# 20th Annual Needham Growth Conference

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# Disclaimer

The statements contained in this presentation include certain forward-looking statements that are based largely on the current expectations of tronc, Inc. and reflect various estimates and assumptions by us. Forward-looking statements are subject to certain risks, trends and uncertainties that could cause actual results and achievements to differ materially from those expressed in such forward-looking statements. Such risks, trends and uncertainties, which in some instances are beyond our control, are described under the heading “Risk Factors” in tronc’s filings with the Securities and Exchange Commission (SEC), which are available on the SEC’s website or at investor.tronc.com, and include, without limitation:

- changes in advertising demand, circulation levels and audience shares;
- competition and other economic conditions;
- our ability to develop and grow our online businesses;
- changes in newsprint price;
- our ability to maintain effective internal control over financial reporting;
- concentration of stock ownership among our principal stockholders whose interests may differ from those of other stockholders; and
- other events beyond our control that may result in unexpected adverse operating results.

The words “may,” “believe,” “anticipate,” “expect,” “project,” “intend”, “plan,” “projections,” “will,” “continue,” “business outlook,” “outlook,” “estimate” and similar expressions generally identify forward-looking statements. Whether or not any such forward-looking statements are in fact achieved will depend on future events, some of which are beyond our control. You are cautioned not to place undue reliance on such forward-looking statements, which are being made as of the date of this presentation. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

 

# Transforming Legacy Brands to become a ***Modern Media Company***

 

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# Company Overview

tronc (**tr**ibune **on**line **c**ontent) is a media company rooted in award-winning journalism with brands that create and distribute content across the company's media portfolio, offering integrated marketing, media, and business services to consumers and advertisers, including digital solutions and advertising opportunities.

## CORPORATE INFORMATION

- NASDAQ: TRNC
- Headquartered in Chicago, IL
- Newsrooms in ten markets including the top three Designated Market Areas[1] (DMA). Titles include:
  - *Chicago Tribune*
  - *Los Angeles Times*
  - *New York Daily News*
  - *The Baltimore Sun*
  - *Orlando Sentinel*
  - *South Florida's Sun-Sentinel*
  - *Newport News*
  - *Virginia's Daily Press*
  - *Allentown - The Morning Call*
  - *Hartford Courant*
  - *The San Diego Union-Tribune*

## AWARD WINNING JOURNALISM

- 105 Pulitzer Prizes

[1] *Based on Nielsen's DMA rankings*

## REPORTING SEGMENTS

*troncM*

- Comprised of the Company's media groups excluding their digital revenues and related digital expenses, except digital subscription revenues when bundled with a print subscription.

*troncX*

- Includes the Company's digital revenues and related digital expenses from local tronc websites, third party websites, mobile applications, digital only subscriptions, TCA and forsalebyowner.com.

## FINANCIAL OVERVIEW (trailing 12 months at the end of Q3'17)

- Revenue - $1.51 billion
- GAAP net income - $25.3 million
- Non-GAAP adjusted EBITDA - $180.2 million

** Please refer to the definition of Adjusted EBITDA and the reconciliation of GAAP to Non-GAAP in the appendix*

 

# Strong Market Position in Large and Diverse Regions

*(10 markets, including the top **3 DMAs**[*6])*

**Los Angeles Times**
#2 DMA
*Average Circulation – 718k*
*Unique Visitors – 33.1M*

**Chicago Tribune**[*3]
#3 DMA
*Average Circulation – 763k*
*Unique Visitors – 19.1M*

**DAILY NEWS**
#1 DMA
*Average Circulation – 303k*
*Unique Visitors – 26.7M*

**Hartford Courant**
#30 DMA
*Average Circulation – 124k*
*Unique Visitors – 1.3M*

**THE MORNING CALL**[*5]
#4 (#55) DMA
*Average Circulation – 98k*
*Unique Visitors – 1.1M*

**THE BALTIMORE SUN**[*4]
#26 DMA
*Average Circulation – 237k*
*Unique Visitors – 4.2M*

**Daily Press**
#42 DMA
*Average Circulation – 78k*
*Unique Visitors – 0.6M*

**The San Diego Union-Tribune**
#28 DMA
*Average Circulation – 207k*
*Unique Visitors – 3.7M*

**Orlando Sentinel**
#18 DMA
*Average Circulation – 154k*
*Unique Visitors – 4.7M*

**SunSentinel**
#16 DMA
*Average Circulation – 161k*
*Unique Visitors – 3.7M*

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Q3'17 Average Circulation – 2.8M[*1]
Q3'17 Unique Visitors – 81.3M[*2]

*Notes*
[*1] Average Circulation: Q3, 2017 AAM Sunday
[*2] Unique Visitors: comScore Q3, 2017 Quarterly Average Unique Visitors (unduplicated)
[*3] Chicago Tribune paid print circulation also includes Chicago Suburban
[*4] The Baltimore Sun paid print circulation also includes Capital Gazette and Carroll County Times
[*5] The Morning Call focuses on the Lehigh Valley region within the 4th largest DMA (Philadelphia)
[*6] Based on Nielsen's DMA rankings

 

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# Investment Thesis

- Strong local brands
- National expansion in select verticals
- Investment in talent, distribution and content
- Leverage balance sheet to grow
- Aggressively manage operations for efficiency
- Expand management team to strengthen opportunities
- Investing to accelerate our transformation
- Working to create a framework for long-term value creation that accelerates digital and extends print

 

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# The Path Forward - tronc

Delivering trusted and **compelling experiences**…

to **local audiences** in **targeted** and **personalized** ways…

**Leveraging our combined reach and delivering IP across all screens**…

that **leading brands** will want to spend against and **users will want to pay for**…

in markets where tronc **is advantaged**

 / 

# This direction sets our priorities…

| | Prioritize |
|---|---|
| *Delivering compelling experiences* | • Industry-leading content in core verticals<br>• Interactive experiences<br>• Personalized and connected experience<br>• Voice and Video |
| *To local audiences in targeted ways* | • Broadcast-level reach and frequency<br>• Data: Customer relationship management<br>• Social platform distribution<br>• Investment in platforms to optimize experience: Arc |
| *Across all screens* | • Invest in mobile experiences<br>• Content everywhere and portability across all screens<br>• One or more privileged mobile relationships<br>• Personalized experiences |
| *That leading brands and users will want to pay for* | • Sponsorships of proprietary events and content<br>• Affluent audience-targeting<br>• Content marketing, lead generation and ecommerce<br>• Subscription revenue |
| *In markets where tronc is advantaged* | • Focus on the 10 o/o markets<br>• Accelerated investments in opportunistic ways<br>• Partnerships with key distribution partners/platforms |

 

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# Transforming tronc from legacy brands with a digital division, to a Modern Media Company combining GRAVITAS and SCALE across all platforms

## Content

- Leverage our brands to deliver premium, trusted content to our audience across all channels = GRAVITAS

## Commerce

- Integrate contextual content and commerce across all platforms
- Open new channels of revenue, data and engagement

## Financial

- Maximize efficiencies across tronc
- Leverage footprint to drive local and national opportunities
- Meet annual financial goals:
  - Revenue
  - Adjusted EBITDA[1]

## Acquisitions

- Identify acquisitions that complement our existing portfolio and diversify our offerings

## Culture

- Drive performance through attracting, engaging, cultivating, and inspiring our people

**DESIRED OUTCOME**

*High-performing, audience-centric, culture that delivers sustainable revenue growth and profit while increasing shareholder value*

[1]*Adjusted EBITDA is a non-GAAP measure. Please refer to the definition of Adjusted EBITDA and the reconciliation of GAAP to Non-GAAP in the appendix*

# Transforming the core: Redefine "News"

Redefine of content from "news/editorial" to multi-media as a 360 degree experience

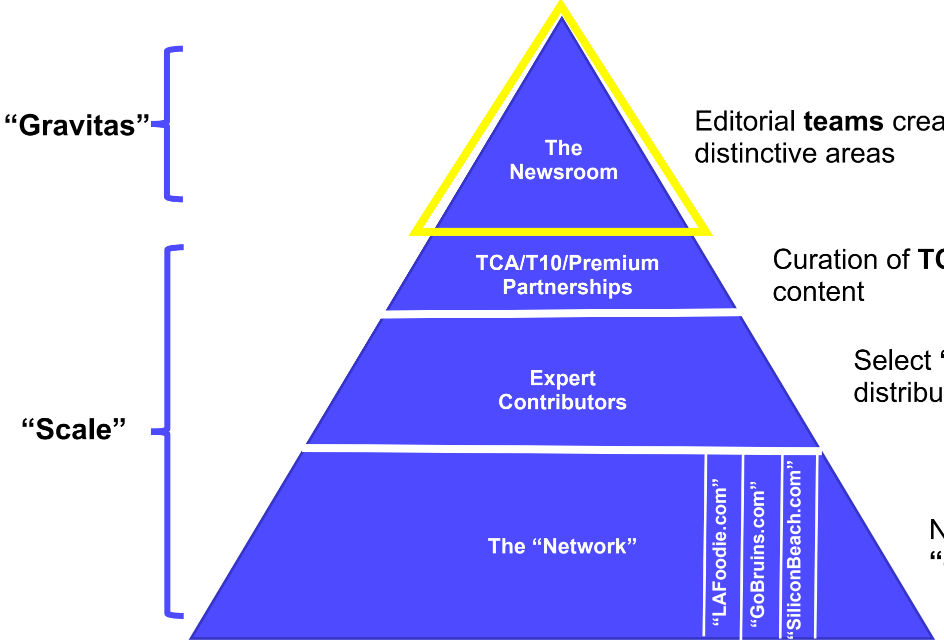

- The combination of **multi-media** – text, video, graphics/visuals, tweets, events/experiential and more - and the **delivery experience** across platforms - a **360 degree** experience for consumers and advertisers
- Long term **planning** cycle, in addition to minute to minute news cycles
- **Consumer** as the central focus

 / 

# Transforming the core: Content creation

Leveraging the best of T10, with creation of new verticals and the power of distribution across tronc – 90 million unique users, 2 million newspapers per week, 300k+ digital subscribers

## "Gravitas with Scale"




Editorial **teams** creating brand defining work in distinctive areas

Curation of **TCA, T10**, premium partner content

Select **"experts"** with followers with self-distribution/promotion capabilities

Network of deep micro-niche vertical **"entrepreneurs"** and their audiences

**Current model across all areas of content**

Over time, emphasis shifts to more audience-targeted, self distributed and cost-effective models

All content fed back into TCA and to other T10 properties for further distribution and monetization

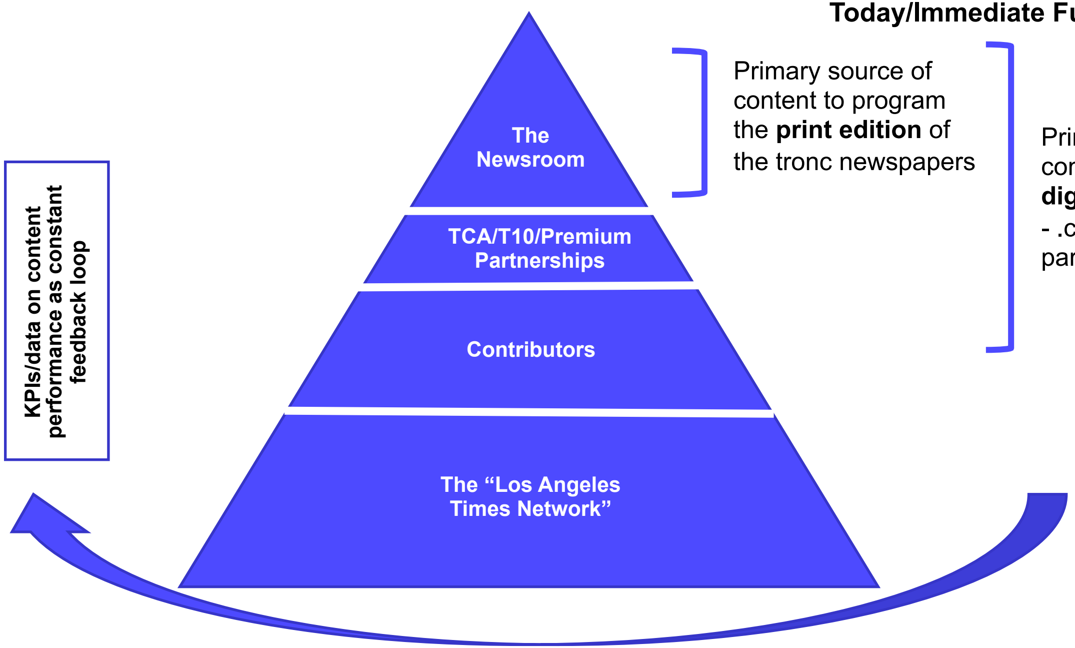
Note: The approach allows us to be less dependent on the newsroom transformation as we pursue other growth opportunities; the goal is to integrate all efforts over time

# Transforming the core: Programming and distribution

Content packaging, programming, and distribution is a distinct function from content sources with key performance indicators (KPIs) providing feedback. Newspapers will be focused largely on newsroom content; the digital version will expand to include more contributors; emphasis will shift to programming from many sources.

## Sources of Content




## Packaging and Distribution of Content

### Today/Immediate Future

Primary source of content to program the **print edition** of the tronc newspapers

Primary sources of content to program **digital channels** - .com, app, social, partners

### Longer Term

**Expansive sources** of content to increase breadth, depth, and cost-effectiveness **across all** channels, network, and distribution partners

Note: The approach allows us to be less dependent on the newsroom transformation as we pursue other growth opportunities; the goal is to integrate all efforts over time

# Goal: Superior tactical execution

Aim to create value through focus and superior, consistent day to day tactical execution.

a. **Revenue Growth**
   i. Go to market strategy and **direct sales strategy** and execution
   ii. **Programmatic revenue** strategy and implementation
b. **Consumer Experiences**
   i. Superior **consumer-centric** product experiences
   ii. Focus on **mobile**
   iii. Innovative and integrated subscription/**membership offerings**
c. **Strategic Partnerships and Expansion**
   i. **Premium content**
   ii. **Distribution**
d. **Data Capabilities and Integration**
   i. **Consumer** experiences
   ii. **Advertising**
   iii. All aspects of **operations**

Commitment to strategic direction, new/additional capabilities/talent, and cultural shift to work as one integrated cross-functional team

# What to look for: 2018

- Investing in growth (verticals, commerce, distribution)
- Adjacent diversification
- Investment in partnerships
- Operating leverage
- Revenue diversification (subscription, commerce, syndication, distribution)
- Investment in technology to create leverage and efficiency
- Focus on gravitas and scale

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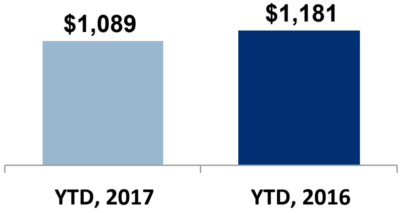
# FINANCIAL OVERVIEW

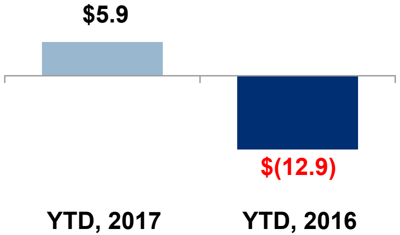
# Consolidated financials *($'s in millions)*

YTD*

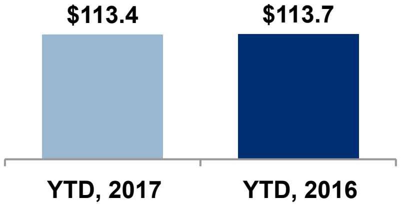
REVENUE




GAAP NET INCOME




NON-GAAP Adj EBITDA[1]




[1]*Adjusted EBITDA (AEBITDA) and AEBITDA margin non-GAAP measures. Please refer to the definition of Adjusted EBITDA and the reconciliation of GAAP to Non-GAAP in the appendix*

## Highlights

- Total Consolidated Revenue was down 7.8% YTD 2017 vs. YTD 2016
- Adjusted EBITDA (AEBITDA)[1] was flat YTD 2017 vs. YTD 2016
- AEBITDA[1] margin improved 80 basis (BP) YTD 2017 vs. YTD 2016

* YTD is through Q3 2017

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# Balance sheet *($'s in millions)*

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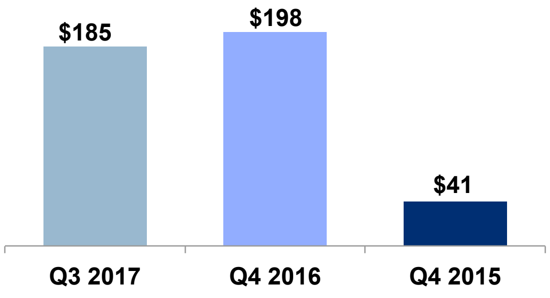
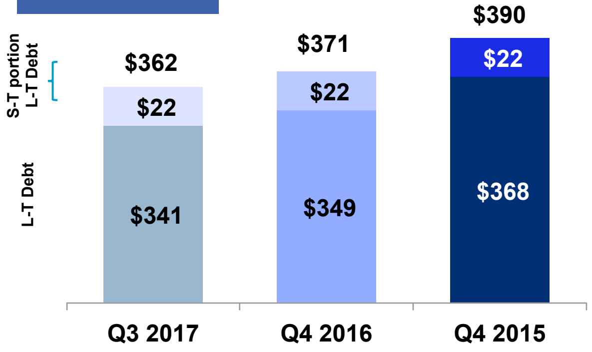
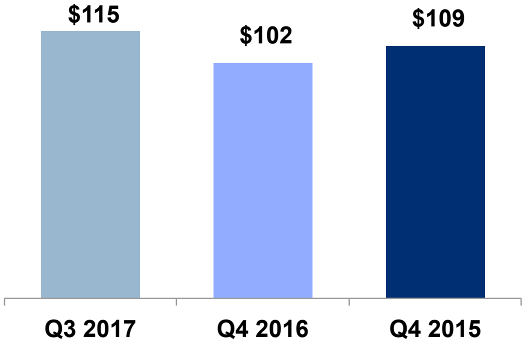
## Cash



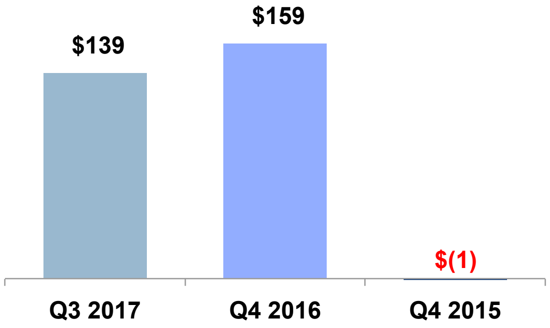

## Debt



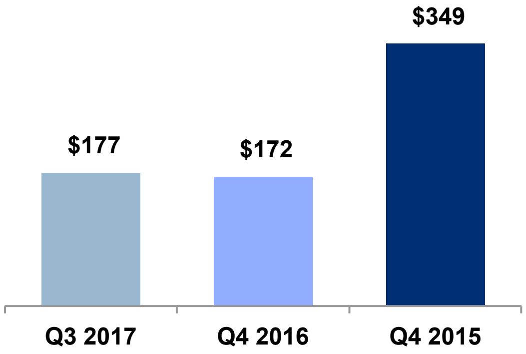

## Pension and post-retirement benefits payable




## Working Capital




## Net Debt[1] (Total Debt – Cash)




## Highlights

*Strengthened Balance Sheet*

- Increased flexibility to execute key strategies
  - $11M increase in Cash and a $9M increase in Working Capital in Q3'17 vs. Q2'17
- Reduction in Net Debt [Debt – Cash]
  - $11M in Q3'17 vs. Q2'17
- The increase in pension and post-retirement benefits payable mainly driven by the acquisition of the New York Daily News on September 3, 2017

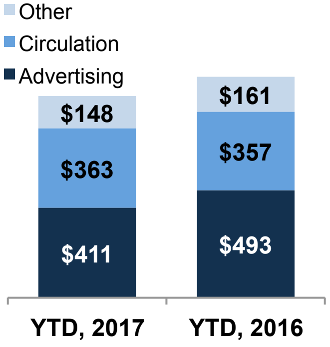
[1] *Net Debt is a non-GAAP measure and is defined as Debt ($362M in Q3, 2017, $371M in Q4, 2016 and $390M in Q4, 2015) less Cash ($185M in Q3, 2017, $198M in Q4, 2016 and $41M in Q4, 2015). Please refer to the discussion of Net Debt and its total reconciliation to Total Debt in the appendix.*

# Segment financials *($'s in millions)*

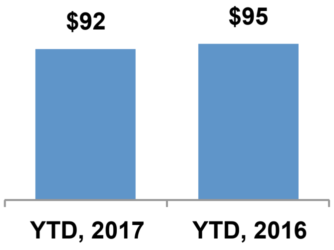
YTD*

REVENUE



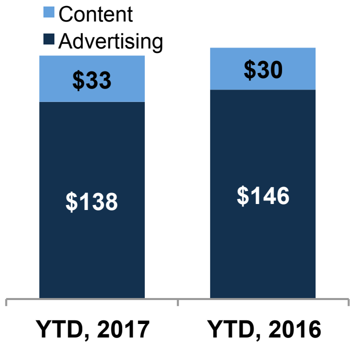

YTD*

NON-GAAP Adj EBITDA[1]



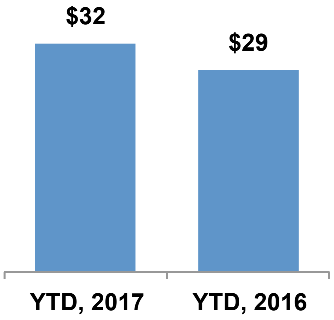

YTD*

REVENUE




YTD*

NON-GAAP Adj EBITDA[1]




* YTD is through Q3 2017

[1]*Adjusted EBITDA (AEBITDA) is a non-GAAP measure. Please refer to the definition of Adjusted EBITDA and the reconciliation of GAAP to Non-GAAP in the appendix*

# QUESTIONS AND ANSWERS

# APPENDIX

# Appendix non-GAAP

This presentation includes references to Adjusted EBITDA (also referred to as “Adj EBITDA” or “AEBITDA”), Adjusted EBITDA margin and Net Debt. These measures are not presented in accordance with generally accepted accounting principles in the United States (US GAAP), and tronc’s use of these terms may vary from that of others in the Company’s industry. These measures should not be considered as an alternative to net income (loss), income from operations, net income (loss) per diluted share, revenues or any other performance measures derived in accordance with US GAAP as measures of operating performance or liquidity.

**Adjusted EBITDA (AEBITDA) and AEBITDA margin**

The Company defines Adjusted EBITDA as net income before equity in earnings of unconsolidated affiliates, income taxes, loss on early debt extinguishment, interest expense, other (expense) income, realized gain (loss) on investments, reorganization items, depreciation and amortization, net income attributable to non-controlling interests, and other items that the Company does not consider in the evaluation of ongoing operating performance. These items include stock-based compensation expense, restructuring charges, transaction expenses, premium on stock buyback and certain other charges and gains that the Company does not believe reflects the underlying business performance (including spin-related costs). AEBITDA Margin is defined as Adjusted EBITDA divided by Revenue. Management believes that because Adjusted EBITDA excludes (i) certain non-cash expenses (such as depreciation, amortization, stock-based compensation, and gain/loss on equity investments) and (ii) expenses that are not reflective of the Company’s core operating results over time (such as restructuring costs, including the employee voluntary separation program and gain/losses on employee benefit plan terminations, litigation or dispute settlement charges or gains, premiums on stock buyback, and transaction-related costs), this measure provides investors with additional useful information to measure the Company’s financial performance, particularly with respect to changes in performance from period to period. The Company's management uses Adjusted EBITDA (a) as a measure of operating performance; (b) for planning and forecasting in future periods; and (c) in communications with the Company’s Board of Directors concerning the Company’s financial performance. In addition, Adjusted EBITDA, or a similarly calculated measure, is used as the basis for certain financial maintenance covenants that the Company is subject to in connection with certain credit facilities. Since not all companies use identical calculations, the Company's presentation of Adjusted EBITDA and AEBITDA Margin may not be comparable to other similarly titled measures of other companies and should not be used by investors as a substitute or alternative to net income or any measure of financial performance calculated and presented in accordance with GAAP. Instead, management believes Adjusted EBITDA and AEBITDA Margin should be used to supplement the Company’s financial measures derived in accordance with GAAP to provide a more complete understanding of the trends affecting the business.

Although Adjusted EBITDA is frequently used by investors and securities analysts in their evaluations of companies, Adjusted EBITDA has limitations as an analytical tool, and investors should not consider it in isolation or as a substitute for, or more meaningful than, amounts determined in accordance with GAAP. Some of the limitations to using non-GAAP measures as an analytical tool are: they do not reflect the Company’s interest income and expense, or the requirements necessary to service interest or principal payments on the Company’s debt; they do not reflect future requirements for capital expenditures or contractual commitments; and although depreciation and amortization charges are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and non-GAAP measures do not reflect any cash requirements for such replacements.

The Company does not provide a reconciliation of Adjusted EBITDA guidance due to the inherent difficulty in forecasting and quantifying certain amounts that are necessary for such reconciliation, including adjustments that could be made for restructuring and transaction costs, stock-based compensation amounts and other charges reflected in our reconciliation of historic numbers, the amount of which, based on historical experience, could be significant.

**Net Debt**

Net Debt is defined as Total Debt less Cash. The Company’s management believes that the presentation of Net Debt provides useful information to investors as management reviews Net Debt as part of its management of our overall liquidity, financial flexibility, capital structure and leverage.

**Adjusted Total Operating Expenses**

Adjusted total operating expenses consist of total operating expenses per the income statement, adjusted to exclude the impact of items listed in the Adjusted EBITDA non-GAAP reconciliation. Management believes that Adjusted total operating expenses is informative to investors as it enhances the investors' overall understanding of the financial performance of the Company's business as they analyze current results compared to prior periods.

# Reconciliation of net Income (loss) to adjusted EBITDA (AEBITDA) and AEBITDA margin *($'s in millions)*

**Reconciliation of Net Income (loss) to Adjusted EBITDA and AEBITDA Margin:**

| | Three months ended | | | Nine months ended | | |
|---|---|---|---|---|---|---|
| | **September 24, 2017** | **September 25, 2016** | **% Change** | **September 24, 2017** | **September 25, 2016** | **% Change** |
| Net income (loss) | $ 2.1 | $ (10.5) | * | $ 5.9 | $ (12.9) | * |
| Income tax expense | 2.6 | 4.4 | -39.2% | 9.6 | 3.3 | * |
| Interest expense, net | 6.5 | 6.7 | -1.9% | 19.4 | 20.1 | -3.4% |
| Premium on stock buy- back | - | - | * | 6.0 | - | * |
| Loss (gain) on equity investments | (5.0) | 0.2 | * | (3.7) | 0.5 | * |
| Reorganization items, net | - | 0.1 | * | - | 0.2 | * |
| **Income from operations** | 6.3 | 0.8 | * | 37.2 | 11.3 | * |
| Depreciation and amortization | 14.2 | 14.4 | -1.5% | 42.0 | 42.8 | -1.9% |
| Restructuring and transaction costs (1) | 12.0 | 17.0 | -29.7% | 26.5 | 40.1 | -33.9% |
| Stock-based compensation | 2.9 | 2.2 | 32.1% | 7.3 | 6.0 | 21.3% |
| Employee voluntary separation program | - | 2.2 | * | 0.4 | 13.5 | -97.0% |
| **Adjusted EBITDA** | **$ 35.3** | **$ 36.6** | -3.6% | **$ 113.4** | **$ 113.7** | -0.3% |
| **Revenue** | **$ 353.1** | **$ 378.2** | | **$ 1,089.0** | **$ 1,181.0** | |
| **Net Income (Loss) Margin** | **0.6%** | **-2.8%** | | **0.5%** | **-1.1%** | |
| **AEBITDA Margin** | **10.0%** | **9.7%** | | **10.4%** | **9.6%** | |

* Represents positive or negative change in excess of 100%

(1) - Restructuring and transaction costs include costs related to tronc's internal restructuring, such as severance and IT outsourcing efforts, charges associated with the vacated space and costs related to completed and potential acquisitions.

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# Reconciliation of net Income (loss) to adjusted EBITDA (AEBITDA)

*($'s in millions)*

| | Three months ended | | | | |
|---|---|---|---|---|---|
| | December 25, 2016 | March 26, 2017 | June 25, 2017 | September 24, 2017 | LTM |
| **Net Income (loss)** | $ 19.4 | $ -3.0 | $ 6.8 | $ 2.1 | $ 25.3 |
| Income tax expense | 15.6 | 2.3 | 4.6 | 2.6 | 25.1 |
| Interest expense, net | 6.6 | 6.5 | 6.4 | 6.5 | 26.0 |
| Premium on stock buy- back | - | 6.0 | - | - | 6.0 |
| Loss on equity investments, net | 0.2 | 0.7 | 0.6 | (5.0) | -3.5 |
| Reorganization items, net | 0.0 | - | - | - | 0.0 |
| **Income from operations** | 41.9 | 12.5 | 18.5 | 6.3 | 78.9 |
| Depreciation and amortization | 14.7 | 13.2 | 14.7 | 14.2 | 56.8 |
| Restructuring and transaction costs [1] | 5.8 | 6.3 | 8.2 | 12.0 | 32.3 |
| Stock-based compensation | 2.4 | 1.9 | 2.5 | 2.9 | 9.7 |
| Employee voluntary separation program | 2.0 | 0.2 | 0.1 | - | 2.3 |
| **Adjusted EBITDA** | **$ 66.8** | **$ 34.1** | **$ 44.0** | **$ 35.3** | **$ 180.2** |

(1) - Restructuring and transaction costs include costs related to tronc's internal restructuring, such as severance and IT outsourcing efforts, charges associated with the vacated space and costs related to completed and potential acquisitions.

 

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# Reconciliation of total operating expenses to adjusted total operating expenses
*($'s in millions)*

**Reconciliation of Total Operating Expenses to Adjusted Total Operating Expenses:**

| | Three Months Ended September 24, 2017 | | | | | | Three Months Ended September 25, 2016 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | GAAP | | Adjustments | | Adjusted | | GAAP | | Adjustments | | Adjusted | |
| Compensation | $ | 135.0 | $ | (11.1) | $ | 123.9 | $ | 140.8 | $ | (8.0) | $ | 132.7 |
| Newsprint and ink | $ | 20.9 | $ | - | $ | 20.9 | $ | 25.1 | $ | - | $ | 25.1 |
| Outside services | $ | 111.1 | $ | (3.5) | $ | 107.6 | $ | 118.1 | $ | (4.5) | $ | 113.5 |
| Other | $ | 65.6 | $ | (0.2) | $ | 65.3 | $ | 79.1 | $ | (8.8) | $ | 70.3 |
| Depreciation and amortization | $ | 14.2 | $ | (14.2) | $ | - | $ | 14.4 | $ | (14.4) | $ | - |
| Total operating expenses | $ | 346.8 | $ | (29.0) | $ | 317.8 | $ | 377.4 | $ | (35.7) | $ | 341.7 |

| | Nine Months Ended September 24, 2017 | | | | | | Nine Months Ended September 25, 2016 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | GAAP | | Adjustments | | Adjusted | | GAAP | | Adjustments | | Adjusted | |
| Compensation | $ | 394.7 | $ | (22.3) | $ | 372.4 | $ | 453.4 | $ | (36.2) | $ | 417.2 |
| Newsprint and ink | $ | 67.3 | $ | - | $ | 67.3 | $ | 77.2 | $ | - | $ | 77.2 |
| Outside services | $ | 340.3 | $ | (7.1) | $ | 333.2 | $ | 368.7 | $ | (13.8) | $ | 354.9 |
| Other | $ | 207.5 | $ | (4.8) | $ | 202.7 | $ | 227.6 | $ | (9.7) | $ | 217.9 |
| Depreciation and amortization | $ | 42.0 | $ | (42.0) | $ | - | $ | 42.8 | $ | (42.8) | $ | - |
| Total operating expenses | $ | 1,051.8 | $ | (76.2) | $ | 975.6 | $ | 1,169.7 | $ | (102.5) | $ | 1,067.2 |

 

# Reconciliation of total debt to net debt
*($'s in thousands)*

**Reconciliation of Total Debt to Net Debt:**

| | As of | | |
|---|---|---|---|
| | September 24, 2017 | December 25, 2016 | December 27, 2015 |
| Current portion of long-term debt | $ 21,708 | $ 21,617 | $ 21,826 |
| Long-term debt | 340,501 | 349,128 | 367,847 |
| Total debt | 362,209 | 370,745 | 389,673 |
| Less: Cash | 185,152 | 198,349 | 40,832 |
| Net debt | $ 177,057 | $ 172,396 | $ 348,841 |

**Net Debt**

Net Debt is defined as Total Debt less Cash. The Company's management believes that the presentation of Net Debt provides useful information to investors as management reviews Net Debt as part of its management of our overall liquidity, financial flexibility, capital structure and leverage.

 

## More information about tronc can be found at investor.tronc.com

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