

Weeklies

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Weekly clusters still holding value and actively pursued in 2006

Wall Street not upsetting weekly acquisitions

Early in 2006 Wall Street demonstrated its dislike for major market daily newspapers, significantly impacting values in the large daily publishing sector. However, core publications in the weekly newspaper cluster (and small or mid-sized daily) category remain actively pursued at high valuations. The current market is unsettled, and not all publications are bringing high multiples. Nevertheless, clusters or stand-alone papers with active, strategic buyers in the vicinity are selling at historic highs.

Weekly groups, both paid and free circulation, are selling in the 8x to 12x EBITDA area which is typically between 1 and 3x publishing revenues (printing and other non-publishing revenues are valued at a lower multiple). Buyers for these clusters continue to be a blend of traditional newspaper companies and financial groups.

Buyers are looking for properties with more breadth and depth in the local market, i.e., a weekly newspaper cluster with significant shopper and niche publications. Operations with an extensive menu of niche and other publications in their local market are perceived as the most solid franchises. In years past this was not the case, as buyers would tend to apply a lower multiple to some deals with mixed property types. Now there is no deduction for mixed publication type operations, and in some cases these companies are bringing a premium.

Historic trends in publication merger and acquisition activity indicate a typical cycle of seven or eight years. Prices and enthusiasm for publication acquisitions build through the cycle to a crest, which

holds for a few years followed by a sharp drop.

The last M&A downturn was in 2001, putting 2006 over half way through the current cycle. Of course, historic cycles may vary due to major factors affecting the national economy such as terrorist attacks, large stock market adjustments, natural disasters, etc.

Growing value in changing times

The value of weekly newspapers has remained strong in the face of the technology and information revolution that is currently sweeping the world. How can you maintain and grow that value as the pace of change increases?

Here are a few suggestions that successful publishers emphasize:

- Local content is king. Make it more in-depth and add more separation from the commodity that national news has become.
- Don't overlook local writers. Run writing contests to identify the closeted talent that can add depth, understanding and continuity, and strengthens local readership.
- Brand local events. Extend your news coverage by sponsoring significant local events that further embed your paper to the community's fabric.
- Listen to young people and actively solicit their ideas.
- Fix it, sell it, or close it. Subsidizing losing areas of your company is something you can't afford.
- Own your market. Aggressively defend and promote while improving service to the advertising base.
- Don't be in denial. You must embrace change and apply that change to your market.

MARKET at a Glance

Weekly Groups

Paid and Free Circulation

Very actively sought at 8-12 x EBITDA or 1-3 x publishing revenues

Large Paid or Free Circulation Weekly or

Twice Weekly Newspapers

Actively sought at 7-9 x EBITDA or 1-2 x publishing revenues

Small Paid or Free Circulation Weekly Newspapers

Moderate activity at 4-6 x EBITDA or .75 - 1.25 x publishing revenues

Free Circulation TMC-Type Home Delivered Shoppers

Steady activity at 5-7 x EBITDA or .75 - 1.5 x publishing revenues

Newsstand-sold Shoppers

Moderate activity at 5-7 x EBITDA or 1 - 2 x publishing revenues

Free Rack Distribution Shoppers
Moderate activity at 5-7 x EBITDA or 1 - 2 x publishing revenues

Alternative Newsweeklies
Moderate activity at 5-7 x EBITDA or .75 - 1.25 x publishing revenues

Specialty/Niche Publications
Significant price variation between different niches

NEWSPAPER * SHOPPER * NICHE PUBLICATION * BROKERAGE * APPRAISAL * CONSULTING



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Top 10 reasons to sell

“We are Tired”

Quite often the decision to sell a weekly newspaper company goes far beyond the monetary benefit that will be gained by an owner, and typically it is not just one thing but several that drive that decision.

Here are the top 10 reasons we hear today from owners nationally:

- Fatigue: “We are tired and it is time to stop,” is often the comment lifelong owners make in today’s publishing environment.
- Health Issues: Sickness and declining health can contribute to the decision to sell.
- Pressure: The day-to-day demand is always there and often mounts over time.
- Competition: It is increasing and coming in different forms and from different directions.
- Estate Planning and Retirement: These events often trigger the decision to sell.
- Capital Improvements: Retooling in today’s digital world may be something a veteran owner does not want to tackle.
- No Successor: Passion and dedication are needed to compete in today’s publishing world, and often a successor does not exist within the company or family.
- Diverse Interests: Succeeding generations quite often have career interests apart from the newspaper.
- Death: The estate tax burden has forced the sale of many weekly newspaper companies.
- Next level: An owner feels that a transition is needed to take the company to the next level.

Weeklies *in a digital world*

What makes non-daily publishing companies unique in today’s digital publishing world?

That is a question many executives are asking as they come face to face with the information revolution.

For those in the weekly and niche arena who battle the day-to-day grind of deadlines and take part in local publishing, it is helpful to pause and reflect on what makes newspapering different.

First, the local and direct content of the material published is almost proprietary. For the time being and in the foreseeable future, no other local entity can collect, edit, and distribute news and commercial information as efficiently as a local newspaper or niche publisher.

Next, no one knows the community better or has more long standing relationships. Weekly and niche publishers know the value of

“relationships” over “transactions.” A long-term attitude toward readers and advertising clients is one that pays the greatest dividends over short-term gains.

Accountability is real. You can’t escape and your customers hold you to a high standard. There is no other place they can get the information that you provide, and they want it to be correct and trustworthy.

State, regional, national and international information has become a commodity with diminished value. Unique local content cannot be duplicated and therefore has sustained and re-occurring value to your readers.

Weekly and niche publishers have unique franchises that serve distinct markets. As long as the uniqueness of those markets is valued by the constituents served, local publishers will have a valued position whether the information is delivered by ink on paper or digitally.

Sale process can be stressful

Selling your publishing company is an emotional event. To most of us our paper has become part of us -- it sounds a little melodramatic -- but like one of our children. Parting with the business can be hard indeed.

The emotional stress on a seller during the sale process can be extreme, and it essential that he or she have a good advisor who has been through the sale of a paper before. The advisor can keep the important points of a transaction in perspective and alert the seller when they may be looking at an issue emotionally rather than objectively.

This is why a broker who you trust can be such a valuable help to you in a sale. A good broker gives you qualified advice on market values and customary sale practices. He relieves you of the burden

of sorting out tire-kicker buyers, packages your property in the manner buyers prefer, and pre-negotiates the value to a strong level before buyers make their first offer.

A critical strength a proven broker brings to his seller client is a history of performance. When a paper is listed with a broker who has the reputation of selling properties, the buyers know they must step up to their best offer early on. If they don’t, they run the risk that the broker will sell the paper to someone else. This is a leverage that independent sellers don’t have on their own.

The sale process can be onerous, and can wear a seller down. The right broker keeps the pressure off the seller and helps the seller make sensible decisions based on good sale practices.

Great opportunities are coming with electronic information delivery

Publishing industry changing fast

There is no question that change is coming fast to the publishing industry. Fortunately for most weekly publishers there is some time to react to this change to electronic delivery of information, a luxury that major market daily newspapers do not have. But even with a little extra time, publishers must adapt to and embrace electronic media now.

We are finding that some of our clients do not wish to put themselves through another upheaval in the way things are done. Many have gone through the changes over the years to offset printing, desktop publishing, pagination, etc. and just don't want to go through a major change again.

"If your nature is to welcome the exciting advantages electronic information delivery has to offer, then the future of your publication is likely to be excellent"

Newspaper, shopper, and niche publications are going to come into the electronic delivery age in excellent shape, but it will take creative thought and capital expense to compete effectively. Many changes will be intuitive but others won't seem to be sensible in the least. Some papers will thrive in the new environment, others won't.

If your nature is to welcome the exciting advantages electronic information delivery has to offer, then the future of your publication is likely to be excellent. If not, the sale of your publishing company could be sensible, as this may be the best seller's market for publishing companies in the foreseeable future.

Publishing has the best credibility, maybe it's time to tell the consumer

Promoting our publishing brands

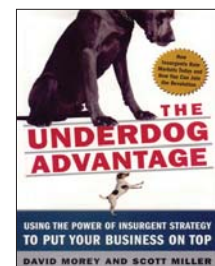
Some might say that the ultimate mission of all newspapers is to improve the quality of life of their customers. This means we need to originate, format, and edit information on our communities, and interpret that information, so that our customers can live their lives in the best manner possible.

The problem in today's media arena is *too much information*, as consumers are being overwhelmed with the sheer volume of data on every possible subject. And what they desperately need just happens to be exactly what the newspaper industry has – someone to originate the data, to certify its accuracy, format the data in a convenient and sensible fashion, and help interpret the data so it becomes useful information to the consumer.

Surveys of media credibility conclude that the public distrusts information provided by all media at a growing pace, but newspapers always rate as the most trustworthy compared to other media. This is an ideal opportunity for branding – promoting that the most complete, most accurate information comes through newspapers.

This branding could go beyond just making sure we tell our customers about our excellent detailed and accurate information. Presently most people believe that newspapers are a sunset industry, and that we will fade away as predicted by notables such as Ted Turner. One reason the public thinks this is because *this is what we tell them* – newspapers are the first to run stories about shrinking paid circulation. Frankly, no other media spends any time promoting its potential demise. We're certain that Sixty Minutes won't be running a segment on the big three networks' free fall from a 55% market share in 1991/92 to 33% in 2000/01.

It may be time for newspapers to promote their excellent brands. We may be the guy winking at the girl in the dark – we know we're great but we may not convey it well to the public. An excellent book on both branding and competing in the changing market is Scott Miller's The Underdog Advantage (David Morey and Scott Miller, McGraw-Hill).



Cribb & Associates, LLC

is pleased to offer our congratulations to:

Pioneer Newspapers, who exchanged the Havre, Montana Daily News for the Teton Valley News, Driggs, Idaho

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The Emerson Family who sold the Fauquier (VA) Citizen, & Culpeper (VA) Citizen to Times Community Newspapers

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The Tate Family who sold The Norton (VA) Press, Inc., a three newspaper cluster to American Home-town Publishing, Inc.

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The Chism Family who sold the North Little Rock (AR) Times and the Maumelle (AR) Monitor to Stephens Media Group

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The Miller Estate, who sold the Loudoun (VA) Easterner to Landmark Community Newspapers, Inc.

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Pacific Publishing Company, who sold a five newspaper cluster in Seattle, WA to Diversified Suburban Newspapers

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An investor group led by Gary Michiels who sold The Bay Press, Biloxi, Mississippi to Family Media, Inc.

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Independent Publications, Inc, who purchased the four newspaper cluster, Cabinet Press, Inc., Milford, New Hampshire

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The Thomson Family, who sold the daily Delaware Gazette and Sunbury News, Delaware, Ohio to Brown Publishing Company

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Semaphore Communications, LLC, who sold the Seaside (OR) Signal to Wyoming-based Pronghorn Media, Inc.

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The Smith Family, who sold the Monticello (MN) Times and Shopper to American Community Newspapers, LLC

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Swift Newspapers, Inc., who sold The Daily Independent, Ridgcrest, California to Liberty Group Publishing, Inc.

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