

Will Billionaire Bag L.A. Times?

MEDIA: Some deep-pocketed big names floated as buyers.

By OMAR SHAMOUT *Staff Reporter*

Austin Beutner's ouster from the Los Angeles Times three weeks ago as chief executive and publisher of the beleaguered newspaper has kicked up a dust storm of speculation that doesn't appear to be settling any time soon.

Initial reports emerged that Beutner could be reinstated as publisher if billionaire real estate developer and philanthropist Eli Broad finally succeeds in acquiring the Times. Or, some said, perhaps the two men would try again to acquire the Times outright after a failed attempt in 2013.

Broad isn't the only one interested. The Business Journal reported last week that a source familiar with the situation said Dr. Patrick Soon-Shiong, the wealthiest person in Los Angeles, is interested in buying the paper.

"It isn't that far along, but he is seriously considering it now," said the source, who said Soon-Shiong considered buying the paper a few years ago.

The source, who was not authorized to speak publicly on the matter, added that Soon-Shiong, whose net worth the Business



Front-Page News: Los Angeles Times' headquarters in downtown Los Angeles.

Journal calculated at \$15.3 billion in May, as of late last week had not contacted the Times' parent company, Chicago's Tribune Publishing Co., regarding a sale.

It's unclear whether Soon-Shiong would be the sole bidder or whether he would partner with other individuals or groups. A spokesman for Soon-Shiong declined to comment.

Soon-Shiong, who is chief executive of Culver City's NantWorks and made his fortune in biopharmaceuticals, has never owned a media company.

Meanwhile, another local billionaire is also interested in making a bid.

That person is DreamWorks Studios co-founder and record mogul David Geffen, according to a source familiar with the matter who also declined to speak on the record.

Geffen did not immediately return a request for comment.

"There's a group of people, very wealthy people, who could be interested," said former Los Angeles Mayor Antonio Villaraigosa.

gosa in an interview with the Business Journal.

Mickey Kantor, a former U.S. Commerce secretary now handling corporate transactions as an attorney at Mayer Brown in downtown Los Angeles, also confirmed the existence of multiple interested parties in addition to Broad.

“There are potentially other people involved,” said Kantor.

Villaraigosa and Kantor are among 66 Southern California civic leaders, including former Mayor Richard Riordan – and Broad – who urged Tribune to institute local leadership at the Times in a letter last week. Neither Soon-Shiong nor Geffen were signatories to the letter.

Villaraigosa appointed Beutner, a former investment banker and financial analyst, as his first deputy mayor in 2010.

“I’m hoping that a private individual or a group of private individuals who love Los Angeles and want a Los Angeles-owned newspaper will buy the L.A. Times,” added Villaraigosa.

The question remains whether or not Tribune Publishing would be willing to part with the jewel in its publishing crown, which along with the San Diego Union-Tribune reportedly accounts for 40 percent of its \$1.7 billion in revenue.

Earlier this month, the Business Journal reported that Tribune Publishing’s chairman, Eddy Hartenstein, had solicited an informal offer for the Times and Union-Tribune from Broad that

was subsequently rejected by the company.

Tribune Publishing also rebuked a public entreaty from L.A. power brokers to restore local leadership, releasing a statement reaffirming its commitment to the Times and newly appointed publisher Tim Ryan, who joined from the Baltimore Sun.

Power in numbers

Last week, Crain’s Chicago Business reported that Broad has tried to enlist Oaktree Capital Management co-Chairman Bruce Karsh, whose company owns nearly one-fifth of Tribune Publishing stock, in the fight to regain local control of the Times.

Broad, Beutner and Karsh are reported to be on friendly terms.

“I’ve spoken to him multiple times,” said Villaraigosa regarding Broad and his interest in the paper. “I expect he’s very, very serious.”

Veteran L.A. investment banker Lloyd Greif said he expected Broad to make another move to buy the paper soon, but added it’s unlikely he’ll go it alone.

“I think it would be Eli and Austin for sure,” said Greif, a former consultant to New York media giant Hearst Corp. and chief executive of Greif & Co. in downtown Los Angeles. Greif added that Broad would need Beutner’s expertise to run the paper.

After Beutner’s dismissal, magazine Politico reported that the soon-to-be former chief executive and publisher told his assembled staff that it would be his

last meeting at the paper “for a while,” helping fuel speculation that he considered his firing only a temporary hiatus.

Greif confirmed that characterization of Beutner’s exit.

“The way Austin left the newsroom, that meeting was kind of like when Gen. MacArthur left the Philippines, which was, ‘I’ll be back.’”

Karsh, too, might play a role in a potential bid, suggested Greif.

“It would not at all surprise me to see Oaktree being involved,” he said.

Broad, Beutner and Karsh did not return requests for comment.

Sum of parts

Given that Tribune Publishing doesn’t seem interested in selling the Times, a buyer could be forced to make a move for the company as a whole through a tender offer for all the company’s shares.

“That’s probably what they’re going to have to do,” said Villaraigosa. “Tribune doesn’t want to separate the California newspapers because they’re the most profitable.”

Greif agreed that a buyer might have to acquire the whole pie in order to own the biggest slice.

“I don’t rule out an acquisition of the news group overall and then subsequent transactions where they are slicing and dicing it,” said Greif, whose company specializes in media and entertainment deals. “I think this is an example of where the sum of the

pieces would be worth more than the whole.”

Tribune Publishing’s stock closed at \$8.27 on Tuesday, putting the company’s market capitalization at less than \$218 million. Its portfolio consists of 10 daily newspapers in eight major U.S. markets. The company’s stock price has been cut by more than half since late April, when it sold for more than \$19.

Tribune Publishing reported net income of \$42 million last year, a 55 percent decrease from the previous year, due mainly to lower ad revenue and costs associated with its split last summer from broadcasting and digital entity Tribune Media Co., according to a Securities and Exchange Commission filing. Tribune Publishing’s net income for the second quarter was only \$3.4 million, way below the same quarter last year.

Although the company’s market cap seems low enough to entice interest, buyers would also be faced with Tribune Publishing’s \$386 million in long-term debt and \$129 million in pension and postretirement benefits payable as of June.

Beyond that, Tribune analyst Hamed Khorsand of BWS Financial Inc. in Woodland Hills said it would take a hefty tender offer to turn shareholders’ heads, despite the paper’s struggles.

“You can’t offer a small premium thinking investors would be happy,” he said.

Greif said going premium rates for public companies looking to

be taken private by a new owner are between 30 percent and 40 percent.

“That isn’t going to happen here,” said Greif, based on his analysis of Tribune Publishing’s financials. “Maybe you see a 10 or 20 percent premium,” which would put the purchase price north of \$600 million, including the debt.

Should Tribune Publishing decide to sell California News Group, which houses the Times and the Union-Tribune, it could be a strong indication that a mass selloff is in the cards.

“I think that would end up being step one of liquidation,” said Greif.

In research memo released late last week, Khorsand blasted Tribune for its handling of the Beutner firing, while expressing doubt that the company can turn the paper’s fortunes around. He went so far as to recommend the company sell itself to Warren Buffett’s Berkshire Hathaway Inc., which owns dozens of local newspapers throughout the country.

Khorsand noted that other factors could change Tribune Publishing’s tune regarding a possible sale of the Times, including declining morale among employees resulting in a diminished product.

“If quality goes down, so does the value,” he said. “That’s really the pressure.”

That could be a real danger for Tribune Publishing should the company follow through on a reported 80 layoffs or buyouts, mostly of its newsroom staff,

which would trim the editorial department’s employees by one-fifth.

In response to Khorsand’s memo, a Tribune spokesman issued the following statement to the Business Journal:

“We are focused on executing our five-point strategic plan and delivering value for all shareholders and stakeholders.”

Tribune said last week on an investor conference call that Beutner was fired for not adhering to that plan, which consists of an increased focus on digital channels, cost cuts, diversified revenue streams, a new national advertising plan and accretive transactions.

One Times newsroom staffer, who spoke on condition of anonymity, said losing that many people would hurt the quality of the paper significantly.

“And even worse if they don’t re-invest immediately,” added the employee, noting that his colleagues are filled with confusion and resignation regarding the decisions by Tribune Publishing Chief Executive Jack Griffin to fire Beutner and slash the company’s budget.

Yet, the source remains optimistic.

“People (are) charging ahead hoping that shareholders see the error in Griffin’s logic,” the staffer said.