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Are UK newspapers really dying? A financial analysis of newspaper publishing companies

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ABSTRACT

This research follows on a 2014 study of North American newspapers which examined annual financial reports for publicly traded chains and found that none posted an annual loss on an operating basis between 2006 and 2013. An analysis of UK newspaper company financial reports was thus performed to determine whether predictions of extinction similar to those made in North America are likewise unfounded and to compare their performance. Results showed more variation than in the U.S. and Canada. Most UK newspapers are still profitable, but not as profitable as before. The *Times*, historically a loss maker, has moved to profitability in recent years with the introduction of a paywall for its online content. The same paywall reduced the advertising revenues of News Corp's *Sun* and was thus dropped.

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Newspapers have endured a decade of stiff challenge since the 2008–09 recession dropped print advertising revenues sharply amidst an ongoing migration of news consumers to the Internet (Herndon, 2012; Meyer, 2009). Many predicted this "perfect storm" of economic and technological forces would prove the beginning of the end for newspapers as a medium (Garfield, 2009; Hirschorn, 2009). Despite the hard financial times, numerous closures, and even the bankruptcy of more than a dozen chains, however, newspapers have by and large continued publishing. A 2014 analysis of financial statements filed by publicly-traded newspaper companies in the U.S. and Canada over a ten-year period found that all remained profitable, even those that had been briefly forced into bankruptcy by high debt levels. Some enjoyed profit margins as high as 20 per cent return on revenue, notably some of the bankruptcies (Edge, 2014a, 2014b). Subsequent analyses of available data on newspaper companies in the U.S. and Belgium also found them to be comfortably profitable (Herndon, 2015; Van der Burg & Van Den Bulck, 2017). One 2012 study of major U.S. dailies found their coverage of the crisis in the newspaper business exaggerated its scale with "over-amped drama" (Chyi, Lewis, & Zheng, 2012). This could be seen as an example of Bagdikian's "myth of newspaper poverty," which he noted publishers have promoted for decades to gain regulatory advantage (Bagdikian, 1973, 1983).

Newspaper industries have fared differently in different countries, however. While those in the developed world contract rapidly, in some emerging economies such as China and India

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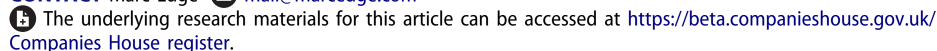
The underlying research materials for this article can be accessed at https://beta.companieshouse.gov.uk/ Companies House register.



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they have expanded despite the economic downturn and technological trends (Moro & Aikat, 2010). This paper examines the economic viability of the UK newspaper industry to determine whether predictions of its imminent demise are similarly unfounded. The study also seeks to compare the financial performance of UK newspapers to those in the U.S. and Canada. Available data in the UK on the financial performance of newspaper companies is more complete than in the U.S. and Canada because it is not restricted to publicly-traded companies. In the U.S., only about 40 per cent of newspapers are published by publicly-traded companies and are thus required to file quarterly earnings reports, while in Canada about three-quarters are. All UK companies, whether publicly listed or privately owned, must file annual reports with the registrar Companies House. This not only allows for a more complete picture of industry health to be drawn, but also for a more granular portrait of financial performance of individual titles which are often published by separate holding companies which must file their own financial reports. The 2014 study of North American newspapers, for example, could not untangle the finances of U.S. dailies owned by News Corp. from its worldwide holdings because they were lumped together with the multinational media conglomerate's book publishing divisions. Under reporting rules in the UK, however, separate financials are available for News Corp.'s *Times* and *Sun* because they are published by different companies.

Before examining the data, however, an understanding must first be gained of the peculiar economics of newspaper publishing in the digital age, and of the structure of the UK newspaper industry.

Newspaper economics

Newspapers are deceptively complex economic commodities, largely as a result of their "dual product" nature in marketing to both readers and advertisers (Picard, 1989). Long sold to readers at a sharp loss, or even given away for free, newspapers became among the most profitable of businesses by attracting large readerships they could in turn market to advertisers (Martin, 1998; Picard & Brody, 1997). During the lucrative post-war advertising bubble, attracting the largest possible readership and marketing it to advertisers encouraged newspapers to keep their copy prices low in order to maximise their advertising rates and revenues. This was seen most of all in North America, according to an international comparison which used 2008 data or earlier. Newspapers in the U.S. were found to get the largest proportion of their revenues from advertisers at 87 per cent, followed by those in Canada at 77 per cent. Newspapers in Japan got only 35 per cent of their revenues from advertisers, while in the UK there was an equal split with readers at 50 per cent (OECD, 2010).

Labour-saving advances in technology and their own inherently high levels of vertical integration also contributed to making newspapers highly profitable. As businesses, newspapers are unusual in that they comprise a range of enterprises from news gathering and advertising sales to printing and distribution. By providing these services in house, they made an incremental profit on each endeavour (Morton, 1994). Technological change also allowed newspapers to lower their cost of production sharply throughout the 20th century, evolving from moveable type to "hot lead" typesetting to computerisation, which eliminated the entire occupation of printer. Similar advances in press automation reduced greatly the workforce required to produce a day's editions as

newspapers increasingly reaped the benefit of their then-monopoly on classified advertising. Profit margins as a result regularly topped 20 per cent and in the absence of competition could reach the 30–40 per cent range or even higher. Competition fell as a result of mergers and the "circulation spiral," which saw first advertisers and then readers gravitate to the largest newspaper in a market. High start-up costs and other barriers to entry served to keep new competition out (Lacy & Simon, 1993).

Technology, however, soon became a two-edged sword that cut both ways. The advent of the Internet in the mid-1990s greatly reduced barriers to publishing and sortable online databases proved more effective for classified advertising. Agate ads largely disappeared from newspapers as people looking for jobs, cars, and homes increasingly looked online for them. Google and Facebook came to dominate online advertising, and with the economic shock of the 2008–09 recession newspaper revenues fell within a few years by half or more.

Newspapers were now competing not only in two markets—for readers and advertisers—but also in two media, print and online. They quickly retrenched, however, proving their business model was robust and far from broken. In addition to cutting back on staff and premises, they contracted their distribution areas, deliberately lowering their circulation by abandoning the marginal outlying areas that had once helped boost their readerships and thus ad rates. They also boosted their revenues by increasing their cover prices, which had been held artificially low to also maximise audience size. They were able to do so due to the well known "elasticity" of demand for their product, as most readers were willing to pay more per copy (Lacy & Simon, 1993). A 2017 study of the 25 largest U.S. newspapers found they almost tripled their subscription rates on average between 2008 and 2016, with the price increases accelerating after 2012 (Chyi & Tenenboim, 2017).

Most significantly, the newspaper industry finally arrived at a profitable model for online subscriptions. After finding at the dawn of the Internet Age that they were unable to charge readers for access to their websites due to the proliferation of online content, most newspapers made them free in what has been called their "original sin" (Edge, 2014b). They hoped to attract digital advertising by maximising online audiences as they had in print, but plummeting online ad rates made that unprofitable. Finally in 2010 the *New York Times* perfected the "metered" paywall which maximised both advertising and subscription revenue online by allowing readers a number of free articles every month, but requiring more frequent readers to subscribe. By early 2018, the *Times* had more than 2.6 million digital subscribers, bringing its reader revenue above US$1 billion a year and accounting for 60 per cent of its sales (Bond, S., 2018). Out of necessity, newspapers also explored other sources of revenue, including events, travel, consulting, memberships, and clubs, becoming not just dual market products but multi-sided ones (Gabszewicz, Resende, & Sonnac, 2016).

The UK newspaper industry

Aside from its more equal contribution of revenues from readers and advertisers, which softened the effect of the 2008–09 recession, the newspaper industry in the UK exhibited another major difference from those in North America. Larger distances between cities in the U.S. and Canada resulted in a largely local press, with only a handful of national dailies emerging in the 1980s and 1990s through satellite

transmission. The structure of the UK newspaper industry was just the opposite as a result of the market's smaller geographic size and a well-developed railway system. National newspapers thus proliferated, and were distributed throughout the British Isles on a same-day basis. Seven publishing companies comprised this sector following the 2016 closure of the loss-making *Independent* (Table 1).

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 operated with a largely distinct ownership except for Trinity Mirror, which narrowly topped the sector following its 2016 acquisition of the Local World chain (Table 2).

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 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. 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), which is generally regarded as the best measure of company profitability. Some

companies, however, report their earnings on an EBIT basis, so amounts listed separately for depreciation and amortisation had to be added back onto earnings to calculate EBITDA. Still others report "operating earnings," which required examination of the notes to the profit and loss statements to determine what else had been deducted from earnings, which could include capital expenditures, intangible expenditures, and impairment of receivables. A profitability measure amounting to return on revenue was then calculated by dividing EBITDA by turnover. Return on revenue is one of numerous ratios which can be used to measure profitability, with others including return on investment, return on equity, and return on assets. Return on revenue, however, is both simplest to determine using reported data and best reflective of current business performance. Return on investment, for example, could use as its denominator a relatively small amount invested decades earlier and the ratio thus may exceed 100 per cent (Friedlob & Plewa, 1996).

National newspapers

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.

News Group publishes the *Sun* and the *Sun on Sunday* and also published the *News of the World* until the 2011 phone hacking scandal led to its voluntary closure that year (Table 3). The company's fiscal year ends in June, hence its results delivered in 2017 were for its 2016–17 fiscal year, etc. The company's earnings, which fell into negative territory for two years during the recession, recovered by 2011 to the point where its profit margin reached 16.1 per cent. Its closure of the *News of the World* dropped

Table 3. News Group Newspapers Ltd.

	Turnover (£m)	EBITDA (£m)	Profit 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
2017	424	18.0	4.2

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

Table 4. Times Newspapers Ltd.

	Turnover (£m)	EBITDA (£m)	Profit 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
2017	319	7.0	2.2

turnover by about a quarter, but the introduction of a Sunday edition of the *Sun* picked up much of the closed paper's circulation because it appealed to largely the same readership. 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.

The fiscal year for the publisher of the *Times* and the *Sunday Times* also ends mid-year (Table 4). These quality newspapers have been loss leaders for News Corp. in the past. Perhaps surprisingly, however, they have improved their financial performance in recent years. As at most newspapers, turnover fell during the recession before stabilising somewhat. Until 2017, however, turnover had been remarkably stable. Cost-cutting reduced losses 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 per cent of DMGT's earnings in 2013, compared with 80 per cent 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, 2015a). DMGT sold the *Evening Standard* to Russian businessman Alexander Lebedev in 2009, and its Northcliffe regional newspapers division to Local World in 2012.

DMG Media's turnover dropped by just over 10 per cent in 2009 as the recession hit (Table 5). It has eroded a few per cent 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). Later that year DMGT announced more than 400 layoffs, including about 200 from DMG Media and said it was considering asset sales

Table 5. DMG Media.

	Turnover (£m)	EBITDA (£m)	Profit 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	650	76.9	11.8
2017	676	103.8	15.4

*as of 30 Sept annually

and restructuring (Williams, 2016). As a result of these measures, earnings for 2017 jumped by more than 30 percent.

Reach plc

A publisher of both national and local newspapers, Reach includes among its national titles the tabloid *Mirror, Sunday Mirror*, and *People*, along with the Scottish *Daily Record* and *Sunday Mail*. The listed company has been in expansion mode since selling Channel 5 to Viacom for £450 million. It was known as Trinity Mirror plc from 1999 until early 2018, when it purchased Express Newspapers and renamed itself. It bought the regional publisher Local World for £183 million in 2015 and the following year launched *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 (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 also implicated 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

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	1003	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
2017				623	145.1	23.3

Source: Trinity Mirror plc annual reports

pension liabilities on the order of £300 million as a result of mismanagement by the company's former owner Robert Maxwell (Greenslade, 2015a).

Until 2012, Trinity Mirror reported separate results for its regional and national newspapers (Table 6). Its turnover had fallen by almost half over a decade before buying Local World, but its profit margins remained strong, never falling below 12.8 per cent and topping 20 per cent 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 declining ad sales.

Express Newspapers

Table 7. Express Newspapers.

	Turnover (£m)	EBITDA (£m)	Profit 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	157	1.8	1.1
2017	165	11.1	6.7

The company is a division of the Northern & Shell Media Group, which was owned by Richard Desmond from 1974 until early 2018, when it was bought for £126.7 million by Trinity Mirror, which then renamed itself Reach. It publishes two popular tabloids, the *Daily Express* and the *Daily Star*, as well as Sunday editions of both.

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) (Table 7).

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 1980s and turned it around through cost cutting, including a move to non-union production (Siklos, 1996).

Table 8. Telegraph Media Group plc.

	Turnover (£m)	EBITDA (£m)	Profit 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	295	32.2	10.9
2017	278	21.4	7.7

So robust are the *Telegraph*'s operations that it maintained almost double-digit profit margins throughout the recession and its return on revenue quickly returned to the high teens thereafter (Table 8). Turnover fell just over 10 per cent 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* share) 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 programme and a focus on its digital operations turned it around by 2006. Its profits grew after an increase in its digital revenues, which rose 40 per cent 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-per cent cover price increase in print and 50-per cent rise in its online price, with only a 3-per cent 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

Table 9. FT Publishing.

	Turnover (£m)	Profit[a] (£m)	Profit 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

[a]As reported by Pearson
Source: Pearson plc annual reports
* 11 months

of its turnover from its digital operations and 60 per cent from subscriptions (Greenslade, 2016).

Annual statements filed for the FT Publishing 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 more fulsome (Table 9). Earnings for the FT Publishing Group suffered 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

Table 10. Guardian Media Group plc.

	Turnover (£m)	EBITDA (£m)	Profit 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
2017	214.5	(44.7)	−20.8
2018	217.0	(23.0)	−10.6

*year ending 31 March

falling revenues has thus not been as urgent as at other titles. 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 £850 million to underwrite future *Guardian* losses. Former editor Alan Rusbridger thus focused on digital journalism, keeping its website free while other publishers were erecting paywalls to help recoup needed revenues.

The digital bet has so far been a losing one, at least financially, as online advertising revenues stagnated while print losses mounted (Table 10). The *Guardian*’s investment fund also fell to an estimated £740 million by 2016 due to a downturn in financial markets (Glover, 2016). As a result of its mounting losses, the *Guardian* announced in early 2016 an austerity programme designed to cut costs by 20 per cent, or just over £50 million, 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 (Jackson, 2016). In early 2017, the *Guardian* announced it had 200,000 members, whom the industry publication *Press Gazette* estimated could be contributing about £10 million a year. A further 160,000 readers had made one-time contributions, *Guardian* editor Katharine Viner added, which helped offset advertising losses of £11 million (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 copy sales. About 10 per cent of the workforce—between 3500 and 4000 workers—lost their jobs in 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

Table 11. Trinity Mirror regionals.

	Turnover (£m)	EBITDA (£m)	Profit 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

Trinity Mirror was already the largest UK regional newspaper publisher in 2015, with an estimated 123 titles, or 11.1 per cent of the market, before purchasing the 80 per cent of regional chain Local World it did not already own (Media Reform Coalition, 2015). It was hard hit by the recession and closed 27 titles late in 2008. It reported a decline of 37 per cent in regional ad revenue in early 2009 and announced £25 million in cost cuts (Venkatraman, 2009). Its stock price fell 94 per cent 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).

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 (Table 11). 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 per cent in 2010 before slipping further.

Table 12. Local World.

	Turnover (£m)	EBITDA (£m)	Profit Margin %
2013	231	38.9	16.9
2014	221	43.6	19.7
2015	208	38.4	18.5
2016	183	41.6	22.7
2017	147	26.0	17.7

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 from operating profits amounts listed for depreciation, amortisation, and write-off of intangible assets.

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).

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, 2015b) (Table 12). 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).

JPIMedia

The owner of a handful of dailies, including the *Yorkshire Post* and the *Scotsman*, along with about 200 weeklies, JPIMedia could be the poster child for the foibles of newspaper companies over the past few decades. Founded in 1797, it was known as Johnston Press until it entered administration in November 2018 after it became unable to continue servicing its high debt load. It was taken over by its creditors, de-listed from the London Stock Exchange, and renamed. Its debt problems began during the 2008-09 recession after it went on an

Table 13. Johnston Press.

	Turnover (£m)	EBITDA (£m)	Profit 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
2016	222	49.1	22.1
2017	201	40.1	19.9

acquisition spree in the 1990s and 2000s, buying dozens of regional titles and accumulating debt of about £450 million (Mance, 2016). That debt became increasingly problematic with 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, required the company to downsize (Burgess, 2016).

Of all UK newspaper companies, Johnston Press perhaps best exemplified the conundrum of newspaper finances in the twenty-first century (Table 13). It struggled to stay afloat due to debt yet it was highly profitable. Its return on revenue sank from the 30-per cent range prior to the recession into the teens for several years before returning above 20 per cent. Meanwhile its revenues fell by more than half, mostly due to falling ad sales but also in part to the merger, closure and divestment of titles, which it reduced by more than 100 between 2007 and 2012. The company made a major strategic turn 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 & 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

Table 14. Newsquest Media Group Limited.

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

The company is a subsidiary of Gannett, Inc., which is the largest newspaper chain in the United States but is known 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 reported consolidated results only in 2014, which also included results for the previous year. To gain a more complete picture of the company's financial performance, the results for two of its largest subsidiaries will also be examined.

Newsquest is a very profitable enterprise. While its turnover went down by a few per cent from 2013 to 2014, its earnings went up by almost £2 million (Table 14). 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 while paying its CEO £401,505 (Sweney, 2015). 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). 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)	Profit 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
2016	44.7	8.2	18.3
2017	42.7	10.6	24.7

Newsquest (Herald & Times)

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 (Table 15). Judging from Newsquest's 2014 turnover of £279 million, this subsidiary 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 per cent before rising as a result of cost cutting.

Table 16. Newsquest (*London & Essex*) Limited.

	Turnover (£m)	EBITDA (£m)	Profit 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
2016	37.1	(1.6)	(4.3)

Newsquest (London & Essex)

Judging from its 2014 turnover of £28.2 million, this subsidiary contributes about one tenth of Newsquest's revenues (Table 16). Revenues fell by more than half from 2006–2010 and then eroded more slowly, but turned upwards by about 15 per cent in 2015. Profit margin remained in the double digits even through the recession until 2013, but

Table 17. Tindle Newspapers Limited.

	Turnover (£m)	Earnings (£m)	Profit 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

* fiscal year ending 31 March

it returned to the 10-per cent range the next two years before abruptly falling to a loss in 2016.

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 (The kitten press, 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).

The UK's local press was "fighting fit," Tindle told a conference in 2014, and was holding its head "well above water" (Table 17). His company had launched 17 titles during the recession, Tindle noted, and had bought 16 others to give it more than 200 (Linford, 2014b). From a profit margin above 20 per cent before the recession, however, its return on revenue fell into the single digits from 2009 to 2014 before blipping up in 2015. In 2017, Tindle retired from leading the company at age 90, and it was reorganized so as to make accounting comparisons problematic.

Archant Limited

Norwich-based Archant publishes several regional dailies, including England's largest-selling in the *Eastern Daily Press*, about 50 paid and free weekly newspapers, and 75 magazines. 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). Its diversification has allowed Archant to weather the media downturn better than most publishers. "Its combination of websites and very

Table 18. Archant Ltd.

	Turnover (£m)	EBITDA (£m)	Profit 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	109	10.3	9.4
2017	97	6.2	6.4

tightly focused weekly papers had prompted some analysts to identify Archant as a model for the industry," noted the *Financial Times* (Fenton, 2008).

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 (Table 18). It turnover thus fell about 30 per cent from 2006–2011, 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 per cent range. The company has also continued to innovate, launching in mid-2016 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

Since the recession of 2008–09 lowered print advertising revenues drastically at newspapers, predictions of the medium's extinction have proliferated. Media analyst Claire Enders told a House of Commons committee in 2009 that up to half of the UK's 1300 local and regional newspapers could close within five years, adding: "Many titles are already running at losses and are being sustained by the good graces of their owners, and that may not last" (Brook, 2009). A few years later, media critic Bob Garfield (2013) repeated the misconception 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 prediction, however, only about 100 newspapers had closed instead of the expected 650, according to one tally. "Many of those were free

newspaper," noted Paul Linford (2014a), editor of the blog Hold The Front Page. "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. "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" (The strange survival, 2010). The *Guardian*'s Roy Greenslade (2014) pointed out that newspapers companies had proved resilient despite all the pressures on them because cost-cutting had "ensured that almost every title has remained profitable, even if marginally so."

As this study has shown, not only are newspapers profitable on an operating basis, most are more than just marginally so. Some are comfortably so, such as Johnston Press, which ironically enjoyed profit margins in excess of 20 per cent before being overwhelmed by its debt and reogranising in 2018 as JPIMedia. As was also found in North America, however, companies with heavy debt loads can be among the most profitable, as they must often turn out the highest operating earnings possible just to service their debt. Most newspapers have coped with the downturn in their revenues by cutting their costs in lock step. The *Telegraph*, which rationalised its operations in the previous millennium under Conrad Black, weathered the recession with annual profits of around 10 per cent as a result and then returned to even higher levels of profitability before turning down in 2016.

UK newspapers have shown remarkable resiliency in recent years by using different strategies to adapt to the digital age. Paywalls have helped many newspapers capture the needed online revenue which proved elusive for years. Even the "hard" paywall at the *Times*, which does not allow readers free access to any articles, has proved effective. The same paywall at News Corp.'s tabloid *Sun*, however, proved ineffective and helps demonstrate that readers will pay for only quality content which they cannot get for free elsewhere. A different strategy has also proved successful at the *Guardian*, which continued to allow free unlimited access to its online content but appealed to its readers to support it on a voluntary basis. These are valuable lessons which have been learned on a trial and error basis as newspapers have felt their way along in the digital age.

The inescapable conclusion is that newspapers as a medium will endure, but individual newspapers will likely find different ways to adapt. This is important for not just the future of media, but also of democracy, for which many feared in the absence of a robust press. It also has important implications for higher education and public policy. Many journalism schools have revised their curricula to de-emphasise print journalism and focus on digital skills because they assumed online delivery of news would be the way of the future. That trend should be re-thought in light of the fact that newspapers continue to make healthy profits while digital news media struggle to find a workable business model. Online journalism may thus turn out to be merely an adjunct to the more profitable version provided in hard copy.

Public policy is another area for which this research has important implications. As Bagdikian noted, newspapers regularly plead poverty in order to gain regulatory advantage. This has been seen in the UK as recently as this year with the repeal of a proposed new section of the Crime and Courts Act which would have forced newspapers to pay both sides' legal fees

in privacy and libel cases, win or lose. One reason advanced for the decision was the reduced circulation and revenues of newspapers (Mayhew, 2018). Another area in which newspapers have sought regulatory favour is in antitrust, where they regularly propose mergers and acquisitions which infringe on monopolies law, claiming financial hardship. Authorities should scrutinise such claims in the light of hard financial facts which suggest newspapers need not bend competition laws to survive.

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Notes on contributor

Marc Edge has taught at universities in five countries and written five books. His 2014 book *Greatly Exaggerated: The Myth of the Death of Newspapers* examined the finances of newspaper companies in the U.S. and Canada. His latest book, *The News We Deserve: The Transformation of Canada's Media Landscape*, was published in 2016.

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