Pathway To Freedom?

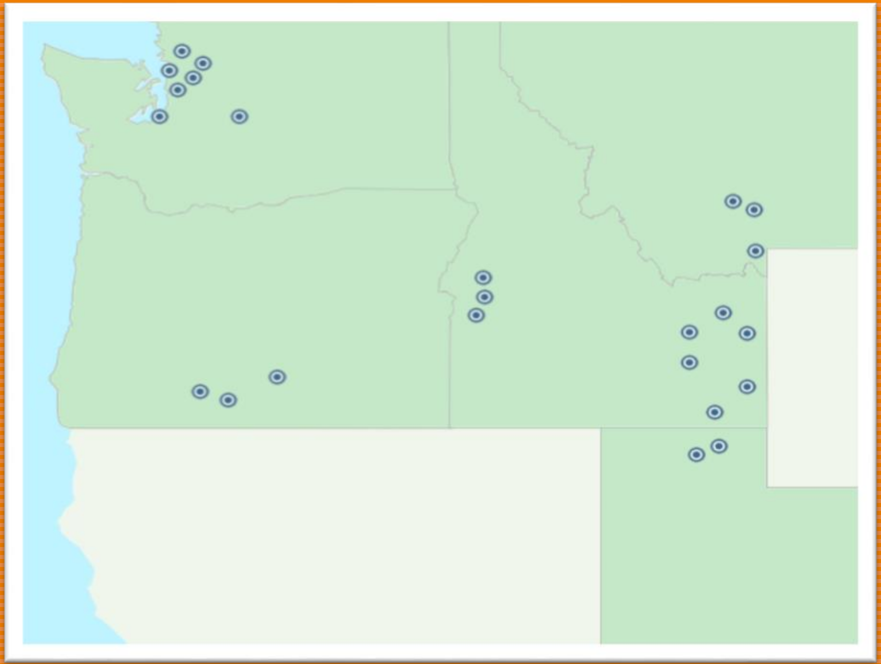
Reducing Print Frequency: When, Where, Why, How and What Happens

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

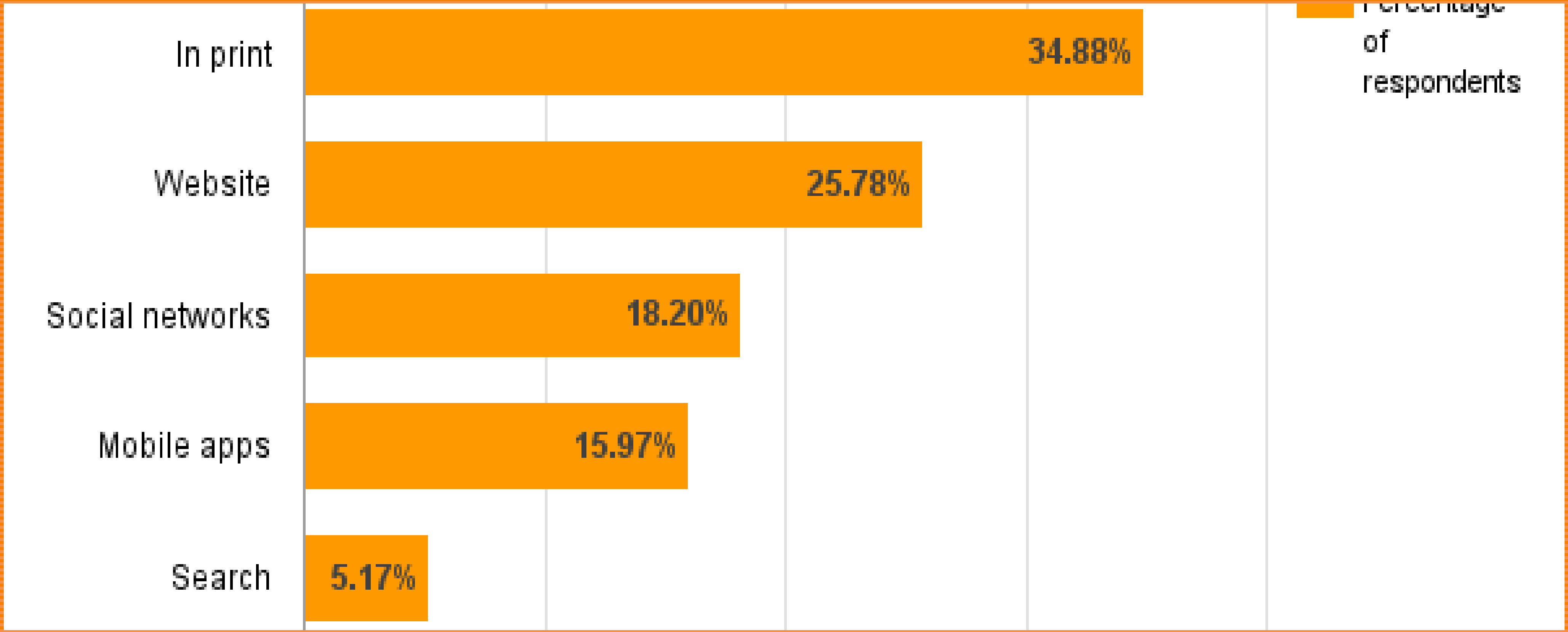
- Print alone can’t keep up with a 24-hour news cycle.
- Readers expect a full picture including visuals, video, tweets, instant features and more.
- Higher fixed costs of production and distribution.
- P&L by day – what does it say?
- Revenue losses aren’t cyclical anymore, they’re systemic. More than 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.

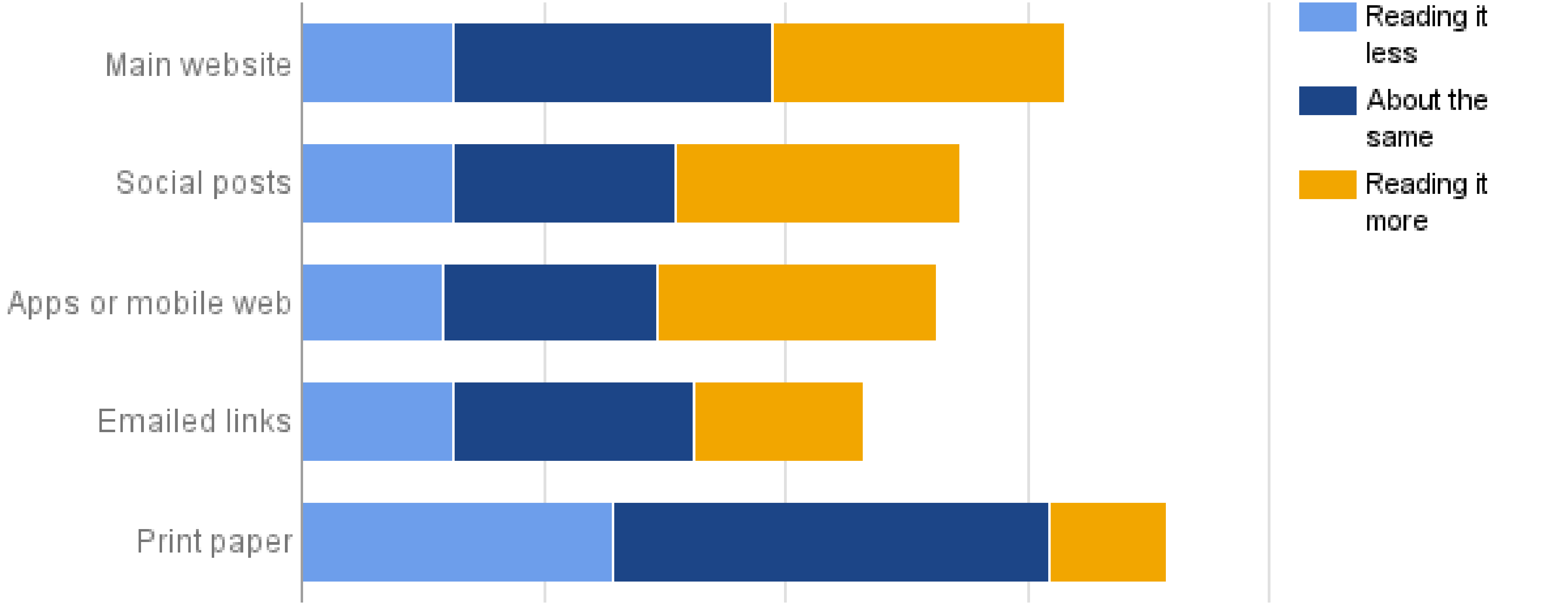
Our Readers are Multi-Channel

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)



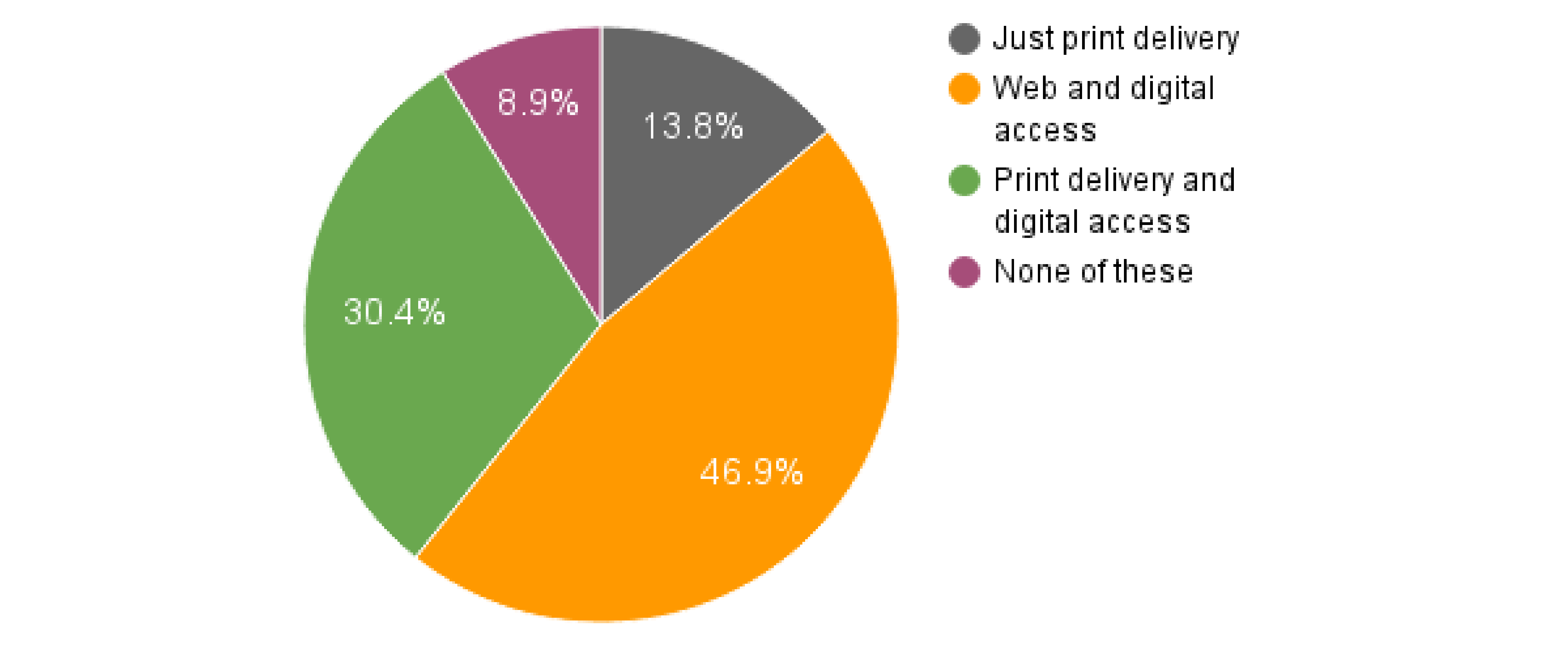
Readers have changed their habits in the past two years

Over the past two years, how did people think their ways of interacting with you had changed?
What were they doing more or less of than in the past?
Usage of the print product is flat or declining, but people are reading your website, apps and social posts more often.
(API 2016 reader survey)



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

Microsoft

Posh
Technologies

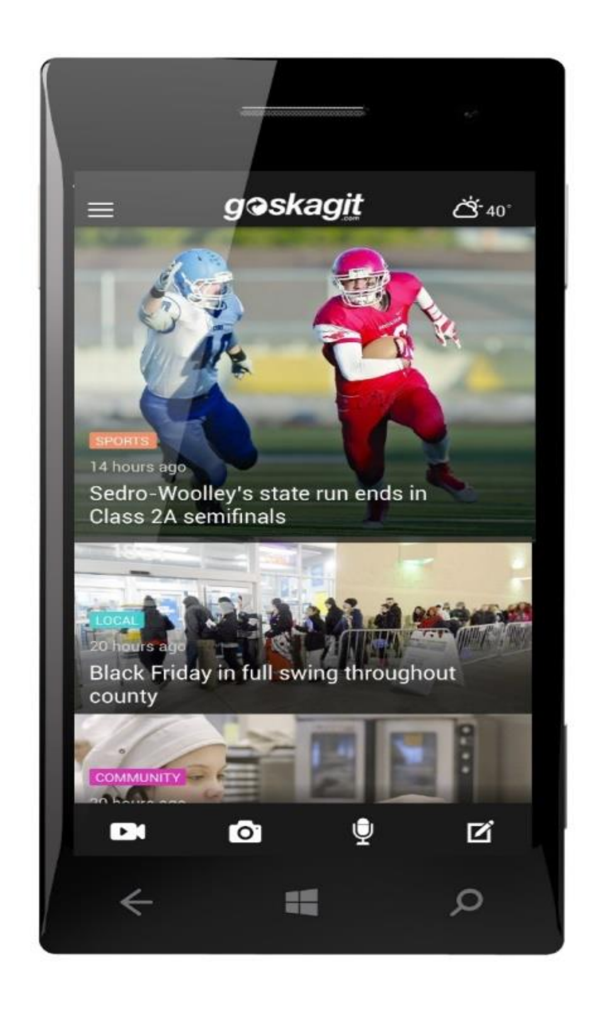
SYNCRONEX

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

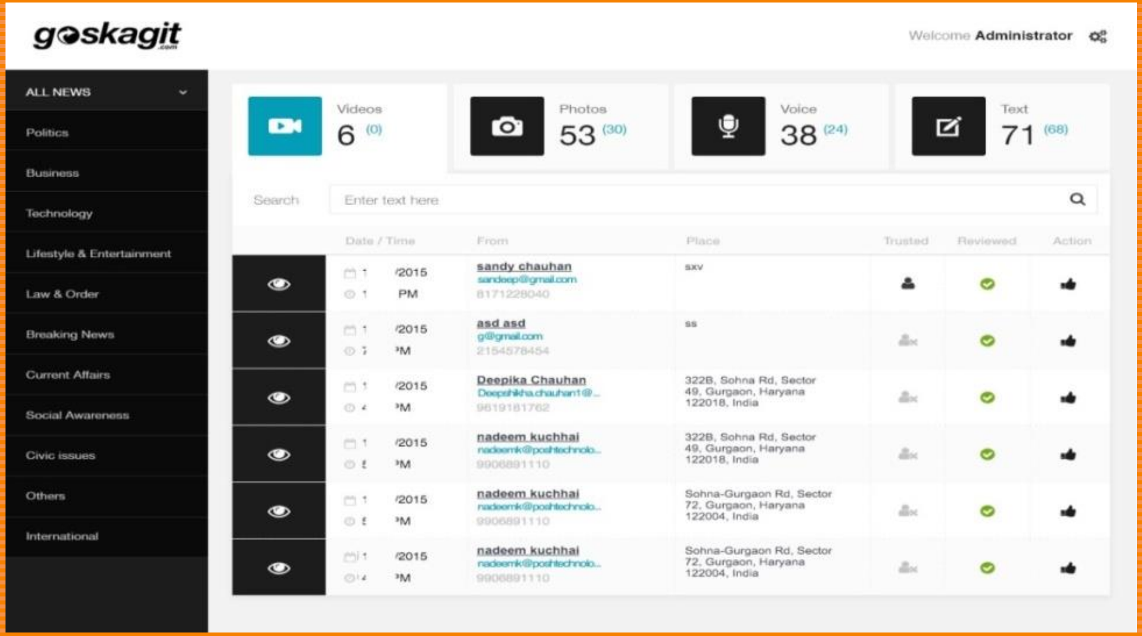
Objective 2: Interface

- Easy-to-use news reader
- Authentication with existing subscriber management system (NewsCycle/DTI via Syncronex)
- 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

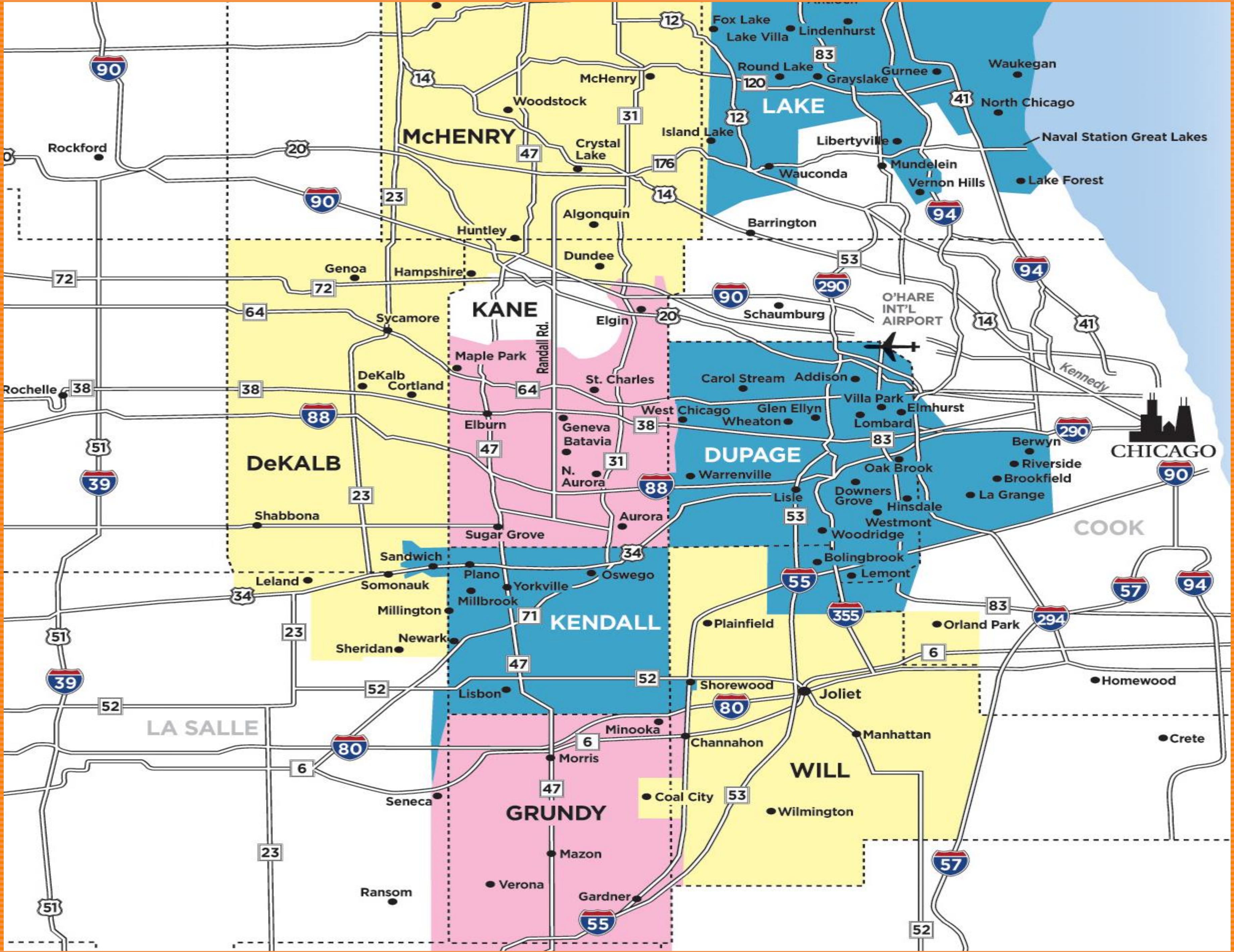
- Subscription revenue from device users
  - Sunday print + tablet & daily digital: $15/mo
  - Daily print + tablet & daily digital: $20/mo
  - $20 one-time activation fee
  - EasyPay requirement and early-termination fee before one year
  - Customer keeps the device even if they cancel service

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.

Suburban Weekly Strategy

February 24, 2017



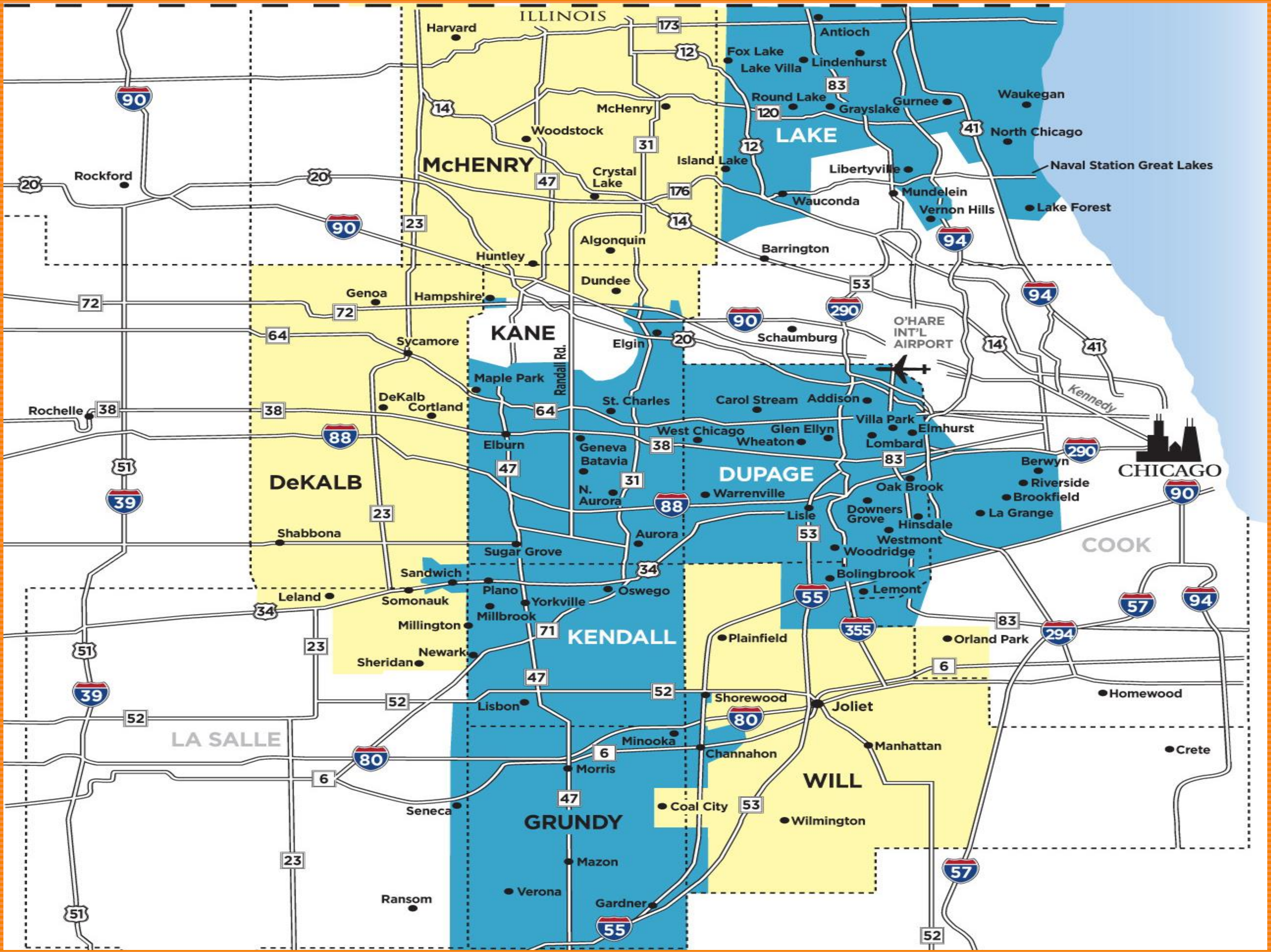
Before …

Daily

Weekly

5-day daily

After …



Daily

Weekly

SHAW media


ELMHURST
Suburban Life
YOUR NEW ELMHURST PRESS
Elmhurst police searching for bank robbery suspect
NEXT CHAPTER


ST. CHARLES
KANE COUNTY CHRONICLE
THE HEALING PROJECT


GENEVA
KANE COUNTY CHRONICLE
GETTING SHAFTED?
Former Kane County employee alleges he was forced into hazardous working conditions
KANE CO COURT HOUSE


BATAVIA
KANE COUNTY CHRONICLE
FASHIONISTAS
Batavia Woman's Club hosts fashion show / 3


ELBURN HERALD
SUMMER CELEBRATION
Elburn Days begins Friday / 3


SUGAR GROVE HERALD
HOME SWEET HOME
Kaneland's Homecoming Parade Wednesday / 3


KENDALL COUNTY RECORD
CELEBRATING

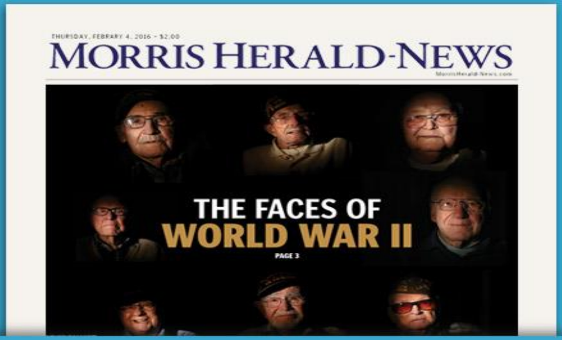

OSWEGO LEDGER
HIKING IN


PLANO RECORD
ACADEMIC


SANDWICH RECORD

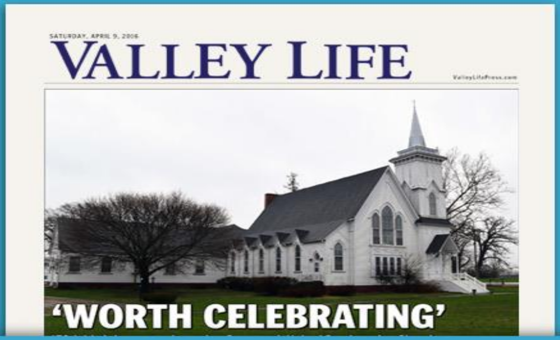

THURSDAY February 18, 2016 • Free
LAKE COUNTY JOURNAL
VOTERS TO DECIDE ON FOX LAKE FIRE REFERENDUM
GONE FISHIN'
Ice Fishing Derby and Winter Festival is fun for all ages


FRIDAY, APRIL 8, 2016
GREAT LAKES BULLETIN
THE UNITED STATES NAVY'S OLDEST, CONTINUOUSLY PUBLISHED BASE NEWSPAPER
Around the station
Pinwheel garden appears again / 4
Plan It Lake
Find some fun
Five events to get you out of the house / 22


MORRIS HERALD-NEWS
THE FACES OF WORLD WAR II
PAGE 3


THURSDAY July 16, 2015
HERALD LIFE
SERVING MINOOKA, CHANNAHON AND SHOREWOOD
Makin' history
Talking budget
Lucky baby
ON THE SAME PAGE


The MidWeek
ACTIVE THERAPY
DeKalb group offers support to stroke patients / 6
ON THE RECORD
CAROLYN McQUILLAN TALKS QUILTS FROM THE 1930S / 4


SATURDAY, APRIL 9, 2016
VALLEY LIFE
'WORTH CELEBRATING'

Weekly Group Summary

Weekly Goup	Revenue	Expense	NOI		Paid dist	Free dist	Total dist	% paid	# of titles
Central	$2,825,862	$2,562,607	$263,255	9%	8,500	-	8,500	100%	5
East	$3,529,216	$3,143,901	$385,315	11%	9,000	22,750	31,750	28%	16
South	$1,567,509	$1,182,504	$385,005	25%	9,300	5,000	14,300	65%	4
SW	$1,363,651	$1,093,972	$269,679	20%	3,600	12,000	15,600	23%	1
North	$673,544	$688,061	$(14,517)	-2%	-	19,000	19,000	0%	2
Total	$9,959,782	$8,671,045	$1,288,737	13%	30,400	58,750	89,150	34%	28

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Factors to consider: 5 to 1

- Trends, up and down
- Legacy revenue still flowing
- Market position
- Market demos
- Competition
- Opportunity to build revenue in digital, niche, events

Revenue Impact: 5 to 1

	Estimated Impact	*Actual Impact*
Circulation:	High	High
Display:	Moderate	Mixed
Pre-prints:	High	Moderate
Employment:	Low	High
Auto/RE:	Low	Mixed
Niche:	High	Mixed
Digital:	High	Low

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Paper “A” P&L weekly versus daily

Paper A - suburban, high demos

Revenue	*2016*	*2015*	*change $*	*%*
Advertising	1,057,947	1,255,595	-197,648	-15.7%
Circulation	483,129	719,972	-236,843	-32.9%
Legal	190,423	303,922	-113,499	-37.3%
Digital	597,148	603,517	-6,369	-1.1%
Niche	519,607	272,397	247,210	90.8%
Other	43,259	73,280	-30,021	-41.0%
Adjusted revenue	2,891,513	3,228,683	-337,170	-10.4%

Expense	*2016*	*2015*	*change $*	*%*
G&A	309,177	417,771	-108,594	-26.0%
Building	34,922	82,150	-47,228	-57.5%
Marketing	52,417	109,724	-57,307	-52.2%
Advertising	418,585	406,121	12,464	3.1%
Circulation	308,645	550,856	-242,211	-44.0%
Mailroom	54,463	70,977	-16,514	-23.3%
Editorial	437,184	520,568	-83,384	-16.0%
Press	139,324	184,809	-45,485	-24.6%
Niche	341,985	208,803	133,182	63.8%
Newsprint	77,117	118,458	-41,341	-34.9%
Adjusted expense	2,173,819	2,670,237	-455,077	-17.0%
Gross Profit	**717,694**	**558,446**	**159,248**	**28.5%**

Paper “A” Revenue Impact

Key Revenue Categories -Paper A - high demos

Advertising	2016	2015	change $	change %	% rev 16	% rev 15
Local display	530,179	504,072	26,107	5.2%	18%	15%
Classified	58,746	70,584	-11,838	-16.8%	2%	2%
Auto	50,205	79,929	-29,724	-37.2%	2%	2%
Employment	43,399	86,217	-42,818	-49.7%	1%	3%
Real Estate	75,100	83,409	-8,309	-10.0%	3%	2%
Pre-prints	195,160	260,317	-65,157	-25.0%	7%	8%
Legal	190,423	303,922	-113,499	-37.3%	7%	9%
Digital	597,148	603,517	-6,369	-1.1%	20%	18%
Niche	519,607	272,397	247,210	90.8%	18%	8%
Circulation	483,129	719,972	-236,843	-32.9%	17%	21%

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Paper “B” P&L weekly versus daily

Paper B - suburban/rural avg demos

Revenue	*2016*	*2015*	*change $*	*change %*
Advertising	762,373	1,038,832	-276,459	-26.6%
Circulation	194,558	335,421	-140,863	-42.0%
Legal	110,524	163,304	-52,780	-32.3%
Digital	296,786	311,488	-14,702	-4.7%
Niche	90,204	107,659	-17,455	-16.2%
Other	29,667	26,039	3,628	13.9%
Adjusted revenue	1,484,112	1,982,743	-498,631	-25.1%

Expense	*2016*	*2015*	*change $*	*%*
G&A	128,210	287,750	-159,540	-55.4%
Building	6,067	31,292	-25,225	-80.6%
Advertising	187,736	211,485	-23,749	-11.2%
Circulation	256,983	411,708	-154,725	-37.6%
Mailroom	27,300	64,772	-37,472	-57.9%
Editorial	153,706	208,389	-54,683	-26.2%
Press	64,563	145,066	-80,503	-55.5%
Niche	43,237	69,726	-26,489	-38.0%
Newsprint	38,118	86,930	-48,812	-56.2%
Adjusted expense	905,920	1,517,118	-611,198	-40.3%
Gross profit	578,192	465,625	112,567	24.2%

Paper “B” Revenue Impact

Key Revenue Categories -Paper B - mix rural/suburban

Advertising	2016	2015	change $	%	% rev 16	% rev 15
Local display	189,319	336,613	-147,294	-43.8%	13%	16%
Classified	33,153	38,594	-5,441	-14.1%	2%	2%
Auto	52,192	50,661	1,531	3.0%	4%	2%
Employment	33,392	77,778	-44,386	-57.1%	2%	4%
Real Estate	61,787	107,604	-45,817	-42.6%	4%	5%
Pre-prints	66,748	81,432	-14,684	-18.0%	4%	4%
Legal	110,524	163,304	-52,780	-32.3%	7%	8%
Digital	296,786	311,488	-14,702	-4.7%	20%	15%
Niche	90,204	107,659	-17,455	-16.2%	6%	5%
Circulation	194,558	335,421	-140,863	-42.0%	13%	16%
Shopper	314,032	335,982	-21,950	-6.5%	21%	16%

Didn’t see *that* coming (aka lessons learned)

- If you let local decision-makers make decision, they probably won’t
- Better-than-expected pre-print performance = higher costs
- Post office in general
- Specifically, unique content regulation
- Increased focus on digital is not organic – must be driven by leadership

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Questions?