

Title:

An Analysis Of Journal Communications (JRN)

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Summary:

Journal Communications (JRN) is comprised of seven essentially separate businesses: The Milwaukee

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Article Body:

Journal Communications (JRN) is comprised of seven essentially separate businesses: The Milwaukee

Journal Communications has an enterprise value of just under \$1 billion. Pre-tax owner's earnings

Journal's effective tax rate is 40%. That is an unusually high rate. Journal's media properties

With after-tax owner's earnings of \$75 million and an enterprise value of \$1 billion, Journal's

This is especially true if you consider the fact that earnings yields offer more protection against

When evaluating a long-term investment, such as a stock, I do not use a discount rate of less than

When evaluating a prospective investment, I first look at the risk of a catastrophic loss. What

I can make a bad investment without suffering a catastrophic loss. For instance, most mutual funds

It's easiest to understand this concept if you think of valuing companies as being a lot like

Some stocks, like Google (GOOG), trade at prices that allow for catastrophic losses of considerable

In the case of Journal Communications, I am willing to stick my neck out.

I believe an investment in JRN carries a very low risk to principal ~ considerably less than,

Publishing

The Milwaukee Journal Sentinel: Milwaukee's only major daily and Sunday newspaper. The Sunday

The Milwaukee Journal Sentinel also operates three websites. JSOnline.com and OnWisconsin.com

Over the last three years, both daily circulation and Sunday circulation have decreased by about

The Journal Sentinel generates approximately \$230 million in revenue. Advertising accounts for

It's difficult to value the Journal Sentinel, because JRN places the Journal Sentinel and its

Having said that, I can't see how the Journal Sentinel could be worth less than \$250 million of

It's even more difficult to value JRN's Journal Community Publishing Group. It consists of 43

The best I can do is offer an educated guess as to the combined value of JRN's publishing business

Broadcasting

Journal Communications owns 38 radio stations. The most important of which are: WTMJ-AM Milwaukee

Journal Communications owns seven television stations. Almost all of these stations are ranked
Again, it's too hard for me to value JRN's TV stations and radio stations separately. Taken to

Telecommunications

JRN owns a 3,800 mile network in the Great Lakes region. Norlight Telecommunications generates

Miscellaneous

I don't like the printing services and direct marketing business at all. I have no idea how to

Real Estate

JRN owns a surprising amount of unencumbered real estate. For the most part, such properties are

It hardly matters though. Journal Communications is likely to remain a going concern for some

Valuation

So, what is JRN worth? It's hard to say. The current enterprise value is around \$1 billion, which

Journal Communications is probably worth somewhere between \$1.25 billion and \$2 billion. I'm convinced

Journal Communications voting structure will probably discourage the best course of action: break up

Newspapers, radio, and TV all face different challenges. They need different managers who have

If these businesses traded as five or six different public companies, it is very unlikely they would

But, none of this is likely to happen. Employees control JRN (they maintain control through the

JRN has almost no downside. Sadly, it doesn't seem to have a lot of upside either. There is a

Objectively, I have to admit JRN is undervalued. But, I'm not sure it's grossly undervalued ~

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