Ended June 30,		Six
	2001	2000	200
	-----	-----	-----
REVENUES	\$ 106,777	\$ 109,058	\$ 219,

Edgar Filing: PENTON MEDIA INC - Form 10-Q

	-----	-----	-----
OPERATING EXPENSES:			
Editorial, production and circulation	43,171	34,895	84,
Selling, general and administrative	47,692	41,162	99,
Impairment of assets	-	1,051	
Restructuring charge	-	-	5,
Depreciation and amortization	11,135	7,376	22,
	-----	-----	-----
	101,998	84,484	211,
	-----	-----	-----
OPERATING INCOME	4,779	24,574	7,
	-----	-----	-----
OTHER INCOME (EXPENSE):			
Interest expense, net of interest earned	(6,249)	(2,441)	(12,
Gain on sale of investments	-	-	
Miscellaneous, net	(1,501)	(424)	(1,
	-----	-----	-----
	(7,750)	(2,865)	(13,
	-----	-----	-----
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(2,971)	21,709	(6,
PROVISION FOR INCOME TAXES	2,512	13,014	
	-----	-----	-----
INCOME (LOSS) FROM CONTINUING OPERATIONS	(5,483)	8,695	(6,
LOSS FROM OPERATIONS OF DISCONTINUED BUSINESS, NET	-	-	
	-----	-----	-----
NET INCOME (LOSS)	\$ (5,483)	\$ 8,695	\$ (6,
	=====	=====	=====
EARNINGS PER SHARE - Basic			
Income (loss) from continuing operations	\$ (0.17)	\$ 0.27	\$ (0
Discontinued operations	-	-	
	-----	-----	-----
Net income (loss)	\$ (0.17)	\$ 0.27	\$ (0
	=====	=====	=====
EARNINGS PER SHARE - Diluted			
Income (loss) from continuing operations	\$ (0.17)	\$ 0.27	\$ (0
Discontinued operations	-	-	
	-----	-----	-----
Net income (loss)	\$ (0.17)	\$ 0.27	\$ (0
	=====	=====	=====
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:			
Basic	31,930	31,814	31,
	=====	=====	=====
Diluted	31,930	32,051	31,
	=====	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

Edgar Filing: PENTON MEDIA INC - Form 10-Q

5

6

PENTON MEDIA, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE SIX MONTHS ENDED JUNE 30, 2001 AND 2000  
(UNAUDITED; DOLLARS IN THOUSANDS)

	2001	2000
	-----	-----
Net cash used for operating activities	\$ (15,016)	\$ (10,534)
	-----	-----
Cash flows from investing activities:		
Capital expenditures	(5,448)	(5,833)
Acquisitions and investments, net of cash acquired	(8,285)	(12,592)
Earnouts paid	(11,975)	(4,780)
Proceeds from sale of INT Media Group, Inc. stock	--	113,100
Net proceeds from sale of discontinued operations	--	4,000
	-----	-----
Net cash provided by (used for) investing activities	(25,708)	93,895
	-----	-----
Cash flows from financing activities:		
Proceeds from senior subordinated notes	180,836	--
Proceeds from \$340 million senior debt facility	45,000	--
Repayment of \$340 million senior debt facility	(139,875)	--
Employee stock purchase plan payments	(139)	--
Proceeds from deferred shares and options exercised	1,049	688
Payment of financing costs	(85)	--
Dividends paid	(1,912)	(1,906)
	-----	-----
Net cash provided by (used for) financing activities	84,874	(1,218)
	-----	-----
Effect of exchange rate changes on cash	(86)	(99)
	-----	-----
Net increase in cash and equivalents	44,064	82,044
Cash and equivalents at beginning of period	11,605	30,370
	-----	-----
Cash and equivalents at end of period	\$ 55,669	\$ 112,414
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

6

6

# Edgar Filing: PENTON MEDIA INC - Form 10-Q

7

## PENTON MEDIA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED; DOLLARS IN THOUSANDS)

### NOTE 1 - NATURE OF BUSINESS AND FINANCIAL STATEMENT PRESENTATION

These financial statements have been prepared by management in accordance with generally accepted accounting principles for interim financial information and the applicable rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all information and footnotes required by generally accepted accounting principles for complete financial statements. However, in the opinion of management, the interim financial statements reflect all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the results of the periods presented. The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full year.

The accompanying unaudited interim consolidated financial statements should be read together with the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

### RECLASSIFICATIONS

Certain reclassifications have been made to the 2000 financial statements to conform to the 2001 presentation.

### USE OF ESTIMATES

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

### NOTE 2 - ACQUISITIONS

#### 2001 ACQUISITIONS

In 2001, Penton acquired nine companies for an aggregate purchase price of approximately \$9.7 million in cash and \$3.5 million in promissory notes, with potential contingent consideration of up to \$4.8 million based on the achievement of specified business targets through 2003. The excess of the aggregate purchase price over the fair market value of net assets acquired of approximately \$11.5 million is being amortized over a period ranging from 5 to 40 years.

#### 2000 ACQUISITIONS

In September 2000, Penton acquired the assets of Duke Communications International ("Duke") for \$100.0 million in cash plus contingent consideration of up to \$50.0 million based on the achievement of specified business targets through 2002. The excess of the aggregate purchase price over the fair market value of net assets acquired of approximately \$103.3 million is being amortized over periods ranging from 15 to 40 years. Duke is a leading integrated media company serving the AS/400 and Windows 2000 operating systems markets and other technology operating platform markets.

## Edgar Filing: PENTON MEDIA INC - Form 10-Q

In September 2000, Penton acquired the stock of Streaming Media, Inc., for \$65.0 million in cash plus contingent consideration of up to \$35.0 million based on the achievement of specified business targets in 2001. The excess of the aggregate purchase price over the fair market value of net assets acquired of approximately \$62.9 million is being amortized over periods ranging from 15 to 20 years. Streaming Media, Inc. is a leading integrated media company serving the streaming media market.

7

8

### PENTON MEDIA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

In September 2000, Penton acquired the assets of Professional Trade Shows ("PTS") for \$17.0 million in cash. The excess of the aggregate purchase price over the fair market value of net assets acquired of approximately \$16.1 million is being amortized over 20 years. PTS produces 50 regional trade shows for the plant engineering and maintenance, material handling, buildings and facilities maintenance, design engineering, and machine tool industries.

In addition, Penton acquired five companies in 2000 for an aggregate purchase price of approximately \$3.8 million in cash with potential contingent consideration based on the achievement of specified business targets through 2001. The excess of the aggregate purchase price over the fair market value of net assets acquired of approximately \$3.7 million is being amortized over a period ranging from 5 to 20 years.

#### NOTE 3 - DISCONTINUED OPERATIONS

During the first quarter of 2000, Penton completed the sale of the net assets of its Direct Mail segment for \$4.0 million in cash. An additional operating loss for the six months ended June 30, 2000 of \$0.08 million, net of a tax benefit of \$0.06 million, was recorded and classified as discontinued operations in the accompanying financial statements. This loss was in addition to the \$0.06 million that was accrued in 1999.

#### NOTE 4 - INVESTMENTS

In February 2000, Penton sold 2.0 million shares of INT Media Group, Inc. (formerly known as internet.com Corporation) stock as part of a 3.75 million-share secondary offering. Penton received cash of \$113.1 million and recognized a pre-tax gain of approximately \$110.2 million. As of June 30, 2000 Penton maintains an 11.8% ownership interest in INT Media Group, Inc., or approximately 3.0 million shares. Penton intends for its investment to be temporary; accordingly, Penton marks to market its investment in INT Media Group, Inc. At June 30, 2001, Penton's investment totaled \$11.9 million, including a cumulative mark to market adjustment of \$7.6 million and related adjustment in long-term deferred tax liability of \$3.0 million and other comprehensive income of \$4.6 million.

#### NOTE 5 - PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma financial information for the six months ended June 30, 2000 assumes that the 2000 acquisitions occurred as of the beginning of the period, after giving effect to certain adjustments, including the amortization of intangible assets, interest expense on acquisition debt and



Edgar Filing: PENTON MEDIA INC - Form 10-Q

related income tax effects. The pro forma information excludes the effects of synergies and cost reduction initiatives directly related to all acquisitions. These actions have already commenced and are expected to continue in the year 2001. Pro forma results for the six months ended June 30, 2001 have not been presented because the impact of the 2001 acquisitions was immaterial.

8

9

PENTON MEDIA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The pro forma information is presented for information purposes only and is not necessarily indicative of the results of operations that actually would have been achieved had these transactions been consummated at the beginning of the period presented (in thousands, except per share data):

	Six Months Ended June 30, 2000 -----
Pro forma revenues	\$ 217,726 =====
Pro forma income from continuing operations	\$ 72,174 =====
Pro forma net income applicable to common stockholders	\$ 72,089 =====
Per share data:	
Earnings per common share - basic:	
Income from continuing operations	\$ 2.29 =====
Net income	\$ 2.28 =====
Earnings per common share - diluted:	
Income from continuing operations	\$ 2.27 =====
Net income	\$ 2.27 =====

The pro forma information above does not reflect the 2001 acquisitions or the operations of certain 2000 acquisitions, as the historical information is immaterial.

NOTE 6 - DEBT

SENIOR SUBORDINATED NOTES

In June 2001, Penton issued \$185.0 million of 10 3/8% Senior Subordinated Notes ("the Notes") due 2011 to qualified institutional buyers pursuant to Rule 144A of the Securities Act of 1933, as amended. Interest is payable on the Notes semiannually on June 15 and December 15 of each year. The Notes are guaranteed, on a senior subordinated basis, by the Company's domestic subsidiaries and may be redeemed on or after June 15, 2006. In addition, the Company may redeem up

## Edgar Filing: PENTON MEDIA INC - Form 10-Q

to 35% of the aggregate principal amount of the Notes before June 15, 2004 with the proceeds of certain equity offerings. The Notes were offered at a discount of \$4.2 million to be amortized over the term of the Notes. Amortization of the discount was not material for the six month period ended June 30, 2001. Costs representing underwriting fees and other expenses of \$0.6 million will be amortized over the term of the Notes. Net proceeds of \$180.2 million were used to pay down \$136.0 million outstanding under the Revolving Credit Facility. In addition, a portion of the Company's Term Loan A and B will be paid down on a pro rata basis (see Note 15 Subsequent Events). The Notes are unsecured senior subordinated obligations of the Company, subordinated in right of payment to all existing and future senior indebtedness of the Company, including the credit facility. The Notes contain covenants that will, among other things, restrict the Company's ability to borrow money, pay dividends on or repurchase capital stock, make investments, sell assets or enter into mergers or consolidations.

### SENIOR CREDIT FACILITY

Penton maintains a credit agreement with several banks under which it may borrow up to \$340.0 million. The agreement provides for a revolving credit facility of up to \$125.0 million, a long-term loan of \$140.0 million ("Term Loan A") and a long-term loan of \$75.0 million ("Term Loan B"). In October 2000, Penton amended its

### PENTON MEDIA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Credit Agreement to give the Company the option to increase, in the aggregate, its Term Loan A, Term Loan B and/or its Revolver by \$100.0 million. The Term Loans and the Revolver cannot be increased on more than three separate occasions, and any increase must take place by September 30, 2001. Concurrent with the closing of the amendment, the Company obtained committed financing in the amount of \$60.0 million of the \$100.0 million under the Revolver, thereby increasing the total available under the Revolver to \$185.0 million.

The credit facility is collateralized by all tangible and intangible assets of Penton, including the equity interests in all of its U.S. subsidiaries and not less than 65% of the equity interests of any of its foreign subsidiaries. Under the terms of the agreement, Penton is required to meet certain covenants. The agreement also prohibits Penton from incurring certain additional indebtedness; limits certain investments, advances or loans; and restricts substantial asset sales and cash dividends. At June 30, 2001, Penton was in compliance with all covenants.

The revolving credit facility bears interest, at Penton's option, at either the Alternative Base Rate ("ABR"), defined as the higher of the Administrative Agent's Prime Rate or the Federal Funds Rate plus 0.50%, or at LIBOR, plus a rate margin ranging from 0.25% to 2.125% based on Penton's consolidated leverage ratio, as defined. Up to the full amount of the revolving credit facility may be borrowed, repaid and reborrowed until maturity on August 31, 2006; however, the revolving credit facility commitment shall be reduced as of September 30, 2003, by 7.5% per quarter until September 30, 2005, at which time it will be reduced by 10% per quarter until maturity. At June 30, 2001, no amounts were outstanding under the revolving credit facility. Penton has agreed to pay a commitment fee ranging from 0.375% to 0.50%, based on Penton's consolidated leverage ratio, on

Edgar Filing: PENTON MEDIA INC - Form 10-Q

the average unused portion of the revolving credit facility commitment. At June 30, 2001, \$185.0 million was available under the facility.

Term Loan A bears interest, at Penton's option, at either the ABR rate or at LIBOR, plus a rate margin ranging from 0.25% to 2.125%, based on Penton's consolidated leverage ratio. Interest on ABR loans is payable quarterly in arrears, while interest on LIBOR loans is payable in arrears at the end of each applicable interest period not to exceed three months. At June 30, 2001, the rate in effect was 6.00%. The loan, which requires quarterly principal payments, will mature on June 30, 2006. At June 30, 2001, \$133.0 million was outstanding under Term Loan A.

Term Loan B bears interest, at Penton's option, at either the ABR rate or at LIBOR, plus a rate margin ranging from 0.5% to 2.50%, based on Penton's consolidated leverage ratio. Interest on ABR loans is payable quarterly in arrears, while interest on LIBOR loans is payable in arrears at the end of each applicable interest period not to exceed three months. At June 30, 2001, the rate in effect was 6.50%. The loan requires quarterly principal payments of approximately \$0.2 million, and four balloon payments of \$17.6 million beginning in September 2006, and will mature on June 30, 2007. At June 30, 2001, \$74.3 million was outstanding under Term Loan B.

Cash paid for interest for the six months ended June 30, 2001 and 2000, was \$9.0 million and \$8.6 million, respectively. Included in interest expense in the Consolidated Statements of Income are \$0.8 million and \$3.5 million of interest income for the six months ended June 30, 2001 and 2000, respectively.

NOTES PAYABLE

The Company's long-term notes payable at June 30, 2001 of \$3.5 million represents indebtedness resulting from the acquisition of Hillgate in February 2001. The notes are denominated in British pounds, bear interest at 1% and mature in April 2002 (\$2.9 million) and April 2004 (\$0.6 million).

PENTON MEDIA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 - NET INCOME PER COMMON SHARE

The following table sets forth the reconciliation of basic and diluted weighted average shares (in thousands) for the three months and six months ended June 30, 2001 and 2000:

	Three Month Period Ended June 30,		Six Month Period Ended June 30,	
	2001	2000	2001	2000
	----	----	----	----
Numerator:				
Income (loss) applicable to common shareholders	\$ (5,483)	\$ 8,695	\$ (6,761)	\$ 75,

Edgar Filing: PENTON MEDIA INC - Form 10-Q

	=====	=====	=====	=====
Denominator (Number of shares):				
Basic - weighted average shares outstanding	31,930	31,814	31,904	31,
Effect of dilutive securities:				
Stock options	--	197	--	
Restricted stock units	--	26	--	
Deferred shares	--	14	--	
	-----	-----	-----	-----
Diluted - weighted average shares outstanding	31,930	32,051	31,904	32,
	=====	=====	=====	=====

Due to the net loss from operations for the three and six months ended June 30, 2001, stock options, restricted stock units or deferred shares were excluded from the calculation of diluted earnings per share as the result would have been antidilutive.

NOTE 8-COMMON STOCK AND COMMON STOCK AWARD PROGRAMS

STOCK OFFERINGS

In September 2000, Penton arranged a secondary offering in which existing stockholders, other than management, offered 3,638,320 shares of common stock at a price of \$30.00 per share. The Company did not receive any proceeds from this offering.

STOCKHOLDERS RIGHTS AGREEMENT

In June 2000, the Company adopted a Stockholders Rights Agreement (the "Rights Agreement"). Under the plan, the rights will initially trade together with the Company's common stock and will not be exercisable. In the absence of further board action, the rights generally will become exercisable and allow the holder to acquire the Company's common stock at a discounted price if any person or group acquires 20 percent or more of the outstanding shares of the Company's common stock. Rights held by the persons who exceed the applicable threshold will be void.

Under certain circumstances, the rights will entitle the holder to buy shares in an acquiring entity at a discounted price. The plan also includes an exchange option. In general, after the rights become exercisable, the Penton Board may, at its option, effect an exchange of part or all of the rights, other than rights that have become void, for shares of Penton Media, Inc. common stock. Under this option, Penton Media, Inc. would issue one share of common stock for each right, subject to adjustment in certain circumstances.

The Penton Board may, at its option, redeem all rights for \$0.01 per right, generally at any time prior to the rights becoming exercisable. The rights will expire June 27, 2010, unless earlier redeemed, exchanged or

## Edgar Filing: PENTON MEDIA INC - Form 10-Q

amended by the Penton Board. The Rights Agreement has no impact on the consolidated financial statements or earnings per share.

### EMPLOYEE STOCK PURCHASE PLAN

Effective January 2000, the Company established an Employee Stock Purchase Plan, with the intent of aligning the interests of Penton's employees and its stockholders by allowing employees the opportunity to purchase shares of Penton at a discount. The plan, which was effective January 1, 2000, allows employees to purchase common stock at 85% of the lower of the market price at the beginning or end of each quarter. This plan was deemed to be non-compensatory pursuant to the appropriate sections of the Internal Revenue Service Codes.

### MANAGEMENT STOCK PURCHASE PLAN

Effective January 2000, the Company established a Management Stock Purchase Plan for designated officers and other key employees. Participants in the plan may elect to receive restricted stock units ("RSUs") in lieu of a designated portion of up to 100% of their annual incentive bonus. Each RSU represents the right to receive one share of Penton common stock. RSUs are granted at a 20% discount from fair market value on the date awarded. RSUs vest two years after the date of grant and are settled in shares of common stock after a period of deferral (of no less than two years) selected by the participant, or upon termination of employment. In February 2001 and 2000, 31,942 and 25,507 RSUs were granted at a fair market value of \$25.10 and \$25.94 per share, respectively. At June 30, 2001, 57,449 RSUs were outstanding. The discount is recorded as compensation expense over the minimum vesting period. For the six months ended June 30, 2001 and 2000, approximately \$0.07 million and \$0.02 million, respectively, was charged to expense for the RSUs.

### EXECUTIVE LOAN PROGRAM

In January 2000, the Company established the Executive Loan Program, which allowed Penton to issue an aggregate of up to 400,000 shares of Penton common stock at fair market value to six key executives, in exchange for full recourse notes. In addition, on October 27, 2000, the Board of Directors authorized one additional executive to borrow up to \$1.0 million under the Executive Loan Program for the purchase of Penton stock at fair value in exchange for full recourse notes. All notes bear interest compounded semiannually at a rate equal to the applicable interest rate as published by the Internal Revenue Service and mature on or before the fifth anniversary of the first loan date. No principal or interest payments are required until maturity, at which time all outstanding amounts are due.

At June 30, 2001, 449,430 shares had been issued under the Executive Loan Program and the outstanding loan balance was approximately \$11.3 million (including \$0.9 million of accrued interest), which is classified in the Stockholders' Equity section of the balance sheet as notes receivable from officers/directors.

### EQUITY AND PERFORMANCE INCENTIVE PLAN

In May 2001, the Stockholders approved an amendment to increase the number of shares of common stock reserved for issuance under the 1998 Equity and Performance Incentive Plan from 2.5 million shares to 5.5 million shares.

### Stock Options

In May 2001, the Stockholders approved an amendment to increase the number of shares of common stock reserved for issuance under the 1998 Director Stock Option Plan from 100,000 shares to 250,000 shares.

## Edgar Filing: PENTON MEDIA INC - Form 10-Q

In February 2001 and 2000, 539,500 options and 512,600 options, respectively, were granted under the Company's Performance Incentive Plan. Options granted under the plan generally vest equally over three years from

12

13

### PENTON MEDIA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

the date of grant. However, most options granted are not exercisable until the third anniversary. All options granted pursuant to the plan will expire no later than 10 years from the date the option was granted. Option grants do not have any associated compensation charge as all grants are issued at fair market value.

#### Deferred Shares

At June 30, 2001 and 2000, 63,029 deferred shares, which were granted in 1998 and 1999, were outstanding. Of these shares, 54,333 shares vest on the third anniversary of the grant date, while the remaining 8,696 shares vest at the rate of 20% per year over a five-year period from date of grant. Compensation expense is being recognized over the related vesting period based on the fair value of the shares at the date of grant. For the six months ended June 30, 2001 and 2000, approximately \$0.2 million, respectively, were charged to expense for these shares.

#### Performance Shares

In February 2001, the Board of Directors approved a grant of 139,985 performance shares to certain key executives, subject to the attainment of certain performance goals over a three-year period from January 1, 2001 through December 31, 2003. Each grantee is eligible to receive between 50% and 150% of the granted shares.

In June 2000, the Board of Directors approved a grant of 20,000 performance shares to two key executives, subject to the attainment of certain performance goals over a three-year period from January 1, 2000 through December 31, 2002. Each grantee is eligible to receive between 10% and 150% of the granted shares.

In February 2000, the Board of Directors approved a grant of 136,054 performance shares to certain key executives, subject to the attainment of certain performance goals over a three-year period from January 1, 2000 through December 31, 2002. For 99,000 of the shares, each grantee is eligible to receive between 50% and 150% of the granted shares.

Performance shares are not issuable until earned. Compensation expense related to these shares is recorded over the performance period. For the six months ended June 30, 2001 and 2000, approximately \$1.2 million and \$1.0 million, respectively, were charged to expense for these shares.

13

14

# Edgar Filing: PENTON MEDIA INC - Form 10-Q

## PENTON MEDIA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### NOTE 9 - COMPREHENSIVE INCOME

Total comprehensive loss for the six months ended June 30, 2001 and 2000 was \$13.1 million and \$44.2 million, respectively.

	COMMON STOCK PAR VALUE	CAPITAL IN EXCESS OF PAR VALUE	RETAINED EARNINGS	NOTES RECEIVABLE OFFICERS/ DIRECTORS	ACCUM OT COMPRE INC
(DOLLARS IN THOUSANDS)					
Balance at December 31, 2000	\$ 318	\$ 226,446	\$ 112,745	\$ (10,207)	\$ 7,26
Comprehensive loss:					
Net loss	--	--	(6,761)	--	--
Unrealized loss on securities reported at fair value	--	--	--	--	(3,45)
Net loss on cash flow hedges	--	--	--	--	(1,96)
Foreign currency translation adjustment	--	--	--	--	(90)
Total comprehensive loss					
Dividends	--	--	(1,915)	--	--
Issuance of common stock:					
Executive loan shares issued	--	750	--	--	--
Exercise of stock options	1	1,048	--	--	--
Employee Stock Purchase Plan	--	(139)	--	--	--
Receivable from officers/directors	--	--	--	(1,082)	--
Balance at June 30, 2001	\$ 319	\$ 228,105	\$ 104,069	\$ (11,289)	\$ 94

### NOTE 10 - HEDGING ACTIVITIES

#### ADOPTION OF FAS 133

The Company adopted Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended by Statement of Financial Accounting Standards No. 137, Accounting for Derivative Instruments and Hedging Activities Deferral of the Effective Date of FASB Statement No. 133, an amendment of FASB Statement No. 133, and Statement of Financial Accounting Standards No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No. 133 (collectively referred to hereafter as "FAS 133"), on January 1, 2001.

The Company recorded a \$1.4 million, net-of-tax, cumulative-effect adjustment in other comprehensive income as of January 1, 2001. The transition adjustment recorded in other comprehensive income will be reclassified to earnings on a quarterly basis as interest payments occur. The Company expects that within the twelve months following the date of initial application it will reclassify to earnings \$0.9 million of the transition adjustment that was

## Edgar Filing: PENTON MEDIA INC - Form 10-Q

recorded in accumulated other comprehensive income.

The Company had the following activity in other comprehensive income related to derivatives:

Total cumulative effect of adoption on other comprehensive income, net of tax, at January 1, 2001	\$ 1,351
Net change related to current period hedging transactions	941
Net amount reclassified to earnings	(115)
	-----
Net deferred loss on cash flow hedges at March 31, 2001	2,177
Net change related to current period hedging transactions	(30)
Net amount reclassified to earnings	(182)
	-----
Net deferred loss on cash flow hedges at June 30, 2001	\$ 1,965
	=====

14

15

### PENTON MEDIA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### ACCOUNTING POLICY FOR DERIVATIVES AND HEDGING ACTIVITIES

All derivatives are recognized on the balance sheet at their fair value. On the date that the Company enters into a derivative contract, it designates the derivative as (1) a hedge of (a) the fair value of a recognized asset or liability or (b) an unrecognized firm commitment (a "fair value" hedge); (2) a hedge of (a) a forecasted transaction or (b) the variability of cash flows that are to be received or paid in connection with a recognized asset or liability (a "cash flow" hedge); (3) a foreign-currency fair-value or cash flow hedge (a "foreign currency" hedge); (4) a hedge of a net investment in a foreign operation; or (5) an instrument that is held for trading or non-hedging purposes (a "trading" or "non-hedging" instrument).

Changes in the fair value of a derivative that is highly effective as, and that is designated and qualifies as, a fair-value hedge, along with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk (including changes that reflect losses or gains on firm commitments), are recorded in current period earnings. The Company did not have any fair value hedges during the six months ended June 30, 2001.

Changes in the fair value of a derivative that is highly effective as, and that is designated and qualifies as, a cash flow hedge, to the extent that the hedge is effective, are recorded in other comprehensive income, until earnings are affected by the variability of cash flows of the hedged transaction (e.g., until periodic settlements of a variable-rate asset or liability are recorded in earnings). Any hedge ineffectiveness (which represents the amount by which the changes in the fair value of the derivative exceed the variability in the cash flows of the forecasted transaction) is recorded in current period earnings. The Company had interest rate swaps and caps which were designated as cash flow hedges for the six months ended June 30, 2001.



## Edgar Filing: PENTON MEDIA INC - Form 10-Q

Changes in the fair value of a derivative that is highly effective as, and that is designated and qualifies as, a foreign-currency hedge is recorded in either current period earnings or other comprehensive income, depending on whether the hedging relationship satisfies the criteria for a fair-value or cash-flow hedge. If, however, a derivative is used as a hedge of a net investment in a foreign operation, the changes in the derivative's fair value, to the extent that the derivative is effective as a hedge, are recorded in the cumulative translation adjustment account within other comprehensive income. Changes in the fair value of derivative trading and non-hedging instruments are reported in current period earnings. For the six months ended June 30, 2001, the Company did not have any foreign-currency or net investment hedges.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as fair-value, cash flow, or foreign-currency hedges to (1) specific assets and liabilities on the balance sheet or (2) specific firm commitments or forecasted transactions. The Company also formally assesses (both at the hedge's inception and on an ongoing basis) whether the derivatives that are used in hedging transactions have been highly effective in offsetting changes in the fair value or cash flows of hedged items and whether those derivatives may be expected to remain highly effective in future periods. When it is determined that a derivative is not (or has ceased to be) highly effective as a hedge, the Company discontinues hedge accounting prospectively, as discussed below.

The Company discontinues hedge accounting prospectively when (1) it determines that the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item (including hedged items such as firm commitments or forecasted transactions); (2) the derivative expires or is sold, terminated, or exercised; (3) it is no longer probable that the forecasted transaction will occur; (4) a hedged firm commitment no longer meets the definition of a firm commitment; or (5) management determines that designating the derivative as a hedging instrument is no longer appropriate. In all situations in which hedge accounting is discontinued and the derivative remains outstanding, the Company will carry the derivative at its fair value on the balance sheet, recognizing changes in the fair value in current period earnings.

15

16

### PENTON MEDIA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At June 30, 2001, Penton had the following interest rate instruments in effect (in thousands):

	NOTIONAL AMOUNT	RATE	PERIOD
Interest rate swap	\$26,875	6.22%	1/00-10/02
Interest rate swap	\$35,832	6.77%	5/00-11/02
Interest rate swap	\$25,000	7.09%	6/00-12/01
Interest rate swap	\$17,916	5.95%	9/99-10/02
Interest rate cap	\$26,875	8.50%	10/99-10/02

17

## Edgar Filing: PENTON MEDIA INC - Form 10-Q

At June 30, 2001, the interest rate instruments had a negative fair value of \$3.1 million recorded as a liability in Other Accrued Expenses on the balance sheet. The Company is exposed to credit loss in the event of non-performance by the other parties to the interest rate swap agreements. However, the Company does not anticipate non-performance by the other counter-parties as they are major financial institutions. The Company controls the credit risk of its interest rate swap agreements through credit approvals, limits and monitoring procedures. The Company also maintains a policy of requiring that all swap derivative contracts be pursuant to the International Swaps and Derivatives Association Master Agreement.

### RISK MANAGEMENT

In the ordinary course of business, Penton is exposed to fluctuations in interest rates and foreign currency rates. Penton maintains assets and operations in Europe and Asia, and as a result, may be exposed to cost increases relative to the markets in which it sells; however, Penton does not manage this risk using derivative instruments. The Company is exposed to interest rate risk due to the variable interest rate of the Credit Agreement. The Company maintains an overall interest rate risk-management strategy that incorporates the use of derivative instruments to minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. Derivative instruments that are used as part of the Company's interest rate risk-management strategy include primarily interest rate swaps and interest rate caps.

### CASH FLOW HEDGES

The Company uses interest rate swaps to convert a portion of its variable-rate debt to fixed-rate debt. The specific terms and notional amounts of the swaps are determined based on management's assessment of future interest rates, the requirements under the Credit Agreement (see Note 6), and other factors. The Company purchases interest rate caps and swaps to minimize its exposure to volatility in LIBOR. The level of fixed rate debt, after the effects of interest rate swaps and caps have been considered, is maintained at a level that is greater than 50% of the total Company debt.

For the six months ended June 30, 2001, the Company recognized a net loss of \$0.5 million (reported as interest expense in the Consolidated Statements of Income), which represents the total ineffectiveness of all cash flow hedges, including the time value of option contracts. All components of each derivative's gain or loss were included in the assessment of hedge effectiveness except for the time value of interest rate caps (option contracts).

During the six months ended June 30, 2001, the Company reclassified \$0.3 million from accumulated other comprehensive income to current period earnings (reported as interest expense in the Consolidated Statements of Income). The net deferred loss recorded in accumulated other comprehensive income will be reclassified to earnings on a quarterly basis as interest payments occur. As of June 30, 2001, \$0.3 million of deferred losses on derivative instruments accumulated in other comprehensive income is expected to be reclassified as earnings during the next twelve months. As of June 30, 2001, the maximum term over which the Company is hedging its exposure to the variability of future cash flows is sixteen months.

# Edgar Filing: PENTON MEDIA INC - Form 10-Q

## PENTON MEDIA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### NOTE 11 - RESTRUCTURING CHARGES

Penton announced a restructuring program in February 2001 with the intent of discontinuing certain internet operations that have not demonstrated revenue growth, customer acceptance and near-term opportunity for profit. Penton incurred a pre-tax charge of \$5.6 million for this restructuring program in the first quarter of 2001. The charge was reported as a component of operating expenses.

An analysis of restructuring charges recorded in the Consolidated Statements of Income as of June 30, 2001, and the amount accrued in the Consolidated Balance Sheets at June 30, 2001 are as follows:

Description -----	Restructuring Charge	Cash Payments	Other Adjustments
Severance, outplacement and other personnel costs	\$ 1,913	\$ 1,674	\$ -
Impaired assets	2,054	567	1,487
Other exit costs	1,600	255	-
Total	\$ 5,567	\$ 2,496	\$ 1,487

Asset impairment costs primarily included the write-off of capitalized software development costs associated with the discontinuance of the industry exchange component of New Hope Natural Media's Healthwell.com. Personnel costs include the reduction of approximately 60 employees at Healthwell.com as well as a reduction of workforce in a number of other internet initiatives throughout Penton. Such personnel costs include payments for severance, earned vacation, outplacement services and provision for continued benefits to personnel. Costs to exit activities reflect the costs associated with existing office spaces under lease and other contractual obligations. During the second quarter, \$0.6 million was charged against the restructuring reserve. Other adjustments reflect the write-off of impaired assets that did not involve the use of cash during the six months ended June 30, 2001.

### NOTE 12 - SEGMENT INFORMATION

Penton adopted Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," in 1998. As previously reported, Penton's business units had been aggregated into three reportable segments: Media Services, Printing, and Direct Mail. The sale of the Printing and Direct Mail segments has eliminated all segments except for the Media Services segment. Accordingly, the Company now operates in only one segment.

### NOTE 13 - GUARANTOR AND NON-GUARANTOR SUBSIDIARIES

The following schedules set forth condensed consolidating balance sheets as of June 30, 2001 and December 31, 2000 and our condensed consolidating

## Edgar Filing: PENTON MEDIA INC - Form 10-Q

statements of income and condensed consolidating statements of cash flows for the six months ended June 30, 2001 and 2000. In the following schedules, "Parent Company" refers to the combined balances of Penton Media, Inc., "Guarantor Subsidiaries" refer to Penton's wholly owned domestic subsidiaries, and "Non-guarantor Subsidiaries" refer to Penton's foreign subsidiaries. "Eliminations" represent the adjustments necessary to (a) eliminate intercompany transactions and (b) eliminate the investments in our subsidiaries.

17

18

PENTON MEDIA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 13 - GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (CONTINUED)

PENTON MEDIA, INC.  
CONDENSED CONSOLIDATING BALANCE SHEETS  
AS OF JUNE 30, 2001

	PARENT -----	GUARANTOR SUBSIDIARIES -----	NON-GUARANTOR SUBSIDIARIES -----	EL ---
			(DOLLARS IN THOUSANDS)	
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ 43,197	\$ 5,857	\$ 6,615	\$
Accounts and notes receivable, net	41,480	96,225	13,758	
Inventories	1,367	397	31	
Deferred tax asset	3,600	1,962	--	
Prepayments, deposits and other	12,898	6,570	2,309	
	-----	-----	-----	
	102,542	111,011	22,713	
	-----	-----	-----	
Property, plant and equipment, net	27,473	6,334	2,536	
Goodwill, net	139,701	397,823	36,332	
Other intangibles, net	12,239	38,286	2,233	
Deferred tax asset	4,187	1,045	--	
Investment in subsidiaries	238,720	144,235	--	
Investments	--	11,894	--	
	-----	-----	-----	
	422,320	599,617	41,101	
	-----	-----	-----	
	\$ 524,862	\$ 710,628	\$ 63,814	\$
	=====	=====	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
<b>CURRENT LIABILITIES:</b>				
Senior debt facility	\$ 14,750	\$ --	\$ --	\$
Accounts payable and accrued expenses	23,270	(4,012)	15,896	
Accrued compensation and benefits	12,738	1,213	(1,914)	

Edgar Filing: PENTON MEDIA INC - Form 10-Q

Unearned income	19,332	23,963	4,096
	-----	-----	-----
	70,090	21,164	18,078
	-----	-----	-----
LONG-TERM LIABILITIES AND DEFERRED CREDITS:			
Senior debt facility	192,500	--	--
Senior subordinated notes	180,836	--	--
Notes payable	80,000	--	3,526
Net deferred pension credits	15,640	--	--
Deferred tax liability	(3,631)	12,537	--
Intercompany advances	(276,639)	256,772	19,867
Other	2,105	145	1,145
	-----	-----	-----
	190,811	269,454	24,538
	-----	-----	-----
STOCKHOLDERS' EQUITY:			
Common stock	228,424	349,428	16,614
Retained earnings	48,752	66,028	6,270
Notes receivable officers/directors	(11,289)	--	--
Accumulated other comprehensive income	(1,926)	4,554	(1,686)
	-----	-----	-----
	263,961	420,010	21,198
	-----	-----	-----
	\$ 524,862	\$ 710,628	\$ 63,814
	=====	=====	=====

18

19

PENTON MEDIA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 13 - GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (CONTINUED)

PENTON MEDIA, INC.  
CONDENSED CONSOLIDATING BALANCE SHEETS  
AS OF DECEMBER 31, 2000

	PARENT	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	
	-----	-----	-----	
(DOLLARS IN THOUSANDS)				
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ --	\$ 8,678	\$ 3,970	\$
Accounts and notes receivable, net	40,592	96,850	12,617	
Inventories	495	282	21	
Deferred tax asset	3,600	1,962	--	
Prepayments, deposits and other	5,282	4,710	1,771	
	-----	-----	-----	

Edgar Filing: PENTON MEDIA INC - Form 10-Q

	49,969	112,482	18,379
	-----	-----	-----
Property, plant and equipment, net	28,951	5,462	1,084
Goodwill, net	139,023	405,987	29,616
Other intangibles, net	26,548	25,562	2,012
Deferred tax asset	2,472	--	6
Investment in subsidiaries	238,788	144,235	--
Investments	--	17,725	--
	-----	-----	-----
	435,782	598,971	32,718
	-----	-----	-----
	\$ 485,751	\$ 711,453	\$ 51,097
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Senior debt facility	\$ 11,250	\$ --	\$ --
Accounts payable and accrued expenses	32,273	7,412	6,400
Accrued compensation and benefits	15,200	2,985	300
Unearned income	17,253	28,860	9,659
	-----	-----	-----
	75,976	39,257	16,359
	-----	-----	-----
LONG-TERM LIABILITIES AND DEFERRED CREDITS:			
Revolving credit facility	91,000	--	--
Senior debt facility	199,875	--	--
Notes payable	80,000	--	--
Net deferred pension credits	15,395	--	--
Deferred tax liability	--	8,456	--
Intercompany advances	(273,733)	257,298	16,435
Other	2,395	25	(29)
	-----	-----	-----
	114,932	265,779	16,406
	-----	-----	-----
STOCKHOLDERS' EQUITY:			
Common stock	226,764	349,428	16,614
Retained earnings	78,372	48,982	2,372
Notes receivable officers/directors	(10,207)	--	--
Accumulated other comprehensive income	(86)	8,007	(654)
	-----	-----	-----
	294,843	406,417	18,332
	-----	-----	-----
	\$ 485,751	\$ 711,453	\$ 51,097
	=====	=====	=====

Edgar Filing: PENTON MEDIA INC - Form 10-Q

PENTON MEDIA, INC.  
 CONDENSED CONSOLIDATING STATEMENTS OF INCOME  
 FOR THE SIX MONTHS ENDED JUNE 30, 2001

	PARENT	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES
	-----	-----	-----
	(DOLLARS IN THOUSANDS)		
REVENUES	\$ 112,931	\$ 77,899	\$ 28,640
	-----	-----	-----
OPERATING EXPENSES:			
Editorial, production and circulation	47,698	26,791	9,523
Selling, general and administrative	56,233	31,668	11,735
Depreciation and amortization	19,356	3,055	303
Restructuring charges	5,567	--	--
	-----	-----	-----
	128,854	61,514	21,561
	-----	-----	-----
OPERATING INCOME (LOSS)	(15,923)	16,385	7,079
	-----	-----	-----
OTHER INCOME (EXPENSE):			
Interest expense, net of income earned	(14,628)	2,571	(193)
Gain on sale of investments	--	--	--
Miscellaneous, net	(216)	--	(1,234)
	-----	-----	-----
	(14,844)	2,571	(1,427)
	-----	-----	-----
INCOME (LOSS) BEFORE INCOME TAXES	(30,767)	18,956	5,652
PROVISION (BENEFIT) FOR INCOME TAXES	(3,062)	1,910	1,754
	-----	-----	-----
NET INCOME (LOSS)	\$ (27,705)	\$ 17,046	\$ 3,898
	=====	=====	=====

20

21

PENTON MEDIA, INC.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 13 - GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (CONTINUED)

PENTON MEDIA, INC.  
 CONDENSED CONSOLIDATING STATEMENTS OF INCOME  
 FOR THE SIX MONTHS ENDED JUNE 30, 2000

23

Edgar Filing: PENTON MEDIA INC - Form 10-Q

	PARENT	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIM
	-----	-----	-----	-----
			(DOLLARS IN THOUSANDS)	
REVENUES	\$ 112,801	\$ 61,717	\$ 10,365	\$
	-----	-----	-----	-----
OPERATING EXPENSES:				
Editorial, production and circulation	46,016	15,779	3,409	
Selling, general and administrative	53,216	17,934	4,491	
Depreciation and amortization	12,944	1,934	151	
Restructuring charges	--	--	--	
Impairment of other assets	1,051	--	--	
	-----	-----	-----	-----
	113,227	35,647	8,051	
	-----	-----	-----	-----
OPERATING INCOME (LOSS)	(426)	26,070	2,314	
	-----	-----	-----	-----
OTHER INCOME (EXPENSE):				
Interest expense, net of income earned	(4,904)	18	(290)	
Gain on sale of investments	110,210	--	--	
Miscellaneous, net	(436)	(8)	--	
	-----	-----	-----	-----
	104,870	10	(290)	
	-----	-----	-----	-----
INCOME BEFORE INCOME TAXES	104,444	26,080	2,024	
PROVISION FOR INCOME TAXES	45,356	11,388	686	
	-----	-----	-----	-----
INCOME FROM CONTINUING OPERATIONS	59,088	14,692	1,338	
DISCONTINUED OPERATIONS:				
Loss from discontinued operations, net	(85)	--	--	
	-----	-----	-----	-----
NET INCOME	\$ 59,003	\$ 14,692	\$ 1,338	\$
	=====	=====	=====	=====

21

22

PENTON MEDIA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 13 - GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (CONTINUED)

PENTON MEDIA, INC  
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOW  
FOR THE SIX MONTHS ENDED JUNE 30, 2001



Edgar Filing: PENTON MEDIA INC - Form 10-Q

	PARENT	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIM
	-----	-----	-----	-----
			(DOLLARS IN THOUSAND)	
CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ (24,565)	\$ 1,348	\$ 7,158	\$
	-----	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures	(2,187)	(1,727)	(1,534)	
Acquisitions and investments, net of cash acquired	(4,631)	(675)	(2,979)	
Earnouts paid	(10,208)	(1,767)	--	
	-----	-----	-----	-----
Net cash used for investing activities	(17,026)	(4,169)	(4,513)	
	-----	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from senior subordinated notes	180,836	--	--	
Proceeds from senior debt facility	45,000	--	--	
Repayment of senior debt facility	(139,875)	--	--	
Employee stock purchase plan payments	(139)	--	--	
Proceeds from deferred shares and options exercised	1,049	--	--	
Payment of financing costs	(85)	--	--	
Dividends paid	(1,912)	--	--	
	-----	-----	-----	-----
Net cash provided by financing activities	84,874	--	--	
	-----	-----	-----	-----
Effect of exchange rate	(86)	--	--	
	-----	-----	-----	-----
Net increase (decrease) in cash and equivalents	43,197	(2,821)	2,645	
Cash and equivalents at beginning of period	--	8,678	3,970	
	-----	-----	-----	-----
Cash and equivalents at end of period	\$ 43,197	\$ 5,857	\$ 6,615	\$
	=====	=====	=====	=====

22

23

PENTON MEDIA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 13 - GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (CONTINUED)

PENTON MEDIA, INC  
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOW  
FOR THE SIX MONTHS ENDED JUNE 30, 2000

Edgar Filing: PENTON MEDIA INC - Form 10-Q

	PARENT	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIM
	-----	-----	-----	-----
			(DOLLARS IN THOUSANDS)	
CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ (22,971)	\$ 8,490	\$ 3,947	\$
	-----	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures	(3,422)	(2,339)	(72)	
Acquisitions and investments, net of cash acquired	(7,352)	(3,823)	(1,417)	
Earnouts paid	(3,205)	(980)	(595)	
Proceeds from sale of INT Media Group Inc. stock	113,100	--	--	
Net proceeds from sale of discontinued operations	4,000	--	--	
	-----	-----	-----	-----
Net cash provided by investing activities	103,121	(7,142)	(2,084)	
	-----	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from senior debt facility	--	--	--	
Repayment of senior debt facility	--	--	--	
Employee stock purchase plan payments	--	--	--	
Proceeds from deferred shares and options exercised	688	--	--	
Dividends paid	(1,906)	--	--	
	-----	-----	-----	-----
Net cash used for financing activities	(1,218)	--	--	
	-----	-----	-----	-----
Effect of exchange rate	(99)	--	--	
Net increase in cash and equivalents	78,833	1,348	1,863	
Cash and equivalents at beginning of period	24,664	2,918	2,788	
	-----	-----	-----	-----
Cash and equivalents at end of period	\$ 103,497	\$ 4,266	\$ 4,651	\$
	=====	=====	=====	=====

23

24

PENTON MEDIA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 14 - SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING  
ACTIVITIES

For the six months ended June 30, 2001, Penton issued 39,430 shares to an officer under the executive loan program, marked to market its investment in INT

## Edgar Filing: PENTON MEDIA INC - Form 10-Q

Media Group, Inc. stock by approximately \$7.6 million and declared dividends of \$1.0 million which were accrued but not paid at quarter end. In addition, Penton acquired Hillgate for approximately \$4.1 million, of which \$3.5 million was in the form of notes payable.

For the six months ended June 30, 2000, Penton issued 52,920 common shares valued at approximately \$1.4 million in connection with New Hope's earnout; issued 400,000 shares to officers and directors; and marked to market its investment in INT Media Group, Inc. stock by approximately \$54.2 million.

The foregoing transactions did not provide for or require the use of cash and, accordingly, are not reflected in the Consolidated Statements of Cash Flows.

### NOTE 15- SUBSEQUENT EVENTS

In July 2001, Penton used \$20.0 million of the net proceeds from the Senior Subordinated Notes to pay down Term Loan A by \$12.8 million and B by \$7.2 million. The remaining net proceeds of \$24.2 million will be used for general corporate purposes.

24

25

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the consolidated financial statements and the notes thereto. Historical results and percentage relationships set forth in the consolidated financial statements, including trends which might appear, should not be taken as indicative of future operations. Penton considers portions of this information to be forward-looking statements within the meaning of Section 27A of the Securities Exchange Act of 1933 and Section 21E of the Securities Exchange Act of 1934, both as amended, with respect to Penton's expectations for future periods. Although Penton believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that its expectations will be achieved. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes," "anticipates," "plans," "expects," "seeks," "estimates" and similar expressions are intended to identify forward-looking statements. A number of important factors could cause Penton's results to differ materially from those indicated by such forward-looking statements, including, among other factors, pending litigation, government regulation, competition, technological change, intellectual property rights, capital spending, international operations and Penton's acquisition and Internet strategies.

#### RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2001 COMPARED WITH THE THREE MONTHS ENDED JUNE 30, 2000

#### REVENUES

Total revenues decreased \$2.3 million, or 2.1%, from \$109.1 million for the three months ended June 30, 2000 to \$106.8 million for the same period in 2001.

## Edgar Filing: PENTON MEDIA INC - Form 10-Q

Publishing revenues increased \$2.4 million, or 4.3%, from \$56.0 million for the three months ended June 30, 2000 to \$58.4 million in the same period in 2001, due primarily to the following: (i) the addition of Windows 2000 Magazine, Business Finance Magazine, SQL Server Magazine and NEWS/400 magazine, which were part of the Duke acquisition in September 2000; (ii) the addition of IT Consultant, m-CommerceWorld, ISPWorld, and Service Management magazines, which were part of the Hillgate acquisition in February 2001; (iii) the addition of Contractor magazine which was acquired in April 2001; (iv) the addition of iTgraphics Magazine, and the Australian editions of Computer Reseller News and Information Week magazines, which were all part of the DWR Media acquisition completed in May 2001; (v) the addition of Group Computing magazine which was acquired in December 2000; (vi) the launch of Streaming Media magazine in the fourth quarter of 2000 and (vii) significant year-over-year increases in Air Transport World and Expansion Management magazines. These increases were partially offset by revenue declines on technology magazines, especially Internet World magazine, as well as on select magazines serving the manufacturing industry.

Trade show and conference revenues decreased \$7.2 million, or 13.8%, from \$52.3 million for the three months ended June 30, 2000 to \$45.1 million for the same period in 2001, due primarily to the timing of the Internet World Spring and eCRM trade shows which were held in the first quarter of 2001 compared with the second quarter of 2000 offset by (i) substantial year-on-year gains posted by key trade shows held in the quarter, including Internet World UK and Natural Products Expo Europe; (ii) results from acquired properties, including Internet World Berlin, Streaming Media West, and PTS regional events and (iii) trade show launches including Steaming Media events in Berlin, Hong Kong and Tokyo.

Online media revenues increased \$2.6 million, from \$0.7 million for the three months ended June 30, 2000 to \$3.3 million for the same period in 2001, due primarily to the addition of Duke's online media business which was acquired in September 2000.

25

26

### OPERATING EXPENSES

Operating expenses increased \$17.5 million, or 20.7%, from \$84.5 million for the three months ended June 30, 2000 to \$102.0 million for the same period in 2001. As a percentage of revenues, operating costs increased from 77.5% in 2000 to 95.5% in 2001. The increase in operating expenses as a percentage of revenues was due primarily to the move of the highly successful Internet World Spring show and the eCRM show from the second quarter in 2000 to the first quarter in 2001, and higher depreciation and amortization expense related to acquisitions and capitalized costs related to the relocation of the Company's corporate headquarters.

#### Editorial, Production and Circulation

Editorial, production and circulation expenses grew to \$43.2 million for the three months ended June 30, 2001, compared with \$34.9 million for the same period in 2000, representing an increase of \$8.3 million, or 23.7%. The increase was due primarily to the acquisitions of Duke, Streaming Media and PTS in September 2000, offset by the impact of the Internet World Spring and eCRM trade shows, which were held in the second quarter of 2000 compared to the first quarter of 2001.

As a percentage of revenues, editorial, production and circulation expenses

## Edgar Filing: PENTON MEDIA INC - Form 10-Q

increased from 32.0% in 2000 to 40.4% in 2001. The increase was due largely to the timing of the trade shows, as noted above.

### Selling, General and Administrative

Selling, general and administrative expenses grew \$6.5 million, or 15.9%, from \$41.2 million for the three months ended June 30, 2000 to \$47.7 million for the same period in 2001. The increase was due primarily to the acquisition of Duke, Streaming Media and PTS in September 2000, offset by the impact of the Internet World Spring and eCRM trade shows, which were held in the second quarter of 2000 compared to the first quarter of 2001.

As a percentage of revenues, selling, general and administrative expenses increased from 37.7% in 2000 to 44.7% in 2001. The increase was due largely to the timing of the trade shows, as noted above.

### Impairment of Assets

Based upon Penton's review of the impairment of long-lived assets in accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," Penton recorded a \$1.0 million non-cash charge in the second quarter of 2000 to write down the carrying value of certain leasehold improvements, furniture and fixtures, and computer equipment to fair value.

### Depreciation and Amortization

Depreciation and amortization increased \$3.7 million, or 51.0%, to \$11.1 million for the three months ended June 30, 2001. The higher expense primarily was the result of the amortization of goodwill and intangible assets from acquisitions and increased depreciation associated with capital expenditures, primarily related to the corporate headquarters relocation in the fourth quarter of 2000.

### OPERATING INCOME

Overall, Penton's operating income decreased \$19.8 million, or 80.6%, from \$24.6 million for the three months ended June 30, 2000 to \$4.8 million for the same period in 2001. Operating income as a percentage of revenue decreased from 22.5% in 2000 to 4.5% in 2001.

26

27

### OTHER INCOME (EXPENSE)

Interest expense, net of interest earned, increased \$3.8 million to \$6.2 million for the three months ended June 30, 2001, compared with the same prior year period, due to a higher average debt balance outstanding for the three months ending June 30, 2001 when compared with the same prior year period, as well as a decrease in interest earned on Penton's lower average cash balance compared with the prior year.

### EFFECTIVE TAX RATES

The effective tax rates were (85.0%) and 60.0% for the three months ended June 30, 2001 and 2000, respectively. During the second quarter, Penton changed its method for calculating its interim tax provision from the use of the annual effective tax rate approach to the discrete period approach. The tax provision

## Edgar Filing: PENTON MEDIA INC - Form 10-Q

change was made due to the limited forward visibility on results of operations for the remainder of 2001.

SIX MONTHS ENDED JUNE 30, 2001 COMPARED WITH THE SIX MONTHS ENDED JUNE 30, 2000

### REVENUES

Total revenues increased \$34.6 million, or 18.7%, from \$184.9 million for the six months ended June 30, 2000 to \$219.5 million for the same period in 2001.

Publishing revenues increased \$6.7 million, or 6.2%, from \$108.9 million for the six months ended June 30, 2000 to \$115.6 million in the same period in 2001, due primarily to the following: (i) the addition of Windows 2000 Magazine, Business Finance Magazine, SQL Server Magazine and NEWS/400 magazine, which were part of the Duke acquisition in September 2000; (ii) the addition of IT Consultant, m-CommerceWorld, ISPWorld, and Service Management magazines, which were part of the Hillgate acquisition in February 2001; (iii) the addition of Contractor magazine, which was acquired in April 2001; (iv) the addition of Group Computing magazine which was acquired in December 2000; (v) the launch of Streaming Media magazine in the fourth quarter of 2000 and (vi) significant year-over-year increases in Supply Chain Technology News and Transportation & Distribution magazines. These increases were partially offset by revenue declines on technology magazines, especially Internet World magazine, as well as on select magazines serving the manufacturing industry and the absence of a major directory, which was published in the first quarter of 2000 and will be published in the second half of 2001.

Trade show and conference revenues increased \$22.6 million, or 30.2%, from \$74.8 million for the six months ended June 30, 2000 to \$97.4 million for the same period in 2001, due primarily to the following: (i) added results of acquired properties, including Internet World Berlin, Streaming Media West and PTS regional events; (ii) the successful launches of Internet World Wireless East, ASPCON London, Streaming Media events in Berlin, Hong Kong and Tokyo, and m-Commerce World; and (iii) strong year-on-year growth of events including Internet World UK, Service Management Europe, ISPCON London, Natural Product Expo West and Natural Products Expo Europe. Revenues were partially offset by a significant decline in the high-margin Internet World Spring show.

Online media revenues increased \$5.4 million, from \$1.1 million for the six months ended June 30, 2000 to \$6.5 million for the same period in 2001, due primarily to the addition of Duke's online media business, which was acquired in September 2000.

### OPERATING EXPENSES

Operating expenses increased \$55.0 million, or 35.1%, from \$156.9 million for the six months ended June 30, 2000 to \$211.9 million for the same period in 2001. As a percentage of revenues, operating costs increased from 84.9% in 2000 to 96.6% in 2001. The increase in operating expenses as a percentage of revenues was due primarily to lower margins earned from the trade shows held during the first half of 2001,

27

28

higher depreciation and amortization expense related to acquisitions and the relocation of the corporate headquarters as, previously noted.

### Editorial, Production and Circulation

Editorial, production and circulation expenses grew to \$84.0 million for

## Edgar Filing: PENTON MEDIA INC - Form 10-Q

the six months ended June 30, 2001 compared with \$65.2 million for the same period in 2000, representing an increase of \$18.8 million, or 28.7%. The increase was due primarily to the acquisitions of Duke, Streaming Media and PTS in September 2000, as well as the nine acquisitions completed in the first half of 2001.

As a percentage of revenues, editorial, production and circulation expenses increased from 35.3% in 2000 to 38.3% in 2001. The increase was due largely to lower margins earned from both trade shows and conferences and magazines.

### Selling, General and Administrative

Selling, general and administrative expenses grew \$24.0 million, or 31.7%, from \$75.6 million for the six months ended June 30, 2000 to \$99.6 million for the same period in 2001. The increase was due primarily to the acquisition of Duke, Streaming Media and PTS in September 2000, as well as the nine acquisitions completed in the first half of 2001.

As a percentage of revenues, selling, general and administrative expenses increased from 40.9% in 2000 to 45.4% in 2001. The increase was due largely to an increase in health care costs and compensation expense.

### Impairment of Assets

In accordance with the Company's review of impairment of long-lived assets in accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," the Company recorded a \$1.0 million non-cash charge in the second quarter of 2000 to write down the carrying value of certain leasehold improvements, furniture and fixtures, and computer equipment to fair value.

### Restructuring Charge

As a result of the current economic environment, Penton is adjusting its portfolio of online media products to focus on those that are demonstrating revenue growth, customer acceptance and near-term opportunity for profit. To that end, Penton announced a restructuring program in February 2001 with the intent of discontinuing certain online media operations that have not met these objectives. Penton incurred a pre-tax charge of \$5.6 million for this restructuring program in the first quarter of 2001. The charge was reported as a component of operating expenses. See Note 11 - Restructuring Charges for additional information on related cash payments. The following sets forth additional detail concerning the principal components of the charge:

- \* Asset impairment costs totaled \$2.1 million. These costs primarily included the write-off of capitalized software costs associated with the discontinuance of the industry exchange component of New Hope Natural Media's Healthwell.com.
- \* Personnel costs of \$1.9 million primarily are associated with the separation of 60 employees at Healthwell.com as well as a reduction of workforce in a number of other online media initiatives at Penton. Personnel costs included payments for severance, earned vacation, costs of outplacement services and provision for continued benefits to personnel.
- \* Exit costs of \$1.6 million reflecting the costs associated with existing office spaces under lease and other contractual obligations.

## Edgar Filing: PENTON MEDIA INC - Form 10-Q

### Depreciation and Amortization

Depreciation and amortization increased \$7.7 million, or 51.1%, to \$22.7 million for the six months ended June 30, 2001. The higher expense is primarily the result of the amortization of goodwill and intangible assets from acquisitions and increased depreciation associated with capital expenditures related to the relocation of the corporate headquarters in November 2000.

### OPERATING INCOME

Overall, Penton's operating income decreased \$20.4 million, or 73.0%, from \$28.0 million for the six months ended June 30, 2000 to \$7.5 million for the same period in 2001. Operating income as a percentage of revenue decreased from 15.1% in 2000 to 3.4% in 2001.

### OTHER INCOME (EXPENSE)

Interest expense increased \$7.1 million to \$12.3 million for the six months ended June 30, 2001, compared with \$5.2 million in the same prior year period, due to a higher average debt balance outstanding for the six months ending June 30, 2001 when compared with the same prior year period, as well as a significant decrease in interest earned on the Company's lower average cash balance compared with the prior year.

In February 2000, Penton sold 2.0 million shares of INT Media Group, Inc. stock as part of a 3.75 million-share secondary offering. Penton received cash of \$113.1 million and recognized a pre-tax gain of approximately \$110.2 million.

### EFFECTIVE TAX RATES

The effective tax rates were (10.0%) and 43.0% for the six months ended June 30, 2001 and 2000, respectively. During the second quarter, Penton changed its method for calculating its interim tax provision from use of the annual effective tax rate approach to the discrete period approach. The tax provision change was made due to the limited forward visibility on results for the remainder of 2001. The low effective tax rate for the six months ended June 30, 2000 was due to Penton's sale of a portion of its investment in INT Media Group, Inc. stock, which resulted in the recognition of a pre-tax gain of \$110.2 million.

### ADJUSTED EBITDA

Net income before interest, taxes, depreciation and amortization, and nonrecurring items ("adjusted EBITDA") is a widely used and commonly reported standard measure utilized by analysts and investors in the analysis of companies in the media industry. Adjusted EBITDA is not a measure of performance under GAAP because it excludes those items listed above that are significant components in understanding and evaluating Penton's financial performance. However, the following adjusted EBITDA information can be helpful in determining Penton's ability to meet its debt service requirements and in comparative analyses of operating performance relative to other media companies. Penton's calculation of adjusted EBITDA is as follows (in thousands):



Edgar Filing: PENTON MEDIA INC - Form 10-Q

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Net income (loss)	\$ (5,483)	\$ 8,695	\$ (6,761)	\$ 7,000
Interest expense, net of interest earned	6,249	2,441	12,250	10,000
Restructuring charge	--	--	5,567	--
Gain on sale of investments	--	--	--	(11,000)
Provision for income taxes	2,512	13,014	602	5,000
Depreciation and amortization	11,135	7,376	22,714	10,000
Impairment of assets	--	1,051	--	--
Discontinued operation	--	--	--	--
Miscellaneous, net	1,501	424	1,450	--
Adjusted EBITDA	\$ 15,914	\$ 33,001	\$ 35,822	\$ 44,000

For the three months ended June 30, 2001, the Company's adjusted EBITDA decreased \$17.1 million, or 51.8%, to \$15.9 million from \$33.0 million for the same period in 2000. Adjusted EBITDA margins decreased to 14.9% for the quarter compared with 30.3% in the same year ago period. The decrease in both adjusted EBITDA and adjusted EBITDA margins were primarily due to the inclusion of the highly successful Internet World Spring trade show and the eCRM show in the second quarter of 2000 compared with the first quarter this year.

For the six months ended June 30, 2001, the Company's adjusted EBITDA decreased \$8.2 million, or 18.7%, to \$35.8 million from \$44.0 million for the same period in 2000. Adjusted EBITDA margins were 16.3% for the six months ended June 30, 2001 compared with 23.8% for the same period in 2000. The decreases reflect significant declines on certain high-margin properties serving technology markets, declines on select manufacturing titles, and investments in magazine launches, partially offset by added results from acquisitions and profit improvements on certain existing properties.

Penton's calculation of adjusted EBITDA by product is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,
	2001	2000	
Publishing	\$ 8,563	\$ 14,042	\$ 15,000
Trade shows & conferences	15,956	27,709	41,000
Online media	(943)	(1,361)	(1,000)
Subtotal	23,576	40,390	54,000
General and administrative	(7,662)	(7,389)	(18,000)

Edgar Filing: PENTON MEDIA INC - Form 10-Q

Adjusted EBITDA	\$ 15,914	\$ 33,001	\$ 35,
	=====	=====	=====

30

31

For the three months ended June 30, 2001, adjusted EBITDA for the Company's publishing operations decreased \$5.5 million, or 39.0%, when compared with the same prior year period. Adjusted EBITDA was heavily impacted by declines on Penton's technology magazines, most significantly Internet World; declines on select manufacturing titles; and investments in magazine launches, partially offset by results of acquisitions.

For the three months ended June 30, 2001, adjusted EBITDA for the Company's trade show and conference operations decreased \$11.8 million, or 42.4% when compared with the same prior year period. Adjusting for the change in the timing of the Internet World Spring and eCRM trade shows, adjusted EBITDA increased 91.9% for the quarter ended June 30, 2001 when compared with the same period in 2000. The increase was due to substantial year-on-year gains posted by key trade shows held in the quarter, including Internet World UK and Natural Products Expo Europe; added results from acquired properties, including Internet World Berlin, Streaming Media West, and PTS regional events; and trade show launches including Streaming Media events in Berlin, Hong Kong and Tokyo.

For the three months ended June 30, 2001, adjusted EBITDA for the Company's online media operations decreased from a loss of \$1.4 million to a loss of \$0.9 million.

For the three months ended June 30, 2001, general and administrative costs increased \$0.3 million, when compared with the same prior year period.

For the six months ended June 30, 2001 adjusted EBITDA for the Company's publishing operations decreased \$9.8 million, or 38.9%, when compared with the prior year period, as a result of declines on high-margin magazines serving technology markets and select manufacturing magazines, investments in magazine launches and the absence of a major directory, which was published in the first quarter of 2000 but will be published in the second half of 2001.

For the six months ended June 30, 2001 adjusted EBITDA for the Company's trade show and conference operations increased \$4.6 million, or 12.7%. This increase was due to added results of acquired properties, including Internet World Berlin, Streaming Media West and PTS regional events; successful launches, including Internet World Wireless East, ASPCON London, Streaming Media events in Berlin, Hong Kong and Tokyo, and m-Commerce World; and strong year-on-year growth of events, including Internet World UK, Service Management Europe, ISPCON London, Natural Products Expo West and Natural Products Expo Europe. Adjusted EBITDA for events were partially offset by the decline of the Internet World Spring show.

For the six months ended June 30, 2001, adjusted EBITDA for the Company's online media operations decreased from a loss of \$2.1 million to a loss of \$1.9 million.

For the six months ended June 30, 2001, general and administrative costs increased \$3.3 million, when compared with the same prior-year period. The increase was primarily due to higher compensation expense, a significant

## Edgar Filing: PENTON MEDIA INC - Form 10-Q

year-over-year increase in healthcare costs and acquisitions.

### FOREIGN CURRENCY

The functional currency of the Company's foreign operations is their local currency. Accordingly, assets and liabilities of foreign operations are translated to U.S. Dollars at the rates of exchange on the balance sheet date; income and expense are translated at the average rates of exchange prevailing during the period. There were no significant foreign currency transaction gains or losses for the periods presented.

31

32

### LIQUIDITY AND CAPITAL RESOURCES

During the periods presented, Penton financed its operations primarily through cash generated from operating activities, borrowings under its credit facilities, the issuance of senior subordinated notes and the sale of investments.

Cash used by operating activities was \$15.0 million and \$10.5 million for the six months ended June 30, 2001 and 2000, respectively. Operating cash flows for the six months ended June 30, 2001 reflect the Company's net loss of \$6.8 million in addition to a net working capital decrease of approximately \$35.5 million and non-cash charges of approximately \$27.2 million. Operating cash flows for the six months ended June 30, 2000 reflect the Company's net income of \$75.0 million in addition to a net working capital increase of approximately \$7.6 million and non-cash charges of approximately \$93.1 million.

Investing activities used \$25.7 million for the six months ended June 30, 2001, primarily due to the nine acquisitions completed in 2001, earnouts and capital expenditures. For the six months ended June 30, 2000, investing activities provided \$93.9 million, primarily from proceeds from the sale of 2.0 million shares of INT Media Group, Inc. stock and proceeds from the sale of the Direct Mail segment. These proceeds were partially offset by the use of cash for acquisitions, investments, earnouts and capital expenditures.

Financing activities provided \$84.9 million for the six months ended June 30, 2001, primarily from borrowings under the Company's revolving credit facility and proceeds from the senior subordinated notes, offset partially by repayments under the credit facility and dividends paid to stockholders. Financing activities used \$1.2 million in 2000, primarily for the payment of dividends to stockholders.

In June 2001, Penton issued \$185.0 million of 10 3/8% Senior Subordinated Notes ("the Notes") due 2011 to qualified institutional buyers pursuant to Rule 144A of the Securities Act of 1933, as amended. Interest is payable on the Notes semiannually on June 15 and December 15 of each year. The Notes are guaranteed, on a senior subordinated basis, by the Company's domestic subsidiaries and may be redeemed on or after June 15, 2006. In addition, the Company may redeem up to 35% of the aggregate principal amount of the Notes before June 15, 2004 with the proceeds of certain equity offerings. The Notes were offered at a discount of \$4.2 million to be amortized over the term of the Notes. Amortization of the discount was not material for the six month period ended June 30, 2001. Costs representing underwriting fees and other expenses of \$0.6 million will be amortized over the term of the Notes. Net proceeds of \$180.2 million were used to pay down the \$136.0 million outstanding balance of the Revolving Credit Facility. In addition, a portion of the Company's Term Loan A and B will be

## Edgar Filing: PENTON MEDIA INC - Form 10-Q

paid down on a pro rata basis (see Note 15 Subsequent Events). The Notes are unsecured senior subordinated obligations of the Company, subordinated in right of payment to all existing and future senior indebtedness of the Company, including the credit facility. The Notes contain covenants that will, among other things, restrict the Company's ability to borrow money, pay dividends on or repurchase capital stock, make investments, sell assets or enter into mergers or consolidations.

In October 2000, Penton amended its Credit Agreement to give the Company the option to increase, in the aggregate, its Term Loan A, Term Loan B and/or its Revolver by \$100.0 million. The Term Loans and the Revolver cannot be increased on more than three separate occasions, and any increase must take place by September 30, 2001. Concurrent with the closing of the amendment, the Company obtained committed financing in the amount of \$60.0 million of the \$100.0 million under the Revolver, thereby increasing the total available under the Revolver to \$185.0 million.

Based upon current and anticipated levels of operations, management believes that cash on hand and cash flow from operations, combined with borrowings available under Penton's credit facilities, will be sufficient to enable Penton to meet current and anticipated cash operating requirements, including scheduled interest and principal payments, capital expenditures and working capital needs. However, actual capital requirements may change, particularly as a result of any acquisitions that Penton may make. Penton's ability to meet current and anticipated operating requirements will depend upon its future performance, which, in turn, will be subject to

32

33

general economic conditions and to financial, business and other factors, including factors beyond Penton's control. Depending on the nature, size and timing of future acquisitions, Penton may be required to raise additional capital through additional financing arrangements or the issuance of private or public debt or equity securities. Management cannot assure that such additional financing will be available at acceptable terms. Substantially all of Penton's debt bears interest at floating rates. Therefore, Penton's liquidity and financial condition are, and will continue to be, affected by changes in prevailing interest rates.

### SEASONALITY

The introduction of trade shows and conferences into Penton's product mix through the acquisition of INDEX and ISOA in late 1997, the acquisition of IWM in November 1998, the acquisition of New Hope in May 1999 and the acquisition of Streaming Media in September 2000 has changed the seasonal pattern of revenue and profit because all five companies have pronounced seasonal patterns in their businesses. The majority of the trade shows of ISOA, Streaming Media and IWM are held in the second and fourth quarters and, accordingly, the majority of their revenue is recognized in these quarters. Furthermore, the majority of the INDEX shows historically have been held in the fourth quarter, and the New Hope shows have been held in the first and third or fourth quarters. Accordingly, these acquisitions have had and will have a positive impact on revenue and profit for these quarters.

Penton also may experience seasonal fluctuations as trade shows and conferences held in one period in the current year may be held in a different period in future years.

## Edgar Filing: PENTON MEDIA INC - Form 10-Q

### INFLATION

The impact of inflation on Penton's results of operations has not been significant in recent years.

### NEW ACCOUNTING PRONOUNCEMENTS

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("FAS") No. 141 "Business Combinations". FAS No. 141 requires that all business combinations be accounted for under the purchase method of accounting. In addition, this Statement addresses financial accounting and reporting for goodwill and other intangible assets acquired in a business combination at acquisition. The Statement also provides criteria for the separate recognition of intangible assets acquired in a business combination. FAS No. 141 is effective for all business combinations initiated after June 30, 2001.

In July 2001, the FASB also issued FAS No. 142 "Goodwill and Other Intangible Assets". FAS 142 addresses financial accounting and reporting for intangible assets acquired individually or with a group of other assets at acquisition. FAS No. 142 presumes that goodwill and certain intangible assets have indefinite useful lives. Accordingly, goodwill and certain intangibles will not be amortized but rather will be tested at least annually for impairment. FAS No. 142 also addresses accounting and reporting for goodwill and other intangible assets subsequent to their acquisition. FAS No. 142 is effective for fiscal years beginning after December 15, 2001. As of the date of this filing we have not yet completed our assessment of the impact of FAS 142 on our financial statements.

### EURO CONVERSION

On January 1, 1999, 11 of the 15 participating countries that are members of the European Union established a new uniform currency known as the Euro. The currency existing prior to such date in the participating countries will be phased out during the transition period commencing January 1, 1999, and ending January 1, 2002. During this transition period, both the Euro and the existing currency will be available in the participating countries. Although Penton generates revenues in some of the participating countries, management does not anticipate that the introduction and use of the Euro will materially affect Penton's business, results of operations or financial condition.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Market risk is the potential loss arising from adverse changes in market rates and prices, such as foreign currency exchange and interest rates. Penton does not enter into financial instruments for trading or speculative purposes.

In the normal course of business, Penton manages fluctuations in interest rates through swap and cap agreements to hedge at least 50% of its floating rate borrowings. Penton's objective in managing this exposure is to reduce fluctuations in earnings and cash flows associated with changes in interest rates.

Penton maintains assets and operations in Europe and in various other countries. As a result, it may be exposed to cost increases relative to the markets in which it sells. At June 30, 2001, a hypothetical 10% strengthening of the U.S. dollar relative to the currencies of foreign countries in which Penton

Edgar Filing: PENTON MEDIA INC - Form 10-Q

operates was not material.

34

35

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS ON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On May 4, 2001 the Company held its Annual Meeting of Stockholders. The matters presented to the stockholders for a vote and the vote on such matters were as follows:

a) Election of directors for a three-year term expiring in 2004.

	For ---	Abstain -----
King Harris	28,895,227	674,365
Thomas L. Kemp	24,911,173	4,658,419
Edward J. Schwartz	28,895,866	673,726
William B. Summers	28,784,045	785,547

b) Proposal to amend Penton's 1998 Equity and Performance Incentive Plan.

For -----	Against -----	Abstain -----
15,693,462	10,437,144	58,342

c) Proposal to amend Penton's 1998 Director Stock Option Plan.

For -----	Against -----	Abstain -----
21,652,459	4,471,938	64,462

d) Proposal to ratify the appointment of the Independent Certified Accountants of Penton for the fiscal year ending December 31, 2001.

For -----	Against -----	Abstain -----
--------------	------------------	------------------

Edgar Filing: PENTON MEDIA INC - Form 10-Q

29,422,970

131,321

15,301

No other matters were submitted to the stockholders for a vote.

35

36

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

- 4.1 Indenture, dated as of June 28, 2001, between Penton Media, Inc., as issuer, the Subsidiary Guarantors named herein, and The Bank of New York, as Trustee, including the form of the Company's 10.375% Senior Subordinated Notes due June 15, 2011 attached as Exhibit A thereto, filed herewith.
- 4.2 Registration Rights Agreement, dated as of June 28, 2001 between Penton Media, Inc., as issuer, the Guarantors named therein, and Credit Suisse First Boston Corporation acting on behalf of itself and as representative of the Initial Purchasers named therein, for the Company's 10.375% Senior Subordinated Notes due June 15, 2011, filed herewith.
- 10.1 Amendment No. 3 to the Credit Facility, dated May 12, 2001, between Penton Media, Inc., as borrower, the lenders listed therein, as lenders, Banc of America Securities, LLC, as syndication agent, The First National Bank of Chicago, as documentation agent and The Bank of New York, as administrative agent, filed herewith.
- 10.2 Amendment No. 4 and Waiver No. 1 to the Credit Facility, dated June 14, 2001, between Penton Media, Inc., as borrower, the lenders listed therein, as lenders, Banc of America Securities, LLC, as syndication agent, The First National Bank of Chicago, as documentation agent and The Bank of New York, as administrative agent, filed herewith.
- 10.3 Amendment No 5 and Waiver No. 2 to the Credit Facility, dated June 21, 2001, between Penton Media, Inc., as borrower, the lenders listed therein, as lenders, Banc of America Securities, LLC, as syndication agent, The First National Bank of Chicago, as documentation agent and The Bank of New York, as administrative agent, filed herewith.
- 10.4 Penton Media, Inc. Amended and Restated 1998 Director Stock Option Plan, filed herewith.
- 10.5 Penton Media, Inc. Amended and Restated 1998 Equity and Performance Incentive Plan, filed herewith.

(b) REPORTS ON FORM 8-K AND/OR 8-K/A

Date of Report

Items Reported

Edgar Filing: PENTON MEDIA INC - Form 10-Q

-----  
June 8, 2001  
June 22, 2001

-----  
Item 5 Other Events  
Item 5 Other Events

36

37

SIGNATURE

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 thereunto duly authorized.

Penton Media, Inc.  
(Registrant)

By: /s/ JOSEPH G. NECASTRO

-----  
Joseph G. NeCastro

Chief Financial Officer  
(Duly Authorized Officer and  
Principal Financial Officer)

Date: August 14, 2001

37

38

EXHIBIT INDEX

EXHIBIT NO. -----	DESCRIPTION OF DOCUMENT -----
4.1	Indenture, dated as of June 28, 2001, between Penton Media, Inc., as issuer, the Subsidiary Guarantors named herein, and The Bank of New York, as Trustee, including the form of the Company's 10.375% Senior Subordinated Notes due June 15, 2011 attached as Exhibit A thereto, filed herewith.
4.2	Registration Rights Agreement, dated as of June 28, 2001 between Penton Media, Inc., as issuer, the Guarantors named therein, and Credit Suisse First Boston Corporation acting on behalf of itself and as representative of the Initial Purchasers named therein, for the Company's 10.375% Senior Subordinated Notes due June 15, 2011, filed herewith.



## Edgar Filing: PENTON MEDIA INC - Form 10-Q

- 10.1 Amendment No. 3 to the Credit Facility, dated May 12, 2001, between Penton Media, Inc., as borrower, the lenders listed therein, as lenders, Banc of America Securities, LLC, as syndication agent, The First National Bank of Chicago, as documentation agent and The Bank of New York, as administrative agent, filed herewith.
- 10.2 Amendment No. 4 and Waiver No. 1 to the Credit Facility, dated June 14, 2001, between Penton Media, Inc., as borrower, the lenders listed therein, as lenders, Banc of America Securities, LLC, as syndication agent, The First National Bank of Chicago, as documentation agent and The Bank of New York, as administrative agent, filed herewith.
- 10.3 Amendment No 5 and Waiver No. 2 to the Credit Facility, dated June 21, 2001, between Penton Media, Inc., as borrower, the lenders listed therein, as lenders, Banc of America Securities, LLC, as syndication agent, The First National Bank of Chicago, as documentation agent and The Bank of New York, as administrative agent, filed herewith.
- 10.4 Penton Media, Inc. Amended and Restated 1998 Director Stock Option Plan, filed herewith.
- 10.5 Penton Media, Inc. Amended and Restated 1998 Equity and Performance Incentive Plan, filed herewith.