GANNETT

CORPORATE PARTICIPANTS

Matthew Esposito, *Head of Investor Relations*

Mike Reed, *Chairman and Chief Executive Officer*

Doug Horne, *Chief Financial Officer*

Kristin Roberts, *Chief Content Officer*

Chris Cho, *President, Digital Marketing Solutions*

PRESENTATION

Matthew Esposito

Thank you. Good morning, everyone, and thank you for joining our call today to discuss Gannett's fourth quarter 2024 financial results. Presenting on today's call will be:

a. Mike Reed, Chairman and Chief Executive Officer
b. Doug Horne, Chief Financial Officer
c. Kristin Roberts, Chief Content Officer; and
d. Chris Cho, President of Digital Marketing Solutions

If you navigate to the Gannett website, you will find that we have posted an earnings supplement in addition to our earlier press release. We will be referencing it today on the call, as it provides you with additional detail on this quarter's performance.

Before we begin, please let me remind you that this call is being recorded. In addition, certain statements made during this call are, or may be deemed to be, forward-looking statements, including those with respect to future results and events, and are based upon current expectations. These statements involve risks and uncertainties that may cause actual results and events to differ materially from those discussed today. We encourage you to read the cautionary statement regarding forward-looking statements in the earnings supplement as well as the risk factors described in Gannett's filings made with the Securities Exchange Commission. Except as required by law, we undertake no obligation to publicly update or correct any of the forward-looking statements made during this call.

In addition, we will be discussing non-GAAP financial information during the call, including same store revenues, free cash flow, Adjusted EBITDA, Adjusted EBITDA margin, and Adjusted Net Income attributable to Gannett. You can find reconciliations of our non-GAAP measures to the most comparable U.S. GAAP measures in the earnings supplement.

Lastly, I would like to remind you that nothing on this call constitutes an offer to sell, or solicitation of an offer to purchase, any interest in Gannett. The webcast and audio cast are copyrighted material of Gannett and may not be duplicated, reproduced or rebroadcasted without our prior written consent.

With that, I would like to turn the call over to Mike Reed, Gannett's Chairman and CEO.

Mike Reed
Thank you, Matt. And good morning and thank you for joining Gannett's 2024 first quarter earnings call.

Gannett had an excellent start to the year. In our last call, we laid out our expected path to growth. We told you that we would meaningfully improve total revenue trends through digital revenue growth, and that is reflected in our Q1 results. As you will hear throughout the call this morning, our momentum continues to build, and we believe our first quarter results have set the tone for a promising 2024.

Year-over-year revenue trends were a bright spot in the quarter, reflecting the most pronounced sequential trend improvement in nearly three years. Our top line improvement was fueled by the solid growth in digital revenues, up 8% year-over-year, and quickly approaching our guidance of over 10% growth this year. As a result, digital revenues accounted for over 42% of total revenues in the first quarter, representing an all-time high.

In the first quarter, each of our digital revenue streams grew year-over-year as we executed on our expanded monetization strategy:

a. Audience and engagement grew, driving growth in digital advertising
b. New highs in digital-only subscription ARPU helped drive digital-only subscription revenue growth
c. And our DMS business returned to growth
d. And our partnership revenue continued to scale, nearly doubling over the prior year

In addition to our top-line momentum, we drove a marked improvement in free cash flow versus the prior year period, along with improved sequential year-over-year trends in Adjusted EBITDA, which we believe position us well for full year Adjusted EBITDA and free cash flow growth. We also continue to optimize our capital structure and maintain a strong balance sheet, evidenced by a solid cash position, further debt repayment, and a first lien net leverage of 2.0x at the end of the quarter.

As we look ahead, based on the performance we are seeing in our business today, we remain optimistic and expect that we will exit the year with total revenues growing over the prior year. We believe our strong execution is achieving the results we had anticipated, and therefore, we are reaffirming our full year business outlook.

With that, I would like to discuss the key operational highlights from the first quarter.

As we outlined last year, our digital revenue strategy is rooted in audience expansion and increased engagement, as well as diversified monetization along the customer journey. We continue to serve an engaged digital audience, with 187 million average monthly unique visitors in the first quarter, and pageviews growing more than 10% over the prior year period. We believe this growing audience, and increased engagement, offers us great potential for diversified, predictable and repeatable digital revenue growth. This focus on the overall monetization of our audience has delivered positive results across each of our digital businesses in Q1. One area worth highlighting is our digital-only subscription business.

In Q1, digital-only subscription revenue and digital-only ARPU achieved new highs with growth rates exceeding 20% compared to the first quarter of the prior year. Digital-only paid subscriptions surpassed 2.0 million in Q1, marking the third consecutive quarter of sequential growth. We expect digital-only paid subscriptions to return to year-over-year growth in the second quarter.

In addition to our digital-only subscription business, we are seeing great traction with our partnerships. The partnerships announced in 2023 have created a new digital revenue stream with significant potential and at a very high margin. While we are still in the early stages of scale, we are encouraged by the growth observed across the portfolio, which has immediately contributed to our earnings and free cash flow. These partnerships have allowed us to reach a broader audience and increase the overall monetization of our platform. As a reminder, we expect to generate approximately $20 million in this high margin digital revenue category in 2024.

Equally impressive, our digital advertising business sustained its growth trajectory in Q1 thanks to the solid execution of our revitalized content strategy. Central to that strategy is our commitment to driving audience growth and engagement by delivering broad content experiences to our consumers. Kristin Roberts and her team have played a crucial role on this front. Their initiatives and investments around audience expansion and increased engagement have led to notable gains in pageviews and readership per story.

I will now hand it over to Kristin to discuss the momentum we are seeing on the content side.

Kristin,

Kristin Roberts

Thank you, Mike.

We are off to an incredible start in 2024. We are executing on our strategy to rapidly expand our audience and content, amplify our journalism, and drive diversified revenue streams. Simply put, we believe we are delivering on the things we said we would do.

Our newsrooms continue to demonstrate for audiences nationwide that we are the preferred platform for relevant and essential content. The outcome: eight consecutive months of at least 1 billion pageviews at USA TODAY and the USA TODAY NETWORK, as well as meaningful growth in engagement. None of this was by chance. It is a direct result of our collaborative work to anticipate and deliver the journalism and information that our readers, viewers, and listeners wanted.

As I outlined on our last call, this year's focus is about engagement. A crucial element of engaging a highly monetizable audience involves understanding their preferences and creating standout experiences around the topics they love. This includes entertainment updates, guides to living your best life and multiplatform experiences based on content we are already creating. We are also doubling down on highly successful verticals such as sports, where we serve approximately 50 million average monthly unique visitors according to March 2024 Comscore Media Metrix. This comprehensive approach provides diverse, engaging content that caters to the wide range of interests within our audience, which is expected to further solidify our position as a market leader in consumer reach.

We are also making a strategic shift into video, which not only captures the audience where they are, but is expected to allow us to further grow our diversified digital revenue streams. One way we are leveraging this opportunity is by bringing together our content monetization and video teams. The creation of a unified video team is expected to enhance our position to reach new audiences and improve our video monetization through expanded, locally relevant content. We believe this opportunity is significant, and I look forward to providing additional updates on our video strategy in future calls.

To recap, our progress in the first quarter was a total team effort, and I want to express my sincere gratitude to the entire content team. It's early and we have important work ahead of us to sustain this momentum, but as I said earlier, we believe we are executing on our strategy.

Back to you, Mike

Mike Reed

Thank you, Kristin.

It is great to see the outstanding audience results, which are expected to unlock additional revenue opportunities throughout 2024.

I'll now hand it over to Chris to provide an update on the positive developments we are seeing across our DMS business.

Chris,

Chris Cho

Thank you, Mike.

Overall, I am pleased with the first quarter performance of our DMS business. We are executing on our strategy, and we believe we are well positioned to capitalize on this momentum moving forward. DMS revenue rebounded in the first quarter, and was up 3.7% over the same period in the prior year, ahead of the 1-2% expectations we expressed on last quarter's call. The strength in revenues was primarily fueled by a strong rebound in our largest vertical, Home Services. While average customer count contracted in Q1 due to higher churn among our lower ARPU customers, we continued to retain and grow accounts that align with our ideal customer profile. As a result, core platform ARPU experienced robust growth as well as a new high in the quarter.

As discussed on our previous earnings call, we are expanding our product portfolio with AI-powered solutions that we believe will increase our total addressable market and core platform revenues. I am excited to share that we recently launched our first AI powered CRM toolset in a private beta for 30 exclusive customers and we expect to further expand into a public beta and subsequently monetize against this toolset. This marks the first milestone in our product expansion journey as we continue to strengthen the LocaliQ value proposition for our customers.

Overall, I am delighted with the return to revenue growth, rising ARPU, and higher retention rates we experienced in the first quarter, as well as the remaining opportunities for our DMS business. As we continue to execute on our fundamentals and expand our AI powered solutions product suite, we believe we can establish a sustainable digital marketing solutions company that remains true to our mission of enriching the businesses we serve.

Mike,

Mike Reed

Thank you, Chris.

It is encouraging to see our DMS business start the year with solid execution. The innovation your team is driving through AI powered solutions reinforces the optimism we have for the business and its potential for growth.

Overall, our solid first quarter performance has set a promising tone for the year ahead. We are confident and believe in our business trajectory and look forward to building on this success throughout the year.

With that, I will now turn the call to Doug to provide additional detail and color around our 2024 first quarter financials.

Doug,

Doug Horne

Thank you, Mike, and good morning, everyone.

As Mike mentioned, we are very pleased by our business momentum and the progress we made in the first quarter – which is evident in our financial results.

Before going through the details, I want to highlight that we have modified our revenue presentation in our financial reports to better align with how we look at the business and internally manage our revenue streams. Our updated revenue breakdown consists of two main categories: total digital revenues and print and commercial revenues.

Digital revenues include digitally served advertising, marketing services, subscription, and other, which includes syndication, affiliate partnership and licensing. Print and commercial revenues include print advertising, print circulation, as well as commercial and other.

We believe this revised format provides greater transparency into our evolving business model, the performance of our digital businesses, and the key components we believe are needed to drive our achievement of the revenue growth inflection point we expect as we exit 2024.

Let’s move to our consolidated results and please keep in mind all comparisons are on a year-over-year basis unless otherwise noted.

For Q1, total operating revenues were $635.8 million, a decrease of 5.0%. This represents a 340 basis point improvement from Q4 revenue trends, marking five consecutive quarters of top-line trend improvement. The strength in revenue was primarily driven by the expansion of our digital revenues, which demonstrated robust growth compared to the prior year.

Adjusted EBITDA totaled $57.6 million in the first quarter. Adjusted EBITDA margin in Q1 was 9.1% and relatively unchanged from the prior year. While Adjusted EBITDA declined as we had forecasted, our year-over-year trends saw sequential improvement, and we are planning for a return to growth in the second half of the year driven by continued improvement in revenue trends as well as prudent cost management. Expense management remains a key piece of our success story, and in Q1, our adjusted operating expenses declined compared to the prior year.

On the bottom line, we ended the first quarter with a net loss of $84.8 million and an adjusted net loss of $36.4 million. Our net loss reflects the expected $46.0 million asset impairment associated with the Company’s exit from its leased McLean, Virginia facility. It is important to note, however, that this does not impact our free cash flow.

Digital revenues in Q1 were $267.5 million, up 8.1%, representing the fourth consecutive quarter of growth. Within digital revenues, digital advertising grew 5.3% in Q1 due to solid performance in our programmatic business fueled by the increase in platform pageviews as well as rebounding CPMs.

Our digital-only subscription revenue growth remains strong with increased subscriptions on a sequential basis and meaningful year-over-year growth in digital-only ARPU. In Q1, our digital-only subscription revenue reached a high of $43.5 million, growing 21.3%. The Company’s digital-only ARPU also reached a new high of $7.22, increasing 22.4% year-over-year.

One important operating element continues to be optimizing our print and commercial revenue business. We continue to focus on improving the overall trends in our legacy revenue streams, which is why we continue to strengthen the overall quality and value proposition of our print product. These initiatives are already showing returns, with positive feedback from our customers. As a result of our efforts, our overall print trends saw sequential improvement in Q1, and we expect to continue this momentum moving forward.

Looking at the Domestic Gannett Media segment. In Q1, Adjusted EBITDA of $44.5 million was up slightly and Adjusted EBITDA margin grew 60 basis points compared to the prior year. For Q1, our total revenues decreased 6.5%, representing a sequential improvement of 380 basis points and demonstrates solid growth across each of our digital revenue streams.

Turning to Newsquest. For Q1, Adjusted EBITDA in the segment was $14.2 million, up 10.3%, and Adjusted EBITDA margins grew 180 basis points to 23.5%. For Q1, total revenues grew 1.8% compared to the prior year. As we have discussed previously, please keep in mind that the Newsquest margins differ from our Gannett Media margins as a result of strategic differences in the print distribution model.

In our Digital Marketing Solutions business, total core platform revenue in the first quarter was $116.1 million, representing an increase of 4.2%. Adjusted EBITDA for the segment was $8.8 million, representing a margin of 7.5%. We had approximately 14,300 core platform customers, with core platform ARPU reaching a new high and increasing 6.4% over the prior year. Additionally, budget retention saw an increase of 40 basis points year-over-year, reaching approximately 96.0%.

At the end of the first quarter, our cash balance stood at $93.3 million, and our outstanding net debt was approximately $1.0 billion. Cash provided by operating activities in Q1 was $22.5 million, up $15.1 million. We also grew our free cash flow from a use of $2.1 million in the prior year quarter to a source of $9.5 million.

We ended Q1 with approximately $1.1 billion of total debt, reflecting $16.3 million of total debt paydown for the quarter. During April, we retired the remaining $3.3 million balance of our 2024 convertible notes and repaid $2.4 million of our Term Loan using the proceeds from recent asset sales. Debt repayment remains our priority and we will continue to focus on reducing our first lien net leverage, which remained at 2.0x in Q1.

Before wrapping up, I just want to reiterate how excited we are about our performance in the first quarter. We believe our solid results reflect sustained momentum across our business, further validates our strategic plan, and represents just the beginning of the value we expect to generate for the year.