in six metropolitan markets, including Detroit, Washington, and Miami, for $29 million. In 1984, she acquired the Stanley Kaplan test preparation business, establishing a toehold in the education market. Finally, in 1986, Graham, thanks to a timely introduction by Buffett, made her largest acquisition ever: the purchase of Capital Cities' cable television assets for $350 million. Each of these businesses would prove enormously important for the Post Company in the years ahead.

In early 1988, as values skyrocketed and Graham began to appreciate the large capital expenditures required to develop its cellular systems, she made a rare divestiture, deciding to sell the company's telephone assets for $197 million, an extraordinary return on its investment.

During the recession of the early 1990s, when her overleveraged peers were forced to the sidelines, the company became uncharacteristically acquisitive, taking advantage of dramatically lower prices to opportunistically purchase cable television systems, underperforming TV stations, and a few education businesses.

When Kay Graham stepped down as chairman in 1993, the Post Company was by far the most diversified among its newspaper peers, earning almost half its revenues and profits from nonprint sources. This diversification would position the company for further outperformance under her son Donald's leadership.

Graham did an excellent job of managing her succession (not a given at family-controlled firms) and spent the late 1980s and early 1990s readying the next generation of leaders at the company, including Donald, who would replace her as CEO in 1991; and Alan Spoon, who would replace his mentor, Dick Simmons, as COO, also in 1991. As Graham stepped down at age seventy-six, talented, younger managers would also assume leadership roles at the company's increasingly important cable (Tom Might) and education (Jonathan Grayer) divisions. Their talent and leadership would position the Post Company for another fifteen years of outperformance versus its peers.

The Nuts and Bolts

Graham, under Buffett's tutelage, proved to be a highly effective, if unorthodox, capital allocator. Her approach in this important area was characterized by industry-low levels of dividends and debt, an industry-high level of stock repurchases, relatively few acquisitions, and a careful approach to capital expenditures. We'll look now at these areas, starting with the company's sources of capital.

During Graham's tenure, the Post Company generated consistently strong cash flow, with profitability improving dramatically during the decade of the 1980s as newspaper revenue spiked after the *Star* folded, and Dick Simmons increased margins across all the operating units. In addition to this wave of cash, the company had two other sources of capital, both of them rarely employed: leverage and asset sales.

Graham was generally reticent about using debt, and during her tenure, the Post consistently maintained the most conservative balance sheet among its peers. Graham raised significant debt only a few times during her tenure, most notably to finance the 1986 purchase of the Capital Cities cable systems. The Post's strong cash flow, however, allowed the bulk of this debt load to be paid down in less than three years.