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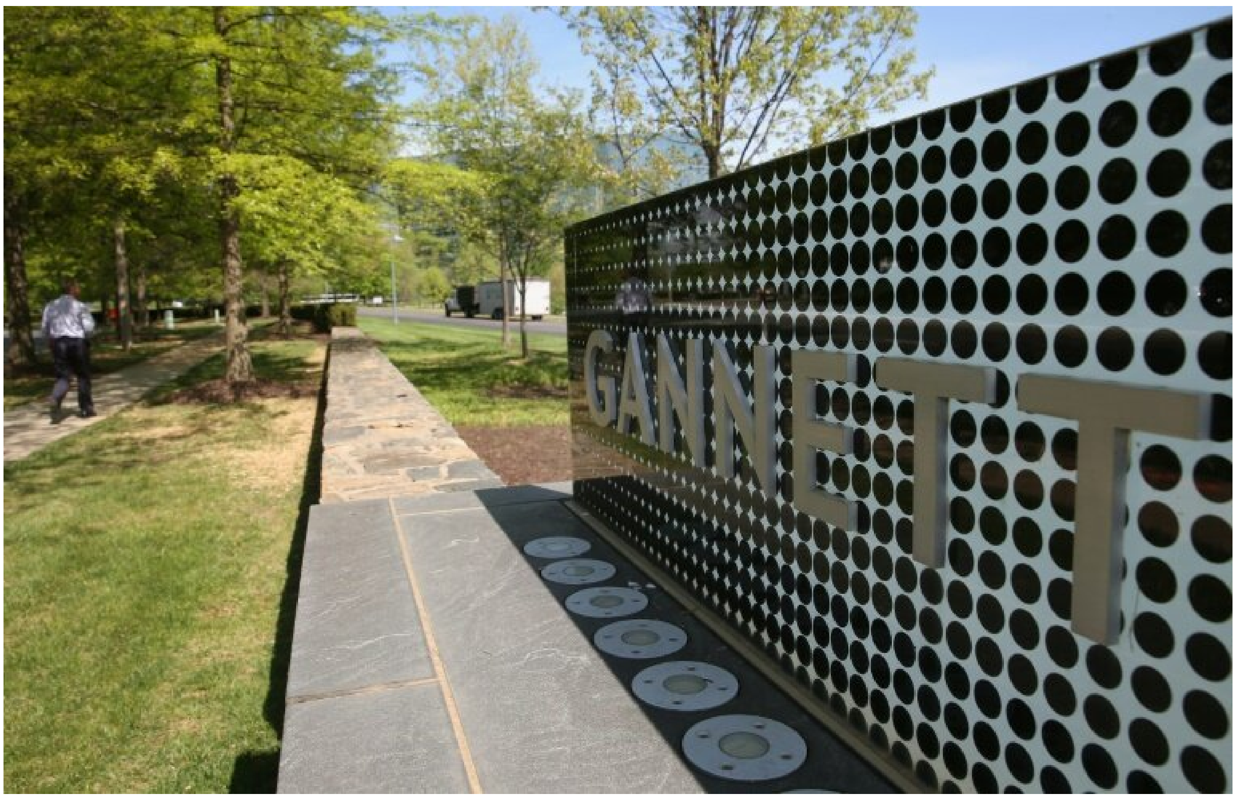
USA Today owner rejects bid from hedge fund-backed rival

February 4 2019



Virginia-based Gannett, which also owns several large regional US dailies, says it is confident of its strategy to remain independent

USA Today publisher Gannett said Monday its board unanimously rejected a $1.4 billion takeover offer from rival Digital First Media that would merge two of the largest US newspaper groups.

A statement said the offer last month from hedge fund-backed Digital First "undervalues Gannett and is not in the best interests of Gannett and its shareholders."

Gannett also maintained that it does not believe the offer is "credible," doubting the ability of the rival newspaper group to finance the deal and win regulatory approval.

Virginia-based Gannett, which also owns several large regional US dailies, said it was confident of its strategy to remain independent.

"Our board of directors is confident that Gannett has significant value creation potential," said Jeffry Louis, chairman of the Gannett board.

"We know there are challenges that face us and our industry. We firmly believe, however, that given our operational expertise, our focus on evolving our business model, and our unwavering commitment to remaining a trusted source of news, we are uniquely positioned to grow this company and its valuable assets."

Digital First, which is controlled by the New York hedge fund Alden Global Capital, has a reputation for buying struggling newspapers and then slashing costs.

It operates dozens of newspapers including the Denver Post in Colorado and San Jose Mercury News in California.

At the Denver Post, Digital First has been locked in confrontation with staff, who claim editorial interference and oppose deep job cuts.

Gannett's statement said it was willing to meet Digital First executives since they had acquired a significant stake in Gannett.

"We are always willing to meet with our shareholders," Louis said in a letter to Digital First chairman Joseph Fuchs.

Gannett said however it was not willing to sign a non-disclosure agreement (NDA) that would enable Digital First to see detailed financial information until it has more details on the takeover proposal.

Gannett questioned the motives behind the offer, suggesting that the NDA was a "distraction" designed to mask Digital First's inability to finance the transaction.

Digital First parent firm MNG said Gannett's board was blocking a deal that would give shareholders a premium of more than 40 percent to the pre-offer price.

"Gannett's deep structural problems are better fixed by experienced operators such as MNG, away from pressures of the public markets," the statement said.

The moves come with the legacy newspaper industry facing a horrific slump and struggling to make the transition to digital news.

Gannett in 2016 made an unsuccessful takeover bid for Tronc, now rebranded as Tribune Publishing, which at the time operated the Los Angeles Times.