Postmedia posts Q3 loss as pandemic weighs on revenue

TORONTO Postmedia Network Canada Corp. posted a $13.8-million net loss in its fiscal third quarter as both print and digital advertising declined significantly, but the company may have seen the bottom of the financial strain brought on by the COVID-19 pandemic, its chief executive said Thursday.

In the quarter, which covered the three months ending May 31, Postmedia registered greater than 30-per-cent declines in both print and digital advertising revenue as compared to the same period last year. Print circulation revenue, meanwhile, saw a 10.5-per-cent decline. As a result, total revenue slipped to $112.4 million from $157.1 million.

Despite the challenges, Postmedia CEO Andrew MacLeod said that there were some positives in the quarter. Postmedia ended the period with $35.2 million in liquidity after receiving a waiver in payments related to first-lien debt and deferring government remittances. The company also saw a substantial decrease — of $57.9 million or 39.2 per cent — in total operating expenses, a figure that excludes depreciation, amortization, impairment and restructuring costs, but that does take into account the impact of recoveries from government programs such as the Canada Emergency Wage Subsidy. Operating costs fell by 26.2 per cent. Most notably, however, MacLeod said there are hints that growth is ready to pick up again.

"What's changed is I think we put a bottom in," he said in an interview. "We're seeing the beginnings of growth and that's a reflection of the economic freeze that is supposed to thaw."

This is particularly true when it comes to the return of advertising dollars, he said. The early months of COVID-19 were some of the most successful for Postmedia in terms of readership but they did not translate into positive financial results because advertisers did not wish to be associated with stories about the pandemic.

MacLeod said he has seen early signs that that stance may be beginning to reverse, but it remains an ongoing challenge.

The Canada Emergency Wage Subsidy has been another positive. Postmedia recognized more than $20 million in support from the wage subsidy in the quarter, the company said. When that subsidy was extended in May, Postmedia qualified for an additional four weeks of payments and that added support has helped allow it to restore employee wages to their regular amounts after issuing temporary cuts.

MacLeod recognizes that the support is only temporary.

"The wage subsidies can't continue forever and at some point, businesses and consumers are going to have to stand on their own," he said. Should it expire before the end of the economic downturn, Postmedia will have to search for alternate solutions, he said. Commercial real estate could be one potential area for savings, MacLeod said, given how successful the company's pivot to a work-from-home environment has been.

"We're constantly searching for cost savings and if we can find ways to free up costs as a function of having a reduced commercial real estate footprint, I think that's something we'll be looking at going forward," he said.

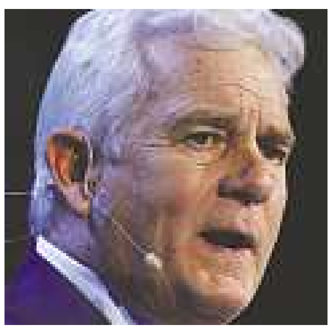
Financial Post

Postmedia CEO Andrew MacLeod says there are hints that growth is ready to pick up again.

An activist protests gainst the Dakota Access pipeline in 2017 in Washington. Energy Transfer is appealing a ruling suspending pipeline operations until environmental reviews are done. ALEX WONG/GETTY IMAGES FILES

Pipeline billionaire girds for next fight over Dakota Access

Energy Transfer to continue operations despite order to stop oil from flowing



Kelcy Warren

RACHEL ADAMS-HEARD, ELLEN GILMER and JENNIFER A. DLOUHY

Kelcy Warren, the billionaire pipeline mogul, has said he's proud of the Dakota Access oil project like it were his son.

So when a judge delivered a surprise ruling this week ordering the pipeline to shut until further environmental reviews are conducted, Warren flashed the pugnacious, bare-knuckled approach that has made him — and the project — a source of seemingly never-ending controversy in America.

His company, Energy Transfer LP, announced Wednesday it will press on with operating the pipeline, despite the order to stop the oil from flowing by an Aug. 5 deadline. The company said it would continue to accept oil from producers in the Bakken shale field looking to ship oil on the pipeline next month while it appealed the ruling.

It was, to Warren's enemies in the Indigenous community and conservation circles, an incendiary statement that would only add to the bitterness remaining four years after the project stoked weeks of protests at the Standing Rock reservation in North Dakota.

To his supporters, it was classic Warren: The 64-year-old CEO, a fundraiser for U.S. President Donald Trump, has adopted a relentlessly aggressive approach to building pipelines that get the nation's enormous oil and natural gas reserves to market. While that helped him create a corporate giant, and a US$3.1-billion fortune, the pipeline industry is increasingly in the crosshairs of an environmental movement seeking to keep fossil fuels in the ground.

"Energy Transfer has taken the view that if you want to get anything built or done in this current regulatory environment, you have to be aggressive," said Hinds Howard, a portfolio manager at CBRE Clarion Securities LLC. "It's a strategy and a corporate culture that's maybe out-of-step with the times."

The decision by the U.S. District Court for the District of Columbia was one of three major blows to the U.S. pipeline industry in the space of 24 hours. On Sunday, developers of the Atlantic coast gas pipeline cancelled the project due to escalating costs and delays. The next day, the Supreme Court stood by a lower court's decision blocking a key permit for TC Energy's Keystone XL oilsands pipeline.

But the ruling on the 1,886-kilometre Dakota Access, which shuttles crude from North Dakota to Illinois, was perhaps the most shocking development of all because it ordered an operational pipeline to shut, something that's never been done before for a violation of the National Environmental Policy Act.

Dallas-based Energy Transfer said it believes Judge James E. Boasberg "exceeded his authority and does not have the jurisdiction to shut down the pipeline or stop the flow of crude oil." The company has asked the district court to freeze its order, pressing Boasberg to stay his "literally unprecedented" decision until an appeals court can weigh in. (Energy Transfer clarified later on Wednesday that it has no intention of flouting the judge's order and instead is taking the dispute to court. On Thursday, Boasberg said in a hearing he would not reconsider his order but would allow Dakota Access to negotiate with Native American tribes on granting more time to shut and empty the pipeline.)

The company took aim at both the impacts of the judge's shutdown order and his underlying conclusion that federal approval for Dakota Access violated environmental law. Energy Transfer also argues that legal precedent suggests Boasberg's shutdown order went a step too far.

Energy policy analysts are divided on the prospects for a quick resolution in court. Height Securities LLC said the case in front of the D.C. Circuit Court of Appeals "appears weighted in favour of" Energy Transfer, since cases used to justify the decision didn't involve active, operating pipelines.

Rapidan Energy Group is less sure. The appeals court has repeatedly blocked Trump administration efforts to expedite energy environmental analyses, and Boasberg relied heavily on its past D.C. Circuit rulings in concluding that the Army Corps' environmental review was insufficient. Both factors make it less likely the appeals court will issue a temporary stay of the shutdown order, the policy group advised clients.

"I like their chances on appeal better than on the stays," said Brandon Barnes, an analyst for Bloomberg Intelligence. But the prospect of a successful appeal remains "up in the air," he said.

Bloomberg