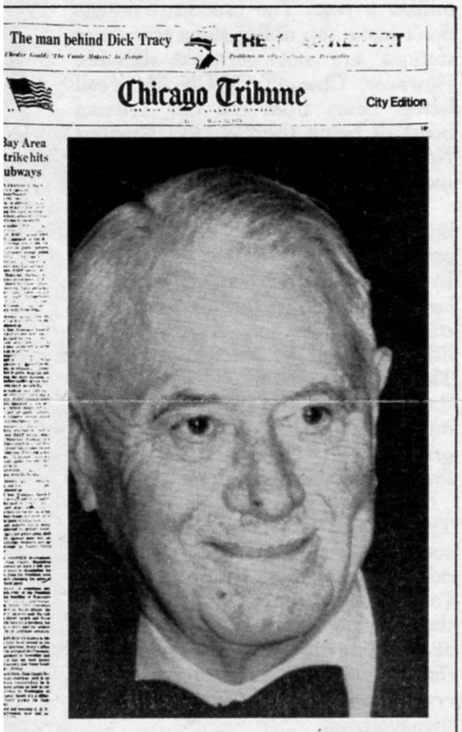
Slow Steam Ahead

Tribune Co.'s management doesn't seem in a hurry to take its company public. With good reason.

TRIBUNE Co. publishes over 25 million newspapers a week. That's more than any other U.S. publisher—50% above the nearest publicly held challengers, Knight Newspapers and Gannett. It was once the personal preserve of Colonel Robert R. McCormick, who ruled with an eccentric hand from his suite atop Chicago's Gothic Tribune Tower. But the company today is an integrated communications combine with revenues of over $600 million a year.



When he was alive, Colonel Robert R. McCormick had fresh copies of his *Chicago Tribune* delivered wherever in the world he happened to be.

In addition to the *Chicago Tribune* and New York's *Daily News,* it owns highly profitable dailies in Fort Lauderdale and Orlando, Fla. Tribune also operates three TV stations—in Chicago, Denver and New York—plus four radio stations, a news syndicate and a host of subsidiaries.

But for all the facts and figures about other people that Tribune properties spew out, there's an amazing dearth of data available about the company itself. Five board members —none of whom owns any stock— have authority to vote over half of its shares. Since the stock isn't publicly traded, Tribune doesn't have to open its books. Traditionally close-mouthed about its own affairs, it doesn't do so. Until the sketchy 1971 annual report, Tribune management didn't even offer financial information to stockholders.

All that may change soon, however. On Apr. 1, 1975, 20 years after Colonel McCormick's death, the trust created by the Colonel and his cousin, Captain Joseph Patterson, founder of the New York News, will dissolve. The trust now holds over 54% of the company's 8,000 shares (current book value: over $40,000 each; annual dividend: $1,000). Its eight trustees—a majority still the same five Tribune officers named by McCormick in his will—have controlled the company since 1955. With the trust gone, the 150 or so McCormick and Patterson heirs who are beneficiaries will become Tribune stockholders.

Add to that number current shareholders outside the trust (descendants of Henry Demarest Lloyd and other *Chicago Tribune* executives of the last century) and the company will probably have more than 500 owners. At that magic point—which could be reached whenever a stockholder breaks a block into several units—the law requires filing a registration statement. Soon thereafter, Tribune Co. should be listed on a major exchange, and, as the Colonel turns slowly in his grave, the harsh cries of Wilma Soss could ring out at an annual meeting.

They are anonymous men who run the Tribune Co.: Chairman Harold Grumhaus, 70, a 40-year veteran, and President Fred Nichols, 66, who built his career by successfully selling advertisements to Chicago's Marshall Field & Co. But over the past two years they have hired top outside talent—chiefly from Dow Jones and Knight Newspapers—to build a strong management team in Chicago. Prior to last year's annual meeting they planned to increase the number of shares to 20 million and rework the corporate bylaws.

Clearly, the trustees hoped to ease into public view with the present tight management control intact. But an embarrassing snag developed. Some trust beneficiaries (led by Mrs. Josephine Albright, daughter of Captain Patterson) objected to proposals that would stagger election of directors and require an 80% stockholder approval for mergers. This, they argued, would decrease the value of their stock by making it difficult for outsiders to gain control of the company. "Management wants to perpetuate itself and keep things very cozy," says Mrs. Albright. Her supporters stand to receive about 4% of Tribune Co. stock, and their dispute has now become a complex court fight.

A Chicago psychiatrist with a perceptive knowledge of Tribune's inner workings has an intriguing analysis of the current fracas. "Colonel McCormick thought no one could ever fill his shoes," he explains. "He wanted to influence things from his grave as long as he could, and he set up his will to divide the power after that so no one would be able to control the company."

However, nature abhors a vacuum —particularly a power vacuum. So it's obvious that Tribune's transition into the public fold isn't going to be placid. In addition to the tiff between trustees and beneficiaries, there's also internal jockeying for power among executives from the company's Chicago

Captain Joseph Medill Patterson, Colonel McCormick's cousin, founded the New York *Daily News* with family funds in 1919.

operations and their New York counterparts. Chicago has been the traditional source of top corporate leadership, but New York produces more cash flow and profit.

When Colonel McCormick's empire does become available to investors, what will they get? Of course, figures aren't available, but FORBES estimates that Tribune Co. produced net pretax profits of $45 million last year. Its operating margins—about 7.5%—are well below average for the publishing industry. That's because most revenue comes from big-city papers. And Tribune papers are in cities—Chicago, where 1973 revenues were $152 million, and New York (1973 revenues: $220 million)—with competing papers and strong unions.

The bright spot is Florida. On revenues of $63 million, the three dailies there yield margins in excess of 20% and together produce more gross profit—over $13 million—than the New York paper, almost twice as much as the Chicago papers. Tribune Co.'s biggest drag is *Today*, a Chicago afternoon tabloid that loses up to $5 million a year. The broadcast outlets don't make top dollar since the major stations are not network affiliates. However, Chicago's WGN-AM (call letters come from the old Tribune boast of being the "World's Greatest Newspaper") is among the country's most profitable radio stations.

Tribune takes in about $110 million a year from the sale of newsprint—about 80% of that to affiliates. Its Quebec mill is one of Canada's largest newsprint facilities, and the company is the only American publisher that is a net seller of newsprint. That's a plus in these days of paper shortages, but historically the rate of return provided by Canadian newsprint mills—as low as 3%—has been far below that of publishing.

Elsewhere on its balance sheet, Tribune Co.—like most privately held concerns—has very little long-term debt. Also, retained earnings are high (over $330 million) indicating that the company's management has aimed at building up the business rather than paying dividends to stockholders—a natural result with nonowner management.

Historic Milestone

All things considered, when Tribune Co. does go public, the event will be more of an historic milestone than any great bargain for investors. It's not that it isn't a solid, valuable property, but that it lacks the glamour of growth. "In today's market," says a leading newspaper analyst, "they'd probably be lucky to come out at a price/earnings multiple of above ten." That's considerably below book value.

Which, of course, would make Tribune Co. a tempting tender-offer target—not only for the power and prestige that goes with publishing, but for the asset play and turnaround potential as well. Little wonder that management wants staggered election of directors and an ultratough merger provision. ■