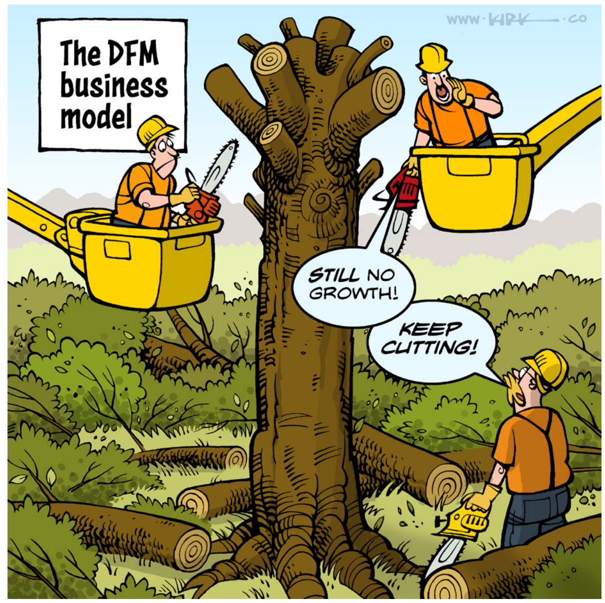
DFM WORKERS
Digital First Media Membership Bulletin

October 15, 2018

Hugely profitable DFM refuses to increase workers' pay

For Alden Global Capital, $160 million in profits is not enough.



Management for Digital First Media, speaking for its corporate masters at the New York vulture fund, rejected a modified wage proposal Thursday by the unions that comprise the DFM Caucus during wage negotiations in Philadelphia.

Alden's rejection of that proposal merely hardened our resolve to continue the joint union campaign that began in July 2016 after years without a raise. The 3 percent pay increase that ultimately was negotiated in July that year stands as the only one paid to most DFM workers in 10 years.

Representatives of each of the 13 bargaining units in the caucus conducted a two-day strategy meeting to begin preparations for full contract negotiations that will begin in May 2019, a little more than six months from now. Twelve of our contracts expire on July 31.

Management made no counterproposal after rejecting the unions' modified wage proposal, which called for a raise of 4 percent effective July 1 of this year.

During questioning, management revealed that DFM is profitable and refused to open its books — just months after a leaked financial report showed that DFM earned $160 million in profit last year, a 17 percent margin that's twice what other newspaper companies now earn.

Management recycled its well-worn narrative about declining print advertising revenue but offered no legitimate explanation for why DFM would not allocate any of the $160 million earned last year to a pay increase for the workers who created those profits.

In May, newspaper industry analyst Ken Doctor described Alden's DFM as "an outlaw company that just horrifies anyone who sees what they're doing," going on to describe it as a "non-stop cash register."

Hedge fund turns a blind eye to rats and mildew to rake in industry-topping earnings

By Julie Reynolds |
This story appeared in May on dfmworkers.org

The hedge fund behind draconian staff cuts at Digital First Media newspapers — including The Denver Post, San Jose Mercury News and Orange County Register — cleared $160 million in profits last year, earning the highest margins in the industry, leaked financial documents show.

The newspaper industry's top analyst, Ken Doctor of Harvard's Nieman Lab, revealed Tuesday that Alden Global Capital newspapers had profit margins as high as 30 percent in fiscal 2017, with an average of 17 percent across all of Alden's Digital First Media papers — stunning numbers in an industry where margins of less than 10 percent are the norm.

In an article titled, "Alden Global Capital is making so much money wrecking local journalism it might not want to stop anytime soon," Doctor said DFM's financials for the fiscal year ending June 30, 2017, were leaked to him by a company insider.

The report came days after Alden and DFM began cracking down on reporters and fired a Colorado editor for writing about Alden's roughshod business practices that include newsroom staff cuts of more than two thirds since the hedge fund took over the chain in late 2011. In early April, the editorial board of the Denver Post ran a six-page Sunday section decrying Alden's decimation of the Post, kicking off national news coverage of what's been dubbed "The Denver Rebellion."

"This is kind of an outlaw company that just horrifies anyone who sees what they're doing."

The day before Doctor's profit story ran, workers at an Alden paper in the Philadelphia suburbs were sent home because of ongoing problems with mildew in their building. And at the Alden-controlled Trentonian, workers have contended with large rats and no hot water.

"This is a company that can't even keep employees safe from mildew and rats while making huge profits — it's just beyond the pale," Doctor told DFMworkers.org. "This is kind of an outlaw company that just horrifies anyone who sees what they're doing."

Doctor said he's gotten no blowback from Alden or DFM regarding his publication of the leaked numbers. The exposure of DFM's financial details is unprecedented, as Alden is a highly secretive, privately held firm that has never disclosed its revenue or profit numbers.

Doctor said he did hear on Tuesday from some DFM insiders who gave him additional confirmation that his calculations of profit are spot on.

He adds that the margins at other newspaper chains, even those also notorious for aggressive cost-cutting, are much, much lower.

"They're as low as 3 percent for McClatchy," he said. "The New York Times is around 8 to 12 percent. Tronc was six, according to Yahoo Finance, and Gannett's own report was that it was about 8 percent.

"So 6 or 8 percent compared to Alden's 17 percent is a huge difference."

The new details explain why DFM's former CEO Steve Rossi boasted to workers last year that the company was "solidly" profitable, a claim that befuddled and angered employees who faced round after round of layoffs.

Extrapolating back to 2015, when Alden began to escalate its aggressive cost cutting, it seems possible its executives could end up raking in close to a billion dollars ($960 million, if the $160 million per year is consistent) through fiscal 2020.

That's when, according to Doctor, Alden plans to dump or sell whatever's left of its diminished newspapers.

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DIGITAL FIRST MEDIA RESULTS FY 2017, ENDED JUNE 30, 2017
Ranked by profit contribution

REGION	FY 2017 REVENUE	FY 2017 EXPENSES	PROFIT	MARGIN
Bay Area	194,000,000	153,000,000	41,000,000	21%
Colorado	187,000,000	151,000,000	36,000,000	19%
Southern CA	270,000,000	247,000,000	23,000,000	8%
Philadelphia	61,000,000	43,000,000	18,000,000	30%
Northern CA	51,000,000	40,000,000	11,000,000	21%
St. Paul	76,000,000	66,000,000	10,000,000	13%
Michigan	45,000,000	38,000,000	7,000,000	15%
Ohio	22,000,000	16,000,000	6,000,000	27%
Massachusetts	19,000,000	14,000,000	5,000,000	26%
New York	14,000,000	12,000,000	2,000,000	14%
TOTALS	**939,000,000**	**780,000,000**	**159,000,000**	**17%**

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