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Carlos Slim has earned $122 million from his loan to the Times, based on an annual interest rate of 14 pct.

Times loan deal nets big profit

Paper owes Carlos Slim shares worth $141 mln

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NEW YORK – Billionaire Carlos Slim is poised to double his money after investing $250 million in a 2009 lending agreement with the New York Times, showing how dearly the newspaper's owners paid for his help.

Slim, who controls mobile-phone carrier America Móvil and is the world's second-richest person according to data compiled by Bloomberg, already has earned $122 million from his loan to the Times, based on an annual interest rate of 14 percent and a 12 percent premium charged to the company when its debt to Slim was redeemed in 2011. Under the terms of the loan, the Times still owes Slim additional shares worth as much as $141 million based on the Jan. 17 stock price, thanks to options he received to buy shares at what is now a deep discount.

Slim's loan to the Times gave the publisher time to sell some assets and bolster a digital-subscription strategy to offset slumping ad sales. The agreement with Slim required the parent New York Times Co. to accept terms that reduced a stock market windfall five years later.

By selling 15.9 million shares at a fraction of their market value, the company risked giving up more than $100 million it could raise through an offering to the public.

The 14 percent interest rate charged to Times Co. on Slim's loan, which was announced Jan. 19, 2009, compared with the average bond yield of 13.41 percent that day for similarly rated borrowers on the Bank of America Merrill Lynch 1-to-10-Year BB U.S. High Yield Index. Standard & Poor's rated Times Co. BB- at the time, three steps below investment grade. The publisher's ranking is now one step lower at B+.

The interest on Slim's loan was the highest rate Times Co. paid on debt dating back to at least 1995, according to data compiled by Bloomberg.

As of last week's close, Slim's profit from the loan stood at $263 million, including the loan's interest and premiums and the warrants issued by Times Co. as part of the loan deal. They let Slim buy shares for $6.36 apiece, less than half Times Co.'s $15.22 close last week in New York trading. That gives Slim $8.94 in potential profit for each of the 15.9 million shares he's allowed to buy.

The warrants expire on Jan. 15, 2015 — meaning Slim must make his move soon. The company has set aside the shares and is prepared to sell them whenever Slim exercises the warrants.

Times Co. gave Slim such a profitable deal because it found itself under pressure in early 2009, with a $400 million credit line months away from expiring. Rather than hurry to sell off businesses for cash amid the chaos of the global financial crisis, the company made the deal with Slim, giving it breathing room it used to eventually find buyers for units such as About.com and the Boston Globe.

The interest on Slim's loan cost Times Co. about $35 million a year — more than double what it was paying in interest for the expiring credit line. By late 2010, the publisher was able to raise the money it needed to refinance Slim's loan, issuing $225 million of six-year bonds with a more palatable 6.625 percent coupon.

A takeover, however, is unlikely given the publisher's dual-class share structure, which gives the Ochs-Sulzberger family a firm grip over the company's board.

Slim is already the publisher's second-largest shareholder with about 8 percent. His stake only allows him to vote for Class A directors, a group that represents no more than a third of the company's board seats.