

GateHouse Media Seeks Bankruptcy Protection

by Joel R. Glucksman on September 19, 2013

GateHouse Media, Inc., a company that owns more than 400 community newspapers and websites, announced its plans to seek bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code.

The publisher maintains operations in 20 U.S. states and brought in annual revenue of \$489 million in 2012. However, declining sales and large printing expenditures since the 2008 financial crisis caused GateHouse's financial performance to run into the red. The company lost \$14.1 million on revenue of \$119.6 million for the second quarter ending on June 30, 2013.

In a recent filing with the Securities and Exchange Commission, the company said it had reached an agreement with its largest creditor - Newcastle Investment Corp. - to restructure its \$1.2 billion in debt in a pre-packaged bankruptcy filing. Newcastle, which currently owns 52 percent of GateHouse's debt, recently acquired 33 Dow Jones Local Media publications for \$87 million, and plans to merge the two enterprises into a publicly-traded company named New Media. The newly-published Local Media Group puts out publications in seven states and generated \$162 million in revenues last year.

In a presentation to investors, Newcastle said that New Media's projected revenue from digital content coupled with its reduced printing costs will put it in a position to invest more than \$1 billion into the purchase of additional newspapers and publications over a three-year period, The Associated Press reports. Both GateHouse Media and Local Media Group put out daily and weekly publications.

Creditors have already announced their support for the pre-packaged reorganization plan, which will give them the option to convert their positions into either equity or cash at a price of 40 cents on the dollar, Newcastle said in statement. Newcastle will maintain a 59 percent stake of the new company which will amount to roughly \$230 million.