

# Archant Limited



## Background

On 23 March 2022, Rcapital completed the sale of Archant to the second largest publisher of regional and local newspapers in the United Kingdom, Newsquest. The deal marks the end of a two-year turnaround and transformation programme.

Archant is the UK's fourth biggest media company founded in Norwich 170 years ago. The publisher operates 140 local, regional, national press, and magazine titles together with a marketing agency servicing over 37,000 commercial customers.

The business had a strong trading history but suffered from declining advertising revenues as the preference for digital news increased globally. The business transformation plan initiated in April 2019 with Interpath Advisory.

“Unfortunately, everything changed in March 2020 as a result of the pandemic and the subsequent lockdowns. The drop in revenues across the entire industry was precipitous, and although the company outperformed its peers in the subsequent recovery, some areas of the business experienced a 70% decline in revenues.” Chris Pole, Managing Director, Interpath Advisory.

Supported by Interpath, Management took significant steps to mitigate the financial impact of the Covid-19 pandemic on the business with the following measures:

- c. 25% of the headcount placed on furlough
- Closed all offices to staff and customers with non-furlough staff working remotely
- Deferred HMRC and Pension Scheme scheduled payments totalling £6.3m and £2m respectively
- Curtailed all discretionary spend and semi-variable spend
- Utilised overdraft facilities in place with HSBC

**Date bought:** October 2020

**Date sold:** March 2022

**Industry:** Publishing

**Location:** UK

The impact of Covid-19 placed significant strain on the cash position, there was insufficient cash to meet the agreed payments to the Pension Trustee. Archant faced a short-term cash requirement which demanded an accelerated response.

As a result, Interpath, Archant, the Trustee, the Pension Protection Fund (“PPF”) and the Pension Regulator came together to secure the best outcome for the scheme, the company’s creditors, and the business. The company developed a unique restructuring proposal; using a CVA to create an investable platform that would deliver an optimal solution for stakeholders.

“Following an extensive option and sale process, Rcapital was identified as the only firm with the technical restructuring capability that could commit to the complex deal negotiations necessary to successfully complete the transaction.”

**Chris Pole, Managing Director, Interpath**

## Growth story

Working closely with the complex stakeholder matrix, which included the Pension Protection Fund (PPF), Rcapital designed a funding option that mitigated insolvency, avoided job losses, protected the majority of creditors from material losses and safeguarded the business.

Within a short period, a detailed CVA completed unchallenged, the PPF was issued with an equity stake in the business and a position on the Board, working alongside Rcapital and the management team – a first-of-its-kind transaction.

With the backing of its creditors and the support from new investor, Rcapital, Archant embarked on its most ambitious transformation plan to date, initiated with the appointment of a new leadership team in Jan '21.

The business was restructured into three divisions; newspapers, magazines and marketing services.

In January 2021, management initiated a highly consultative and constructive process, where each divisional head was tasked with reviewing and challenging the divisional cost base and assessing whether they were running a profitable business. For the first time there was absolute transparency on the financial performance of each part of the business.

“If our people build and deliver operating models that they believe are achievable then this turnaround will not only be a success it will be sustainable. This isn't about people working harder, it's not about cost either – it's about being the best we can be because that is the right thing to do.”

**Lorna Wills, CEO, Archant**

## Outcome

A stronger and more operationally streamlined Archant emerged from the transformation. Rcapital worked closely with the management team to identify the right future partner and investor for the business. Newsquest Media Group is the second largest publisher of regional and local newspapers with 205 brands across the UK, publishing online and in print. The publisher stood out in the process and worked pragmatically to work through and successfully complete this trade sale.

Crucially, the turnaround and sale of Archant to Newsquest will preserve local newspapers and community-based reporting long into the future.

Rcapital retained, creative agency Dialogue, to bolster its creative portfolio following Archant's sale to Newsquest Media Group.

Zoë Francis-Cox added: “This is an important moment for the agency, working with Rcapital offers the advantage of expertise, guidance and investment to realise Dialogue's full potential as an independent agency.”

Lorna Willis, Archant chief executive, said: “By bringing the best of Archant and Newsquest together we have the opportunity to lead the way in building an exciting future for regional media, a future that speaks to growth, innovation and sustainability, built on quality local journalism.”

Henry Faure Walker, Newsquest's CEO commented: “We're really looking forward to working with the Archant team who have done a phenomenal job rebuilding the business after it when through a Company Voluntary Arrangement 18 months ago. The Archant strategy of building out digital marketing solutions and digital subscriptions is closely aligned with our own; and the additional scale that our combination brings will greatly assist Archant's local news and Life brands in building a stronger future.”