



# Cribb, Greene & Cope

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## Newspaper market active but unsettled

A year ago in this newsletter we said that the window of opportunity for selling a newspaper was open, and that the market was active at higher values than in the past.

Currently the market continues to be active with many transactions - CG&C alone has sold twenty-nine dailies and seventy-six weeklies in the past fourteen months - but prices have contracted somewhat.

In 2016 the average multiple of EBITDA paid in GC&C transactions was 5.5x, which is down from an average of 6x in 2015. The decline seems to be due to a reduction in buyers who had been willing to pay based on projected EBITDA.

More buyers currently will pay on trailing twelve month EBITDA and fewer will bank on projections. Our transactions are still at a much higher level than the newspaper market as a whole, which is averaging about 4.2x EBITDA.

In the past we've talked about "riding the wave" of strong market activity like we are experiencing now. The newspaper market has tended to follow the national economy in the past, dropping with an event like the 2008 recession and then building activity as the economy expands. The economy is in its ninth year of growth and may be overdue for a correction.

Newspapers with strong franchises in good economic areas continue to be actively sought in the current market.



*Randy Cope, John Cribb, & Gary Greene*

## MARKET at a GLANCE

**EBITDA valuation for mid and small market publications range from 3x to 6x**

Publishing company values are currently in the 3x to 6x trailing EBITDA range, with transactions under \$20 million tending to bring the highest multiples. The larger transactions continue to be in the 3x to 4.5x EBITDA area.

Some buyers have been willing to set value based on the financial performance under new ownership, estimating higher future earnings due to cost reductions and synergies. This can result in a much higher multiple of future EBITDA.

Most actively sought are stand alone mid-market paid circulation daily and weekly newspapers. Free circulation publications and niche publications are less actively pursued and can present some solid buying opportunities.



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# NEWSPAPER SALE PROCESS

*The following is a general outline of the media company sale process that Cribb, Greene & Cope manages for our clients. The process can vary according to the company's individual circumstances and client preferences.*



## **INITIAL MEETING:**

We meet with the company's owner(s) to explain in detail the sale process, review the company's value range and set price expectations, deal structure and a sale timeline.

## **SALE BOOK PREPARATION:**

Cribb, Greene & Cope constructs a sales offering memorandum containing the financial, operational and ownership history of the company, including pertinent market information. This presentation is approved by our client, is in print and electronic format, and is housed in our secure Data Room.

## **BUYER LIST:**

A list of qualified buyers is constructed to mirror the type of owner our client prefers. These buyers are approved by our client and then contact is made. These buyers execute a non-disclosure agreement before sale information is released.

## **BUYER VISITS:**

Most serious buyers want to visit the market and may require a walk-through of the physical newspaper operation. We coordinate these visits with our client to minimize disruption and maintain confidentiality.

## **REVIEW SALES BOOK / SUBMIT LOI:**

The buyer pool reviews the sales offering memorandum and interested parties submit a Letter Of Intent (LOI) based on an established timetable. Our client makes the buyer selection after the LOI is in final negotiated form and the company is then taken off the market while the buyer begins Due Diligence.

## **DUE DILIGENCE:**

The buyer will investigate the company thoroughly. In some cases, they perform a quality of earnings report. This can be done by an internal or external accounting firm. They also normally order an appraisal of the real estate and an environmental test on the property. The buyer generally pays for these services. The length of time for due diligence varies according to the Letter Of Intent, but is generally 60-90 days.

## **PURCHASE AGREEMENT:**

If due diligence turns up no surprises, the buyer's respective attorney will create a draft purchase agreement, along with any supplementary contracts such as a non-competition agreement or consulting agreement.

## **LEGAL AND ACCOUNTING:**

During this phase, the attorneys and accountants for buyer and seller begin discussions and negotiate any points in the agreements. The seller prepares a number of schedules itemizing the assets being sold, company contracts, etc. A great deal of information flows to the seller as the purchase documents are finalized.

## **BUYER MEETS WITH KEY STAFF:**

The buyer generally wants to meet with department heads prior to the closing to discuss the business. This will require letting the key staff members know ahead of a general announcement.

## **CLOSING THE TRANSACTION:**

When all of the details have been agreed upon, the parties will sign the contracts that transfer ownership and funds will be wired. The buyer gets possession of the business and the transaction is complete.

## **BENEFITS / EMPLOYEES:**

The buyer, either just before closing or shortly afterwards, will enroll employees in the new company and include them in their benefit program, including health insurance.



Cribb, Greene & Cope

## Staying in or cashing out a newspaper

### THOUGHTS ON STAYING THE COURSE

Many privately owned newspaper companies are asking themselves whether they should remain in the business or cash out during this current market cycle. It's a difficult decision and often involves the interests of several family members and geographically dispersed shareholders.

For some shareholders, especially those working in the business, the decision can be especially wrenching. Often a family member will be running the business and charged with the day-to-day responsibility of doing what is best for the company and shareholders. It's a fine line to walk, especially when shareholders who have other careers and no interest in the newspaper, push for a sale.

In the face of a transitioning industry, what should families be prepared to do if they want to keep the business? The following is a sampling of the advice we have given this past year to a number of our clients:

- Look to the future and don't turn back. Establish strategic goals and work towards them. Keep focused.
- Create an entrepreneurial culture. It has to become part of the company's fabric and expected of each employee in order to cultivate new revenue sources.
- Adopt an "open book management" concept with all employees. The more all stakeholders know about the business, the better chance you have of marshalling resources and surviving.
- Adopt a stock redemption program that allows shareholders to sell stock back to the company treasury or other shareholders at a market driven price, within the company's annual financial limitations.
- Adopt a structured stock dividend program. We believe that shareholders should expect reasonable dividends that are comparable to other portfolio investments.
- Regular communication with shareholders is essential. Industry headwinds need to be understood and kept in context with the challenges facing management.

*Cribb, Greene & Cope provides consulting at the board and shareholder level, and is experienced in guiding newspaper owners in today's economic climate.*



## REPORTS CAN HELP YOU SUCCEED - By Randy Cope

Years ago the company I worked for purchased a number of newspapers from Thomson Newspapers.

When I went in to visit with the publisher I would be working with I was amazed at the system they had for running the business. He had a series of three-ring binders behind his desk filled with all the core reports that Thomson used to run their newspapers. The publisher said that every Thomson publisher had the same reports, indexed in the same binders, and all had been trained how to use them.

I would have thought this was overkill except this newspaper was running at well over 30 percent profit, growing subscribers, and was one of the best looking community newspapers I'd seen.

This experience has been in my mind lately as I've run across a number of newspaper companies that are struggling with their bottom line, yet when asked to see their basic reports, they don't exist.

I'm not encouraging the production of reams of reports, but instead creating an end of month reporting package that focuses on the core areas. Some that should be on the list include:

- Financials that compare current month and YTD numbers against the same period last year and against budget, with a variance column for each.
- Labor (including fringes) as a percentage of revenue and compared against the same period last year. We encourage companies to try and hold labor at no more than 40% of revenue. We see a number of companies well above this level, as they have not made adjustments over the last few years of declining revenue. It is also important to watch overtime by department.
- Circulation statistics, including paid distribution by type and dealer and rack return percentages. While it is fine to watch overall returns on a monthly basis, it is important to dig down to the individual locations at least quarterly.
- Accounts receivable aging, against the prior month and same period last year.
- Sales stats by account executive. It is good to look at not only total volume, but also ad count and average ad size.
- The advertising to news ratio.

This is just a start, but the point is to identify the key areas and have a solid statistical reporting program in place and then working with each department head to manage to those statistics each month.

For more information on building an effective reporting program for your operation, please feel free to write me at [rcope@cribb.com](mailto:rcope@cribb.com).





# 29 DAILIES AND 76 WEEKLIES SOLD

***In last fourteen months:***

*Cribb, Greene & Cope is pleased to have represented the family owners of these recently sold newspapers, in addition CG&C has twelve daily newspapers and twenty-six weekly newspapers currently in the sale process.*

*We work hard for our clients to bring the highest possible value from the best quality buyers. We are always available for a confidential and no-obligation call to discuss your options in a sale.*

## **2 Dailies • 3 Weeklies (Iowa)**

Owned by  
Brehm Communications  
were sold to  
Community Media Group



## **14 Weeklies (Dallas, Texas)**

Owned by  
10/13 Communications  
were sold to  
S.A.W. Advisors, LLC



## **2 Dailies • 6 Weeklies (Indiana)**

Owned by  
Brehm Communications  
were sold to  
Paxton Media Group



## **3 Dailies • 11 Weeklies (Tennessee)**

Owned by  
Jones Media  
were sold to  
Adams Publishing Group



## **1 Daily • 2 Weeklies (Kansas)**

Owned by Montgomery  
Communications  
were sold to  
White Corporation



## **3 Weeklies (Virginia)**

Owned by  
Virginia Media Group  
were sold to  
Piedmont Media



## **1 Daily • 24 Weeklies (Houston, Texas)**

Owned by  
10/13 Communications  
were sold to  
Hearst Newspapers, LLC



## **1 Daily • 6 Weeklies (North Carolina)**

Owned by  
Fayetteville Publishing  
were sold to  
GateHouse Media



## 2 Dailies • 2 Weeklies (Kentucky)

Owned by  
Schurz Communications  
were sold to  
Boone Newspapers



## 2 Dailies (Alaska)

Owned by  
Singleton/Scudder  
were sold to  
Snedden Foundation



## 1 Daily • 3 Weeklies (Idaho)

Owned by  
Post Company  
were sold to  
Adams Publishing Group



## 4 Dailies (Wyoming)

Owned by  
McCracken/Richardson  
were sold to  
Adams Publishing Group



## 4 Dailies • 2 Weeklies (Indiana)

Owned by  
Home News Enterprises  
were sold to  
AIM Media Indiana



## 1 Daily (Ohio)

Owned by  
Dix Communications  
was sold to  
Adams Publishing Group



## 3 Dailies (Iowa)

Owned by  
Murray Family  
were sold to  
Cedar Rapids Media Company



## 2 Dailies (Arkansas)

Owned by  
Weston and Kevin Lewey  
were sold to  
Argent Arkansas News Media



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## CRIBB GREENE COPE PUBLISHER CONFIDENCE SURVEY FALL 2016

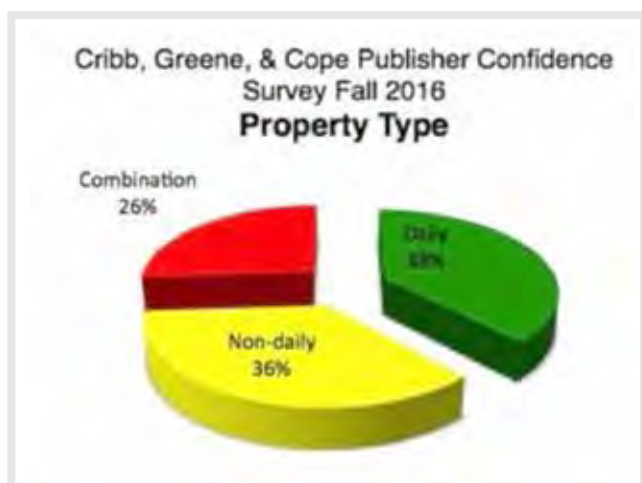
Responses to the Fall 2016 Publisher Confidence Survey indicate publishers continue to be encouraged about the short term future, but are not as confident as they were a year ago. One hundred and twenty-five newspaper publishers/executives completed the 2016 Survey with 64% of respondents owning daily or daily/weekly newspapers and 36% owning primarily weekly publications.

Sixty percent of respondents continue to be interested in buying a newspaper and 65% might or would recommend their children seek a newspaper career, however both of these categories are down from 2015. In 2015, 75% said they might or would suggest newspapers as a career.

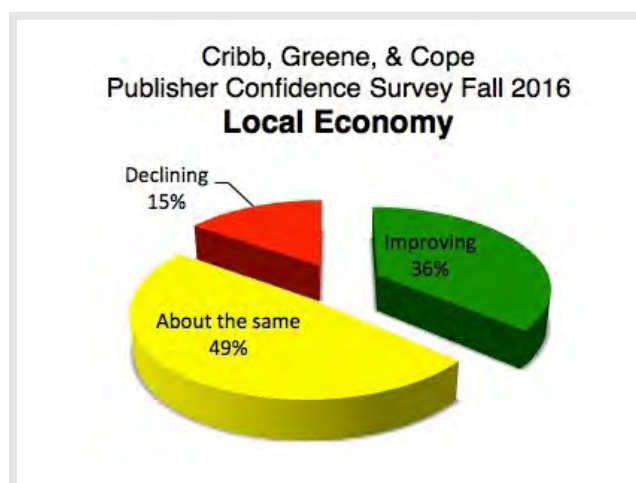
The percentage of publishers who think their local economy is improving is 36%, which is down from 40% in 2015 and from 50% in 2014. Nearly half (49%) feel their local economy is staying about the same.

Publishers who feel their profit will be up next year dropped to 41% compared with 48% in 2015 and 51% in 2014. The target for digital advertising as a percentage of total advertising has increased, with 49% of respondents saying they want to have 0%-10% of advertising in digital, and 41% saying they look for 10% to 20%.

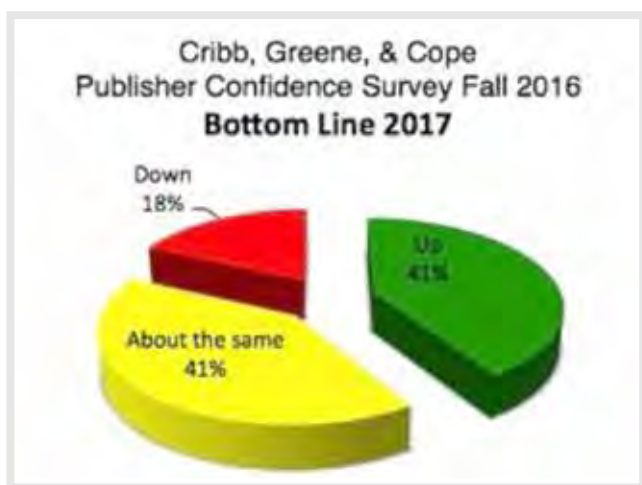
The conclusion for this year's Survey is that publishers remain confident about future performance - but are not as confident as they were last year. Although difficult to quantify, the presidential election upheaval may be a factor in reducing confidence levels. See individual responses below.



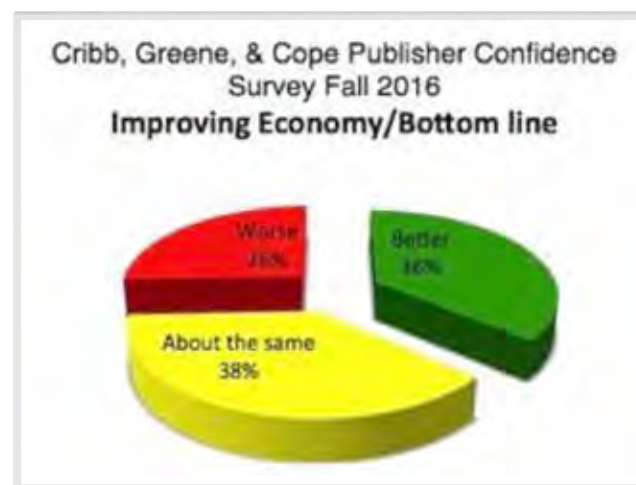
#1: Is your newspaper company primarily daily frequency (5 days or more each week), non-daily or a combination?



#2: Do you think the local economy(s) in your publication market(s) is/are improving, declining or about the same as last year?



#3: Next year (2017) do you believe your bottom line will be up, down or about the same as this year?



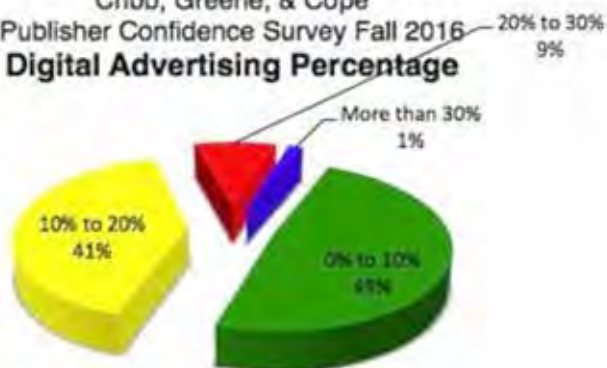
#4: As your local economy continues to improve, do you think your bottom line will be better than it was before the downturn, worse or about the same?

Cribb, Greene, & Cope Publisher Confidence  
Survey Fall 2016  
**Advertising Revenues in 2017**



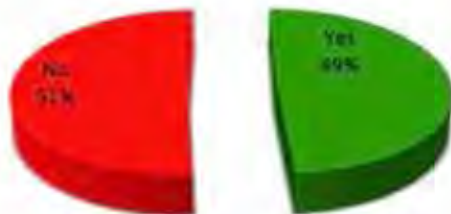
#5: Next year (2017) do you believe your total advertising revenues will be up, down or about the same as this year?

Cribb, Greene, & Cope  
Publisher Confidence Survey Fall 2016  
**Digital Advertising Percentage**



#6 What is your target for digital advertising revenues as a percentage of total advertising revenue in 2017?

Cribb, Greene, & Cope  
Publisher Confidence Survey Fall 2016  
**Outsource Printing/Eliminate Press**



#7: If you currently print in-house, would you consider outsourcing your printing and eliminating your press?

## PUBLISHER SURVEY: -- RESPONSE COMMENTS

- "I still feel very strong about the value that Community Newspapers bring to the table with the right balance of print and digital resources from our news gathering to our sales value. We are a key component in delivering honest news and strong sales penetration within our community based markets."
- "The newspaper business is much more than once defined by the name "newspaper". The industry is vibrant and active in innovative efforts to serve our communities and preserve our journalistic mission. Young people today, looking for purpose in their endeavors could not be better served than joining a local media company (once newspaper) in growing dynamic communities."
- "Wish I could be more positive, but it is rough out there right now!"
- "The business of community news is up and improving."
- "I did encourage both of my sons to consider the newspaper business as a career, but both have gone or are going to go in different directions."
- "The advertising is extremely difficult to navigate. We have had to add more events to our portfolio and other unique digital items to keep the revenue coming in. Luckily health insurance stayed about the same as last year which helped quite a bit as well to keep the expenses down."
- "Things are still wishy - washie. But those who work and think can and will do OK to well."
- "Interesting business, but the future -- 5 to 10 years out -- is unclear."
- "If a paper can be purchased right and in a good market where other ancillary products can be launched, it is a good base of operations for a young person."
- "Community news media are still vital, and important to our community, state and nation."

*The conclusion for the 2016 Survey is that publishers remain confident about future performance - but are not as confident as they were in 2015. Although difficult to quantify, the presidential election upheaval may have been a factor in reducing confidence levels.*

# CG&C Client Comments

**Weston Lewey, Owner, Times-Herald Publishing Company, Inc.:** "When my family and I made the difficult decision to sell the newspaper my grandfather had bought in 1942, I decided to try Randy Cope with Cribb, Greene & Cope, because I had known him briefly many years ago. I'm happy I did. He was efficient without being pushy, and was sensitive to how difficult this was for my elderly father. He found a buyer within a reasonable amount of time, and then walked me through all the necessary steps. Any time I had questions, he was available. Since I was doing this only once in my life, I had many questions, and depended on his expertise since he does this often. It was complicated for us since we were keeping one company within the corporation and selling the two newspapers. He handled it all and communicated what we wanted to do very easily with potential buyers. I would recommend Cribb, Greene & Cope to anyone wanting to sell a newspaper, without a doubt."

**Bill Brehm, Brehm Communications:** "Brehm Communications' leadership team had a very good experience with the Cribb, Greene and Cope team as we marketed and sold our Mississippi Valley Media Iowa Properties and our Tri state Media, Indiana and Illinois properties. They handled our transaction needs with the care, detail and trust that we needed to feel comfortable. They did their homework to have accurate and attractive marketing materials before we approved putting our two groups on the market. And we also approved any potential buyer in advance. Nobody was contacted that we did not wish to contact. I believe we got the best possible value for these long time family-owned properties. Both John Cribb and Randy Cope worked closely with us in the beginning with Randy helping us to negotiate a few details that helped our transactions to be completed in the time we expected. In both cases I believe our properties will be good fits for the buyers. Brehm Communications Inc. controller Jeff Johnson said that it was a pleasure working with Randy Cope on the financial details and marketing package."

**Gregg Jones, President, Jones Media Inc.:** "Selling a family business is anything but easy. It can be, as we found, an emotional, often gut-wrenching, process that must be done with as much intelligence and expertise as possible. When it became clear that Jones Media was to be sold after 100 years of family ownership, there was no question about the broker we would turn to to assist us: Cribb, Greene & Cope. The qualifications CG&C brought to the task included unimpeachable integrity, incomparable knowledge of the market and an unquestioned commitment to understand what we, the owners, wanted in every dimension (preservation of family legacy, treatment of employees, transition of employee benefits, sale price and terms, etc.) and to work hard to find the most suitable buyer possible. Among other things, including an abundance of experience in transitioning family businesses from one owner to another, the broker would be required to have great sensitivity, patience and the ability to establish a high level of mutual trust in dealing within our family itself. CG&C delivered in excellent fashion on all fronts. My family and I are deeply grateful to have been represented by CG&C, have nothing but the highest praise for the professional, focused work they did for us, and have absolutely no reservations in recommending them as the best possible broker to anyone facing the difficult decision to sell. In fact, if you find yourself in the same position I surprisingly found myself a year ago, please feel free to contact me to discuss this in more detail."

**Chuck Dix, President, Dix Communications (Recent sale of Frankfort, KY daily):** "Cribb, Greene was a solid broker for Dix, acting in a professional manner not only to us, but to the buyer as well. They are well placed in the industry, respected, and confidential."

**Alex S. Jones, co-owner Jones Media Inc.:** "I am glad to testify to Gary Greene's superb work on behalf of our whole family. When there was an anguished debate within the family as to whether to sell, Gary provided clear options, with the strengths and weaknesses of each path. When we elected to sell, he guided the process with wisdom, empathy and vast skill, finding us an excellent buyer and negotiating on our behalf to find the best possible terms. He is a man we revere and trust, an honest broker in every sense."

**Peter Arundel, President, Virginia News Group:** "Cribb, Greene and Cope were invaluable in consulting my media firm on the sale to a group of investors in my market. It was a very complicated deal and I could not have done it without their trust, experience and competence."

**Charles Broadwell, President, Fayetteville Publishing Co.:** "Our family made the difficult decision to sell The Fayetteville Observer after 93 years and turned to Gary Greene to advise and lead us through the process. I've known Gary for years as a person of integrity with extensive contacts in our industry, and he and John Cribb are true professionals. I recommend them highly."

**John G. Montgomery, Junction City (KS) Daily Union:** "When it came time to sell our Junction City, Kansas, Daily Union, Abilene Reflector-Chronicle, and Wamego Smoke-Signal, I thought of Cribb, Green, Cope's long association with smaller dailies. After four generations of Montgomery's in Junction City and my desire to retire I contacted Randy Cope. He handled everything in a very professional manner. I am glad we were able to sell to another fourth generation Kansas family—the White/Walkers of Emporia."

**Mike McCracken, President, Cheyenne Newspapers Inc.:** "John met with our family in January 2015 to discuss the market and recommend that we consider putting our newspapers up for sale sooner rather than later. John had represented us in the sale of our Worland, Wyoming property in 2014. He felt the timing was ideal for putting the rest of our holdings on the market, and he was right. Shortly after the family decided to move forward, John found a very interested prospective buyer and we began negotiations. On October 1 we sold our newspapers in Cheyenne, Laramie, Rawlins, and Rock Springs to APG Media. The McCrackens and our other partners were very happy that John found a buyer interested in all four properties. Our family's ownership of the Cheyenne property went back almost 90 years, and we were also very pleased to sell to another family-owned newspaper company. We had a very loyal team of employees at each newspaper, and it was reassuring to me that APG wanted to keep most of our department heads and employees in place after the sale. John and his team did a great job for us."

**Jerry Brady, former owner Idaho Falls Post Register:** "When my brother and I decided to sell after 90 years of family ownership in Idaho Falls, people we trusted pointed us toward John Cribb as the go-to broker. He was everything we could have hoped for. We particularly appreciate his patience, encouragement and even-handedness when bumps showed up along the way. He has about him an equilibrium which is reassuring and settling. John served us well."

**Jack Brady, former owner, Idaho Falls Post Register:** "We are very pleased to have found you and the resources of Cribb-Greene to lead us through this process over the past many months. You represented us honestly, transparently and with sound and timely advice."

**George Lynett Jr., Publisher of the Times-Tribune:** "We are very happy with our experience with Cribb, Greene & Cope. Gary's knowledge of the industry and the market, as well as his relationships in the industry, proved crucial to connecting us with acceptable buyers who both met our price range requirements and our desire to keep those newspapers and employees in good hands."

**Greg Zyla, Former President & Publisher, Towanda Printing Company:** "Congrats gents - a true pleasure working the sale books and other necessities we needed for the successful sale of our Towanda and Shamokin properties to Sample Media Aug. 1, 2015. Your company is AAA-1 professional in my book."

**Bill Jacobs, former owner, Brookhaven (MS) Daily Leader:** "My dependence on John Cribb during each phase of the negotiating process was crucial during the sale of my newspapers. When one is traveling in uncharted territory, it is important to have someone of his experience on the team to properly work on the details of such transactions."

**David Jackson, former owner, Ludington (MI) Daily News:** "I greatly appreciated Cribb Greene's help not only in soliciting potential buyers for our company, but also their expertise in evaluating the interest and financial wherewithal of those indicating an interest in our newspapers. Cribb Greene made the process much easier and less painful than it would have been without their assistance."



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