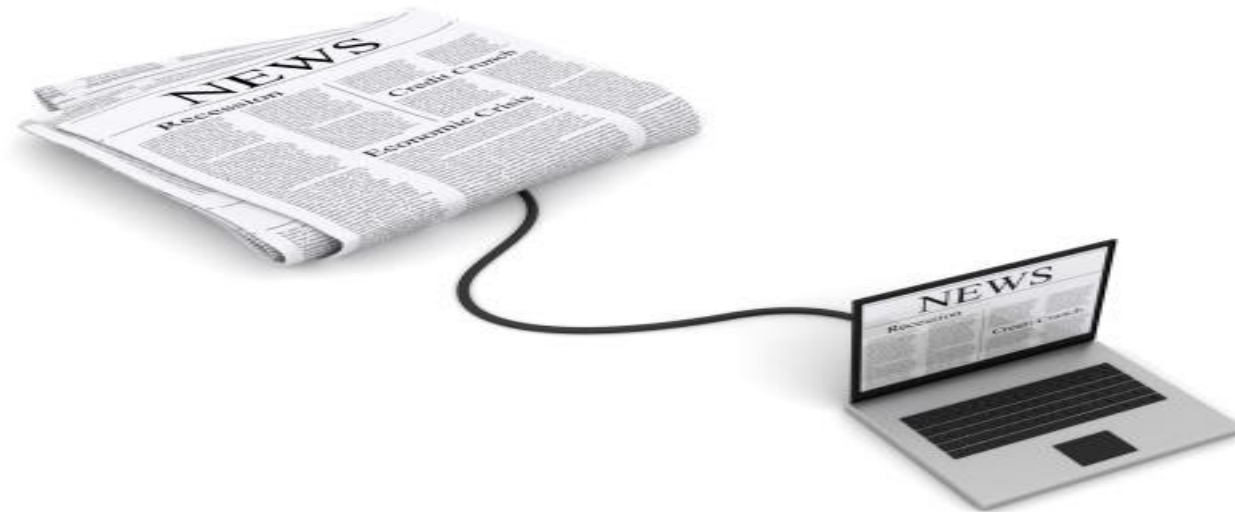


Pathway To Freedom?

Reducing Print Frequency: When, Where, Why, How and What Happens

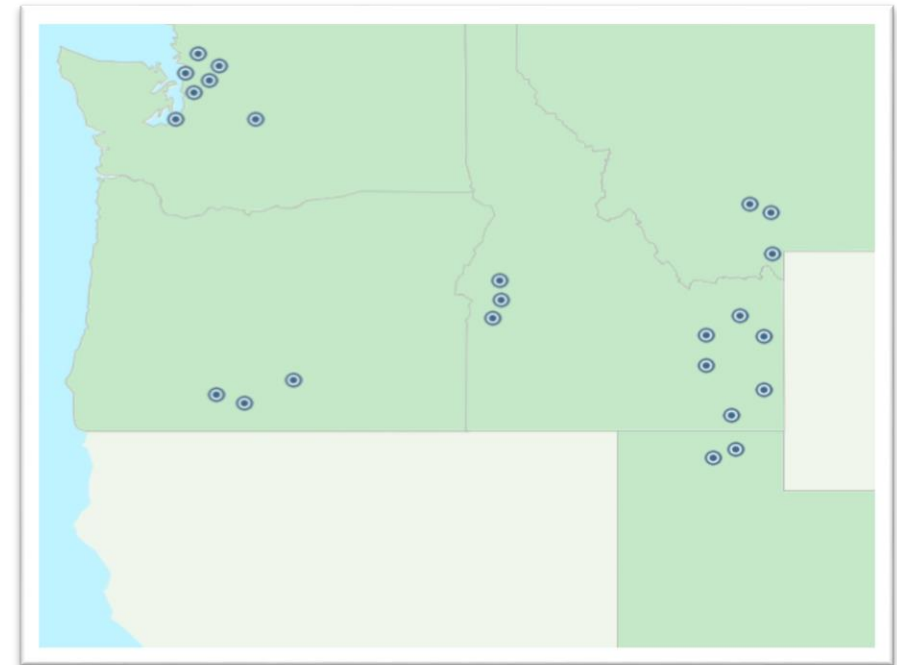
When to advance the inevitable?

Riding a decline is not the path to survival
and prosperity....



Pioneer News Group -Who we are

- Family-owned, private media company headquartered in Seattle, WA
- 24 daily and weekly titles including:
 - The Daily Chronicle, Bozeman, MT
 - The Skagit Valley Herald, Mt. Vernon, WA
 - The Idaho Press Tribune, Nampa, ID
 - The Herald Journal, Logan, UT
 - The Herald and News, Klamath Falls, OR
 - The Idaho State Journal, Pocatello, ID



Market fact: Weekday print penetration declines

Percent of U.S. households taking a weekday print newspaper.

- 1970 - 96%
- 1980 - 77%
- 2000 - 54%
- 2013 - 37%
- 2018 - ?

* Circulation has dropped about 3% annually on average for a decade while households have increased, accelerating to -6% last year.

Market facts: Print Realities

- Print alone can't keep up with a 24-hour news cycle.
- Readers expect a full picture including visuals, video, tweets, instant features and more.
- Higher fixed costs of production and distribution.
- P&L by day – what does it say?
- Revenue losses aren't cyclical anymore, they're systemic. More than 100 newspapers have shut down in the past ten years.
- Older readers aren't being replaced by newer generations.
- Ad revenue has been dropping for 10 straight years, now at a pace of -8 to 9% annually. Off \$33 billion in the last decade (-65%). Relief in sight?
- Diversification not enough and we can't cut our way to prosperity.
- Product quality is becoming an issue – unique local content drives our business yet newsrooms have eliminated 20,000 positions in the last ten years with additional layoffs a regular occurrence.

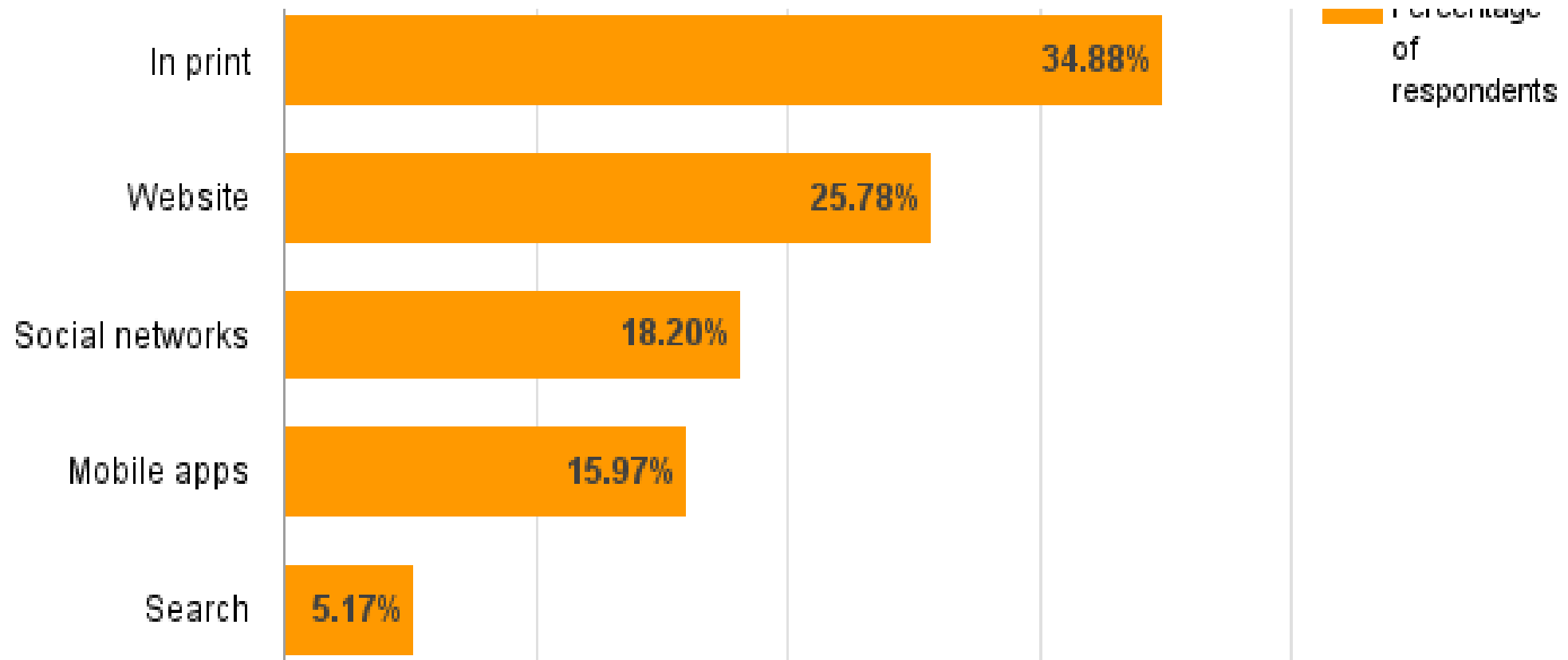
Market facts:

Emerging Digital Readership Trends

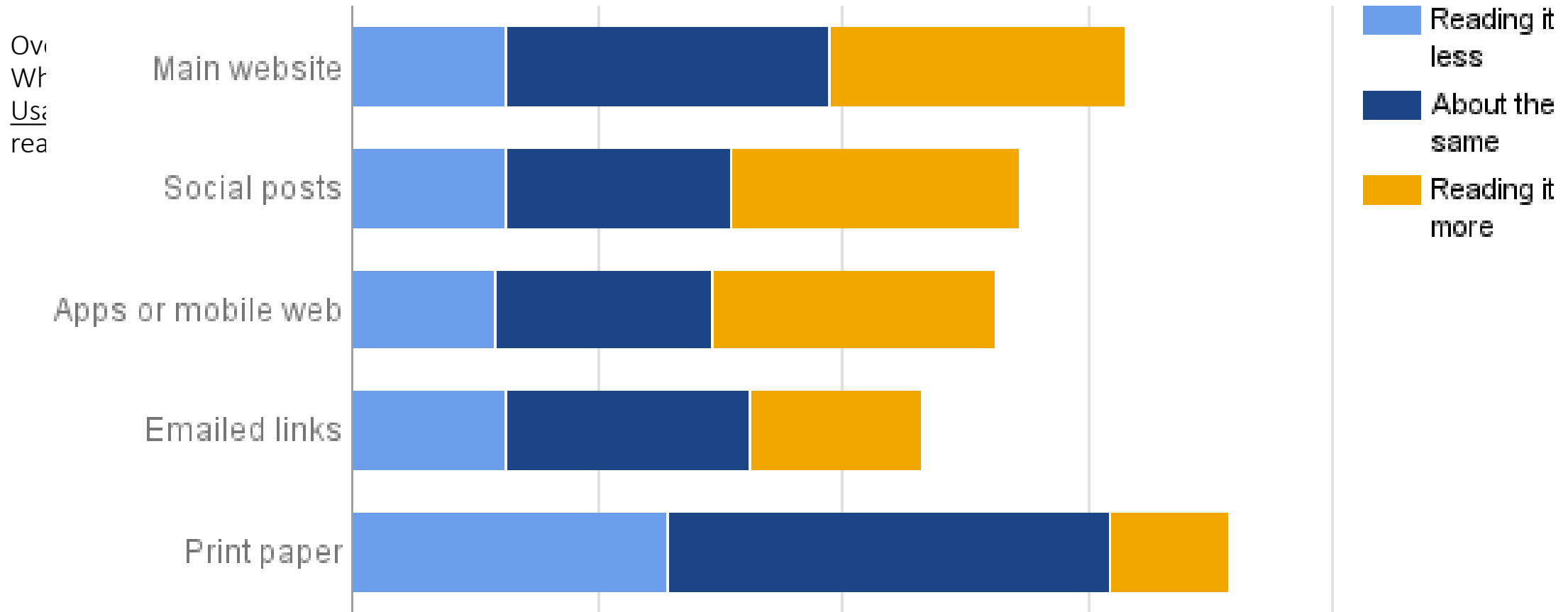
- Almost five in ten Americans often get news online.
- Mobile is becoming the preferred device for digital news.
- Social media is now a common news source.
- Smart phone use increasing in U.S. 28% year over year.
- Smart phone users check their phones on average 150 times daily.
- About one third of U.S. adults now own a tablet or e-reader, up from just 2% in 2009.
- Increasing “interconnectivity” is competing with traditional newspaper reading time, habit and preference: wearables (watches, glasses), smart homes and connected cars just gearing up.

Our Readers are Multi-Channel

But these people do not just come to you in print. Indeed only a third said they are primarily now print readers. A quarter are web, and almost as many see you primarily through social media — more than through your mobile apps. (API 2016 reader survey)

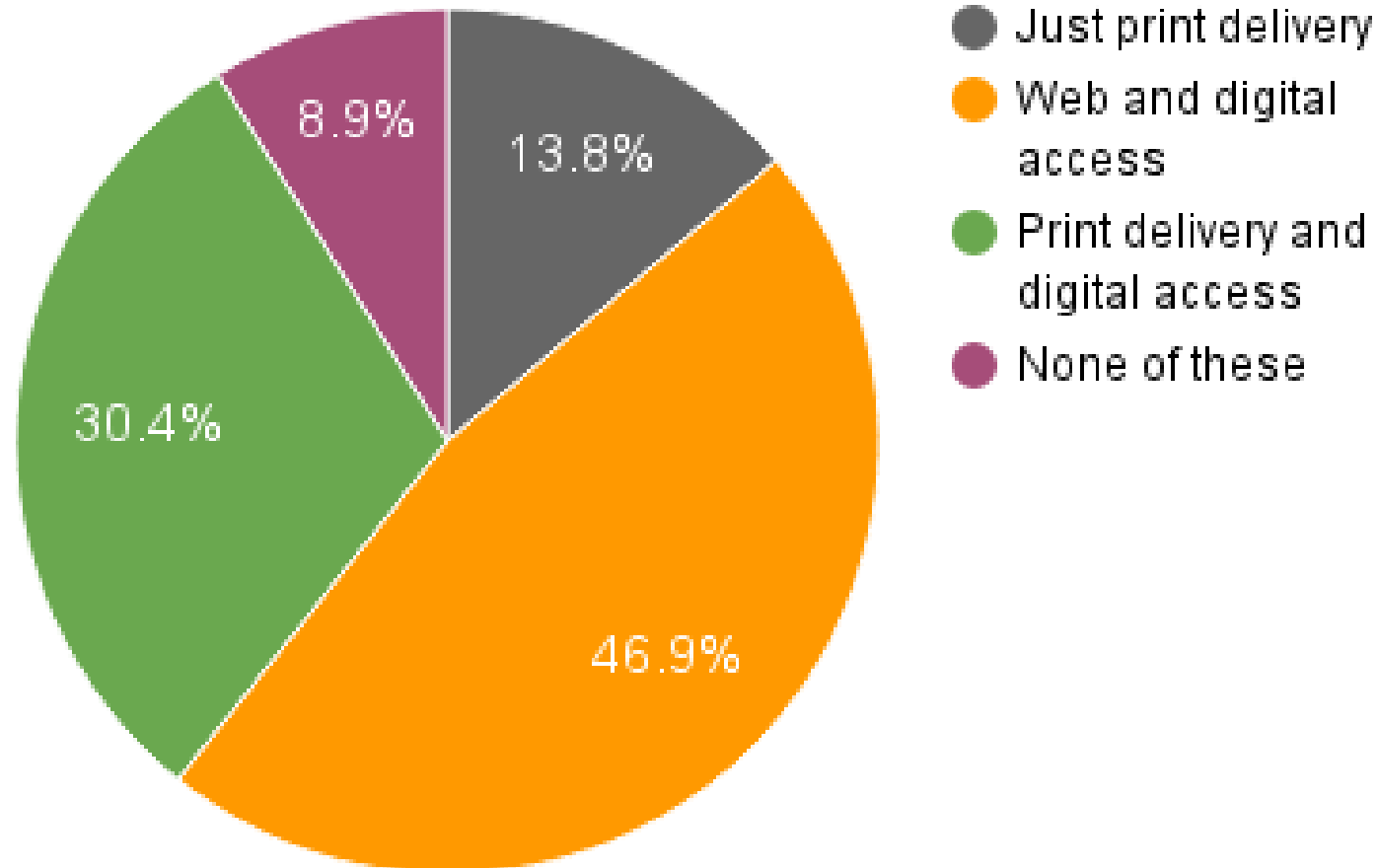


Readers have changed their habits in the past two years



Non-subscribers strongly prefer digital only access to print

And what form of subscriptions would these non-subscribers most likely want? Digital came out way ahead here. Most would want digital only access (47%) while a third would want both digital and print (30%). Just over one in 10 said print only. (API 2016 reader survey)



Downsizing - Factors to consider:

- Market readiness and timing.
- What's our message to readers?
- Competitive factors (New Orleans and opening the door).
- Clear content strategy – what's the definable new role of print and digital products?
- Financially viable? Print and subscription dollars lost to digital dollars gained and lower production/distribution costs?
- All at once or rip the Band-Aid off now?
- Pioneer – dropped Monday print editions over the past five years and eliminating Saturday print editions in two markets this year.
- It's a big change. Whatever we do has to be sustainable, backed by a strong proactive message and stable to readers.

Do The Math

REVENUE CONSIDERATIONS	Drop 1 Sat	Drop 2 Tues	Drop 3 Thurs	Comments
15,000 circ average	83.3%	67%	50%	Remaining print copies after reduction
Home Delivery Revenue	97%	93%	85%	Retention based on Mon drop experience
Single copy sales	96%	90%	75%	Incl. uptick in copies sold on non-pub days
Other copy sales	95%	85%	75%	Frequency loss plus uptick
Digital Subscription Revenue	112%	120%	140%	Must bring back paywall, tablets, ++marketing
Display/Color Revenue	99%	92%	85%	Drop 3 impacted by loss of pickup bundles
Preprint Revenue	100%	95%	85%	Most customers to migrate to remaining days
T-Class	99%	90%	80%	Decreased frequency plus rate increases
Digital Ad Rev	105%	110%	120%	Bigger shift/emphasis to online \$
Ad Revenue affected				
Total \$ Loss \$000's				

Do The Math

EXPENSE CONSIDERATIONS	Drop 1-Sat	Drop 2-Tues	Drop 3-Thurs	Comments
Delivery	83.3%	67%	50%	Direct distribution costs; reorganize routes
Press Payroll	86%	70%	53%	Factor shifting commercial work-retain 3% for maint.
Packaging	98.7%	90.4%	78.1%	Matches Preprint less 2% overhead; -flying press
Ink and Newsprint	90%	72%	52%	Direct costs
Plates & chemicals	90%	72%	72%	Direct costs
Bozeman desk	90%	80%	50%	Not confirmed--prelim
Affinity X	99%	92%	85%	Match display/color
Adv Payroll savings	100%	95%	85%	Match display/color
Employee Direct Expense	92%	85%	55%	Benefits @30% of labor savings
Total Direct Savings-\$000's				

Do The Math

Net Annual EBITA Gain (net loss)	Drop 1-Sat	Drop 2-Tues	Drop 3-Thurs
Revenue Loss			
Expense Savings			
Net EBITA gain (net loss) \$'000	\$175-\$200	\$150-\$175	\$75-\$100

Other Considerations:

- Save \$ on services with volume-based pricing (AP/content syndicates)
- Overhead & administrative payroll reductions from reduced workload
- Tablets to grow digital subs & improves retention-drives profit per subscriber
- Do you need an audit?

Pioneer tablet program -Primary Objectives

- Provide customers with a tablet device as part of a new subscription program.
- Create a news interface that is easy, engaging and informative.
- Provide audiences with a seamless path for providing content to our newsrooms.
- Develop new revenue streams from subscribers.
- Advance digital newspaper readership and reach new readers.
- We're making a commitment to move forward.

Project Partners

PIONEER
NEWS · GROUP
EMPOWERING OUR COMMUNITIES



Posh
Technologies

SYNCRONEX

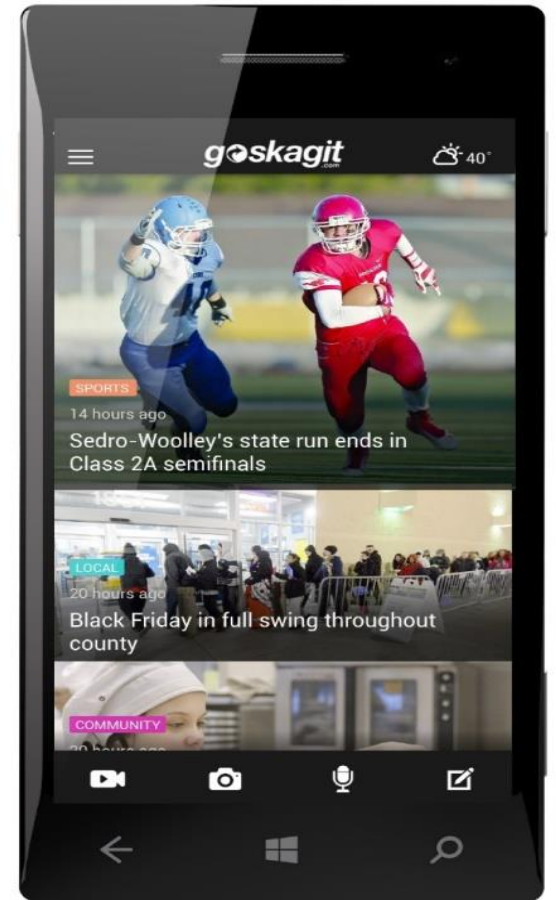
Objective 1: The Device

- Unit cost of approx. \$85
- 8 inch HEXA tablet
- Windows 10 Operating System
- WiFi connectivity
- Customizable rear panel
- 1 month Office365 included

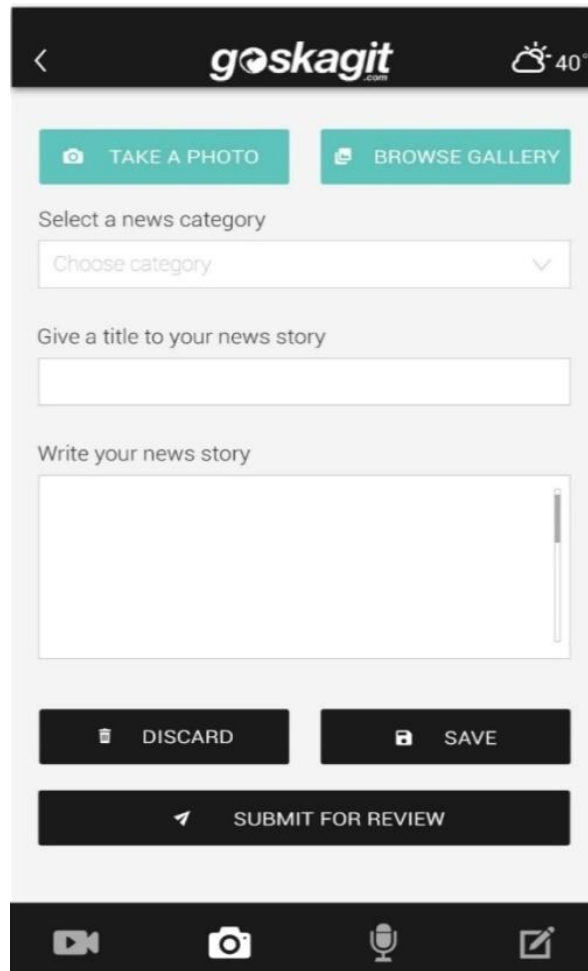


Objective 2: Interface

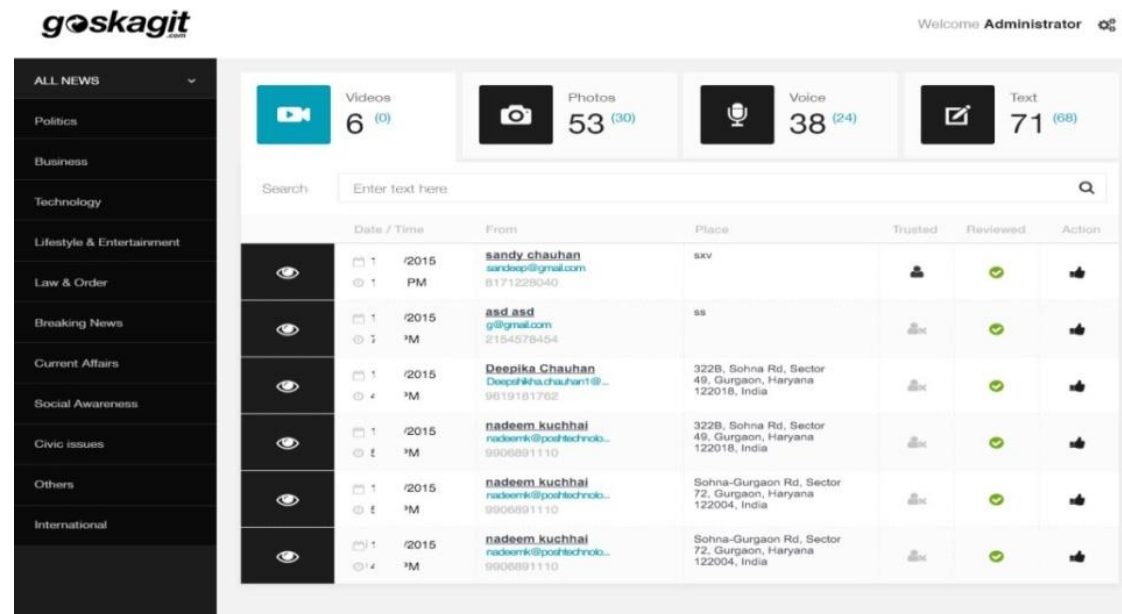
- Easy-to-use news reader
- Authentication with existing subscriber management system (NewsCycle/DTI via Synchronex)
- Multi-platform, native format



Objective 3: Interface



- Video, Photo, Audio and Text
- Ability to create 'trusted' sources in interface
- Cloud based hosting/storage/dashboard
- Use in news reader app, website and in print.



Objective 4: Monetization

- Subscription revenue from device users
 - Sunday print + tablet & daily digital: \$15/mo
 - Daily print + tablet & daily digital: \$20/mo
 - \$20 one-time activation fee
 - EasyPay requirement and early-termination fee before one year
 - Customer keeps the device even if they cancel service

What's next

- Greater audience insights based on device sales, usage, etc.
- Addition of mobile advertising opportunities, including device app-placement for sponsors
- Promote as value-added opportunity and “give back” for print frequency changes in specific markets.
- Expand into four markets this year, gradually increasing target groups.