

Why Is Hearst Buying So Many Texas Newspapers?

Pending a shareholder vote on Sept. 23, the Dallas Morning News will become the second publisher that the 138-year-old Hearst Corp. has bought in the state of Texas this year.

In February, it snapped up the Austin American-Statesman from Gannett, and while the price of that sale was not disclosed, a source close to the deal told me Hearst paid around \$55 million for it.

Following the tie-up, Hearst will own the flagship news operation in each of the four largest metropolitan areas in the second-most populous state in the country. Alongside the Dallas Morning News and Austin American-Statesman, it also owns the San Antonio Express-News and the Houston Chronicle. The Dallas Morning News and Houston Chronicle are two of the country's largest newspapers by circulation.

In addition to those titles, Hearst acquired San Antonio Magazine in 2023, Austin Magazine in 2024, and—prior to buying the Austin American-Statesman—launched a newsletter startup in Austin, called Austin Daily, which it has since shuttered.

The purchases come as most players in the media industry are actively looking to exit the space. Peacock recently premiered a series, called The Paper, entirely built around the premise that the economics of local news are backwards. So why is Hearst getting further invested?

For starters, it helps to understand that while the Hearst name might be synonymous with newspapers and magazines—it owns heavyweights like Cosmopolitan, Good Housekeeping, and

Esquire—the vast majority of its revenue now comes from a series of deeply boring, incredibly lucrative businesses far removed from the media world.

According to media executive Colin Morrison, who chronicled Hearst's business in a blog post in July, the company generated around \$13 billion in revenue last year and turned an operating profit of \$1.5 billion. The bulk of that revenue comes from its B2B portfolio, according to Morrison.

For example, Fitch, the 112-year-old bond ratings group owned by Hearst, accounts for 17% of the company's annual income, an estimated \$2.5 billion last year, per Morrison.

That alone is more than the \$2.4 billion Hearst's entire media division brought in in 2024, according to Morrison. Even so, a source familiar with Hearst's business tells me that its news division, despite industry headwinds, is profitable and expected to continue to operate profitably.

As a result, the outsized performance of Hearst's other properties—which include a 20% stake in ESPN—has allowed it to continue investing in print and digital media businesses with far more patience than its peers.

The unique legacy of Hearst as one of the original newspaper chains also plays a role in its ongoing interest in the news media business. In an era of cost-cutting, Hearst has repeatedly vocalized its commitment to journalism and the news business and considers it core to its identity.

Chief executive Steven R. Swartz has talked openly about the importance of maintaining the diversity of its portfolio, holding onto news publishers and magazines even though jettisoning them would almost certainly boost its margins. Hearst rarely makes cuts or closes outlets—it famously gave bonuses to its employees in the early days of the pandemic.

Now, as it becomes more challenging than ever to operate as an

independent news outlet, the company is taking advantage of some opportunistic acquisitions to grow its news business even further.

The Dallas Morning News, for instance, was one of the last family-owned independent news operations in the country, owned by longtime publisher George Bannerman Dealey and his descendants since Dealey purchased the paper in 1926.

In recent quarters the Dallas Morning News had struggled to turn a profit, according to public financials. Mike Orren, formerly its chief product officer, told me that its balance sheet struggles were, at least in part, the result of a mandate to invest its cash into transitioning the business into a sustainable digital operation.

The company could therefore stomach a small loss if it meant that it was setting itself up for the future. To that point, the Dallas Morning News has no debt and a cash balance of around \$33 million, which becomes Hearst's after the acquisition, bringing the net cost of the purchase closer to \$40 million.

These factors explain why Hearst is in the news business and why the Dallas Morning News felt comfortable selling to it, but why focus so much attention on Texas?

The answer comes down to the opportunity Hearst sees in the state, as well as the efficiencies it unlocks by owning news outlets in its four biggest markets.

Earlier this year, I reported that Hearst had begun experimenting with cross-promoting its news and magazine brands to its audiences based on their consumption behavior. If you had shown an interest in the lifestyle content section of the Chronicle, for instance, you might receive a targeted promotion to subscribe to Cosmopolitan.

As Hearst continues to operate its Texas outlets as spokes in a larger wheel, it can obviously find efficiencies in areas of shared resources, like accounting and print distribution, but it can also combine its audience data to optimize its recirculation, subscription, and paywall strategies.

If operating local news were as simple as finding efficiencies of scale, though, the other major players in the ecosystem would not be struggling as much as they are. Hearst's benefit is in the markets it's chosen—each of these cities are major metropolitan areas with large, discrete subscriber bases.

It has some precedent for this strategy. Hearst operates a string of news outlets in Connecticut and has been highly acquisitive in the region, snapping up more than a dozen publishers in the area since 2017. While smaller than Texas, Connecticut is an affluent market that has proven its ability to support and sustain local news.

Hearst's publications might not provide a lot of cash, but the investment the company has funneled into them is a rounding error on its larger business. As long as the publishers can stay afloat, the news business can continue to serve as an homage to the broader Hearst legacy.

The only real threat to the longevity of this strategy could come from the trust Hearst set up to govern the company after his death, which is set to dissolve when all of the family members who were alive at the time of his 1951 passing have themselves died. While a bit of a morbid guessing game, Morrison estimates that will likely happen in the next 10 to 15 years.

At that time, the unique ownership structure that has allowed the company to operate in lockstep with the vision of its founder, rather than simply the maximization of shareholder value, could unravel.

Beneficiaries of the trust—there are around 60, per

Morrison—might then decide that the company's ongoing patronage of the news business is not the best allocation of its resources. What the media business will look like by then is an entirely separate conversation, but the stage could be set for another messy succession struggle.

Until then, though, Hearst might be the last profitable company still actively looking to get *into* the news business.

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