THE FIXED INCOME CONTRARIAN

April 12, 2022

Graham Holdings Company

5.75% Senior Unsecured Notes due 6/1/26 (144A)

(Update and Recommendation)

Price (close):	102.157	**Yield-to-Maturity:**	5.16%
Rating:	Ba1/BB	**Current Yield:**	5.62%
Outstanding:	$400.0 million	**Yield-to-Worst**	4.61%
		Cusip:	384637AA2
		Callable:	6/1/2022 @ 102.875
			6/1/2023 @ 101.438
(Data as of April 11, 2022)			6/1/2024 @ 100

PCS RESEARCH GROUP

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Exclusive Marketers of
The Fixed Income Contrarian Report

PCS Research Group LLC
100 Wall Street, 20th Floor
New York, NY 10005
research@pcsresearchservices.com
(212) 233-0100
www.pcsresearchservices.com

Research Team

Murray Stahl **Steven Bregman**

Rich Begun, Thérèse Byars, Ryan Casey, James Davolos, Peter Doyle, Matthew Houk, Utako Kojima, Eric Sites, Fredrik Tjernstrom, Steven Tuen

Investment Thesis

Graham Holdings Company is a diversified conglomerate that was once known for its ownership of the Washington Post newspaper, which has since been sold. The company is now a very different enterprise. It is genuinely diversified in the true holding company tradition.

Despite having a diversified source of income, Graham Holdings was not untouched by global pandemic. Although its earnings did decline, the company remained profitable. Now that the pandemic begins to recede, Graham Holdings' prospects should improve.

If it can be accepted that the business environment is on the path to recovery, then Graham Holdings could be expected to produce normalized earnings of, perhaps, $200 million per year. Contrast this with its annual interest expense of just $33.9 million. On this basis, the company can quite easily support its current level of debt.

As to the balance sheet, Graham Holdings possesses almost $1 billion of liquid assets, consisting of cash and marketable equity securities. This amount exceeds its total borrowings of $667 million by roughly $300 million. Thus, in principle, were the company to decide to become debt-free, it would have the wherewithal to achieve that goal.

The senior unsecured notes under discussion represent the majority of its indebtedness. These are not due to mature until the year 2026. The remaining debt consists of bank debt that will be due in one year. Yet, the amount is not egregious; almost all of it could be repaid with the cash on hand. However, the likely scenario would simply be a renewal of the credit facility, extending the maturity for an additional several years. Thus, although Graham Holdings has experienced a diminution in its business care of the COVID-19 pandemic, it is not under any type of duress.

It is for these reasons that the bonds were recommended for purchase approximately one year ago. At the time, they were trading at approximately 105, which provided a yield-to-maturity of 4.65%. Presently, they are at the 102 level. Therefore, with one year having elapsed and a lower price, the yield-to-maturity increases to slightly more than 5% per annum. Given that the company's operations are improving and the higher offered yield, the risk/return tradeoff continues to be favorable, and therefore purchase of the Graham Holdings 5.75% Senior Unsecured Notes due 2026 is recommended. Since little has changed in regard to Graham Holdings' operations, much of the information from the prior report is reprised.

Company Description

Graham Holdings describes itself as a diversified education and media company. However, it is much more diversified than that. While it operates the Kaplan education business that provides a range of services to students, including SAT preparation courses, the company also owns a television broadcast business, various manufacturing operations, automotive dealerships, as well as home health and hospice providers, among other businesses.

Historical Considerations

Graham Holdings was originally founded in 1877, when the Washington Post newspaper was formed. In 2013, the Washington Post Company (now Graham Holdings) sold its flagship newspaper to Jeff Bezos, the founder and CEO of Amazon.com. The remaining businesses owned and operated by the company were retained and thereafter, renamed Graham Holdings, after the Graham family that controlled The Washington Post.

Consequently, the Graham family retains control of Graham Holdings, with ownership of all of the Class A shares (964,001 shares outstanding; not publicly traded) and 36.6% of the Class B shares. In total, they have a 42% economic interest in the company.

Current Operations

Graham Holdings' scope of business activities is quite varied and diverse, such that the company could legitimately be considered a holding company or conglomerate in the same fashion of a Berkshire Hathaway or Loews Corporation. Its operating segments consist of the following.

Education

Graham Holdings' Education business is primarily comprised of Kaplan, a global education provider offering an array of higher and professional education, test preparation, online learning and other services to students, businesses and universities. It is perhaps best known for its test prep business, which assists students to study and prepare for standardized tests such as the SAT and GRE, although the services it offers is much broader.

In 2021, Kaplan served approximately 700,000 students and professionals worldwide and had associations with roughly 12,300 companies and relationships with 4,000 universities. Its services are provided through three divisions: Kaplan North America Higher Education; Kaplan North America Supplemental Education; and Kaplan International. However, it should be noted that in 2020, the company combined the North America Higher Education business and the North America Supplemental Education divisions into one business named Kaplan North America.

- Kaplan North America Higher Education provides postsecondary education services to students through Kaplan University, which offers online and in-person instruction. It provides a wide array of certificate diplomas and degree programs for students who wish to advance their education and career goals. The latter is conducted through an affiliation with Purdue University, known as Purdue University Global.

- Kaplan North America Supplemental Education consists of the standardized test preparation, domestic professional and other continuing education businesses. These are offered under the Kaplan Test Prep, Manhattan Prep and Barron's Educational Series brands for a variety of subjects, including precollege (e.g., SAT, FRE), healthcare (MCAT), legal & government (LSAT, bar exams), business & financial (real estate licenses & other certificates) and technology & engineering (online data science and analytics courses). In 2021, it served over 220,000 students, now virtually all online due to the coronavirus pandemic. It also served approximately 2,700 business-to-business clients, including 120 of the Fortune 500 companies.

- Kaplan International operates in Europe and the Middle East, North America, and the Asia Pacific region. It provides apprenticeship training and test preparation for accounting and financial services professionals in the United Kingdom, having 47,000 students in 2021. It is also the sole authorized assessment provider for the Solicitors Regulation Authority for individuals seeking to become solicitors (i.e., lawyers) in England and Wales.

  In the Asia Pacific region, Kaplan International operates primarily in Singapore, Australia, New Zealand and China (including Hong Kong). It operates a higher education business that provides students with the opportunity to earn bachelor's and postgraduate degrees in various fields, as well as preparatory courses for professional qualifications in accounting and finance (such as the CFA).

Television Broadcasting
Operating as Graham Media Group, the company owns seven television stations located in Houston, Detroit, Orlando, San Antonio, Jacksonville, and Roanoke. Six of the seven stations are affiliated with one or more national television networks.

Exhibit 1: Graham Media Group Television Stations

Station/Locations	Year Commenced	Nat'l Mkt. Ranking	Primary Network Affiliation	FCC License Expir. Date	Network Agmt. Expir. Date	Total Stations in DMA*
KPRC, Houston, TX	1949	9th	NBC	8/1/2022	12/31/2022	17
WDIV, Detroit, MI	1947	15th	NBC	10/1/2029	12/31/2022	10
WKMG, Orlando, FL	1954	17th	CBS	2/1/2029	6/30/2022	18
KSAT, San Antonio, TX	1957	31st	ABC	8/1/2022	3/31/2026	15
WJXT, Jacksonville, FL	1947	43rd	None	2/1/2029		9
WCWJ, Jacksonville, FL	1966	43rd	CW	2/1/2029	8/31/2025	9
WSLS, Roanoke, VA	1952	71st	NBC	10/1/2028	12/31/2022	8

*Designated Market Area
Source: Company reports

Revenue is derived from the sale of advertising time to local, regional and national advertisers.

Graham Healthcare Group
GHG provides home health, hospice and palliative services to over 50,000 patients annually. The company operates 13 home care, seven hospice and two palliative care units in Michigan, Illinois, Pennsylvania and Florida. Six of these operate under joint ventures with health systems and physician groups, while the remainder are wholly-owned and operated under the *Residential* brand. Roughly 90% of the unit's revenues are derived from Medicare, with the balance from commercial insurance and private payers.

Hoover Treated Wood Products, Inc.
Hoover is a supplier of pressure impregnated kiln-dried lumber and plywood that are used in fire-retardant and preservative applications, such as non-load bearing partitions, exterior walls, roof assemblies, canopies, and exterior balconies where noncombustible or weather-resistant materials are needed. Its brands include Pyro-Guard, Exterior Fire-X, Dura-Guard, CCA, Cop-Guard, Micro-Guard, Clear-Guard and PLYWALL.

Group Dekko
Group Dekko develops power charging and data systems, industrial and commercial indoor lighting solutions, and electrical components and assemblies for medical equipment, transportation, industrial and appliance products.

Joyce/Dayton Corp.
Joyce/Dayton is a leading manufacturer of screw jacks, linear actuators and lifting systems in North America. Its products are used in a variety of end markets, including renewable energy, metals and metalworking, oil & gas, and materials handling. Its products are intended for use in industrial settings and therefore must be robust. For example, its screw

jacks are required to have the capability to lift and precisely position loads from as low as 250 pounds to as high as 250 tons.

Forney Corp.
Forney Corp. is a global supplier of burners, igniters, dampers and controls for combustion process in electric utility and industrial applications. Its customers include power plants and industrial systems.

Clyde's Restaurant Group
Acquired by Graham Holdings in 2019, Clyde's owns and operates 11 restaurants and entertainment venues in the Washington, D.C. area. Its establishments include seven Clyde's restaurants, Old Ebbitt Grill, The Hamilton, 1789 Restaurant, and the Tombs.

Graham Automotive LLC
Graham Automotive operates automobile dealerships in the Washington, D.C. area: Honda of Tysons Corner in Virginia and Lexus of Rockville (Maryland). The company acquired a 90% interest in the two dealerships in January 2019. In December 2019, it also opened a new Jeep dealership in Bethesda, Maryland and has a management services agreement with the Ourisman Automotive Group to operate and manage the operations of the dealership. Graham Automotive also owns CarCare To Go, a provider of valet repair services to and from a network of dealership service centers in the Washington, D.C. area.

Framebridge, Inc.
Framebridge is a custom framing services company, in which Graham Holdings has a 93% ownership interest (Framebridge's CEO holds the remaining 7% interest). It is headquartered in Washington, D.C. and has five retail locations in the D.C./Maryland/Northern Virginia area, three in Manhattan and Brooklyn, three in Chicago, two in Atlanta and one each in Boston and Philadelphia. It also has two manufacturing facilities in Kentucky and New Jersey.

Code3
Code3 is a marketing and insights company that manages digital advertising for global brands and early-stage companies. It delivers software and services to transform consumer and performance data into planning, content, media activation and measurement, working on various platforms, including Facebook, Instagram, Amazon, Google, Twitter, Pinterest, Snapchat and YouTube.

Decile LLC
Decile LLC provides customer data and analytics software to assist marketers in extracting value from their proprietary customer and sales data, so as to better understand customer acquisition costs, improve customer retention and increase profitable growth.

The Slate Group LLC
This division publishes the online magazine, *Slate*, which analyzes news, politics and contemporary culture. It has an average of more than 21 million unique visitors per month and averaged over 55 million page views per month in 2021. Slate also owns an interest in E2J2 SAS, a French company that produces two French-language new magazine websites at slate.fr and slateafrique.com.

Pinna
Pinna is an audio-first children's media company that offers an on-demand subscription service for curated audio programming, including podcasts, audio shows, audiobooks and music for children ranging in age from three to 12.

The FP Group
FP Group is the producer of the magazine, *Foreign Policy* and the website, ForeignPolicy.com. It covers developments in national security, international politics, global economics and other related issues.

CyberVista LLC
CyberVista is a cybersecurity training company headquartered in Arlington, Virginia. It provides training in cyber protection, operations, the cloud and hardware/software vulnerabilities. Customers include Fortune 500 companies, as well as cybersecurity providers and participants in the defense industry.

CityCast LLC
CityCast is a network of daily local news podcasts in Chicago, Denver, Houston, Salt Lake City and Pittsburgh. It also offers a daily email newsletter about local communities, with information such as local news, events and places of interest.

Leaf Group Ltd.
Leaf Group, which was acquired in mid-2021, is a diversified consumer internet company that builds brands in the lifestyle and art design categories. It operates through several divisions, including:

- Society6 Group – operates an art and design marketplace where communities of artists and designers can market and sell their original art and designs.

- Saatchi Art Group & The Other Art Fair – provides a curated online art gallery where a global community of artists exhibit and sell their original artwork directly to consumers via online or in person at art fairs hosted in the U.K., Australia, Canada and the U.S.

- Leaf Group also owns a portfolio of media and properties, such as Well+Good and Livestrong.com

Financial Review

Given the variety of businesses owned, Graham Holdings segregates its revenues into somewhat broad categories. These are Education, Television Broadcasting, Manufacturing, Healthcare, Automotive and Other Businesses. Education consists primarily of the Kaplan business and contributed roughly 43% of the company's consolidated revenues last year. The second-largest revenue contributor is Television Broadcasting, at approximately 16% of total revenues in 2021. Manufacturing, which contributed 14%, consists of Hoover Treated Wood Products, Dekko, Joyce/Dayton and Forney.

Exhibit 2: Revenue Contribution by Segment (2019-2021)

				% of Revenues		
	2019	2020	2021	2019	2020	2021
Education	$ 1,451.75	$ 1,305.71	$ 1,361.25	49.5%	45.2%	42.7%
Television Broadcasting	463.46	525.21	494.18	15.8%	18.2%	15.5%
Manufacturing	449.05	416.14	458.13	15.3%	14.4%	14.4%
Healthcare	161.77	198.20	223.03	5.5%	6.9%	7.0%
Automotive	-	258.14	327.07	0.0%	8.9%	10.3%
	2,526.04	2,703.40	2,863.65	86.2%	93.6%	89.9%
Other Businesses*	406.06	185.72	322.33	13.8%	6.4%	10.1%
Total revenues	$ 2,932.10	$ 2,889.12	$ 3,185.97	100.0%	100.0%	100.0%

($ in millions)

*Includes intersegment eliminations; includes automotive in 2019

Source: Company reports

Over the past two fiscal years, Graham Holdings' revenues were adversely affected by the COVID-19 pandemic. Most notably, the company's Education segment endured a 10% decline in 2020 as schools closed and transitioned to online instruction, which introduced a significant amount of uncertainty into the education industry. The lockdowns also prevented Kaplan from conducting its traditional in-person test prep operations, as standardized tests such as the SAT were cancelled. However, as the pandemic began to ease and schools started to reopen, the company's revenues stabilized, and the contributions from the remaining divisions have enabled the company to produce revenues that exceed the pre-pandemic level. Most segments of the company did experience some measure of revenue growth last year, resulting in a 10% increase in total revenues to $3.18 billion. The most notable gain was within its Automotive segment, which advanced by 26.7%. This was attributable to shortfall of new car inventory (courtesy of the pandemic and supply chain/semiconductor issues), which allowed automotive retailers to maintain high prices for their vehicles. While revenues from the Other Businesses segment expanded enormously, it was primarily due to the inclusion of the newly acquired Leaf Group.

The Television Broadcasting segment was the only unit that recorded a year-over-year decrease in revenues, fallinging 6% from $525.2 million to $494.1 million. This was attributable to a decline in political advertising revenue. From this, one might assume that political advertising revenue would rebound this year, given the upcoming midterm elections.

On an earnings basis, even with the ongoing pandemic, Graham Holdings has remained profitable. Operating income for 2021 was $77.4 million, down from $100.4 million in 2020 and $144.5 million in 2019. This is a result of higher selling, general & administrative expenses, as well as higher impairment and depreciation expenses.

Exhibit 3: Graham Holdings Abbreviated Income Statement (2019-2021)

	2019	2020	2021
Revenues	$2,932.1	$2,889.1	$ 3,186.0
Cost of goods/services sold	1,948.2	1,912.1	2,114.5
Selling, general & administrative	717.7	715.4	831.9
Depreciation & amortization	112.5	131.0	129.3
Impairment of goodwill & other assets	9.2	30.2	32.9
Income from operations	144.5	100.4	77.4
Equity in earnings of affiliates	11.7	6.7	17.9
Interest income/(expense)	(23.6)	(34.4)	(30.5)
Non-operating pension benefit income	162.8	59.3	109.2
Gain/(loss) on marketable equity securities	98.7	60.8	243.1
Other income	32.4	214.5	32.6
Pre-tax income	426.5	407.3	449.6
Taxes	98.6	107.3	96.3
Net income attributable to noncontrolling interests	(0.0)	0.4	(1.3)
Net income	$ 327.9	$ 300.4	$ 352.1

($ in millions)

Source: Company reports

Offsetting charges were a net gain on marketable equity securities (which appears below the operating income line in Graham Holdings' income statement.

Net income in 2020 was $300.4 million, which was aided by a large contribution from "Other income." This primarily consisted of gains recorded from the sale of Megaphone, which was a podcast technology company. Megaphone was sold to Spotify in November 2020 for $235 million.

Net income was $352.0 million in 2021, which itself was aided by $109.2 million of pension benefit income. This stems, in part, from an overfunded pension fund (at year-end 2021, plan assets totaled $2.80 billion, while benefit obligations were $1.09 billion). As such, the changes in the surplus are recorded as non-operating income. In 2019, this income line item was enhanced by the purchase of an annuity contract from an insurance company that relieved Graham Holdings from pension obligations for approximately 3,800 employees. Historically, the company has recognized this type of pension-related income, such that it appears to be a normal component of its income statement. Over the past six years, pension and postretirement benefit income were as follows.

Exhibit 4: Graham Holdings Pension and Postretirement Benefit Income (2016-2021)

Year	Amount
2016	$ 80.7
2017	72.7
2018	120.5
2019	162.8
2020	59.3
2021	109.2

($ in millions)

Source: Company reports

With this in mind, as well as taking into consideration the unprecedented events of last two years, one could conclude that Graham Holdings' normalized earnings could be in the $150 million to $250 million range. The pertinent point is that the company has not even remotely encountered any solvency issues.

This is also evident in Graham Holdings' balance sheet. As of December 31st, the company held $158 million of cash and $824 million of marketable securities, for total liquidity of roughly $970 million. This compares to short-term and long-term debt outstanding of $141.7 million and $525.8 million, respectively. In other words, the company's available liquidity exceeds its total debt outstanding by roughly $302 million. With total shareholders' equity of $4.41 billion and total assets of $7.42 billion, it has a debt-to-equity ratio of just 15.1% and a debt-to-assets ratio of 8.9%.

Having the majority of its current assets in cash or easily fungible investments, Graham Holdings' liquidity should not be a source of concern.

Exhibit 5: Graham Holdings Abbreviated Balance Sheet (2020-2021)

	2020	2021
Cash & cash equivalents	$ 423.1	$ 158.1
Investments in marketable securities	587.6	824.4
Other current assets	763.6	864.7
Total current assets	1,774.2	1,847.2
Property, plant & equipment	378.3	468.1
Lease Right-of-Use assets	462.6	438.0
Investments in affiliates	155.8	155.4
Goodwill	1,484.8	1,649.6
Intangible assets	325.1	389.3
Prepaid pension costs	1,708.3	2,306.5
Deferred income taxes & other assets	155.2	171.4
Total assets	6,444.1	7,425.5
Current portion of long-term debt	6.5	141.7
Other current liabilities	943.2	1,024.6
Accrued compensation & related benefits	201.9	175.4
Long-term debt	506.1	525.8
Other liabilities	1,008.1	1,132.1
Total liabilities	2,665.8	2,999.5
Noncontrolling interests	19.0	26.4
Total shareholders' equity	3,759.3	4,399.6
Total Liabilities & shareholders' equity	$ 6,444.1	$ 7,425.5

($ in millions)

Source: Company reports

Of the total debt, $396.8 million is represented by the senior unsecured notes under discussion, with the balance consisting of bank debt, of which the overwhelming majority is comprised of a revolving credit facility that has a scheduled maturity date of May 30, 2023, or slightly more than one year from now.

Typically, credit facilities are renegotiated upon maturity and subsequently renewed. This is the expected outcome in Graham Holdings' case. However, even if the company were unable or unwilling to extend this maturity, it could efface almost the entire bank debt from the cash available on its balance sheet and could certainly do so if it elected to draw from its marketable securities portfolio. Thereafter, the next maturity would not occur for another three years, when the senior unsecured notes come due in June 2026. Consequently, Graham Holdings cannot be considered to be in duress or in danger of default. Thus, given the ample coupon of the senior notes (5.75%) and the yield-to maturity of 5.1% and a holding period of four years, the risk/return appears to be quite favorable.

Investment Summary

Graham Holdings operates as a diversified conglomerate, with numerous operating businesses spanning a wide variety of industries. Its largest (by revenue) and probably best-known subsidiary is Kaplan, the global provider of educational and test preparation software. It also owns businesses in the electrical equipment, lumber, healthcare, automotive, and even television broadcasting arenas.

The coronavirus pandemic that caused worldwide shutdowns did not leave Graham Holdings untouched. Although its earnings were indeed affected, the company still managed to remain profitable. While its earnings power was temporarily diminished, the company is still financially sound and can easily support its existing debt load. Indeed, it has liquidity of almost $1 billion, which exceeds its total borrowings by a considerable margin, and therefore there is little in the way of solvency risk. Consequently, the 5% yield offered by its senior notes is quite generous, given the favorable credit profile. As a result, the Graham Holdings 5.75% Senior Unsecured Notes due 2026 are recommended for purchase.

GRAHAM HOLDINGS COMPANY
CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)	As of December 31 2021	2020
Assets		
Current Assets		
Cash and cash equivalents	**$ 145,886**	$ 413,991
Restricted cash	**12,175**	9,063
Investments in marketable equity securities and other investments	**824,445**	587,582
Accounts receivable, net	**607,471**	537,156
Inventories and contracts in progress	**141,471**	120,622
Prepaid expenses	**81,741**	75,523
Income taxes receivable	**32,744**	29,313
Other current assets	**1,241**	942
Total Current Assets	**1,847,174**	1,774,192
Property, Plant and Equipment, Net	**468,126**	378,286
Lease Right-of-Use Assets	**437,969**	462,560
Investments in Affiliates	**155,444**	155,777
Goodwill, Net	**1,649,582**	1,484,750
Indefinite-Lived Intangible Assets	**142,180**	120,437
Amortized Intangible Assets, Net	**247,120**	204,646
Prepaid Pension Cost	**2,306,514**	1,708,305
Deferred Income Taxes	**7,900**	8,396
Deferred Charges and Other Assets (includes $782 and $0 of restricted cash)	**163,516**	146,770
Total Assets	**$ 7,425,525**	$ 6,444,119

Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 583,629**	$ 520,236
Deferred revenue	**358,720**	331,021
Income taxes payable	**4,585**	5,140
Current portion of lease liabilities	**77,655**	86,797
Current portion of long-term debt	**141,749**	6,452
Total Current Liabilities	**1,166,338**	949,646
Accrued Compensation and Related Benefits	**175,391**	201,918
Other Liabilities	**36,497**	48,768
Deferred Income Taxes	**676,706**	521,274
Mandatorily Redeemable Noncontrolling Interest	**13,661**	9,240
Lease Liabilities	**405,200**	428,849
Long-Term Debt	**525,752**	506,103
Total Liabilities	**2,999,545**	2,665,798
Commitments and Contingencies (Note 18)		
Redeemable Noncontrolling Interests	**14,311**	11,928
Preferred Stock, $1 par value; 977,000 shares authorized, none issued	**—**	—
Common Stockholders' Equity		
Common stock		
Class A Common stock, $1 par value; 7,000,000 shares authorized; 964,001 shares issued and outstanding	**964**	964
Class B Common stock, $1 par value; 40,000,000 shares authorized; 19,035,999 shares issued; 3,942,065 and 4,018,832 shares outstanding	**19,036**	19,036
Capital in excess of par value	**389,456**	388,159
Retained earnings	**7,126,761**	6,804,822
Accumulated other comprehensive income, net of taxes		
Cumulative foreign currency translation adjustment	**(6,298)**	9,754
Unrealized gain on pensions and other postretirement plans	**979,157**	595,287
Cash flow hedges	**(1,471)**	(1,727)
Cost of 15,093,934 and 15,017,167 shares of Class B common stock held in treasury	**(4,108,022)**	(4,056,993)
Total Common Stockholders' Equity	**4,399,583**	3,759,302
Noncontrolling Interests	**12,086**	7,091
Total Equity	**4,411,669**	3,766,393
Total Liabilities and Equity	**$7,425,525**	$6,444,119

GRAHAM HOLDINGS COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)	Year Ended December 31 **2021**	2020	2019
Operating Revenues			
Sales of services	**$ 2,089,800**	$ 2,056,228	$ 2,111,035
Sales of goods	**1,096,174**	832,893	821,064
	3,185,974	2,889,121	2,932,099
Operating Costs and Expenses			
Cost of services sold (exclusive of items shown below)	**1,243,384**	1,239,241	1,315,928
Cost of goods sold (exclusive of items shown below)	**871,137**	672,865	632,318
Selling, general and administrative	**831,853**	715,401	717,659
Depreciation of property, plant and equipment	**71,415**	74,257	59,253
Amortization of intangible assets	**57,870**	56,780	53,243
Impairment of goodwill and other long-lived assets	**32,940**	30,170	9,152
	3,108,599	2,788,714	2,787,553
Income from Operations	**77,375**	100,407	144,546
Equity in earnings of affiliates, net	**17,914**	6,664	11,664
Interest income	**3,409**	3,871	6,151
Interest expense	**(33,943)**	(38,310)	(29,779)
Non-operating pension and postretirement benefit income, net	**109,230**	59,315	162,798
Gain on marketable equity securities, net	**243,088**	60,787	98,668
Other income, net	**32,554**	214,534	32,431
Income Before Income Taxes	**449,627**	407,268	426,479
Provision for Income Taxes	**96,300**	107,300	98,600
Net Income	**353,327**	299,968	327,879
Net (Income) Loss Attributable to Noncontrolling Interests	**(1,252)**	397	(24)
Net Income Attributable to Graham Holdings Company Common Stockholders	**$ 352,075**	$ 300,365	$ 327,855
Per Share Information Attributable to Graham Holdings Company Common Stockholders			
Basic net income per common share	**$ 70.65**	$ 58.30	$ 61.70
Basic average number of common shares outstanding	**4,951**	5,124	5,285
Diluted net income per common share	**$ 70.45**	$ 58.13	$ 61.21
Diluted average number of common shares outstanding	**4,965**	5,139	5,327

GRAHAM HOLDINGS COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31		
(In thousands)	**2021**	2020	2019
Cash Flows from Operating Activities			
Net Income	**$ 353,327**	$ 299,968	$ 327,879
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and goodwill and other long-lived asset impairment	**162,225**	161,207	121,648
Amortization of lease right-of-use asset	**73,752**	89,956	84,185
Net pension benefit, settlement, and special separation benefit expense	**(91,898)**	(41,573)	(137,909)
Gain on marketable equity securities and cost method investments, net	**(254,844)**	(57,669)	(103,748)
Credit loss expense and provision for other receivables	**6,824**	10,667	22,726
Stock-based compensation expense, net	**5,659**	6,348	6,278
Contingent consideration fair value measurements and accretion	**(4,207)**	2,895	—
Foreign exchange loss	**179**	2,153	1,070
Gain on disposition and write-downs of businesses, property, plant and equipment, investments and other assets, net	**(8,554)**	(214,926)	(28,346)
Equity in earnings of affiliates, net of distributions	**4,917**	6,592	(2,678)
Provision for deferred income taxes	**65,046**	14,377	69,751
Change in operating assets and liabilities:			
Accounts receivable	**(59,292)**	61,328	(53,602)
Inventories	**4,551**	3,786	(5,317)
Accounts payable and accrued liabilities	**32,397**	(32,714)	(47,069)
Deferred revenue	**19,086**	(25,728)	30,487
Income taxes receivable/payable	**(8,689)**	3,310	1,828
Lease liabilities	**(85,147)**	(91,478)	(88,597)
Other assets and other liabilities, net	**(14,144)**	11,735	(33,655)
Other	**1,238**	429	233
Net Cash Provided by Operating Activities	**202,426**	210,663	165,164
Cash Flows from Investing Activities			
Investments in certain businesses, net of cash acquired	**(351,882)**	(20,080)	(179,421)
Purchases of property, plant and equipment	**(162,537)**	(69,591)	(93,504)
Proceeds from sales of marketable equity securities	**65,499**	93,775	19,303
Purchases of marketable equity securities	**(48,036)**	(20,004)	(7,499)
et proceeds from sales of businesses, property, plant and equipment and other assets	**10,295**	225,570	54,495
Investments in equity affiliates, cost method and other investments	**(8,531)**	(12,367)	(27,529)
Loans to related party	**—**	—	(3,500)
Other	**557**	2,068	920
Net Cash (Used in) Provided by Investing Activities	**(494,635)**	199,371	(236,735)

Cash Flows from Financing Activities			
Net borrowings under revolving credit facilities	**134,696**	76,241	—
Issuance of borrowings	**70,184**	2,084	41,250
Common shares repurchased	**(55,683)**	(161,829)	(2,103)
Repayments of borrowings	**(49,645)**	(83,360)	(8,702)
Deferred payments of acquisitions	**(30,866)**	(19,348)	(2,255)
Dividends paid	**(30,136)**	(29,970)	(29,553)
Net (repayments of) proceeds from vehicle floor plan payable	**(10,563)**	(14,160)	14,384
Issuance of noncontrolling interest	**3,777**	—	6,000
Purchase of noncontrolling interest	**(3,508)**	—	(550)
Proceeds from (repayments of) bank overdrafts	**3,410**	1,636	(185)
Proceeds from exercise of stock options	**—**	25,129	481
Other	**(639)**	(425)	(33)
Net Cash Provided by (Used in) Financing Activities	**31,027**	(204,002)	18,734
Effect of Currency Exchange Rate Change	**(3,029)**	2,978	2,766
Net (Decrease) Increase in Cash and Cash Equivalents and Restricted Cash	**(264,211)**	209,010	(50,071)
Cash and Cash Equivalents and Restricted Cash at Beginning of Year	**423,054**	214,044	264,115
Cash and Cash Equivalents and Restricted Cash at End of Year	**$ 158,843**	$ 423,054	$ 214,044
Supplemental Cash Flow Information			
Cash paid during the year for:			
Income taxes	**$ 39,000**	$ 91,000	$ 28,000
Interest	**$ 30,000**	$ 31,000	$ 30,000

This report was produced by Horizon Kinetics ("HK"). The following persons employed by HK contributed to this report: Murray Stahl, Chairman, Steven Bregman, President, and Peter Doyle, Managing Director. HK is located at 470 Park Avenue South, New York, NY 10016. At the time of this report, there are no planned updates to the recommendations. To the extend HK has provided previous recommendations concerning the same issuer(s) during the preceding 12-month period, such recommendations do not differ from the recommendations contained here.

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