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May 2012

Significant positive effect on the newspaper industry

Berkshire Hathaway, Inc. buys Media General newspapers

Warren Buffet's Berkshire Hathaway, Inc. is purchasing most of the newspapers offered for sale by Media General, and in a separate deal is providing Media General with a credit facility. Buffet, who in 2009 said that most newspapers have "the possibility of nearly unending losses" apparently feels that some newspapers are solid businesses. His influence on investment in various industries is significant, and should have a major positive impact on the newspaper industry. Berkshire recently purchased the Omaha World Herald and much of Lee Enterprise's debt.

In another large transaction Freedom Communications has sold the Lima (OH) News; The Telegraph (Alton, IL); The Journal-Courier (Jacksonville, IL); and the Sedalia (MO) Democrat to Versa Capital Management. Versa also owns Ohio Community Media.

Although transactions with mid and small papers owned by independent owners tend to be quiet currently there are signs that some may now be considering a sale. Operationally most mid and small market newspapers had a reasonably good first quarter. There is some feeling that the economy may finally be stabilizing to some degree.

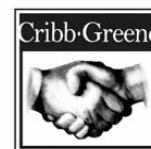
A number of independent companies are actively looking for newspapers to purchase, and have arranged financing. Most are interested in add-on properties that fit with current operations, but a few are also after hub operations in new geographic areas.

Prices continue to be in the 3x to 6x trailing EBITDA range and the availability of seller financing is helpful in many transactions.

Culture change obstacle to newspapers

Newspaper expansion lags due to cultural survival

Media companies are dealing with a host of issues that go far



Market at a Glance

EBITDA valuation multiples for mid and small market papers range from 3x to 6x

Publishing company values are currently in the 3x to 6x trailing EBITDA range with most transactions at 4x to 5x. Prices over 5x tend to be strategic acquisitions. Buyers typically look at the most recent performance, and the multiples indicated here are based on stable or improving performance. Companies with declining revenues and EBITDA tend to be valued at the lower end of the multiple scale.

Some of these transactions include significant amounts of seller financing as conventional bank financing is still difficult to obtain, at least at terms deemed reasonable by newspaper buyers.

beyond developing a new business model for the digital world. Front and center is how a media company can change an incumbent culture that continues to power their financial results. For some companies, the answer has been a draconian response while others have been more measured. Often the response is driven by debt or market issues where time is limited and change is forced because of external pressures.

"How companies deal with this challenge quite often goes to the heart of their value system," said Gary Greene, Managing Director of Cribb, Greene & Associates. "We have seen companies struggle with the need to change, and change quickly, and still maintain their core values." Rapid and broad change in an organization often runs counter with the implied contract that companies have had with their employees, especially with companies who value employee longevity. "Many of those companies have had to re-visit their value statement to make sure that the new direction they are heading does not change the essence of who they are as a company," Greene added. "That value system is the rudder that guides them through good and bad times."

Many companies have been very successful in transitioning, especially those who were not forced to react solely to financial and market pressures. Educating employees and providing training has been the key to most successful transitions. Still, there are employees who choose to not transition or find that they are not comfortable in new roles. Managing the cultural transformation, either by inflicting the change, or guiding it, is new territory for most media companies.

"Most companies realize that no matter how good their strategy is going forward, without the right cultural elements in place their chances for success will be greatly reduced," Greene added. "It takes the right people, a strong strategic direction, and a culture in place that supports and encourages both, for companies to have the best opportunity for success."

Bush-era tax cuts set to expire

Capital gains taxes may go up in 2013

The tax cuts set in motion in the Bush-era are scheduled to expire at the end of 2012, which would raise the long term gain rate from 15% to 20%. Two other increases that apply to couples earning over \$250,000 per year could raise the capital gain rate from 15% to 25%.

Although an increase or decrease in taxes is not a sensible reason to sell a newspaper company it becomes quite important if a sale is already being considered in the near future.



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"Our commitment is to do the best possible job for our client in every aspect of our assignment."

Transaction:

**Clarksburg, West
Virginia**

**The Exponent
Telegram**



Brian Jarvis and his mother, Rebecca Jarvis, have purchased the outstanding stock of Clarksburg Publishing Company, d/b/a The Exponent Telegram daily newspaper in Clarksburg, West Virginia, according to John Cribb and Gary Greene of Cribb, Greene & Associates, who represented the seller in the transaction.

The Exponent Telegram is an 146-year-old daily

In a seller financed sale there is a federal provision allowing the seller to recognize all the income from the installment sale in the year of the sale, which allows the seller to pay capital gains taxes on the entire gain at that time. It may be very helpful for a seller who is financing a sale to use this provision - and lock in the gain tax rate of 15%, avoiding a potential future increase.

Attracting the best people

The young not pursuing traditional media jobs

It wasn't so long ago that young college graduates were clamoring for positions in traditional media companies. A fresh crop of graduates could be counted on each year to replenish the industry with energy and enthusiasm. But that has changed and companies who aren't focused on recruiting and training are finding their applicant pool weakening. "We find that companies who have worked to re-establish their infrastructure in today's digital media world are having more success in hiring the type of employee they will need in the future," said John Cribb, Managing Director of Cribb, Greene & Associates.

College graduates are looking for companies that have vision, leadership and the ability to understand the digital future. "They want to be part of something that they feel has a future and that frankly is fun," said Cribb. "Media companies who haven't thought through the building blocks of today's industry, aren't attracting the best candidates."

What can media companies do to make themselves more attractive to the next generation of workers? Here are a few suggestions:

1) Companies need to know who they are before they can hope to attract quality candidates. That means doing an honest assessment of the company's strengths, weaknesses, threats and opportunity areas and developing business strategies that cast a vision to the future. Being able to articulate that vision and how the company is going to get there is vital to the company's future and vital to recruitment.

2) Publishers who attract the best candidates know what they stand for. Their mission and value statements are at the center of their business. Those same publishers are very mindful that they need to make a solid profit to stay in business. However, making money rarely drives the company, but is a by-product of the superior service and products provided.

3) The brand matters, and publishers successful in recruiting strong employees know that what they say and do must translate to a brand that attracts. That forces publishers to continually ask what they can do to become the type of business that young people would compete to join. Companies who can do this with a critical

newspaper publishing approximately 14,500 paid circulation copies, seven days a week. the newspaper serves the county seat community of Clarksburg, Harrison County and the surrounding communities and counties in North Central West Virginia. Civil War Confederate hero Thomas "Stonewall" Jackson was born in Clarksburg. The newspaper also includes several weekly newspapers and a web printing operation.

Transaction:
Ludington,
Michigan

The Daily News



The David Jackson Family has sold the Ludington Daily News, Oceana's Herald-Journal, and the White Lake Beacon to Community Media Group of West Frankfort, Illinois, according to John Cribb, Cribb, Greene & Associates, who represented the seller in the transaction.

honesty usually recruit the best.

4) Recruitment becomes a key element of meeting the company's strategic plan. A protocol is established that sets the bar high for each new hire, with the goal of bringing in "game changers" who buy into the strategic vision, mission and value statements. An atmosphere is created that fosters entrepreneurship and rewards effort and creative thinking.

5) Publishing companies must tell their story and compete for the best. That means actively recruiting through face to face contact and job fairs.

Publishers who have the building blocks in place are finding that they are magnets for strong job applicants. People want to be part of something meaningful and rewarding and media companies who are executing a strong vision for the future are finding that they are very attractive and competitive in today's job market.

Consulting services available

Cribb, Greene & Associates offers a variety of consulting services to its clients, including:

- Strategic planning
- Board Organization and goal setting
- Operations
- Organizational structuring
- Employee psychological evaluations
- Key executive placement

All work is confidential and fees are based on the scope of the engagement. An initial no-cost assessment is provided.

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The Ludington Daily News is a six-day daily newspaper with approximately 7,500 paid circulation, and the sale includes the weekly Herald-Journal and White Lake Beacon as well as a number of free and niche publications. The area served by the publications is on the western coast of Lake Michigan, in a region from Manistee to the north and Muskegon to the south. The transaction included several buildings and a web printing operation.



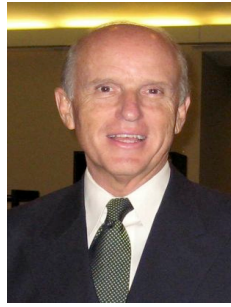
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