Are UK newspapers really dying?

A financial analysis of newspaper publishing companies

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The demise of the daily newspaper as a medium has long been foretold. H.G. Wells declared in 1943 that newspapers were ‘dead as mutton’ and predicted that people would one day receive news over their telephone lines instead (BBC.com, undated). The emergence of another new technology in the late 20th Century accelerated predictions for the demise of newspapers. *The Economist* ran a cover article in 2006 headlined ‘Who Killed the Newspaper?’ which pointed to the Internet as the main suspect. ‘Even the most confident of newspaper bosses now agree that they will survive in the long term only if . . . they can reinvent themselves on the internet and on other new-media platforms’ (Anonymous, 2006). In the depths of the ensuing global recession in 2009, media analyst Claire Enders predicted that up to half of the UK’s 1,300 local and regional newspapers would close within five years. ‘Many titles are already running at losses and are being sustained by the good graces of their owners, and that may not last’, Enders told a Commons committee (Brook, 2009). An article on the Guardian’s website by American media critic Bob Garfield (2013) repeated the claim that newspapers were losing money. ‘The news industry has gone from being obscenely profitable to slightly profitable to – at least, in the case of newspapers – largely unprofitable’, wrote the author of the apocalyptic 2009 book *The Chaos Scenario*. ‘I would say that the business model is unsustainable, but losing money is not a business model. It is a going-out-of-business model’.

Five years after Enders made her dire prediction, however, only about 100 newspapers had closed instead of the expected 650, according to one estimate. ‘Many of those were free newspapers’, noted Paul Linford (2014a), editor of the blog HoldTheFrontPage. ‘Others were titles that were folded into neighbouring sister titles. . . . Only one, the Liverpool Post, went from being a paid-for regional daily at the time of Ms Enders’ original forecast to outright closure within that timescale’. By then, the *Economist* had already retracted its premature obituary for newspapers due to their obvious persistence. ‘Newspapers have escaped cataclysm by becoming leaner and more focused’, it noted in 2010. ‘The recession brought out an impressive and unexpected ability to adapt. If newspapers can keep that up in better

times, they may be able to contemplate more than mere survival' (Anonymous, 2010). The simple fact was that, despite widespread misconceptions of their economic viability, most newspapers continued to make money while most digital news media outlets struggled for profitability. This economic reality altered the equation in predicting the future for newspapers, noted the *Guardian*'s Roy Greenslade (2014).

> Newspapers, and the companies that own them, have proven to be resilient despite all the pressures. And, as every owner concedes, judicious cost-cutting has ensured that almost every title has remained profitable, even if marginally so.

A 2012 U.S. study found news coverage there exaggerated the scale of the financial crisis in the newspaper business with 'over-amped drama' (Chyi, et al., 2012). A 2014 study by this author found that only a handful of paid daily newspapers had gone out of business in the U.S. and Canada since 2007. Most of those were smaller, trailing dailies which had been propped up for years in Joint Operating Agreements established under the U.S. Newspaper Preservation Act. The study's analysis of financial reports filed by publicly-traded newspaper companies in the U.S. and Canada showed that none had recorded an annual loss on an operating basis between 2006 and 2013. Most were making double-digit profit margins, with some recording more than 20 percent return on revenue (Edge, 2014a). The study was expanded into the 2014 book *Greatly Exaggerated: The Myth of the Death of Newspapers.* 'Newspapers are undeniably downsizing, as evidenced by their massive layoffs of journalists and other workers', I noted, 'but it is this very scalability . . . that should prove the industry's salvation' (Edge, 2014b, p. 222).

This paper extends my analysis to UK newspapers. Regulations there require that all companies file annual financial reports with Companies House. A much more complete picture of the industry's health can thus be drawn than in North America, where privately-owned companies are not required to disclose their earnings. Only about half of the newspaper companies in the U.S. and about three-quarters in Canada are publicly traded. Even greater transparency is gained in the UK from the fact that each company must report separately, even if they are divisions of the same conglomerate. Thus News Corp.'s subsidiary

Times Newspapers Ltd files its own financials separately from News Group Newspapers Ltd, which publishes the *Sun* and formerly published the *News of the World.* My 2014 studies, by way of contrast, were unable to untangle the earnings of News Corp.'s U.S. newspapers, which its New York head office lumped together not only with its UK and Australian titles, but also with its worldwide book publishing subsidiaries.

The UK newspaper industry

The newspaper business in the UK is structured differently than in North America, where larger distances between major cities have resulted in a largely local press, with only a handful of national dailies emerging in the past few decades through satellite transmission. The structure of the UK newspaper industry is just the opposite as a result of the market's smaller geographic size and a well-developed railway infrastructure. National newspapers thus proliferate, and are distributed throughout the British Isles on a same-day basis. Seven publishing companies comprise this sector since the 2016 closure of the loss-making *Independent*.

Table 1 – National newspaper circulation (weekly)

Publisher	Circulation
News Corp	15,818,965
DMG Media	11,372,076
Trinity Mirror	6,395,622
Express	5,691,767
Telegraph	3,309,100
Financial Times	1,243,074
Guardian	1,198,526
	47,131,366

Source: Media Reform Coalition, Who owns the UK media? (July 2015)

A local and regional newspaper publishing sector operates with a separate ownership except for Trinity Mirror, which sits atop the sector since its 2016 acquisition of Local World.

Table 2 – Local newspapers by publisher

	Titles	Share %
Trinity Mirror	249	22.3
Johnston Press	246	21.9
Newsquest	212	18.9
Tindle	126	11.2
Archant	74	6.6

Remaining 56 Publishers	216	19.1

Source: Media Reform Coalition, Who owns the UK media? (July 2015)

This study will consider these sectors in turn, examining each company individually and discussing its results before drawing conclusions.

Method

Annual financial statements for each newspaper publishing company were downloaded from the Companies House website at https://beta.companieshouse.gov.uk/. Annual reports of publicly-traded firms were also examined and their data were substituted if they provided more complete information. Most of the financial reports examined were straightforward, some remarkably so. A few, however, seemed deliberately opaque, as noted below.

Despite the required transparency, differences in company reporting practices meant that considerable calculation was often required. Most companies report their earnings on an EBITDA basis – earnings before interest, taxes, depreciation and amortisation. EBITDA is generally regarded as the best available measure of company profitability, which is why it was used for this study and for the 2014 studies. Some companies, however, report their earnings on an EBIT basis, so amounts listed separately for depreciation and amortization had to be added back onto earnings to calculate EBITDA. Still others report 'operating earnings', which requires examination of the notes to the profit and loss statements to determine what else had been deducted from earnings. In the case of the Guardian Media Group, for example, this included capital expenditures, intangible expenditures, and impairment of receivables from 2007-12. These figures all had to be dug out of the notes and added back onto earnings to standardise them as EBITDA. A profitability measure amounting to return on revenue was then calculated by dividing EBITDA by turnover.

Some confusion in the public's mind over the state of newspaper profitability has resulted from prominent reporting in the news media of newspaper company net earnings, which often amount to losses in the tens or even hundreds of millions. Net earnings are determined by deducting from EBITDA not only interest expense, taxes, depreciation, and amortisation, but

also extraordinary one-time charges for such things as restructuring expenses and most notably "impairment" of company value, which have sometimes exceeded £100 million in a year. As Morton (2009) noted, non-recurring expenses are best excluded in determining company profitability.

> Accounting rules require that these write-downs be charged against income, but they are paper transactions – no cash goes out the door. . . . Severance payments from layoffs, which do represent cash out the door, are excluded because they are one-time events that do not affect the underlying structure of the business.

National newspapers

The national sector of the newspaper industry in the UK is further split into two distinct segments – quality dailies and 'red top' tabloids. The industry's largest company – News Corp. – has a hand in both, publishing the quality *Times* and the red-top *Sun.* The national newspaper market saw one closure in 2016 – of the loss-making *Independent* – but also a new entrant in the anti-Brexit weekly *The New European.* Companies are examined in order of size, starting with the largest. All data, unless otherwise noted, are derived from Companies House filings and are for fiscal years ending December 31.

News Corp UK and Ireland Ltd

As mentioned above, the UK newspaper holdings of the worldwide News Corporation are held in separate subsidiaries that report individually. This allows a better portrait of how each of the company's flagship dailies – the *Times* and the *Sun* – have performed over time.

Table 3 – News Group Newspapers Ltd

	Turnover (£m)	EBITDA (£m)	Margin %
2005	657	61.1	9.3
2006	643	12.5	1.9
2007	623	10.7	1.7
2008	626	(18.5)	-2.9
2009	617	(15.5)	-2.5
2010	654	18.2	2.8
2011	654	105.3	16.1
2012*	509	16.2	3.2
2013	514	62.1	12.1
2014	489	35.6	7.3
2015	459	31.3	6.8
2016	446	16.1	3.6

*closed The News of the World at beginning of fiscal year

News Group currently publishes the *Sun* and the *Sun on Sunday*. It also published the *News of the World* until the 2011 phone hacking scandal and resulting Leveson inquiry led to its voluntary closure the following year. The company's fiscal year ends in June, hence its results delivered in 2016 were for its 2015-16 fiscal year, etc. The company's earnings, which fell into negative territory for two years during the recession, recovered nicely by 2011, to the point where its profit margin reached 16.1 percent. Its closure of the *News of the World* dropped turnover by about a quarter, as the *Sun* picked up much of the closed paper's circulation because it appeals to largely the same market. Introduction of a paywall early in the 2014 fiscal year dropped digital turnover significantly, and as a result it was lifted in late 2015, or midway through the 2016 fiscal year.

Table 4 – Times Newspapers Ltd.

	Turnover (£m)	EBITDA (£m)	Margin %
2007	447	(34.2)	-7.6
2008	445	(42.7)	-9.6
2009	385	(71.9)	-18.6
2010	393	(42.4)	-10.8
2011	402	(9.5)	-2.4
2012	361	(13.4)	-3.7
2013	348	(5.9)	-1.7
2014	347	1.7	0.5
2015	345	21	6.1
2016	342	15.3	4.5

The fiscal year for the publisher of the *Times* and the *Sunday Times* also ends mid-year. These quintessential quality newspapers have arguably been loss leaders for the Murdoch empire in the past. Perhaps surprisingly, however, they have shaped up financially in recent years to the point where 'The Thunderer' has started to pull its own considerable weight. As at most newspapers, turnover tumbled during the recession before stabilizing somewhat. In the past four years, however, turnover has been remarkably stable, while ongoing cost-cutting has increased earnings to the point where by 2014 the *Times* newspapers had their heads above water for the first time in years. Unlike at the *Sun*, their paywall has proven profitable and has thus remained in place.

DMG Media

Formerly known as Associated Newspapers, this subsidiary of the Daily Mail and General Trust owned by the Rothmere family publishes the *Daily Mail*, the *Mail on Sunday*, the free London commuter tabloid *Metro*, and websites including the MailOnline, Wowcher, Jobsite, and Jobrapido. Its media division contributed only 22 percent of DMGT's earnings in 2013, compared with 80 percent 15 years earlier, as the company's growing business-to-business communications division and its software operations have contributed increasingly to its bottom line (Durrani, 2013). MailOnline, which is now the world's most popular English-language website, has become an increasing contributor to the division's results, with £73 million in revenues in 2015, up from £11 million five years earlier (Rigby, 2015b). DMGT sold the *Evening Standard* to Russian businessman Alexander Lebedev in 2009, and its Northcliffe regional newspapers division to Local World in 2012.

Table 5 – DMG Media

	Turnover (£m)	EBITDA (£m)	Margin %
2007	822	75.8	9.2
2008	834	63.0	7.5
2009	746	44.9	6.0
2010	726	73.7	10.1
2011	705	34.0	4.9
2012	715	51.1	7.2
2013	688	74.4	10.7
2014	679	51.3	7.1
2015	652	92.5	14.2
2016			

*as of 30 Sept annually

DMG Media's turnover dropped by just over 10 percent in 2009 as the recession hit. It has eroded a few percent every year since except for one, but earnings remain strong and in 2015 DGM had its best year in more than a decade. As revenues plummeted in 2016 due to falling ad sales, however, the company announced its first cover price rise in three years, from 60p to 65p (Fildes, 2016). In the fall DMGT announced more than 400 layoffs, including about 200 from DMG Media, and said it was considering asset sales and restructuring (Williams, 2016).

Trinity Mirror plc

A publisher of both national and local newspapers, Trinity Mirror includes among its national titles the red-top tabloid *Mirror*, *Sunday Mirror*, and *People*, and the Scottish *Daily Record* and *Sunday Mail.* The publicly-listed company has been in expansion mode since selling Channel 5 to Viacom for £450 million in 2014, buying the regional publisher Local World for £183 million the following year and in 2016 launching *The New Day*, which was the first new UK national daily in 30 years (Degun, 2016). Targeted at working women, but with no Internet presence and forsaking ad revenue for street sales, *The New Day* lasted only two months. 'With only 25 journalists – and no sub-editors – producing a national daily, it was set up to fail', noted *The Australian* (Day, 2016). The company was able to pay its first dividend for seven years in 2015, however, after its debt was reduced from £77.7 million to £19.3 million and its costs were cut by £15 million, but it was embroiled in the 2011 phone hacking scandal and has had to set aside tens of millions of pounds to pay damage awards. It also has unfunded pension liabilities on the order of £300 million as a result of mismanagement by the company's former owner Robert Maxwell (Greenslade, 2015a).

Table 6 – Trinity Mirror

	Nationals Turnover (£m)	Nationals EBITDA (£m)	Nationals Margin %	Publishing turnover (£m)	Publishing EBITDA (£m)	Publishing Margin %
2006	472	80.9	17.1	1,003	184.3	18.4
2007	488	94.3	19.3	971	189.4	19.5
2008	476	88.9	18.7	872	138.1	15.8
2009	460	83.6	18.2	763	97.8	12.8
2010	430	86.1	20.0	761	123.3	16.1
2011	453	83.1	18.2	747	104.5	14.0
2012				616	125.0	20.3
2013				576	118.5	20.6
2014				554	113.5	20.5
2015				529	114.0	21.5
2016				713	159.7	22.4

Source: Trinity Mirror plc annual reports

Until 2012, Trinity Mirror reported separate results for its regional and national newspapers. Its turnover had fallen by almost half over the decade before buying Local World, but its profit margins have remained strong, never falling below 12.8 percent and topping 20 percent

the past five years. Its 2016 revenues and earnings were boosted by the acquisition of Local World, which restored some of the company's scale lost through years of falling ad sales. Trinity Mirror's chief executive Simon Fox recently said the company was so pleased with its acquisition of Local World that it was interested in buying more newspapers because it 'proves that we are a good acquirer' (English, 2017).

Express Newspapers

The company is a division of the Northern & Shell Media Group, which is owned by Richard Desmond, and publishes two popular tabloids, the *Daily Express* and the *Daily Star*, as well as Sunday editions of both. Desmond decided to slash the cover price of his newspapers in 2015, dropping revenue considerably (Sweney, 2015a).

Table 7 – Express Newspapers

	Turnover (£m)	EBITDA (£m)	Margin %
2006	275	11.8	4.3
2007	280	53.8	19.2
2008	258	2.1	0.8
2009	211	(11.7)	-5.5
2010	214	4.4	2.0
2011	229	2.7	1.2
2012	222	2.4	1.1
2013	205	18.4	8.9
2014	197	(10.6)	-5.4
2015	174	18.6	10.7
2016			

Express Newspapers suffered only one year of losses due to the recession, climbing back into the black by keeping a tight grip on costs, not offering journalists pay rises since 2008, and implementing several rounds of redundancies. After again slipping to a loss in 2014, it cut 200 posts, dropping its 2015 wage bill from £54 million to £39 million (Sweney, 2016a).

Telegraph Media Group

The company is a subsidiary of Press Holdings, which is owned by brothers David and Frederick Barclay, who also own *The Spectator* magazine. They acquired the group in 2004 following the shareholder-led implosion of Conrad Black's company Hollinger International. Black took over the *Telegraph* when it was making losses in the mid-1980s and turned it into a profit machine through cost cutting, including a move to non-union printing (Siklos, 1996).

Table 8 – Telegraph Media Group plc

	Turnover (£m)	EBITDA (£m)	Margin %
2006	341	32.7	9.6
2007	355	34.3	9.7
2008	343	32.0	9.3
2009	317	41.4	13.0
2010	324	60.1	18.6
2011	331	55.7	16.8
2012	327	58.4	17.8
2013	325	61.2	18.8
2014	318	54.9	17.3
2015	320	61.7	16.1
2016			

So robust are the Telly's operations that it maintained almost double-digit profit margins throughout the recession and its return on revenue quickly recovered into the high teens thereafter. Turnover fell just over 10 percent during the recession, but has since remained remarkably stable.

Financial Times

FT Publishing, which included the *Financial Times*, its website FT.com, and a half-interest in the *Economist*, was a division of education company Pearson before being sold (except for the *Economist*) to Japanese company Nikkei in 2015. Until the mid-2000s, the *Financial Times* was in poor financial condition, losing tens of millions of pounds annually. An austerity program and a refocusing on its digital operations turned that around by 2006. Its profits have since been driven by an increase in its digital revenues, which rose 40 percent in 2007 (Fine, 2008). It also that year pioneered the 'metered' paywall which would become the industry standard. By 2008 its profits were going up while the rest of the industry's were going down, thanks in part to an 80-percent cover price increase in print and 50-percent rise in its online price, with only a 3-percent drop in readership (Hall, 2009). It had 750,000 subscribers by 2015, prompting Nikkei to pay £844 million for it (Cassidy, 2015). By 2016, the *Financial Times* was gaining a majority of its turnover from its digital operations and 60 percent of it from subscriptions (Greenslade, 2016).

Table 9 – FT Publishing

	Turnover (£m)	Profit[1] (£m)	Margin %
2006	366	58	15.8
2007	344	56	16.3
2008	390	74	19.0
2009	358	39	10.9
2010	403	62	15.4
2011	427	76	17.8
2012	443	49	11.1
2013	341	29	8.5
2014	334	50	15.0
2015*	312	48	15.4

Source: Pearson plc annual reports
* 11 months

Annual statements filed for the Financial Times with Companies House are remarkably opaque, claiming large annual losses by deducting unspecified charges listed only as 'Other'. Recourse was thus made to the annual reports of publicly-traded Pearson plc, which proved much more fulsome. Earnings for the FT Publishing Group did suffer a correction in 2009 with the recession, but by the following year they were growing again and its profit margin had returned to the mid-teens. This was seen until 2013, when another correction occurred in the form of a reduction in turnover of more than £100 million. Earnings and margins both rebounded the following year, however.

The Guardian

The Guardian Media Group, which publishes the *Guardian* newspaper, the Sunday *Observer*, and the Guardian Online, is an anomaly among UK newspaper publishers in that it is underwritten by the rich Scott Trust. Attention to cost cutting in order to offset falling revenues has thus not been as urgent as at other national dailies. When the Group sold the remaining half of its highly successful Auto Trader in 2014 for £619 million, it declared the Guardian was 'secure for generations to come' with an investment fund in excess of £850m to underwrite future *Guardian* losses. Former editor Alan Rusbridger thus bet big on digital journalism, keeping its website free while other publishers were erecting paywalls to recoup needed revenues.

[1] As reported by Pearson

Table 10 – Guardian Media Group plc

	Turnover (£m)	EBITDA (£m)	Margin %
2007	245.7	(6.0)	-2.4
2008	261.9	(4.1)	-1.5
2009	253.6	7.5	2.9
2010	221.0	(15.5)	-7.0
2011	198.2	(20.1)	-10.1
2012	196.2	(32.2)	-16.3
2013	208.8	(40.9)	-19.6
2014	210.2	(17.8)	-8.5
2015	214.7	(40.5)	-18.8
2016	209.5	(68.7)	-32.8

*year ending 31 March

The digital bet has so far been a losing one, at least financially, as online advertising revenues stagnated while print losses mounted. The *Guardian*'s investment fund also fell to an estimated £740 million by 2016 due to a downturn in financial markets. 'If you can burn through £340m in just over a decade, a fighting fund of £740m suddenly doesn't seem so much', quipped one wag (Glover, 2016). As a result of its mounting losses, the *Guardian* announced in January 2016 an austerity program designed to cut costs by 20 percent, or just over £50m, in a bid to break even within three years (Martinson, 2016a). In March 2016 it announced 250 job cuts, including 100 in editorial (Martinson, 2016b) and a cover price increase of 20p came the following month (Sweney, 2016b). It suffered a record annual loss of £68.7 million for its fiscal year ended in the spring of 2016, but reported that more than 50,000 readers had signed up for 'memberships' it hoped would increase revenues by more than £30 million (Jackson, 2016). In early 2017 the *Guardian* announced it had 200,000 paying members, which the industry publication *Press Gazette* estimated could be contributing around £10 million a year to its bottom line. A further 160,000 readers had made one-time contributions, *Guardian* editor Katharine Viner said, which helped offset advertising losses of £11 million. The *Guardian*'s more than 100,000 digital subscribers could be adding additional revenues of around £16 million, the *Press Gazette* estimated (Ponsford, 2017).

Local and Regional Newspapers

This sector suffered more severely from the shock of the 2008 stock market crash and ensuing recession than the national newspaper market because it has traditionally been more

dependent on advertising revenues than subscription sales. About 10 per cent of the workforce – between 3,500 and 4,000 workers – lost their jobs in a period of six months due to layoffs and the closure of about 60 titles when ad revenues fell 37 per cent across the industry in the first quarter of 2009 (Fenton, 2009).

Trinity Mirror

Trinity Mirror was already the largest UK regional newspaper publisher in 2015, with an estimated 123 titles, or 11.1 percent of the market before purchasing the 80 percent of regional chain Local World it did not already own (Media Reform Coalition, 2015). It was hard it by the recession, closing around 27 titles late in 2008. It reported a decline of 37 percent in regional ad revenue in early 2009 and announced £25 million in cost cuts (Venkatraman, 2009). Its stock price fell 94 percent from 2003 to 2012, meaning the company's pension liabilities of £1.7 billion exceeded by more than 25 times its market capitalisation of £67 million. Its debt of £197 million was almost three times the company's stock market value (Salamander, 2012).

Table 11 – Trinity Mirror Regionals

	Turnover (£m)	EBITDA (£m)	Margin %
2006	531	118.1	22.2
2007	484	112.6	23.2
2008	396	60.9	15.4
2009	303	28.8	3.6
2010	331	51.7	15.6
2011	294	36.5	12.4

Source: Trinity Mirror plc annual reports

As mentioned above, Companies House filings for the Trinity Mirror Group broke down its results between its regional and national newspapers until 2012, when they were combined. Trinity Mirror's regional newspapers suffered the same kind of drop in revenues and earnings during the 2008-09 recession as other regional newspaper publishers. Its turnover recovered by about 10 percent in 2010 before slipping further.

Local World

Its purchase of Local World in October 2015 doubled Trinity Mirror's regional holdings, adding an estimated 125 titles (Media Reform Coalition, 2015). Local World had been formed

in 2012 as a combination of more than 80 newspapers owned by Northcliffe Media, the regional division of Daily Mail & General Trust, and 36 titles from local newspaper publisher of Iliffe News & Media. Trinity Mirror paid £14.2 million for 20 per cent of the group at it inception (Titcomb, 2012) and another £187.4 million to acquire the rest, creating the UK's largest regional newspaper group (Knowles, 2015).

Table 12 – Local World

	Turnover (£m)	EBITDA (£m)	Margin %
2013	231	38.9	16.9
2014	221	43.6	19.7
2015	208	38.4[2]	18.5

After market research, the group decided to 'rebrand' its local newspapers with, according to the *Times*, 'more stories about cultural events, more sports news and a near blanket ban on crime stories on the front page' (Rigby, 2015a). The results were credited in early 2017 with helping to boost Trinity Mirror revenues by £120 million to £713 million and profit by nearly £26 million to £133.2 million (English, 2017).

Johnston Press

The owner of a handful of dailies, including the *Yorkshire Post* and the *Scotsman*, and about 200 weeklies, Johnston Press could be the poster child for the foibles of newspaper companies over the past few decades. It went on an acquisition spree in the 1990s and 2000s, buying dozens of regional titles and accumulating debt of about £450 million (Mance, 2016). That debt has become increasingly problematic since the downturn in advertising revenues. The company hired a new CEO in 2011 whose background was with Microsoft and BBC Digital, and a new 'digital first' direction was taken. The failure of digital revenues to make up for losses on the print side, however, has required the company to downsize. 'Some companies are born small', quipped the *Financial Times* in 2016. 'Some achieve smallness. And some, like Johnston Press, have smallness thrust upon them' (Burgess, 2016).

[2] Local World reported operating profits and EBITDA for 2013 and 2015, but only operating profits in 2015. EBITDA thus had to be calculated for 2015 by deducting amounts listed for depreciation, amortization, and write-off of intangible assets from operating profits.

Table 13 – Johnston Press

	Turnover (£m)	EBITDA (£m)	Margin %
2006	602	186.8	31.0
2007	607	178.1	29.3
2008	532	128.4	24.1
2009	428	71.8	16.8
2010	398	72.0	18.1
2011	374	64.6	17.3
2012	329	57.0	17.4
2013	292	54.3	18.6
2014	266	55.5	20.9
2015	242	57.3	23.7

Of all UK newspaper companies, Johnston Press perhaps best exemplifies the conundrum of newspaper finances in the 21st Century. It is struggling to stay afloat in a sea of debt that threatens to engulf it yet it is highly profitable. Its return on revenue sank from the 30-percent range prior to the recession into the teens for a few years before returning above 20 percent recently. Meanwhile its revenues have fallen by more than half, mostly due to falling ad sales but also due in part due to the merger, closure and divestment of titles, which it reduced by more than 100 between 2007 and 2012. The company made a major turn in direction in 2016, first purchasing the London daily *i* from the Independent for £24 million. Its strong sales helped to offset the company's declining advertising revenues (Bond and Fedor, 2016). It then sold a group of 13 titles in East Anglia and the East Midlands to Iliffe Media for £17 million with the stated aim of focusing on its prestige titles, including the *Scotsman* and the *i*. (English, 2016).

Newsquest Media Group

The company is a subsidiary of Gannett, Inc., which is the largest newspaper chain in the United States but is reviled by many there and in the UK for its rapacious management (McCord, 2001). Newsquest publishes 17 dailies and about 200 non-daily newspapers in the UK, but getting an accurate picture of its finances is difficult because it is made up of more than a dozen subsidiaries which report separately to Companies House. The group has reported consolidated results only once, in 2014, which also included results for 2013. To gain a more complete picture of the company's financial performance, the results for two of its largest subsidiaries will also be examined.

Table 14 – Newsquest Media Group Limited

	Turnover (£m)	EBITDA (£m)	Margin %
2013	288	67.3	23.3
2014	279	69.1	24.8

Newsquest is obviously a very profitable enterprise. While its turnover went down by a few percent from 2013 to 2014, its earnings went up by almost £2 million. The benefit to the company's bottom line, however, has been largely at the expense of its journalism. It cut costs by more than £5 million in 2014 by terminating 228 staff, bringing its headcount to 3,997, at the same time it paid its CEO £401,505 (Sweney, 2015b). This inequity prompted political protest in 2015 when the London Assembly passed a motion calling on then-mayor Boris Johnson to express his concern to the company (Greenslade, 2015b). 'Gannett seems to exist to keep shareholders cheerful and pay executives royally', lamented *Guardian* columnist Peter Preston. 'Gannett is a row of figures on the bottom line' (Preston, 2015). Newsquest reinvested some of its profits in buying 29 newspapers from the Scottish chain Romanes Media in 2015 for £15.2 million (Greenslade, 2015c).

Table 15 – Newsquest (Herald & Times) Limited

	Turnover (£m)	EBITDA (£m)	Margin %
2006	88.3	22.9	25.9
2007	86.8	21.8	25.1
2008	79.5	21.4	26.9
2009	63.1	12.0	19.0
2010	58.4	10.4	17.9
2011	56.9	11.2	19.6
2012	57.0	14.7	25.8
2013	53.7	12.1	22.5
2014	54.7	14.8	27.6
2015	51.7	12.9	25.0

This Newsquest subsidiary publishes the morning *Glasgow Herald* and evening *Glasgow Times* along with the *Sunday Herald*, and the Scottish daily *The National*, which began publishing in 2014. Judging from its 2014 turnover of £279 million, it contributes about one fifth of Newsquest's revenues. Its results over the past decade show the same trend of plummeting revenues during the recession of 2008-09 and their steady erosion since. More importantly, earnings were more than cut in half before rebounding somewhat. Profit margins, on the other hand, hardly dropped below 20 percent before rising as a result of cost cutting.

Table 16 – Newsquest (London & Essex) Limited

	Turnover (£m)	EBITDA (£m)	Margin%
2006	81.4	14.5	17.8
2007	77.5	14.1	18.2
2008	63.8	9.2	14.3
2009	42.9	4.6	10.7
2010	39.7	5.4	13.6
2011	35.3	4.0	11.3
2012	32.6	4.0	12.3
2013	29.7	2.0	6.9
2014	28.2	2.8	9.9
2015	32.6	3.2	10.9

Judging from its 2014 turnover of £28.2 million, this subsidiary contributes about one tenth of Newsquest's revenues. Revenues fell by more than half from 2006 to 2010 and then eroded more slowly, but turned upwards by about 15 percent in 2015. Profit margin remained in the double digits even through the recession until 2013, but it has returned to the 10-percent range the past two years.

Tindle

Tindle Newspapers has been held up ever since the Great Recession, especially by its octogenarian owner Sir Ray Tindle, as an example of a robust local newspaper publisher. 'The debt-laden corporations could learn a thing or two from Tindle, who says he has never borrowed a penny', noted the *Guardian* in reporting that the company continued to make a profit even during the recession (Moss, 2009). The secret to Tindle's success, noted the *Economist* in 2012, was its 'hyperlocal' focus, which for example saw it turn around its struggling *South London Press* by splitting it into seven local editions focusing on individual boroughs (Anonymous, 2012). So convinced has Tindle been of the future of local newspapers that he bought enough shares in struggling Johnston Press to rank as its third largest shareholder (Stiff, 2011).

Table 17 – Tindle Newspapers Limited

	Turnover (£m)	Earnings (£m)	Margin %
2006	32.8	6.8	20.7
2007	33.0	6.7	20.3
2008	46.4	7.8	16.8
2009	45.9	4.3	9.4

2010	42.6	3.9	9.2
2011	38.6	3.2	8.3
2012	36.1	2.2	6.1
2013	34.3	2.0	5.8
2014	31.6	2.3	6.3
2015	24.2	3.1	12.8
2016			

* fiscal year ending 31 March

The UK's local press was 'fighting fit', Tindle told a conference in 2014, and was holding its head 'well above water'. His company had launched 17 titles during the recession, Tindle noted, and had bought 16 others to give it more than 200 (Linford, 2014b). Time and tide may finally be catching up with his company, however. From a profit margin above 20 percent before the recession, its return on revenue fell into the single digits from 2009-14 before blipping up in 2015.

Archant Limited

Norwich-based Archant publishes several regional dailies, including England's largest-selling in the *Eastern Daily Press*, and about 50 paid and free weekly newspapers, along with 75 magazines including *Jumbo* and *Let's Talk*. The family-owned printing company expanded beyond its East of England roots into Devon, London and Scotland in the early 2000s and also started numerous successful websites such as Jobs24.com and Drive24.com. It bought 27 paid and free weekly newspapers in London, Kent and Essex from Independent News and Media for £62 million in 2004 (Snoddy, 2004). In March 2014 it began broadcasting Mustard TV on Freeview after winning a licence for the city of Norwich (Archant, n.d.). Its diversification has allowed Archant to weather the media downturn better than most publishers. 'Its combination of websites and very tightly focused weekly papers has prompted some analysts to identify Archant as a model for the industry', noted the *Financial Times* (Fenton, 2008).

Table 18 – Archant Ltd

	Turnover (£m)	EBITDA (£m)	Margin %
2006	191	34.1	17.8
2007	194	35.5	18.3
2008	175	27.6	15.8
2009	142	20.1	14.1
2010	139	19.4	14.0

2011	129	15.1	11.6
2012	131	11.9	9.1
2013	127	14.1	11.0
2014	122	12.0	9.8
2015	116	12.9	11.1
2016			

Archant’s drop in revenues during the recession was partly due to its sale for £11.2 million mid-way through 2007 of eight Scottish weeklies, which generated £6.95 million in 2006 revenues. It turnover thus fell about 30 percent from 2006 to 201, but has remained fairly strong until recently. Its earnings have been cut by more than two thirds, however, and its profit margins have fallen from the high teens to the 10 percent range. The company has also continued to innovate, in mid-2016 launching the *New European*, a national weekly newspaper aimed at British voters who backed the campaign to remain in the EU. Priced at £2, it was supposed to print for only four weeks but gained a weekly circulation of 20,000, which was enough for it to break even and continue publishing. The *New European*’s sales were strong in parts of the UK which voted for remain in Europe, including London, East Anglia, Manchester, and Scotland. The company then announced it would shift its focus away from local newspapers to its digital operations, cutting 57 print jobs but creating 40 digital positions (Bond, 2016).

Conclusions

Much the same can be concluded of the UK newspaper industry as about those in the U.S. and Canada. Despite widespread perceptions of their financial ill health and predictions of their imminent demise, most newspaper companies operate in the black. In fact, many have become increasingly profitable, as measured by return on revenue, as their revenues fall. This has become necessary at some companies due to their high level of debt, the servicing and reduction of which requires every possible pound of earnings. Some newspaper publishers have even seen fit to resume making acquisitions and even launch new titles. This is not to say that the newspaper business is a growth industry in the UK. Quite the opposite, it is in rapid contraction.

Most newspaper companies are in the middle of a transition from printing hard copies to instead disseminating the news they gather over the Internet and on mobile devices. As they scale back their distribution of newsprint, however, they continue to make a tidy profit. As the digital news business has failed to live up to expectations financially, with the notable exception of the *Financial Times*, the days of the printed newspaper may not be as short as many presume.

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