

Mossberg's Investor Digest

Best Idea Profile:

Tribune Publishing Company (NYSE:TPUB)

DESCRIPTION:

Tribune Publishing Company is a diversified media and marketing solutions company. The company's diverse portfolio includes ten daily titles, more than 60 digital properties and more than 150 verticals in a broad range of geographic markets. Tribune Publishing also offers an array of customized marketing solutions, and operates a number of niche products, including Hoy and El Sentinel, making Tribune Publishing the country's largest Spanish-language publisher. Tribune Publishing spun off from its parent, Tribune Media Company, and began trading on the NYSE on August 5. Tribune Publishing's major newspapers include The Chicago Tribune, The Los Angeles Times, The Hartford Courant, The Sun Sentinel in Fort Lauderdale, The Orlando Sentinel, and The Baltimore Sun. The company is based in Chicago.

KEY INVESTMENT CONSIDERATIONS:

Advantageous Industry Trend – Tribune has now fallen in line with a trend among media companies of separating print division from other media. Tribune Publishing Co.'s spin-off is the most recent among multiple high-profile separations within the media industry over the last year. These include News Corp., Time Warner, Journal Communications (Milwaukee Journal Sentinel), and Gannett (USA Today). This is allowing companies to take advantage of separating assets that have totally different trends and valuing them individually. Advertising and circulation for print publications have declined enormously because of the trend to consume news online.

A Positive Spin – Terms of the spin-off included a reasonable amount of debt incurred, especially when compared with some other industry examples. Some analysts believe that a publishing company can better flourish outside of a large media company that sucks many of the free resources into its entertainment properties. Tribune's newspapers have endured a four-year bankruptcy, followed by uncertainty as to their fate. That is when the decision to spin off the publishing business was made. Jack Griffin, chief executive, is charged with increasing profits for the company's eight major papers, which drive most of the company's revenue. Griffin intends to gradually shift away from advertising revenue and more to circulation, including more digital-only subscriptions, as well as expansion in cities where it already has a presence.

Cars.com Deal – Following parent company Tribune Media's agreement to sell its 28% stake, Tribune Publishing entered into a modified five-year agreement with Classified Ventures to extend its affiliate agreement with Cars.com, the online car shopping website. This will allow Tribune Publishing to continue to sell Cars.com products and services exclusively in the company's eight key markets. The agreement will secure a future and ongoing source of recurring revenues, which was \$71 million in 2013.

Better Transparency to Come – Tribune Publishing will host a third quarter 2014 earnings conference call later this year, which will discuss the its first post-spin financial results.

VALUATION:

Tribune Publishing currently trades at a price significantly below the stock's July 24 when-issued price of \$25.50 a share. This represents an upside potential of more than 70% to estimated value. The market is currently valuing Tribune Publishing significantly below the valuation levels mentioned in the company's bankruptcy filings. Additionally, Tribune Publishing's adjusted EBITDA has outpaced its revenue growth since 2011. Even if it continues to trade at a discount to its peers, the stock has significant upside.

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Investment Data (as of 8/19/14)

Recent Price	\$19.77
52-Week Range	\$18.84 - \$26.90
Fiscal Year End	Dec. 29
Dividend	NA
Yield	NA
Shares Outstanding	25 M
Average Trading Vol (10 day*)	487k
Market Capitalization	\$494 M
Cash	\$13 M
Long-term Debt	292 M
Enterprise Value (EV)	\$840 M
Book Value	N/A
TTM Revenue	\$1.8 B
P/ Revenue	0.3x
TTM EPS	N/A
P/ EPS	N/A
TTM EBITDA	\$174 M
EV/ EBITDA	4x

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