



**GANNETT**

## **New Media to Acquire Gannett**

*August 5, 2019*

# Disclaimers & Notes

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## No Offer or Solicitation

This communication is neither an offer to sell, nor a solicitation of an offer to buy any securities, the solicitation of any vote or approval in any jurisdiction pursuant to or in connection with the proposed transaction or otherwise, nor shall there be any sale, issuance or transfer of securities in any jurisdiction in contravention of applicable law. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended, and otherwise in accordance with applicable law.

## Cautionary Statement Regarding Forward-Looking Statements

Certain statements in this communication may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that reflect New Media's and Gannett's current views regarding, among other things, the proposed transaction between New Media and Gannett, the expected timetable for completing the proposed transaction, the benefits and synergies of the proposed transaction and future opportunities for the combined company, as well as other statements that are other than historical fact. Words such as "anticipate(s)," "expect(s)," "intend(s)," "plan(s)," "target(s)," "project(s)," "believe(s)," "will," "aim," "would," "seek(s)," "estimate(s)" and similar expressions are intended to identify such forward-looking statements.

Forward-looking statements are based on New Media's and Gannett's respective management's current expectations and beliefs and are subject to a number of known and unknown risks, uncertainties and other factors that could lead to actual results materially different from those described in the forward-looking statements. Neither New Media nor Gannett can give any assurance that its expectations will be attained. The actual results, liquidity and financial condition may differ from the anticipated results, liquidity and financial condition indicated in these forward-looking statements. These forward-looking statements are not a guarantee of future performance and involve risks and uncertainties, and there are certain important factors that could cause actual results to differ, possibly materially from expectations or estimates reflected in such forward-looking statements, including, among others:

- the parties' ability to consummate the proposed transaction and to meet expectations regarding the timing and completion of the proposed transaction;
- the satisfaction or waiver of the conditions to the completion of the proposed transaction, including the receipt of the required approval of New Media's stockholders and Gannett's stockholders with respect to the proposed transaction and the receipt of regulatory clearances required to consummate the proposed transaction, in each case, on the terms expected or on the anticipated schedule;
- the risk that the parties may be unable to achieve the anticipated benefits of the proposed transaction, including synergies and operating efficiencies, within the expected time-frames or at all;
- the risk that the committed financing necessary for the consummation of the proposed transaction is unavailable at the closing, and that any replacement financing may not be available on similar terms, or at all;
- the risk that the businesses will not be integrated successfully or that integration may be more difficult, time-consuming or costly than expected;
- the risk that operating costs, customer loss and business disruption (including, without limitation, difficulties in maintaining relationships with employees, customers, clients or suppliers) may be greater than expected following the proposed transaction;
- general economic and market conditions;
- the retention of certain key employees; and
- the combined company's ability to grow its digital marketing and business services initiatives, and grow its digital audience and advertiser base.

Additional risk factors that could cause actual results to differ materially from expectations include, but are not limited to, the risks identified by New Media and Gannett in their respective most recent Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. Such forward-looking statements speak only as of the date on which they are made. Except to the extent required by law, New Media and Gannett expressly disclaim any obligation to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in their expectations with regard thereto or change in events, conditions or circumstances on which any statement is based.

## Additional Information and Where to Find It

This communication may be deemed to be solicitation material in respect of the proposed transaction between New Media and Gannett. The proposed transaction will be submitted to New Media's stockholders and Gannett's stockholders for their consideration. In connection with the proposed transaction, New Media intends to file with the SEC a registration statement on Form S-4 (the "Registration Statement"), which will include a prospectus with respect to shares of its common stock to be issued in the proposed transaction and a joint proxy statement for New Media's stockholders and Gannett's stockholders (the "Joint Proxy Statement"), and each of New Media and Gannett will mail the Joint Proxy Statement to their respective stockholders and file other documents regarding the proposed acquisition with the SEC. **Stockholders of New Media and Gannett are urged to read all relevant documents filed with the SEC, including the Registration Statement and the Joint Proxy Statement, as well as any amendments or supplements to these documents, carefully when they become available because they will contain important information about the proposed transaction.** The Registration Statement, the Joint Proxy Statement and other relevant materials (when they become available) and any other documents filed or furnished by New Media or Gannett with the SEC may be obtained free of charge at the SEC's web site, <http://www.sec.gov>. Copies will also be available at no charge in the "Investor Relations" sections of New Media's website, [www.newmediainv.com](http://www.newmediainv.com), and Gannett's website, [www.gannett.com](http://www.gannett.com).

## Participants in Solicitation

New Media and Gannett and their respective directors and executive officers may be deemed to be participants in the solicitation of proxies from the holders of shares of New Media common stock and holders of shares of Gannett common stock in respect of the proposed transaction. Information about the directors and executive officers of New Media is set forth in the proxy statement for its 2019 Annual Meeting of Stockholders, which was filed with the SEC on April 12, 2019. Information about the directors and executive officers of Gannett is set forth in the proxy statement for its 2019 Annual Meeting of Stockholders, which was filed with the SEC on March 26, 2019. Investors may obtain additional information regarding the interest of such participants by reading the Registration Statement and the Joint Proxy Statement (once available). You may obtain free copies of these documents using the sources indicated above.

# Highly Compelling Strategic Rationale

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- Creates the leading local news media and marketing solutions company in the U.S.
  - Brings together two portfolios of award-winning local media organizations and USA TODAY across 47 states
  - Combined company expected to generate approximately \$4.3 billion of annualized revenue and approximately \$500 million of As Adjusted EBITDA, before synergies
  - Strong leadership team from both organizations
- Unlocks meaningful shareholder value from estimated \$275 - \$300 million in synergies across the combined companies
  - Management team with proven track record of executing thoughtfully on synergies
  - Majority of savings expected to be achieved within first two years after close
- Enhances scale for digital transformation and growth
  - Combined digital advertising and marketing services revenue of over \$1.0 billion annually
  - Significantly expands digital reach of the USA TODAY NETWORK
  - Broadens portfolio of marketing solutions
- Well-positioned balance sheet and material free cash flow generation
  - Accelerates potential for investment in growth businesses and digital transformation
  - Continued return of capital to shareholders; expected annual dividend of \$0.76 per share, anticipated to increase over time as integration is completed and debt is repaid
  - Target net leverage of below 1.75x within 2 years
  - New Media's external management agreement to be sunset at the end of 2021

*Strong alignment on mission and strategic vision to preserve journalism  
and invest in employees and digital transformation*

# Combined Overview and Scale

*Creates local and national leadership in news and digital marketing solutions with unparalleled scale  
Unlocks opportunity to further invest in digital transformation*



## GANNETT

*Financial scale <sup>(1)</sup>*

**\$1.6bn** **\$181mm**  
LTM Revenue LTM As Adjusted  
EBITDA

**\$2.8bn** **\$321mm**  
LTM Revenue LTM Adjusted  
EBITDA

*Digital media scale <sup>(2)</sup>*

20mm unique visitors monthly  
195,000 paid digital only subscribers

125mm unique visitors monthly  
561,000 paid digital only subscribers

*Complementary diversified revenue*



*Local-to-national media footprint*

3.9mm average local daily  
paid print readership

11mm local Sunday print readership  
1.6mm USA TODAY daily print readership

*Representative properties*



1) As of 6/30/2019.  
2) As measured by comScore.

# Transaction Terms

## *Structure and exchange ratio*

- Gannett shareholders will receive \$6.25 in cash and 0.5427 of a New Media share for each Gannett share, representing total consideration of \$12.06 per share based on New Media's closing stock price as of 8/2/2019 (subject to closing conditions)
- Expected annual dividend of \$0.76 per share, with anticipated increases as debt is repaid
- After closing, Gannett shareholders will hold approximately 49.5% of the combined company and New Media shareholders will hold approximately 50.5%

## *Governance and leadership*

- Combined company to be named Gannett Co., Inc. (NYSE: GCI)
- Led by Michael Reed as CEO and Chairman, Alison Engel expected as CFO, and Paul Bascobert as CEO of the operating company
- Combined nine person board of directors will consist of Mike Reed, five New Media independent directors and three Gannett independent directors to be named at closing
- External management agreement sunsets at end of 2021

## *Financing*

- Funded through a combination of cash on hand and new debt in form of fully committed 5-year \$1.8 billion senior secured term loan facility; pre-payable with no penalty at any time
- Expectation to reduce net leverage to under 1.75x within two years of closing
- All existing financial debt of both companies will be retired

## *Synergies*

- Estimated run-rate annual synergy potential of \$275 – \$300 million from combined companies
- Expected to be highly accretive to New Media earnings and free cash flow in year two
- Driven by increased scale of the new organization, the sharing of best practices and other, judicious cost reductions
- Synergies will provide meaningful incremental cash flow for debt paydown

## *Timing and closing conditions*

- Unanimously approved by Boards of Directors of both companies
- Expected to close by the end of 2019
- Subject to regulatory clearances and customary closing conditions
- Subject to approvals by both New Media and Gannett shareholders

# Significant, Achievable Cost Savings

*Majority of \$275 - \$300 million in estimated synergies are achievable within 24 months  
Approximately 7.5% of combined company expense base*

	<b>Estimated Run-Rate Synergies</b>
<i>Newspaper Operations</i>	<b>&gt; \$115 million</b>
<i>Corporate/Procurement</i>	<b>&gt; \$70 million</b>
<i>Other Operations</i>	<b>&gt; \$50 million</b>
<i>Systems</i>	<b>&gt; \$40 million</b>

# Scaled Presence with National Coverage & Local Penetration in 47 States

**Gannett** operates **109** local media organizations in **34** states

- With USA TODAY, serves a total of ~**125 million** unique visitors monthly
- National and local market focus

**New Media** operates **154** daily newspapers across **39** states

- Serves **52+ million** visitors in local communities
- Local market focus



# Digital Marketing Solutions Platforms of Scale

**GANNETT**

+

**NEWMEDIA**  
INVESTMENT GROUP

**REACHLOCAL**  
PART OF THE USA TODAY NETWORK

**sweet IQ**  
PART OF THE USA TODAY NETWORK

**WordStream**

**ThriveHive**

**upcurve**

Digital Marketing Solutions

Digital Marketing & Productivity Solutions

17,000+ active clients

16,000+ active clients

**END-TO-END SUITE OF DIGITAL MARKETING & PRODUCTIVITY SOLUTIONS FOR BUSINESSES AT ANY STAGE**

DIGITAL ADVERTISING	WEB PRESENCE	DIGITAL MARKETING SOFTWARE	PRODUCTIVITY SOLUTIONS
<ul style="list-style-type: none"> <li>• Search</li> <li>• Social Ads</li> <li>• Display Ads</li> <li>• High Impact</li> </ul>	<ul style="list-style-type: none"> <li>• SEO</li> <li>• Websites</li> <li>• Live Chat</li> <li>• Listings</li> <li>• Reviews</li> </ul>	<ul style="list-style-type: none"> <li>• Lead Management</li> <li>• Marketing Automation</li> <li>• Analytics</li> </ul>	<ul style="list-style-type: none"> <li>• Productivity &amp; Cloud</li> <li>• Guided CRM</li> <li>• Guided HR</li> </ul>

# External Management Agreement Amendment & Termination

*Significant amendments to external management agreement, including sunset of term, in exchange for grant of 4.2 million shares of New Media common stock*

	Current Agreement	Amended Agreement <i>(post-closing)</i>
<b>Term</b>	1 year, annual renewals <sup>(1)</sup>	Sunsets on 12/31/2021 (no renewal)
<b>Management fee</b>	1.5%	1.5%
<b>Incentive fee</b>	25% / 10% hurdle	17.5% / 10% hurdle
<b>Options</b>	10% of shares issued as merger consideration and in equity offerings, struck at price paid for shares	5% of shares issued as merger consideration, struck at premium (\$15.50) <sup>(2)</sup> ; no option on future equity offerings
<b>Payment at end of term</b>	Termination fee measured against as assessment of “fair market value” of the company <sup>(3)</sup>	No Payment

1) The Current Management Agreement renews for one-year terms, subject to earlier termination, which is only permitted in limited circumstances.

2) The amendment also includes an exercise condition: The options become exercisable upon the first trading day immediately following the first 20 consecutive trading day period in which the closing price of New Media’s common stock is at or above \$20 per share (subject to adjustment), and also upon a change in control and certain other extraordinary events.

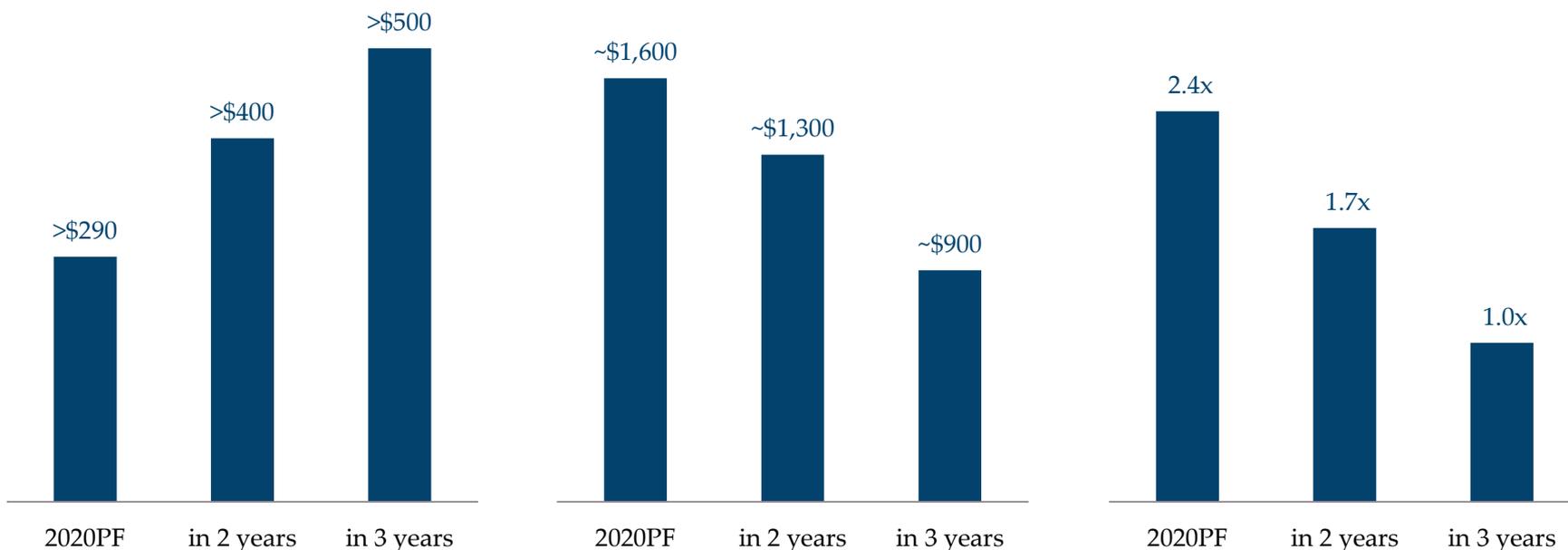
3) Equal to one year of Management fees and an Incentive fee amount measured against fair market value of the company if sold for cash.

# Free Cash Flow Expected to Allow for Aggressive Deleveraging

## Free Cash Flow <sup>(1)</sup>

## Net Debt <sup>(2)</sup>

## Net Leverage <sup>(2,3)</sup>



*Target Net Leverage of less than 1.75x within 2 years*

1) Levered FCF excluding dividends and cost to achieve synergies.

2) Excludes pension liabilities.

3) Calculated as Net debt / As Adjusted EBITDA.

# Commitment to Disciplined Capital Allocation

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- Focus on integration and achievement of cost savings
- Debt repayment and leverage reduction with target of less than 1.75x within two years
- Expect to continue to return capital to shareholders in the form of a dividend
- Thoughtful investment in growth businesses and digital platforms

# Stronger Future for Shareholders, Employees & Journalism

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- Creates leading local news media and marketing solutions company with strong alignment on mission and strategic vision to preserve journalism and invest in employees and local communities
- Enhances scale for digital transformation and growth
- Expected to unlock meaningful shareholder value
- Well-positioned balance sheet and material free cash flow generation expected
- Expected to be highly accretive to New Media earnings and free cash flow in year two