

HAIGHTS CROSS COMMUNICATIONS INC

FORM 8-K (Unscheduled Material Events)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

**CURRENT REPORT PURSUANT
TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of report (Date of earliest event reported) **November 18, 2004**

HAIGHTS CROSS COMMUNICATIONS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

333-109381

(Commission File Number)

**10 New King Street, Suite 102
White Plains, New York**

(Address of Principal Executive Offices)

13-4087398

(IRS Employer Identification No.)

10604

(Zip Code)

(914) 289-9400

(Registrant's Telephone Number, Including Area Code)

N/A

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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ITEM 7.01 Regulation FD Disclosure.

Hights Cross Communications, Inc.'s (the "Company") designated representative will participate in the CSFB High Yield Conference on November 18, 2004 in New York, New York.

Attached hereto as Exhibit 99.1 is the Company's Investor Presentation.

ITEM 9.01 Financial Statements and Exhibits.

(c) Exhibits. The following exhibit is being furnished herewith.

Exhibit No.	Description
99.1	Hights Cross Communications, Inc.'s Investor Presentation

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

HIGHTS CROSS COMMUNICATIONS, INC.

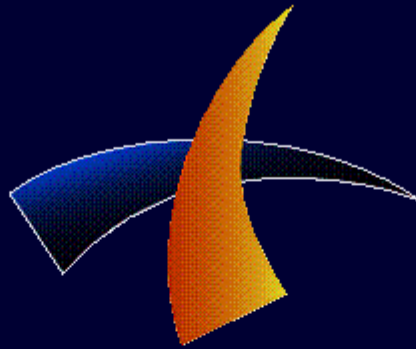
Date: November 18, 2004

By: /s/ Paul J. Crecca

Name: Paul J. Crecca
Title: Executive Vice President and Chief
Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
99.1	Hights Cross Communications, Inc.'s Investor Presentation



Hights Cross Communications

*CSFB High Yield Conference
Investor Presentation*

New York, NY
Nov 18, 2004

Senior Management Representatives

Peter J. Quandt—Chairman and Chief Executive Officer

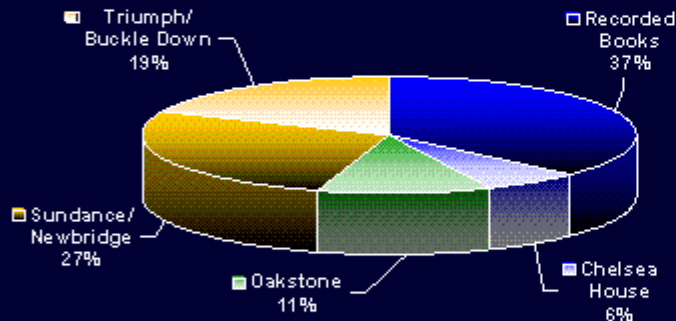
Paul J. Crecca—EVP and Chief Financial Officer

Company Overview

LTM Sept 2004 Revenue—\$176.9m ⁽¹⁾

Education

Library



- Leading publisher of products for the Education and Library markets
- Formed in 1997; acquired businesses between 1997–2004
 - ▶ All businesses have operating histories in excess of 20 years
- Offers more than 12,700 proprietary titles (84% of 2003 revenue)
 - ▶ Over 10,000 backlist titles
- 150,000 customers

LTM September 2004 Adj. EBITDA of \$51.2m ^(1, 2) representing margin of 29.0%

1. Includes acquisition of Buckle Down from April 15, 2004.
2. Excludes non-recurring HCC expenses of \$3.5m.

Business Strategy

- Acquire businesses at reasonable multiples with a #1 or leading position in growing niches of education and library publishing market
- Extend market leadership position by leveraging propriety content and product development capability
 - Develop product extensions
 - Introduce completely new product lines
- Build highly effective multi-tiered sales and marketing functions
 - Extensive market research/customer intelligence
 - Professionally managed direct sales forces
 - In-house telesales efforts
 - Highly targeted direct marketing/catalogs
- Maximize operating efficiencies
- Achieve critical mass and grow businesses organically to position HCC for IPO

Business Segment Overview

Education:

Description



- Supplemental reading materials for grades K-9

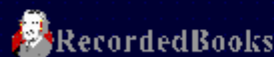


- State specific test preparation materials for grades K-12



- Audio reviews of medical literature for physicians

Library:



- Unabridged audio books



- Non-fiction library books in series for children and young adults

Investment Highlights

- **Leading Positions in High Growth Publishing Markets**
 - Number 1 in three of our markets and top 3 in remaining two
- **Diversified Business and Customer Mix**
 - Over 25,000 products and 150,000 customers
- **Extensive Proprietary Content - 84% of revenue**
- **Superior Product Development Capabilities**
 - Investing 8% of sales on product development and rarely need to write off unsuccessful product development efforts
- **Strong Recurring Revenue Streams**
 - Over 90% of proprietary revenue from subscription products or backlist books
- Successful at completing and implementing strategic business acquisitions
- Revenue and EBITDA CAGR of 40% and 81%, respectively, over the last 6 years (GAAP basis)

Leading Positions in High Growth Markets

Business Segment	Market Position	Year Founded
Sundance/Newbridge	Leading	1970
Triumph Learning	#1	1963
Oakstone Publishing	#1	1975
Recorded Books	#1	1979
Chelsea House	Leading	1966

The Company's leading market positions, coupled with its strong brand recognition and reputation for quality, creates significant barriers to entry

Diversification on Many Levels

Markets Served

- Balanced between the Education and Library markets
- Five distinct business segments

Products Offered

- Reading books, workbooks, study guides, audiobooks and newsletters
- Over 25,000 proprietary and non-proprietary titles

Customers Reached

- Over 150,000 customers: teachers, public and school libraries, school systems and state municipalities
- Largest customer less than 3% of revenue

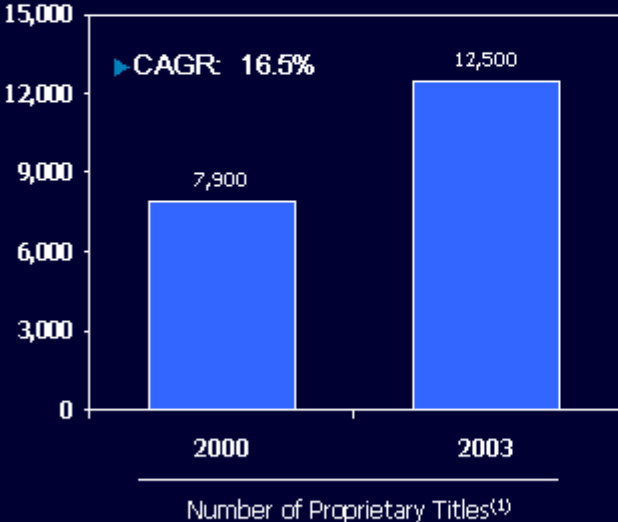
Extensive Proprietary Content

Proprietary content establishes recognized brands, facilitates introduction of new products and creates barriers to entry

	2003 Revenue Contribution from Proprietary Titles
Sundance/Newbridge	73%
Triumph/Buckle Down	100
Oakstone	100
Recorded Books	91
Chelsea House	100
Total	84%

Superior Product Development Capabilities

The Company invests significant resources in new product development



- Invests more than 8% of revenue annually
- Successful track record of converting new titles to backlist
- High return on investment with minimal write-offs of capitalized amounts

(1) Excludes Oakstone.

Strong Recurring Revenue Streams

Strong backlist and high subscription renewal rates generate substantial recurring revenue

Business Segment	# of Backlist Titles	% of 2003 Revenue	
		Backlist ⁽¹⁾	Subscription
Sundance/Newbridge	2,001	97%	—
Triumph Learning	1,359	85	—
Oakstone	NA	—	100%
Recorded Books	4,796	83	38
Chelsea House	2,507	64	—
Total	10,663	86%	

(1) Proprietary title, non-subscription revenue only.

Favorable Long-Term Industry Fundamentals

Despite current softness, long-term industry fundamentals remain positive for the supplemental education market

■ No Child Left Behind Act

- ▶ Focuses on state-level accountability testing
- ▶ Authorizes \$24 billion for educational funding
- ▶ Mandatory testing in reading and math every year for grades 3–8 and once in high school beginning in fall 2005
- ▶ Mandatory testing in science once in grade school, middle school, and high school beginning in fall 2007

■ Supplemental education materials have favorable characteristics

- ▶ Lower investments and higher margins than basals
- ▶ Shorter development cycles enables quick response to market needs
- ▶ Steadier funding, more local funding and more affordable
- ▶ Often longer product cycles

Short-term Market Outlook

- Association of American Publishers (AAP) EIH reported modest 2.5% growth Dec 2003 YTD, after falling 5% in 2002.
 - ▶ Peter Appert of Goldman Sachs predicted in Feb 2004 that K-12 sales would fall 6% in 2004 before rising 10% in 2005.
- AAP reported overall K-12 educational publishing sales down 1%

Education Market Appears to be Brightening

- Association of American Publishers reports supplemental sales up 11.8% through September 2004 YTD
- May 2nd New York Times reported
 - ▶ State tax collections up for the first time in 3 years
 - ▶ 32 states will finish fiscal 2004 with surpluses
 - ▶ State expenditures will grow 2.8% in fiscal 2005, after growing 0.6% last year (compared to an average of 6.2% annually over the previous 26 years)
- Book Industry Study Group projected in May the Elhi segment to have strongest long-term prospects in all book publishing and to grow at an annual rate of 6% over the next five years.
- Association of American Publishers project in June that K-12 educational publishing to grow at average rate of 5% through 2007
- HCC revenue 9 months Sept 2004 grew 11.9% -- 7.8% excluding the acquisition of Buckle Down

Acquisition of Options Publishing

- Fast-growing publisher of K-8 reading, math and literature supplemental education materials and intervention programs
- Definitive agreement signed Nov 11, 2004
 - ▶ Pending HSR, closing expected in Dec 2004
- Founded in 1992 by Barbara Russell, current CEO
 - ▶ Russell will be staying on as CEO
- Company has invested heavily in new product development and sales & marketing – and has been very successful in these investments
- Title I, Reading First funds, and NCLB all benefit Options
- Approx. 50 employees located in Merrimack, NH – where the business will remain as a stand-alone unit of HCC

Financial Review

3rd Quarter September 2004/2003 ⁽¹⁾

(\$ in millions)

	REVENUE				Adjusted EBITDA ⁽²⁾			
	Quarter Sept 30,		Fav / (Unfav)		Quarter Sept 30,		Fav / (Unfav)	
	2004	2003	Amt	%	2004	2003	Amt	%
Sundance/Newbridge	\$ 13.7	\$ 13.7	\$ 0.1	0.5%	\$ 4.7	\$ 5.1	\$ (0.4)	(8.0%)
Triumph Learning	10.1	6.3	3.8	59.4%	4.0	2.2	1.8	82.5%
Oakstone Publishing	5.6	3.9	1.7	43.5%	1.9	0.6	1.3	208.4%
Recorded Books	17.0	15.2	1.7	11.2%	5.1	5.1	(0.0)	(0.3%)
Chelsea House	2.3	2.9	(0.6)	(21.2%)	0.6	0.9	(0.4)	(38.8%)
Corporate					(1.8)	(1.0)	(0.8)	(79.0%)
Total	\$ 48.7	\$ 42.1	\$ 6.6	15.8%	\$ 14.5	\$ 13.0	\$ 1.5	11.8%

(1) Includes acquisition of Buckle Down from April 15, 2004.

(2) Q3 2003 and Q3 2004 excludes non-recurring costs of \$0.2 million and \$0.8 million, respectively.

9 Months Year to Date 2004/2003 ⁽¹⁾

(\$ in millions)

	REVENUE				Adjusted EBITDA ⁽²⁾			
	YTD Sept 30,		Fav./ (Unfav)		YTD Sept 30,		Fav./ (Unfav)	
	2004	2003	Amt	%	2004	2003	Amt	%
Sundance/Newbridge	\$ 40.6	\$ 37.8	\$ 2.8	7.5%	\$ 14.5	\$ 14.3	\$ 0.2	1.7%
Triumph Learning	25.4	18.0	7.4	41.1%	9.7	6.0	3.7	61.9%
Oakstone Publishing	14.0	12.1	1.8	14.9%	3.2	2.5	0.7	28.2%
Recorded Books	50.5	46.2	4.3	9.3%	14.7	14.1	0.6	4.1%
Chelsea House	8.6	10.1	(1.5)	(14.8%)	2.8	3.4	(0.6)	(17.3%)
Corporate					(4.1)	(3.2)	(0.8)	(25.1%)
Total	\$ 139.2	\$ 124.3	\$ 14.9	11.9%	\$ 40.8	\$ 37.0	\$ 3.8	10.3%

(1) Includes acquisition of Buckle Down from April 15, 2004.

(2) YTD 2003 and YTD 2004 excludes non-recurring costs of \$2.9 million and \$3.4 million, respectively.

Capital Structure

(\$ in millions)

CAPITALIZATION (3)	30-Sep-04	% of Total	Leverage of Adjusted EBITDA (1)		Leverage Net of Cash
			Indiv	Cumul	Cumul
<u>Sept 2004 LTM Adjusted EBITDA</u>			<u>\$ 49.2</u>		
Cash (4)	<u>\$ 57.9</u>				
Revolver (\$30mm)	<u>0.0</u>				
Secured Term Loan	<u>99.0</u>	<u>21%</u>	<u>2.0</u>	<u>2.0</u>	<u>0.8</u>
Senior Notes	<u>140.0</u>	<u>30%</u>	<u>2.8</u>	<u>4.9</u>	<u>3.7</u>
Senior Discount Notes	<u>79.8</u>	<u>17%</u>	<u>1.6</u>	<u>6.5</u>	<u>5.3</u>
Total Debt	<u>318.8</u>	<u>69%</u>			
Series B Preferred	<u>106.3</u>	<u>23%</u>	<u>2.2</u>	<u>8.6</u>	<u>7.5</u>
Series A Preferred ⁽²⁾	<u>35.1</u>	<u>8%</u>			
Series C Preferred	<u>3.6</u>	<u>1%</u>			
Total Preferred Equity	<u>145.0</u>	<u>31%</u>			
Total Capitalization	<u>\$ 463.8</u>	<u>100%</u>			

(1) "Adjusted EBITDA" excludes non-recurring charges

(2) Includes value of unexercised warrants

(3) Reflects Liquidation Value of Debt & Preferred Securities - not GAAP balance sheet carrying values

(4) Hold Co cash \$33.4mm, Op Co cash \$24.5mm

Conclusion

- Leading Positions in High Growth Publishing Markets
- Diversified Business and Customer Mix
- Extensive Proprietary Content
- Superior Product Development Capabilities
- Strong Recurring Revenue Streams
- Favorable Long-Term Industry Fundamentals
- Strong Financial Performance
- Experienced Management Team

Safe Harbor Statement

Today's presentation and discussion may have contained forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "expects," "anticipates," "intends," "estimates," or similar expressions are intended to identify these forward-looking statements. These statements are based on Hights Cross' current plans and expectations and involve risks and uncertainties that could cause future activities and results of operations to be materially different from those set forth in the forward-looking statements.