

Newspaper Acquisitions

PUBLISHED FOR THE NEWSPAPER INDUSTRY BY DIRKS, VAN ESSEN & APRIL

Volume 24, Issue 2

© Dirks, Van Essen & April

August 2020 Report

What's Inside

Summary of recent deal activity
pages 1-2

The tale of three newspaper
families
page 3

Owen D. Van Essen
President

Philip W. Murray
Advisor

Sara E. April
Vice President

Holly Myers
Analyst

*"We believe an informed
citizenry is essential for
representative democracy to
function effectively."*

- Knight Foundation

DV&A

WWW.DIRKSVANESSEN.COM

Small Deals Close as Pandemic Continues

McClatchy bankruptcy process also moves along

Deal activity slowed during the second quarter as the negative economic effects of the COVID-19 pandemic took hold.

However, several small newspapers did change hands as independent and group owners with strong balance sheets built their companies through strategic add-ons.

Some of these transactions included the transfer or sale of publications that had ceased publishing in the wake of COVID-19, including a trio of newspapers owned by the parent company of the Los Angeles Times.

McClatchy Co., which filed for Chapter 11 protection in February citing onerous pension and debt obligations, continued to dominate the industry headlines as its bankruptcy sale proceeded.

As we write this, it appears Chatham Asset Management, the company's largest secured lender and winner of the bankruptcy court auction, will be taking over the storied newspaper chain.

The sale is scheduled to be approved by the court in August and closed in September.

Paxton Adds in Indiana

Paxton Media Group continued to strategically expand with the addition of the Jasper (IN) Herald. Earlier in 2020, PMG acquired the Madison (IN) Courier.

The award-winning Herald, which has combined print and digital circulation of 7,600 Monday through Saturday, is the most widely read daily newspaper in Indiana's Dubois County. It had been owned by the Rumbach family since 1919.



"We are excited to add the Jasper Herald to our portfolio of properties in Southern Indiana which include the Vincennes Sun Commercial and the Princeton Daily Clarion," said Paxton Media Group CEO Jamie Paxton.

"This business combination will allow us to share resources and provide the financial security needed to assure The Herald will continue to serve its community long into the future. We appreciate the Rumbach family choosing Paxton Media Group to be stewards of this vital community asset."

O'Rourke Expands Holdings



Veteran newspaper publisher Jim O'Rourke continued to grow his holdings with three acquisitions. In May it was announced that O'Rourke Media Group had acquired the Cannon Falls Beacon and the Cannon Shopper in Minnesota. The Beacon was founded in 1876 by John Leonard and

Continued page 2

Small Deals Close

Continued from page 1

purchased in 1880 by Silas S. Lewis, remaining in the Lewis-Dalton family for 140 years.

In addition, Wisconsin Media Group, an affiliate of O'Rourke Media Group, acquired the Sheboygan (WI) Sun, complementing the company's existing holdings in the state. Mike Walton Jr. started the Sheboygan Sun in 1999 with his father and business partner, Mike Walton Sr.

Wisconsin Media Group's markets now includes Kiel, New Holstein, Chilton, Sheboygan, Plymouth, Howard's Grove, Ripon and Green Lake.

In his third recent deal, O'Rourke entered an entirely new market with the acquisition of the CITYSunTimes in Phoenix, Arizona.

"We're looking forward to entering the Phoenix market," said Jim O'Rourke in a statement. "The CITYSunTimes content and publishing frequency is unique, they have a great team in place, and the business is greatly positioned for explosive digital audience and marketing growth."



The monthly CITYSunTimes is delivered to homes and business in Scottsdale, North Phoenix, Carefree, Cave Creek, Black Canyon City, New River, Anthem and Fountain Hills. It was founded in 2002 by Hope Ozer and purchased in 2013 by Lorrie Pomeroy.

Indiana Newspaper Reopens Under New Owner

The Daily Clintonian in Clinton, Indiana, which ceased publication briefly in April, was acquired by Don L. Hurd, president of Hoosier Media Group, Hometown Media and Heartland Media Group.

The Clintonian was established in 1912 and had been owned by the Carey family since 1936.

Similar to Jim O'Rourke, Hurd is a veteran publisher now growing a group of his own. The Clintonian marks the eleventh newspaper in Indiana he has acquired.

Following the closing of the transaction, Hurd was able to quickly re-launch the newspaper using templates and designs from his other newspapers. These other properties include The Benton Review, The News & Review (Fowler), Town & Country Shopping Guide, Hoosier Sports Media, The Paper of Wabash County and the North Manchester News-Journal.

California Newspapers Find New Home

Three California newspapers that briefly ceased publication in April when they were closed by the Los Angeles Times have found new ownership.

Charlie Plowman, owner of La Cañada Flintridge-based Outlook Newspapers, acquired the assets of the Burbank Leader, Glendale News-Press and La Cañada Valley Sun from the Los Angeles Times' parent company. The three titles join Outlook Newspapers' La Cañada Outlook, Pasadena Outlook, San Marino Tribune and the South Pasadena Review.

Plowman has published the La Cañada Outlook since 1998. He acquired the assets of the 97-year-old San Marino Tribune and South Pasadena Review from Andrew and Carie Salter in January of this year.

"We are thrilled to have acquired three iconic newspapers with deep roots and historic legacies in their respective communities," Plowman said in a statement announcing the deal. "I heard the outpouring from local residents, as to how much they love these publications, and want to support them."

The Burbank Leader was founded as the Burbank Daily Review in 1908. The Glendale News-Press dates back to 1905 and The La Cañada Valley Sun began publishing in 1946. The community papers had been inserted into The Los Angeles Times and also distributed free at businesses and in newspaper racks.

Plowman has now merged the The La Cañada Valley Sun with his La Cañada Outlook publication.

189-year-old Ohio Newspaper Sold

Schloss Media has sold the Free Press Standard in Carrollton, Ohio to the AloNovus Corp. of Millersburg, Ohio.

At 189 years old, the Free Press Standard is one of the oldest newspapers in the Midwest and the oldest continuously operating business in Carroll County.

AloNovus publishes weekly and monthly papers in 11 Ohio counties with total distribution of nearly 400,000. The company was founded by Abe and Fran Mast in the early 1970s and is now owned and operated by their sons.

Nebraska Weekly Changes Hands

Pitzer Digital, a four-year-old media company owned by Carrie and Wade Pitzer of Neligh, Nebraska, has taken over ownership of the 140-year old Stanton (NE) Register. The paper had been owned by Dani Hadcock since 2016.

Pitzer Digital also owns two other newspapers: the Antelope County News, which includes the Neligh News & Leader, Orchard News and Clearwater Record-Ewing News; and the Knox County News, which includes the Bloomfield Monitor and Creighton News.

The Antelope County News, was named the top weekly newspaper of 2018 by the Nebraska Press Association. ■

The Tale of Three Family Newspaper Owners

A look back as McClatchy heads toward sale to Chatham Asset Management

James McClatchy's first newspaper job was with Horace Greeley's New York Tribune just after he emigrated from Ireland. Seven years later, McClatchy headed west with thousands of others during the California Gold Rush. In 1857, James McClatchy published the first issue of The Daily Bee in Sacramento, California.

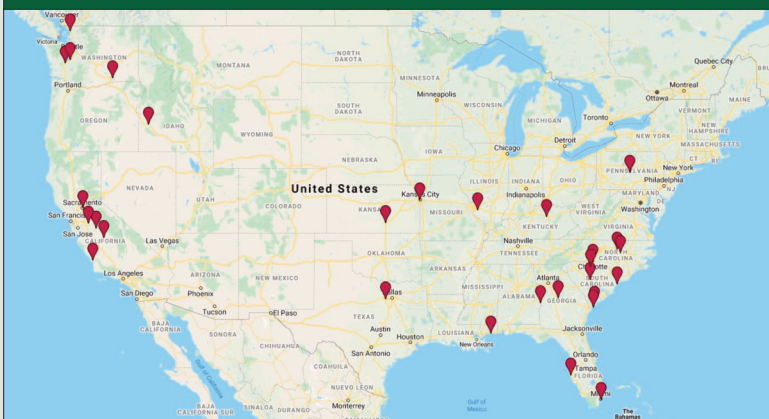
He once proclaimed, "the object of this paper is not only independence, but permanence." McClatchy's ownership of the Sacramento Bee, although ultimately not permanent, lasted more than 16 decades – the sixth longest tenure of ownership of a daily newspaper in the United States before its announced pending sale to Chatham Asset Management.



Two other families, the Knights and the Ridders, got into the newspaper business around the turn of the 20th century as well. Herman Ridder acquired the German-language Staats-Zeitung in New York in 1892 and Charles Knight purchased the Akron (OH) Beacon in 1903. The Ridder family began acquiring additional newspapers in the 1920s, as did the McClatchys. The Knights hopped on the acquisition bandwagon in the 1930s.

The companies owned by the Knights and Ridders became two of the first publicly-traded newspaper companies in the United States in the 1960s. In the 1970s, the companies merged to form Knight Ridder, the largest newspaper group in the United States at that time. In the late 1990s, Knight Ridder acquired the Kansas City (MO) Star and the Fort Worth (TX) Star-Telegram from Walt Disney Company for \$1.7 billion, the largest newspaper deal up to that point. McClatchy quickly followed with their own billion dollar deal the following year when it acquired Cowles Media Company, owner of the Minneapolis (MN) Star Tribune.

Current McClatchy Daily Newspaper Markets



McClatchy moved to public ownership in the late 1980s, although the family maintained control through a special class of stock. The company tripled the size of its business in 2006 when it acquired Knight Ridder for a purchase price of \$6.5 billion in cash, stock and debt. Based on pro forma results, the purchase represented 10.2 times EBITDA and 2.1 times revenue. At the time, McClatchy said the EBITDA multiple was 9.5 times after factoring in adjustments.

McClatchy filed for Chapter 11 bankruptcy in February of this year,

citing the burden of debt taken on with its purchase of Knight Ridder as well as legacy pension obligations. The bankruptcy process should come to a close within weeks, with financial firm Chatham Asset Management expected to be approved by the court shortly as the new owner.

New Jersey hedge fund Chatham Asset Management is acquiring McClatchy for \$312 million, according to a purchase agreement filed with the U.S. Bankruptcy Court on July 24. Under the agreement, Chatham will acquire McClatchy for \$263 million in a credit bid of the company's first-lien debt, plus \$49 million in cash and the assumption of additional liabilities. Chatham first invested in McClatchy in 2009.

Chatham and Alden Global Capital were the two final bidders in the bankruptcy auction. Alden's bid was reported to be valued at approximately \$100 million less than Chatham's. Chatham is also majority owner of Canada's largest news chain, Ottawa-based Postmedia Network Canada Corp, and owns American Media, publisher of the National Enquirer.