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Can Paper Bag Billionaire?

MEDIA: Tronc Investor Patrick Soon-Shiong May Be Best Positioned to Pick Up L.A. Times

By DAINA BETH SOLOMAN *Staff Reporter*

With the Gannett Co. bid for Los Angeles Times parent tronc Inc. having fallen by the wayside, local eyes have turned to biotech billionaire Patrick Soon-Shiong, tronc's second-largest shareholder, as a potential savior for the institution.

With more than $70 million already invested in tronc and a longstanding interest in the Times, Soon-Shiong appears best positioned to return the paper to local ownership for the first time in 16 years while offering a financial cushion amid ongoing turmoil in the newspaper industry.

If Soon-Shiong can extract the Times from tronc – and there is no certainty that he can – he would join a growing number of billionaire investors who have taken newspapers under their wings, perhaps more out of civic duty than economic interest. Among the papers that have joined the portfolios of individual investors in recent years are The Washington Post, The Boston Globe, The Philadelphia Inquirer, Las Vegas Review-Journal, and Omaha-World Herald.

"A guy who has deep pockets is a positive and a guy who's got vision is a positive," said Lloyd Greif, president of downtown investment bank Greif & Co. "I think Patrick touches all the those bases."

Investor: Patrick Soon-Shiong may have inside track to buy L.A. Times. Photo by Darren McCollester/Getty Images

In addition to his financial stake in tronc, Soon-Shiong, ranked No. 1 on the Business Journal's list of Wealthiest Angelenos in May with a net worth of $15.4 billion, has registered more than 100 artificial intelligence and machine vision patents under the company's name.

"His investment has always been with a view to coming away with the crown jewel," Greif said. "The jewel is the L.A. Times."

Soon-Shiong did not respond to requests for comment.

New newsies

Private ownership is starting to look like a panacea for newspapers, particularly those that have been held by public companies that are withering under unrelenting pressure to turn regular quarterly profits.

"Being privately held is so much better than having to look at stock price every day," said Gabriel Kahn, co-director of USC's media, economics, and entrepreneurship program.

Owners with deep pockets don't necessarily demand immediate results, said Brian Tierney, chief executive of Brian Communications near Philadelphia and former publisher of The Philadelphia Inquirer.

"If you have a benevolent ownership group that has concern and care for the community, and the resources to withstand the vagaries of the industry, it can be spectacular," he said.

That might eventually prove true for the Inquirer, which now operates under a nonprofit that local philanthropist H. F. "Gerry" Lenfest founded in January and backed with a $20 million gift.

The Boston Globe also piqued the interest of a rich businessman close to home. John Henry, the Boston-based principal owner of the Boston Red Sox, purchased the paper from the New York Times Co. for $70 million in 2013.

The Globe has experimented with different ways to package online and print content under Henry's leadership – even if those experiments haven't always succeeded, such as a Web page covering the Catholic church. Still, media analyst Dan Kennedy, a professor at Northeastern University's journalism school, sees benefits in Henry's ownership.

"The Globe has not been cut the way some rapacious, out-of-state corporation would have cut it," he said. "I still think the Globe is better off with a benevolent billionaire than with anybody else."

The most dramatic newspaper turnaround came in 2013, when Amazon.com Inc. founder Jeff Bezos bought The Washington Post for $250 million.

The tech mogul, whose net worth is estimated at nearly $64 billion by Forbes, invested in technology, pushed the paper's national coverage, and, within a couple of years, boosted digital traffic beyond levels reached at The New York Times.

At the same time, Bezos is running the paper as a business, not a vanity project, and has used Amazon resources to promote the paper.

Other dailies have joined the portfolios of the super wealthy recently. Among those who have picked up print properties are Glen A. Taylor, a majority owner of the Minnesota Timberwolves pro basketball team, who bought the Minneapolis Star Tribune for $100 million in 2014, and Alice Rogoff, former chief financial officer of U.S. News and World Report and wife of Carlyle Group billionaire David Rubenstein, who bought the Alaska Dispatch in 2009. She went on to buy the Anchorage Daily News for $34 million in 2014.

These acquisitions have largely proceeded smoothly, in many cases avoiding the editorial interference from ownership that many feared. (Tierney said he had his partners in the 2006 purchase of the Inquirer sign a pledge affirming they would not meddle in the newsroom.) An exception has been billionaire casino magnate Sheldon Adelson's purchase of the Las Vegas Review-Journal last year for $140 million. The deal drove more than a dozen reporters to quit rather than face the expected limits they would face on covering their new owner.

However, most owners realize that staying out of the newsroom is essential to the business, said Tierney.

"The key to the product is that there's the integrity around it," he said.

National treasure

The L.A. Times has maintained that integrity despite enduring ownership turnover since Sam Zell's ill-fated takeover in 2007.

"It's one of our national treasures," Soon-Shiong told the Business Journal in June, when he bought a 12.9 percent stake in the paper's parent company for $70.5 million. "What's exciting now is the real opportunity for the L.A. Times to transition to digital."

Digital innovation is essential to success, said Jim Friedlich, chief executive of the Institute for Journalism in New Media in Philadelphia, which owns the Inquirer.

"The newspaper business is very quickly coming to resemble the rest of the digital media marketplace, a business in which AI, machine learning, virtual reality, audio and video content are core to engaging consumers," he said via email.

Another potential money-making strategy could be for the Times to appeal to readers nationwide by boosting entertainment coverage.

"You need to build a huge national digital audience and then try to convert some small percentage of those into paying subscribers," said Kennedy, the media analyst.

Soon-Shiong appears to be the only potential buyer in the wings. He bought into tronc in June as an ally to Chairman Michael Ferro, who was then fighting a takeover attempt by Gannett Co., owner of USA Today and a host of smaller regional dailies.

Ferro had taken control of what was then called Tribune Publishing just a few months before, announcing plans to use big data and artificial intelligence to bolster the paper's balance sheet. He initially resisted Gannett's April offer of $12.25 a share, but when it hit a reported $18.75 a share, putting tronc's value at $683 million, he appeared to relent. The deal collapsed last month once the banks backing the deal balked after Gannett reported poor third-quarter earnings.

Now, tronc might be under shareholder pressure to act, said media analyst Ken Doctor. If Soon-Shiong sweeps in, his first step should be to offer reassurance.

"What he needs to say on day one is, 'My God, what this paper has been through! I'm an Angeleno, I'm not going anywhere, and we're going to work through this together,' " Doctor said.