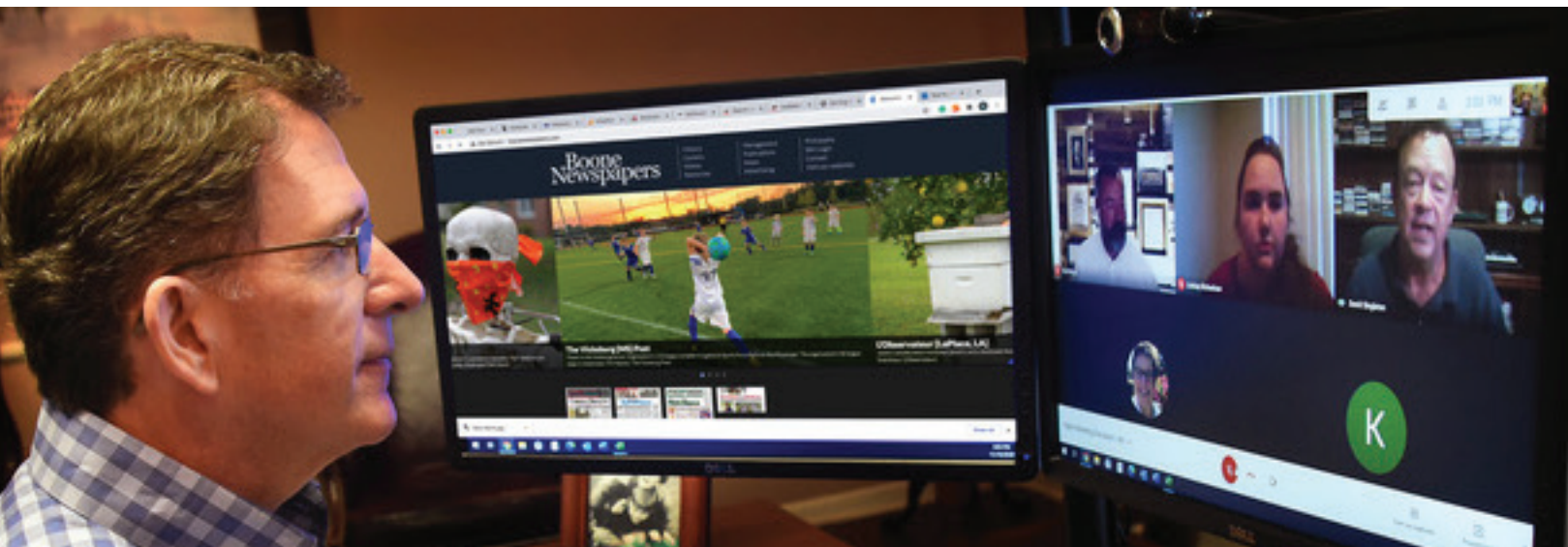


The [NEWS] Year

CGC'S LATEST RESULTS | INDUSTRY TRENDS



A new way of conducting business: Todd Carpenter, President of Boone Newspapers, conducts a weekly sales meeting through video conferencing.

NEW BENCHMARKS IN THE COVID-19 ERA: TOP OPERATORS CITE AGGRESSIVE AD SALES, TIGHT COST CONTROLS AND REMAINING FLEXIBLE AS KEYS TO PROFITABILITY

By Dolph Tillotson

In the wake of COVID-19 and soft advertising sales, community newspapers are finding ways to make money while serving readers and advertisers.

The challenge is more difficult today than before COVID-19, requiring more focus on sales, collections and customer service, newspaper operators said.

Those are among the key findings of a study of 20 key financial benchmark measures. The study highlighted leading community newspaper companies representing more than 150 newspapers located mainly in the southeastern United States.

Dolph Tillotson, newspaper operations consultant and chairman of Southern Newspapers, Inc., conducted the study based on 2020 numbers from Jan. 1 through Aug. 31.

"All the companies I studied reported revenue declines that average about 13 percent comparing 2020 to 2019, but the interesting thing

was that these companies, looked at in the aggregate, all reported positive EBITDA numbers," Tillotson said. "It's still possible, if more challenging, to make money in community newspapers."

"I was looking for updated benchmarks among companies I knew to be managed well and aggressively, so these numbers may look a bit different from the industry as a whole," Tillotson said. "I was attempting to help operators set reasonable targets for community newspapers doing business today."

On average, EBITDA as a percentage of revenue was 14.9 percent among companies studied, with a high number of 26.4 percent and a low of 2 percent.

The Sumter (S.C.) Item and Osteen Publishing Company have maintained high EBITDA numbers through diligence and flexibility.

"The single most helpful thing we've been able to do is ask our publishers to stay on top of their numbers on a daily basis and most

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5 GENERATIONS OF FAMILY LEADERSHIP

An interview with
Jamie Paxton.

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2021 MARKET-AT-A-GLANCE

The good news: there are
still active buyers.

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CRIBB CONFIDENCE SURVEY RESULTS

Mixed results portend an
unpredictable 2021.

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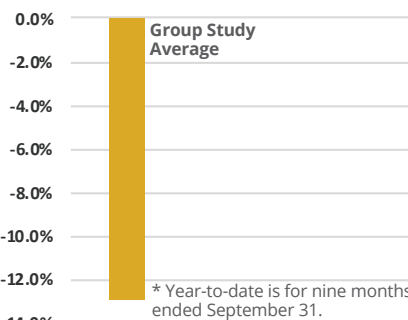


importantly, stay flexible,” said Graham Osteen. “We knew this was going to be a wild ride. What worked in March may not have been serving us well in April, and what worked on a Monday may not work after a news report on Friday.

Another key finding is that the number of daily newspapers in small-town America has declined sharply during the year. However, many operators still see those cutbacks from daily to weekly publication schedules as temporary.

Todd Carpenter, president of Boone Newspapers, Inc., said all cuts in print schedule were implemented as temporary, and their ultimate resolution remains undecided. Jamie Paxton, CEO of Paxton Media said his company has not cut publication days as much as some companies, but “I do consider all the changes we’ve made permanent.”

YTD* 2020 Average Revenue Decline Versus 2019 (same period)



urgency,” said Leonard Woolsey, president of Southern Newspapers, Inc. of Houston.

“Being frank and honest with employees led us forward,” Woolsey said.

Paxton said keeping employees engaged has not been hard because “our importance to the communities we serve has never been clearer.”

All the operators said they are spending more of their time these days on sales culture, sales training and collaboration. Carpenter cited his company’s greater attention to sales, even during the pandemic, beginning with a Monday morning video conference among sales leaders.

“We train, celebrate success, share success stories and generally work to get the week going on a positive note,” Carpenter said.

“We bring the same group together monthly for a more focused celebration of successes and awarding of prizes from contests.”

Paxton Media demonstrated unusual strength in maintaining circulation revenues, and that’s by design, Jamie Paxton said.

“Circulation revenue has long been a focus for us,” Paxton said. “We are laser focused on profitable circulation and do not sacrifice for volume and have very little free or discounted circulation.”

Tillotson said the study showed three things clearly: The year 2020 has been a challenging one for the industry; the industry’s most nimble operators still find ways to maintain earnings; many operators are still bullish on the industry.

Other key findings of the benchmark study:

- **Revenue** on average has declined in 2020 by roughly 13 percent, and most operators consider restoring revenue as a key goal for their next six months.
- **Salaries as a percent of revenue** have gone up on average, but not as much as some might expect. The average in the study was 33.4 percent.
- **Average pay** for a full-time equivalent employee came to \$27,844.
- **Average cost of sales as a percent of revenue** came in at 8.2 percent.
- **Digital revenue as a percent of total revenue** appears to have fallen a bit during COVID-19, now averaging about 4.9 percent among the small newspapers studied.
- **News department costs as a percent of revenue** appeared to have gone down a bit, averaging 11.9 percent among the newspapers studied.
- **Classified advertising** has continued to decline as a percentage of total revenue during 2020. Among the newspapers studied, classified advertising accounted for only about 1.7 percent of revenue.
- The downturn in revenue and profits also has affected collections and current collection numbers. The study showed that the **average portion of total accounts receivable** current on the first day of each month now clocks in at about 54 percent. That number was in the 60’s heretofore.

Carpenter said the benchmark that has changed most in the past year has been revenue decline compared to last year.

“Getting that stabilized is job one,” Carpenter said, “and that will take care of the payroll ratio and EBITDA margin problems.”

Paxton noted that revenue has increased monthly for his company since April 2020 but has slowed in recent months.

“There certainly has been a permanent reduction in revenue that won’t be coming back,” Paxton said.

Publishers who participated in the study said maintaining employee morale and sense of mission has been a priority during the pandemic.

“We’ve worked hard to engage and communicate our challenges, specific expectations, and we’ve underscored these with a sense of

New Benchmarks In The Covid-19 Era

Key Salary/Compensation Ratios

1. Compensation as a % of Total Revenue	33.4%
2. Average Cost per FTE (All Departments)	\$27,844
3. Company Benefits as % of Revenue	5.2%
4. Cost of Sales as % of Revenue	8.2%

Efficiency Ratios (per thousand circulation)

5. Total Print Advertising Mean Rate	51 cents
6. Retail Advertising Mean Rate	46 cents
7. Classified Advertising Mean Rate	28 cents

Revenue Ratios

8. Digital Revenue as a % of Total Revenue	4.9%
9. Print Circulation Revenue as a % of Total Revenue	14.5%
10. Net Circulation Revenue per paid Subscriber	\$5.69

Departmental Cost Ratios

11. Retail Advertising Costs as a % of Revenue	10.1%
12. Classified Advertising Costs as a % of Revenue	1.7%
13. News Costs as a % of Revenue	11.9%
14. Production Costs as a % of Revenue	11.9%

Other Financial Ratios

15. % of Accounts Receivable Current (1st day of month)	57.3%
16. Promotion/Ad Costs as a % of Revenue	0.8%
17. EBITDA as a % of Revenue (2020 average)	14.9%

Source: Dolph Tillotson’s 2020 Benchmark Study





Paxton Media Group CEO Jamie Paxton and his family.

FIVE GENERATIONS OF FAMILY LEADERSHIP: AN INTERVIEW WITH JAMIE PAXTON

By Jeffrey Potts

Paxton Media Group (PMG), which got its start in 1896 when the family's patriarch W.F. Paxton launched the Paducah Evening Sun (now the Paducah Sun), is today one of the most acquisition-minded independent owners/operators in the country. Over the past three years, PMG has made 13 separate newspaper acquisitions in seven states. These transactions added 10 dailies and 13 weeklies to their portfolio.

The 2021 New Year marks the first year of leadership under Jamie Paxton, a fifth-generation family member who succeeded his father, David Paxton, as CEO. Under Jamie's leadership, and through a pandemic, PMG announced another five acquisitions, and does not appear to be slowing down anytime soon.

Cribb, Greene & Cope's Jeffrey Potts recently had a Q&A with Jamie Paxton on the direction of Paducah, KY – based PMG during these challenging times for the industry.

Q: Your grandfather, Fred Paxton, and your father, David, have presided over the company for more than 50 years. Your father had an investment banking background prior to entering the family business, and you graduated with

bachelors and master's degrees in business from Notre Dame and worked as a CPA for Deloitte before joining PMG in 2007 as controller. Despite those similarities, as a fifth-generation family owner/operator, how will your business background and views of the industry influence how you run this business that may be seen as a departure from the previous generations?

Yes, before Fred and David, my great-uncle and great-grandfather ran the newspaper for the 70 years prior. When I think about it, it is fairly remarkable that I am the fifth generation to step into these shoes. There is no question that the industry looks nothing like it did fifty years ago, but I think that is where having such a legacy helps keep things in perspective. My predecessors managed to navigate this company through World Wars, depressions, and Craigslist. It looks like I drew the global pandemic card!

I grew up in the business. I started working at The Paducah Sun when I was 14 years old. My first job was updating the brand-new website on the weekends. During the summers all the way through college, I worked in a different department of the newspaper or WPSD, which

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Company Snapshot

Company Paxton Media Group

Headquarters Paducah, KY

No. of Employees 900

Footprint Arkansas, Georgia, Kentucky, Louisiana, Illinois, Indiana, Michigan, Mississippi, North Carolina, Tennessee

Media Assets 75 newspapers, including 39 dailies and an NBC affiliate in Paducah, KY serving the 84th largest DMA (of 210)

is the NBC affiliated television station we own in Paducah. I worked for Deloitte in Atlanta for a few years before I came back as Controller for The Paducah Sun. I came back just shortly before the Great Recession, so I never experienced the heyday of the newspaper industry. Revenues have been under pressure since I have been here, so I suppose in a way that has provided me an advantage. Our company has had to constantly innovate and evolve the business model my entire career so consequently I am not wedded to any models that harken back to the way things used to be done. We have had to cut expenses every year since I started, so it is just a necessary part of the job now.

Q: How do you view the future of the newspaper industry?

Our company has always believed strongly in the importance of our industry and think newspapers serve a vital role in a properly functioning democracy. They exist to inform the public of issues that are of importance to them in their lives and to make sure government business is conducted in a public and transparent manner. They hold politicians and city leaders accountable for their actions and decisions and cover the events that are integral to the communities they serve. I believe newspapers will continue to fill this role for their communities long into the future.

Q: The year 2020 may have been the most challenging yet for our business, thanks to demanding headwinds and the COVID-19 crisis. How did PMG fare last year and what steps has PMG taken operationally to mitigate the impact of revenue declines?

The COVID-19 crisis certainly had an impact on our business in 2020. Our revenues were impacted dramatically starting in late March and bottoming out in April. Revenue has come back slowly each month since then, but it is quite apparent that there has been a permanent impact on our industry. We responded by making operational decisions that reduced our expenses across the board. We accelerated a lot of plans we already had in place regarding selective day cycle reductions, paging control and converting to mail delivery. Since we did not receive any PPP money, we implemented layoffs in various markets. As previously mentioned, we also made a few transactions through the pandemic which helped us spread expenses and bring in additional revenue. We believe we are in a strong financial position heading into 2021 and beyond, and none of that would have been possible without our incredible executive leadership team. Our four group publishers and two senior corporate executives have all been with PMG for more than 20 years and all of them have worked their way up through various promotions over that time. That continuity has made it easier to respond quickly to the changing business environment. All our leaders are on the same page and understand our mission.

Q: Over the past several years, PMG has been one of the most acquisition-minded newspaper groups in the country. Even during the COVID-19 crisis, you completed three transactions

(Jasper, IN and Wilkesboro NC and the southern Illinois newspapers from Gannett). What motivations are keeping you in the game when other potential buyers are currently sidelined?

The newspaper industry will continue to consolidate over the coming years. It has become increasingly difficult to operate as a stand-alone newspaper or even as a small group of newspapers. We were fortunate enough to build scale many years ago and made multiple investments along the way to regionalize printing and centralize back office, graphics, and news design functions. Spreading these costs and expertise across many properties has allowed us to take on newspapers in small markets that otherwise could not support local journalism on their own. Our model leaves journalists and salespeople in place at the local level. The rest can be consolidated to maximize cost efficiencies. We certainly plan to continue this model into the foreseeable future.

Q: Most of your newspapers are smaller community dailies or weeklies – the largest being your 20K plus paid circulation dailies in Owensboro and Paducah, KY. You sold your largest competitive daily in Durham, NC to McClatchy in 2016. Would you consider buying larger regional dailies in the future or staying in your wheelhouse of smaller community dailies and weeklies?

We are interested in all sorts of operations. We have focused primarily on markets that are adjacent to our current footprint because they are easier to integrate and allow us to realize the greatest amount of synergies. However, we would certainly step out of our footprint if we saw an opportunity to build a new cluster. We tend to do best in smaller markets. These communities value their newspaper and understand that there are limited options for truly local news. It is not a hard and fast rule, but generally if there is a big four affiliated television station based in the market, it is too large for us.

Q: Do you have any other siblings and/or family members that are involved today in the family business?

I have three brothers and one sister, however none of them are involved in the business. They all have their own careers, and I do not foresee any of them becoming involved. We probably get along better that way!

Q: Do you have sons or daughters? Would you encourage them to get involved someday in the family business?

I have 2 daughters and a son. They have heard my speech about the importance of newspapers many, many times so I suppose it will have to be ingrained in them to some degree. They are still in elementary school and have many varied interests. If they wanted to get involved someday, that would be great. I had the chance to work closely with my father for the past 13 years. Through the course of business, we shared many experiences together that we otherwise would not have had. We travelled all over the place together visiting our various operations and looking at potential new ones. We spent countless hours in each other's office talking about business, but also sports, kids, and life in general. It is time that I treasure and would love to have with any of my children once they are adults. But I would caution them that it is a challenging industry under tremendous pressure that is changing quickly. My gray hair seems to have spread exponentially this year.

Q: What do you like to do in your off time? Any hobbies or special interests?

With three young kids, my hobbies these days usually revolve around the baseball or soccer fields or the tennis court. They all play multiple sports, and we seem to have some activity every day of the week. I like to play golf when I can. Basketball was my first love, but I just stick to coaching my kids' teams now.



2021 MARKET-AT-A-GLANCE

By John Thomas Cribb

The COVID-19 pandemic has in some way impacted businesses and M&A deal activity across all industries in the United States. The print media industry is no exception. Newspaper transaction activity slowed considerably in the 2nd, 3rd and 4th quarters of 2020. ***The good news: there are still active buyers for mid and small market publications.***

Newspaper values are generally in the 2x to 5x EBITDA multiple range, active buyers report. In cases where there is little and/or negative net operating income, buyers evaluating newspaper properties default to a percentage of total revenue to determine value. The Enterprise-Value-To-Revenue Multiple (EV/R) is typically falling between 20% and 60% at present.

The pandemic's jolt to newspaper advertising revenue this year has led some buyers to review more recent financial periods when accessing value. Historically, EBITDA or EV/R multiples have been derived by applying the trailing twelve-month financial information and weighing the past couple of years of financial statements. Some buyers are now applying these multiples to forecasted (or recently budgeted) financial information.

According to our annual Publisher Confidence Survey, 42% of respondents now prefer to use seller-financing as their primary funding for acquisitions. Bank financing is available to some buyers, but it is no longer the preferred way buyers want to fund transactions. Additionally, the pandemic has sidelined a number of normally active buyers as they are wanting to hold onto cash reserves.

Where the value of a company falls in the EBITDA or EV/R multiplier range is based on several considerations, most notably:

- What impact has the pandemic had on total revenue as well as specific revenue categories including ROP, circulation, digital advertising, and digital circulation?
- How has current ownership managed expenses during the pandemic?
- Is the publication's franchise still strong?
- Is there a clear path to stable revenue and moderate profitability post-pandemic?
- What is the availability of seller-financing?
- Is it strategic to other publications that actively acquire publishing companies?
- What is the value and condition of real estate and major equipment assets?





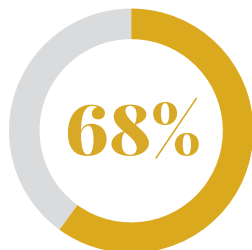
CGC'S ANNUAL PUBLISHER CONFIDENCE SURVEY PORTENDS AN UNPREDICTABLE 2021

By John Thomas Cribb

Newspaper owners and executives who responded to our 2020 Publisher Confidence Survey were more mixed about the future of the newspaper business than in any previous year.

Nearly 55% of respondents believe their local markets will be in decline in 2021. **However, 44% believe their bottom line will be up; 32% say it will be about the same; and only 24% think it will be down. Respondents also mostly thought advertising revenue will be up in 2021 (42%) or about the same (26%).**

68% Believe advertising revenue will be up or about the same in 2021



"Unless the industry can get third-party help, tax credits for subscriptions and advertising, or the monopolies are broken up, it will be a tough slog, said one survey respondent. "It takes so many resources as a family-owned paper to stay on top of changes."

Interestingly, **67% of respondents indicated less than 20% of total revenue came from digital advertising through the pandemic year of 2020.**

"We have done major weekly training of digital sales," one respondent offered. "This has been done via video conferences with most sessions being completed in an hour. There is much business to be had in this area but its sale and management is quite different from our print techniques. It's a new game well worth learning."



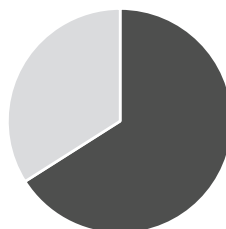
49.5% Surveyed would consider purchasing a newspaper currently while **50.5%** would not

In response to the question 'would you consider purchasing a newspaper currently,' owners and executives were **more split than in any previous survey, with 49.5% saying yes and 50.5% saying no.**

"We are a niche publication company with over a dozen titles. We purchased a shopper in January and just launched another magazine this month," one respondent said. "Unique content when combined with superior quality, targeted distribution, and cost-effective rates with a digital presence will continue to be a solid-performing business."

Survey participants were more unified in their response to questions related to the pandemic. The survey found that:

- 60% of respondents have seen an **increase in paid digital circulation/traffic revenue** since the pandemic.
- 74% have had a **revenue decline of more than 15% in 2020.**
- Despite the 2020 revenue declines, however, **66% of respondents believe their bottom line will be up or about the same in 2021.**



66% Believe their bottom line will be up or about the same in 2021

"Our answers to questions of sales and profitability this year to next are largely dependent upon COVID, which knocked the wind out of our sails in 2020," a survey participant said. "In a post-COVID world, we will thrive. When will that be? Until then we are doing a tremendous job but breaking even. PPP helped. We are debt free, retained staff, and have strong reserves."



23 DAILIES & 25 WEEKLIES SOLD IN LAST 24 MONTHS



1 Bi-Weekly North Carolina

Owned by Carter Hubbard Publishing Company, Inc. (North Wilkesboro, NC) was sold to Paxton Media Group



1 Bi-Weekly Iowa

Owned by Tribune Newspapers, Inc. (Harlan, IA) was sold to Blackbird LLC



1 Daily Pennsylvania

Owned by the Donnelly family (Indiana, PA) was sold to Sample News Group



1 Weekly Indiana

Owned by the Carey family (Clinton, IN) was sold to Hoosier Media Group



4 Weeklies New York

Owned by Manchester Newspaper, Inc. were sold to Capital Region Independent Media



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



CLIENT COMMENTS

"Randy did marvelous work, helping us navigate through the negotiations, especially during the onslaught of Covid-19. As businesses were shutting down, he was able to help the sale process moving forward. His calm approach helped limit our anxiety and bring us to a successful conclusion. I would recommend Randy to any owner going through this process."

Mike Donnelly, former publisher/owner, Indiana (PA) Gazette

"Thanks for all you did for us beginning in late 2018 to help us through the nuances and anxieties of selling our family's business. Your knowledgeable guidance was immeasurable, and so was your calming nature. We made the right call when we chose the Cribbs to be our brokers."

Sarah Wilson, former publisher/owner, The Rochester Sentinel, Rochester, Indiana

"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 smaller-market newspaper owner."

Joyce McCullough, former President, NewsTribune, Lasalle, IL



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