

Newspaper deal falls apart as Gannett gives up on Tronc

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In this Aug. 5, 2014, file photo, specialist Michael Cacace, foreground right, works at the post that handles Gannett on the floor of the New York Stock Exchange. Gannett is walking away from its takeover attempt at Tronc, the publisher of the Los Angeles Times, Chicago Tribune and other major dailies. Shares of Gannett Co., publisher of USA Today, are surging more than 8 percent in premarket trading Tuesday, Nov. 1, 2016. (AP Photo/Richard Drew, File)

USA Today publisher Gannett walked away Tuesday from its attempted

takeover of Tronc, the owner of the Los Angeles Times, Chicago Tribune and other major dailies.

Gannett's target was elusive from the beginning, with a publicly contentious back-and-forth between the two companies. Tronc, formerly known as Tribune Publishing, had rejected at least two bids from Gannett since April, saying it preferred to go it alone and focus on tech-driven initiatives involving artificial intelligence and global expansion in entertainment news and video.

Tronc's stock lost more than 12 percent Tuesday.

After the stock market's close, Tronc reported third-quarter results showing its revenue declined in both its traditional and digital businesses. But it kept its sales guidance for the year and raised a profit forecast.

Newspapers' print ad revenues have been falling for years, and growth in digital ads and online-only subscriptions has not been enough to offset that. Gannett has dealt with the decline by snapping up newspaper companies so it could sell more ads and then cutting jobs, and it wanted to combine with Tronc to add to its heft.

Gannett is now the largest newspaper company in the U.S. by paid circulation, according to Dirks, Van Essen & Murray, a firm that helps newspapers with merger transactions; Tronc is No. 3. In addition to USA Today, Gannett owns the Detroit Free Press, the Arizona Republic and dozens of other smaller newspapers across the country.

But the merger was not to be. Tronc said Tuesday that it reached an agreement on price in mid-September, but it didn't say how much. The last publicly rejected offer was for \$864 million, including about \$385 million in debt.

The Chicago company said, however, that Gannett was unable to pull together the money it needed to complete the deal. Gannett said that the terms of the deal were not acceptable.

Gannett Co., based in McLean, Virginia, had hinted at problems during its earnings call last week. CEO Robert Dickey, after a bad quarter and layoffs, said the company had to make sure that "financing terms make sense" for the Tronc deal and that Gannett, with a long string of newspaper acquisitions under its belt, would not "add properties for the sake of adding properties."

But Dickey said last week that the company was still interested in building its local-news footprint, suggesting that smaller deals might be coming. This year, Gannett has already bought Journal Media Group, the publisher of the Milwaukee Journal Sentinel, Knoxville News Sentinel and other papers, as well as the North Jersey Media Group, which publishes The Record and other papers in New Jersey.

Tronc Inc. says it will stick to its previous plan, focusing on technology and video initiatives born under Chairman Michael Ferro. Ferro, who had owned a stake in cross-town rival Chicago Sun-Times, invested \$44.4 million in Tronc and became its chairman in February. He brought on California entrepreneur Patrick Soon-Shiong as an investor to help fend off Gannett.

In its most recent quarter, Tronc's losses deepened to \$10.5 million from \$8.6 million, while revenue slid 6.8 percent to \$378.2 million. Advertising revenue fell 11 percent. In its digital unit, dubbed "troncX," ad revenues slipped 2.2 percent to \$47.3 million. Print-ad revenue fell 13 percent, to \$154.5 million; circulation revenue for the traditional business also dipped 1 percent, to \$117.1 million.

Tronc's shares closed down \$1.49 at \$10.54. In after-market trading

following the earnings report, they recovered 44 cents, or 4.2 percent, to \$10.98.

Gannett Co.'s shares dipped 18 cents, or 2.3 percent, to end at \$7.59.

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