



The [News] Year

CGC'S LATEST RESULTS | INDUSTRY TRENDS



PRICE, STRATEGY & DISCIPLINE DRIVE TODAY'S BUYERS MORE THAN EVER

By Jeffrey Potts

With newspapers now trading at historically low multiples of EBITDA, today more than ever appears to be a great time to be investing in them. And in fact, many of today's active newspaper buyers are now taking advantage of an inventory-rich market. These buyers have a clear operating strategy and are taking a disciplined approach to new acquisitions in the current environment.

The active newspaper buyers we interviewed for this story agreed that the low prices being paid today for dailies and weeklies (compared with more than a decade ago) are significant enticements to enter the market, but smart acquisitions are more important than ever.

"In this environment you are either in or you are out. If you are 'in' this is a very good time to be a buyer." John Rung of Shaw Media

Good deal opportunities have enticed operators previously on the sidelines to take a more aggressive approach.

"I am a believer in community weekly newspapers," said J. Louis Mullen, the 34-year-old owner of Blackbird, LLC.



John Rung,
CEO of Shaw Media

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Gary Greene leaves a legacy as he retires from the company.

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Cautiously optimistic and embracing the future.

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Mullen has made a series of weekly acquisitions in the Northwest in recent years, thanks to a more affordable newspaper market.

"Today's valuations have allowed me to enter the market much easier and more aggressively than I would have been able to 15 or 20 years ago. I also have a strong bank that believes in weekly newspapers. If they didn't, I wouldn't be in the position to purchase like I have for the last seven years."

J. Louis Mullen of Blackbird, LLC



J. Louis Mullen
Owner, Blackbird, LLC

Focused Operating Strategies

Most buyers agree that the age-old strategy of geographic newspaper clustering is as important and relevant today as ever to build a scalable local news enterprise and reduce operating costs.

"If a newspaper is not situated near a current market of ours, we would not even consider it,"

Said Rung, whose company recently acquired the daily LaSalle (IL) News Tribune. "Geography has always been a factor for us, but today it is more than just a factor, it is imperative. Savings are derived primarily from production and finance, although there can be efficiencies in management as well. We do not consider reductions in news staff. If possible, we try to increase resources devoted to quality journalism."



Jamie Paxton,
Paxton Media Group

"That strategy is shared by Paxton Media Group, another active buyer in today's market. The Paducah, Kentucky-based company believes strongly in the value of local journalism and the important role that newspapers play in our democracy," said CEO Jamie Paxton.

But, he added: "With continued revenue declines it is becoming increasingly difficult to operate a newspaper on a stand-alone basis. We believe markets are always best served when the reporters and sales staffs are local. Technology has allowed us to consolidate production and back-office functions, so that is where we concentrate."

Embracing Digital

With traditional print revenues in decline, some buyers today are hyper-focused on executing their digital operating strategies to generate strong returns from these acquisitions over the long term.

"We are intensely focused on growing digital audience and

(more importantly) digital subscriptions," Rung said. "We believe that multiple newspapers in a single region will help us improve our reporting and content, and that – coupled with better technology – will drive digital subscriptions.

Francis Wick, CEO of Wick Communications, Inc., said he pays particular attention to the strength of the brand when evaluating newspaper deals to support a sustainable business model.

"I believe future opportunities of newspapers will be predicated off of their brand, quality of content, and the way they engage in mutual relationship(s) between all stakeholders. When digital subscriptions pay for the direct cost of a newsroom, the legacy business model will become easier to navigate due to a new and more controllable baseline to build upon."

Francis Wick of Wick Communications, Inc.



Francis Wick,
Wick Communications

The Real Estate Equation

One of the challenges today in valuing newspapers is separating the value of the newspaper business from its real estate. In some cases, the newspaper's real estate property may represent a significant portion of the value of the business, at least from the seller's perspective.

But many buyers are not interested in the real estate, particularly if it perceived as overvalued by the seller, and thus can create roadblocks to a deal. "Real estate can become an albatross for sellers unwilling to separate the business and the building," Mullen said.

Rung agrees: "We are publishers, and have very little interest in real estate. Of course, if the real estate is a good value, that's potentially a plus, but our main concerns are quality of paid subscriptions and the adjacency to our current markets."

Staying Disciplined

The increase in the number of newspaper properties on the market has also forced buyers to practice more discipline than in the past, when supply was tighter and valuation multiples higher.

"It (the higher inventory) allows me to be much more discerning when a broker approaches me," Mullen said. "Sellers need to understand the implications of the glut in the market. Why would a buyer pay top-end dollars when there are five other papers with the same or higher returns at lower multiples?"

Sourcing and vetting deals also takes time, and can distract buyers away from operating their business. "For a small company like ours, considering strategic acquisitions takes a lot of time," Wick said. "We have to be highly selective to allocate our time to opportunity that makes sense for us."





JOHN THOMAS CRIBB AND JEFFREY POTTS NAMED DIRECTORS OF CGC

John Thomas Cribb and Jeffrey Potts have been named Directors of Cribb, Greene & Cope, alongside Director Randy Cope and Senior Advisor John Cribb. The change ushers in a new era for the nation's oldest brokerage firm.

John Thomas Cribb has been with Cribb, Greene & Cope since 2015 as an associate. Prior to that he was a group publisher for Yellowstone Newspapers, based in Livingston, Montana.

"I'm thrilled to be the second generation of the Cribb family to work for this firm," Cribb said. "In 2023 this firm will turn 100 years old and like many of our industry clients, we are excited to be a leader in this industry's transition for the next 100."



John Thomas Cribb

Potts is a native of Sacramento, California, with two decades of media and non-media brokerage experience. He joined CGC in 2016 and has since

taken a leadership role in the firm.

Potts started his merger and acquisition career in 1999 at Dirks, Van Essen & Murray, serving as vice-president there. In 2009 he founded Gold Country Advisors to apply his experience to a broader base of businesses and industries in northern California.



Jeffrey Potts

"I've really enjoyed working alongside the CGC guys for the past couple of years," Potts said. "I am honored to be part of such a storied and respected newspaper M&A/brokerage firm. The Cribb guys understand that we are in a people business, and live by their motto 'to do the best job for their client, every time.' I look forward to having fun and collaborating with them as we evolve alongside our industry clients and friends in the digital media era."

John Cribb and Randy Cope welcome Jeffrey and John Thomas into the firm as partners.

GARY GREENE RETIRES FROM CRIBB, GREENE & COPE

After spending the last 19 years helping newspaper families navigate through the landscape of a dynamic and ever-changing field, Gary Greene has retired as a Director of Cribb, Greene & Cope ("CGC").

"I have thoroughly enjoyed the past 19 years, however, it's time to slow things down, travel more, enjoy more fully University of Virginia sports and my hobbies and relax," said Greene, who came to CGC after a 30-year career in the newspaper business as an owner/operator.

Upon his retirement, Greene was designated broker emeritus by CGC.

Greene began his career during college at his local hometown newspaper in Johnson City, Tennessee, and worked in the industry ever since. He founded Dickson Media, a Virginia-based media company in 1988 and grew it into 20 different companies in 10 states.

Before starting Dickson Media, Greene spent 17 years with Worrell Enterprises, a family-owned print and broadcast media company also based in Virginia.

Senior Advisor John Cribb says, "Gary and I worked together for a number of years as he assembled his company, Dickson Media. During that time we became fast friends, and when Gary sold his company he joined me as a partner in 2000. Our 'internal' company motto was 'if it's not fun, don't do it' — and we have

always had a great time together, no matter the circumstances in our business and lives. Gary is one of the finest people I've ever known, and I look forward to his continued friendship as he pursues his many interests."

"It has been a unique and wonderful experience working with John Cribb and the other directors and associates at CGC," said Greene. "Quite often friends struggle working with one another, but John and I, along with the others at CGC, never had difficulty with that."

Reflected Greene on this time at CGC: "We were always having so much fun that neither John nor I could have imagined doing anything else. Our goal was to always put our client's interests ahead of our own and look for ways that we could continue to grow as servant leaders. I am so thankful for all of the things that John taught me about the brokerage business and most of all for his friendship, which I value more than anything else over this past 19 years."

John Cribb, Randy Cope, Jeffrey Potts, and John Thomas Cribb wish Gary Greene a happy retirement.





TILLOTSON JOINS CRIBB, GREENE & COPE TO PROVIDE OPERATIONS CONSULTING

Dolph Tillotson, a respected U.S. community newspaper leader and executive for more than fifty years, has joined Cribb, Greene and Cope ("CGC") as an operational consultant. Dolph recently retiring as president of Southern Newspapers, Inc., of Houston, Texas.

Dolph's passion is to help strengthen community newspapers across the country, and through his association with CGC, he will be working alongside us to do just that.

"Community newspapers are my passion and have been all my life. I think this segment of the media is necessary for healthy communities, even for a healthy country. I want to do what I can to offer support to my colleagues," Dolph said. "I also happen to believe community newspapers, as well as their web offerings and magazines, can thrive in today's difficult environment if their owners and operators are willing to embrace change."

"We are very pleased to have Dolph join our team," said Randy Cope, a partner and director of CGC. *"Dolph is well respected in the industry and has a wealth of knowledge in improving the health of newspapers. We feel that most newspapers should be able to have a healthy bottom line. Dolph is now a great resource to help companies attain and maintain financial stability."*

Dolph added, *"I'm excited to be associated with Cribb, Greene and Cope."* I've worked with the partners at CGC for

decades on appraisals, sales and acquisitions, as well as consulting on operational issues. We share a commitment to the industry, and I've learned over the years to respect their judgment, their sense of mission and their ethics. All those things are really important to me. My hope is that I can bring experience and value to a great partnership with honorable traditions."

Dolph's primary areas of expertise are revenue development, content and product improvement, cost control and managing change. His work has also included newspaper consolidation, development of new products, downsizing, changing publication schedules, team building and leadership development.

He started his career in 1969 at The Tuscaloosa (AL) News and worked under the guidance of Jim Boone for another 18 years before joining Southern Newspapers, Inc. ("SNI") in 1987 as publisher of The Galveston Daily News. He became president of SNI in 2011 and recently assumed the title of chairman of the board of SNI. SNI operates 12 community newspapers in Texas and Oklahoma.

Dolph and his wife, Teri, reside in Galveston, Texas. He has two grown children and five grandchildren. In his spare time, he enjoys reading, golf, climbing mountains and hiking.

To discuss Dolph's consulting services, he can be reached at dtillotson@cribb.com.



MAINTAINING A HEALTHY BOTTOM LINE

By Dolph Tillotson

Many of the country's newspapers have been challenged the last decade by declining revenues. Keeping the bottom line healthy is still possible, but operators must pay attention to every aspect of the business to be successful.

One such operator is Dolph Tillotson, Chairman of the Board for Southern Newspapers, Inc. and Operational Consultant for Cribb, Greene & Cope. Tillotson has an array of tools that he uses to keep his newspapers in a profitable position, but says the main thing he focuses on is making sure he has solid employees in every position.

"Keeping profits solidly in the range of 10-15 percent is certainly more difficult than ever. But in most markets, we think it's vital and still possible with management that is informed, inspired and committed. Our efforts always seem to succeed or fail based on the strengths or weaknesses of local management," Tillotson said. *"With the right people in place, it's rare to see failure. With the wrong people running things locally, it's impossible to succeed."*



Another key area that Tillotson focuses on is average advertising rates. He said, "I've been watching average rates much more closely than in the past. That's because I think there is acute downward pressure on how much we charge for an inch of paid advertising and for a month's home-delivery in circulation.

"We've discovered through tracking average rates that, even without planned rate decreases, our average rates in many cases are going down. That's because of market changes and, frankly, inattention to the issue of rates and internal pressures at most newspapers to lower rates.

"That is, our own ad staffs complain about higher rates perhaps even more aggressively than our customers do. There's a tendency to sell the rate as opposed to selling ideas and quality. In contrast, I think some of our most successful products are the highest-rated because they are a clear, sharp and salable idea, and we approach them with a quality-first mindset."



Dolph Tillotson,
Operational Consultant,
Cribb, Greene & Cope

"When we sell the rate, we undermine the value of our service, and we undermine our future."

"We're attempting to counter this downward rate pressure by encouraging publishers to rethink all their rates as well as switching to higher modular rates on every single promotion or special section we produce. For us these days, contrasting the average rate per inch to the cost per inch to produce an inch of advertising is very, very revealing."

Tillotson's other main concern right now is collections. He said, "We're also finding that collections have never been more difficult as many of our customers are taking a pay-as-last-resort approach to their cash management. This means our profit numbers turn out to be inflated in some cases because the revenue we bill doesn't equate to the cash we produce from billing."

"As with most things, we find we succeed at what we track, so we're tracking the collection numbers more closely, developing stronger collection procedures, ranking our papers based on success in collections and creating bonuses for employees based on best practices and success."

"Our basic standard is that Accounts Receivable should be 75 percent current on the first of each month. One side benefit to this closer scrutiny is that we've discovered some simple problems in the way we manage Accounts Receivable internally (put garbage in, get garbage out)."

If you have questions or would like more information on improving your bottom line, please contact Randy Cope (rcope@cribb.com) or Dolph Tillotson at (dtillotson@cribb.com).





CRIBB 2019 CONFIDENCE SURVEY RESULTS

The annual Cribb, Greene & Cope Confidence Survey was recently completed and the results suggest that publishers are embracing change in the industry and at the same time are cautiously optimistic about the future.



Digital Revenues will be **OVER 10%** of Revenues

Those responding still feel like digital revenues will be an important part of total revenues with **over half saying that digital revenues will be over 10% of revenues**, a response that is in line with last year's response.

One survey responder said, "All newspapers that will continue to thrive will do so by heavy education of sales staff, replacing lost revenue from the K-Marts and Sears, etc. with digital. That is a three-to-five year process, and EBITDA will grow faster than revenues because **digital margins are close to or over 50%**. *Learning to sell and service digital is vital to success. Those who do not are doomed – or must accept far less in earnings.*"



OVER HALF Consider Outsourcing Printing

Over half also said they would consider outsourcing printing, something that would suggest publishers are keeping their options open on ways to embrace changing times and improve performance.

Half also said they would consider purchasing an additional newspaper, something that suggests continued confidence in the industry. Interestingly, **over a third of**

those that responded said that such a purchase would be done out of cash reserves, which indicates the healthy position many companies now experience.

In terms of the economy and financial performance **three-**



OVER 1/3 surveyed would Purchase Additional Newspapers from Cash Reserves

fourths feel that in 2020 their local economy will be the same or better than 2019 and an equal amount feel their bottom line will be the same or better.



3/4 SURVEYED Believe their Local Economy will be the Same or Better

Finally, the study confirms that those in the newspaper business expect it to be a challenging business with **only half the respondents saying they would consider recommending the business for their children**.

50% Would Recommend the Business to Their Children



One responder, however, is using the next generation as a catalyst for change, *"I plan to bring my 24-year-old daughter on board to expand our revenues into digital and events so that we can fund our news on more than just ads."*



37 DAILIES & 83 WEEKLIES SOLD IN THE LAST 36 MONTHS



2 Weeklies Tennessee

Owned by Rust Communications were sold to Holler Media



2 Dailies Ohio

Owned by Findlay Publishing Company were sold to Ogden Newspapers



1 Daily, 2 Weeklies Illinois

Owned by Daily News-Tribune, Inc (LaSalle, IL) were sold to Shaw Media



1 Daily, 2 Weeklies Ohio

Owned by The Vindicator Printing Company (Youngstown, OH) were sold to Ogden Newspapers



1 Weekly Washington

Owned by Eagle Newspapers was sold to Blackbird, LLC



1 Daily Wisconsin

Owned by Fred Berner was sold to Adams Publishing Group



1 Daily, 2 Weeklies California

Owned by TBC Media (The Bakersfield Californian) were sold to Horizon Publications, Inc.



2 Dailies Ohio

Owned by Sandusky Newspaper Group were sold to Ogden Newspapers



1 Daily 1 Weekly Wisconsin

Owned by The Hagadone Corporation were sold to Adams Publishing Group



1 Daily 3 Weeklies Michigan & Tennessee

Owned by Sandusky Newspaper Group were sold to Paxton Media Group



1 Daily 2 Weeklies Arkansas

Owned by GateHouse Media were sold to Paxton Media Group



1 Daily Indiana

Owned by the Wilson family was sold to Paxton Media Group



1 Daily 2 Weeklies Ohio

Owned by SDG Newsgroup (Shelby, OH) were sold to Horizon Newspapers



1 Daily Utah

Owned by Brehm Communications was sold to local investors



CLIENT COMMENTS

"Selling a business that had been in our family for 133 years was an extremely difficult and emotional process. Jeff Potts and the Cribb, Greene & Cope team guided us down this road with great industry knowledge and professionalism, sensitive to the challenges of the family issues. They expertly prepared the documents to take us to market and guided us through the bid selection process. Jeff kept the process on pace but also understood when the family needed to call a short time out to make sure we were all of common mind. There was never any doubt that Jeff was working with great skill and effort to find the best outcome for us. I say with 100% conviction that Jeff Potts and Cribb, Greene & Cope were the right match to be our advocates through the sale process and highly recommend them if you find yourself in a similar situation."

Karl Heminger, former president and publisher, Findlay Publishing Company

"Always available and a voice of reason, Randy helped me through the sale process beginning the day our owner made the decision that it was time to consider selling. He connected us with the right potential buyers. The value of his guidance cannot be overstated. We are so very pleased with the outcome. I recommend Randy and his firm to any newspaper owner who's weighing the option of selling."

Joyce McCullough, former President, NewsTribune, Lasalle, IL

"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."

Chuck Dix, President, Dix Communications

"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, former President, Fayetteville Publishing Co.



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