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CORPORATE PARTICIPANTS

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Gannett Co., Inc. – Chairman & CEO

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Gannett Co., Inc. – President & COO

PRESENTATION

Operator

Good day, everyone, and welcome to the Gannett's first quarter 2011 earnings conference call. This call is being recorded. Due to the large number of callers, we will limit you to one question or comment. We greatly appreciate your cooperation and courtesy.

Our speakers for today will be Craig Dubow, Chairman and Chief Executive Officer, and Gracia Martore, President and Chief Operating Officer. At this time, I would like to turn the call over to Gracia Martore. Please go ahead.

Gracia Martore - *Gannett Co., Inc. - President, COO*

Thanks, Danielle, and good morning, and let me add our welcome to our conference call and webcast today to review our first quarter results. Hopefully, you've had an opportunity to review this morning's press release. You can also find it at www.Gannett.com.

Before we get started, however, I need to remind you that our conference call and webcast today may include forward-looking statements, and our actual results may differ. Factors that might cause them to differ are outlined in our SEC filings. This presentation also includes certain non-GAAP financial measures. We have provided a reconciliation of those measures to the most directly comparable GAAP measures in the press release, and on the investor relations portion of our web site.

As many of you know, we hosted our annual MEANY Luncheon in our New York offices in late March this year and provided an expansive update of results at that meeting. So, we are going to keep our comments relatively brief this morning. Craig will comment on the progress of several initiatives and briefly review results for the quarter. I will then follow with a more detailed look at our business segments as well as the balance sheet. Now let me turn the call over to Craig.

Craig Dubow - *Gannett Co., Inc. - Chairman, CEO*

Thanks, Gracia, and good morning, everyone.

As Gracia noted, we provided a thorough update at the MEANY presentations and our results are very much in line with the expectations we shared then.

Earnings per diluted share adjusted for special items were $0.41 for the quarter. Digital segment revenue growth was up 12% as stronger online employment ad demand positively impacted the results at Career Builder. Digital revenue company-wide was over 12% higher, as well reflecting our cross-platform sales initiatives.

Our Publishing segment revenue results lagged last year by 6%, reflecting the current state of the domestic economy. However, we had strength in auto and employment. Softness in certain sectors persists, particularly real estate here in the US and more broadly in the UK. Broadcasting segment revenues were down just $3.6 million, reflecting the challenge of overcoming our own success last year of over $24 million in Olympic, Super Bowl and political spending. Core TV advertising growth was solid, as was growth in retransmission fees and digital revenue in our Broadcasting segment.

Excluding the incremental impact of the events that benefited last year's revenue, total television revenues were up significantly. We're very pleased with the core growth in television. Our total revenues were down about 4%. Our expenses were lower overall reflecting our continuing efforts to create efficiencies across the company, particularly in Publishing. All of our businesses were solidly profitable in the quarter. We generated free cash flow of $216 million and we reduced our debt by over $160 million despite challenges to revenue growth.

Gannett has changed dramatically over the last few years, as you have seen. We have changed the way we gather and distribute content. We have successfully expanded our presence in our markets, both locally and nationally, through multiple platforms and devices. We are changing the way we sell in those markets to take advantage of that expanded reach.

The natural next step in the process was to launch our first corporate brand and national advertising campaign. Our new logo and tagline, “It's All Within Reach,” highlight our ability to deliver content to consumers any way they want to access it. The use of new platforms and devices are growing every day, and we are expanding along with that by continuing to extend our reach from print and broadcast to online to mobile to portable.

For our advertising customers and businesses, we are able to bring solutions to them that will help them grow. We are transforming, and our current and potential customers will benefit from the changes that we have made. Our brand campaign is an integrated B-to-B effort targeting the advertising, marketing and financial communities. Feedback has been positive. We believe it is critical that advertisers understand the scope and the power of our brand and all that we offer.

We also further strengthened our management team with two key appointments. We have added Maryam Banikarim as Chief Marketing Officer and David Payne as our Chief Digital Officer. Both individuals are industry leaders, and we are extremely pleased to have them both on board. We are certain their experience and insights will help guide and shape our efforts as we continue our progress.

Changing our sales culture to focus on solutions-based selling across all platforms continues to be a key priority for us. Gannett Client Solutions teams are gaining momentum as they collaborate with local market sales teams to target the highest potential accounts, those that currently have limited or no advertising with our local media organizations.

We have made significant progress, and they're continuing to build their pipeline of business.

In U.S. Community Publishing, we continued to make strides to support our vision for a world-class sales operation. In the second quarter, we will begin implementing the longer-term components in our top markets. These include installing CRM software and a new pipeline management process to help manage sales relationships. We are also realigning the sales organization.

Also important to our success is our ability to deliver digital solutions that are integrated as well as affordable and efficient to every advertiser in our local markets.

Our alliance with Yahoo! extends our digital reach of consumers to an average of 80% in local markets selling Yahoo!'s local inventory in addition to our own. We have launched in all of our USCP markets. Our local sales organizations are leveraging this extended reach to more effectively sell and compete on behavioral, demographic and geographic levels. We are performing ahead of our launch goals and continue to see more opportunity here.

In addition, as our results this quarter reflect, we have been particularly successful with classified verticals like automotive and employment. Gracia will go into that in more detail in just a few moments.

Coupon-related products have gotten a fair amount of media attention of late. Over the past year several Gannett properties have created new social commerce products that use the collective buying power to get great deals for consumers and traffic for local merchants. This business is a great fit for our Company because of our brands and our strong relationships with our businesses and consumers.

In September last year, the Arizona Republic launched DealChicken.com, a daily deal site similar to Groupon and Living Social. The site has grown quickly since then in terms of both audience and revenue. Similarly, in October of 2010, Clipper magazine launched its DoubleTakeDeals online coupon product. DoubleTakeDeals is experiencing good success and is now live across 450 magazines in 31 states. We are now extending the daily deals concept Company-wide to build on the success of these local offerings. Our unique value proposition in our local markets allows us to achieve efficiencies through centralization. We will be rolling out the Deal Chicken product in 57 of our large and medium-sized publishing and broadcast markets by year's end.

With both Deal Chicken and DoubleTakeDeals, a key differentiator for Gannett is our ability to tie the discount offers to several other types of local marketing products which, together, will deliver a much more robust campaign in order to build repeat business for our advertising customers.

In our Broadcasting segment we continued to extend the reach of our strong television brands in our local markets through Yahoo!, as well as local community sites. We are leveraging the strength of our own sales force with Yahoo!. Our initial seven Yahoo! broadcast markets have launched. Based on our solid performance to date, Yahoo! has opened up two additional rollout markets. At the same time, we have access to a telesales staff in our hyper local community sites. We're exceeding launch revenue goals across nine markets. We went live in our final market in January and now have 264 community sites across 10 markets.

During the quarter we exceeded our first-quarter revenue plan and delivered 3.2 million total community site pages, growing approximately 88% from the beginning of the quarter to the end of the quarter. All of these efforts helped drive an increase of almost 28% in television digital advertising in the quarter, and we continue to explore other initiatives. We are ramping up our social media efforts, including Twitter and Facebook, which are becoming even more important tools for gathering and distributing content.

Overall, the continued strength of our local news ratings, which is central to our television strategy, combined with firmer ad demand for key categories, which resulted in solid revenue growth in core advertising this quarter. Gracia will discuss that in a little more detail in just a moment.

Employment is another bright spot in our results and for the economy as a whole. Career Builder benefited from that strength as revenue growth both domestically and internationally resulted in a substantial increase in Digital segment revenue. Digital revenue in both Publishing and Broadcasting were up significantly as well. Overall, Digital revenue Company-wide increased over 12%, as I noted, and totaled over $250 million and 20% of our total revenues in what is typically our smallest quarter.

The focus on Digital continues with the proliferation of devices and changing media consumption. We need to be in the best position possible to harness all of the touch points we have with online and mobile users. More than 100 of Gannett's redesigned online mobile media sites launched locally and nationally last month. The redesign delivers richer content and supports on-demand video and significantly enhances the consumer experience. The new enhancements also enable business customers to effectively extend the reach of their campaigns across USATODAY.com in Gannett's local markets nationwide by standardizing ad units across the sites.

We are pleased with the early results, as a 30-day internal study indicated that video viewership, total visitors and page views all increased. Each of the initiatives noted here reflect our effort to change as media consumption evolves, and people are beginning to take notice.

Recently, Paid Content ranked its top 50 most successful digital media companies in the US, and Gannett was 12th. We continue to leverage the unique assets we have at the Gannett Company to enhance content distribution on any platform. We are quickly ramping up our ability to achieve even greater success selling across those platforms. That is crucial as we position the Company for our future growth.

And with that I will turn the call over to Gracia.

Gracia Martore - *Gannett Co., Inc. - President, COO*

Thanks, Craig. Revenue results for the quarter were impacted by several factors, as Craig noted. They reflect the general health of the economy here in the US and UK and the uneven recovery we are experiencing. They reflect strength in some sectors as well as continued softness in others, such as real estate. Overall, our total operating revenues were down almost 4% and totaled $1.3 billion.

Reported operating expenses for the Company for the quarter were down as well. As a result, the Company was solidly profitable despite the challenging advertising environment as operating income excluding special items was $192 million.

Earnings per diluted share for the quarter on a GAAP basis were $0.37. But if you exclude those special items, earnings were $0.41 per share. We detailed the special items in the release this morning. In summary, in the first quarter they totaled approximately $14 million pre-tax. Approximately $8 million was due to facility consolidations and $6 million pre-tax was a result of workforce restructuring.

We provided reconciliations of those several non-GAAP items to our GAAP schedules in our release this morning as well. As you may recall, we sold The Honolulu Advertiser and its related assets in a small directory publishing business in the second quarter of last year. Results for these performer properties have been reclassified to discontinued operations. Revenues from those properties totaled approximately $23 million in the first quarter last year. Of course, we cycle those events next quarter.

So looking at each of our segments in a little more detail, total Publishing segment revenues were just over 6% lower. They reflect continuing strength in auto and employment in the US. However, that was offset by softer ad demand in certain sectors, most notably real estate domestically and overall in the UK. Severe weather in the Northeast, the South and in the UK as well as a later Easter this year also impacted results.

Revenues for our domestic Publishing operations declined 6.5%. Classified advertising, however, improved sequentially within the quarter and was down about 3% for the quarter and was down just 2% in March. The automotive and employment categories continued the positive runs that began four quarters ago. Auto advertising was up over 6% in the quarter, and employment revenue growth was also significantly higher, up over 7%. Here, too, there was sizable sequential improvement within the quarter, finishing with March over 13% higher.

In real estate, year-over-year comparisons were slightly better in the first quarter relative to the fourth quarter. However, the real estate category was down domestically, reflecting housing issues across the country. In its most recent Beige Book, the FOMC noted that real estate markets for single-family homes for the most part either were little changed from low levels or continued to weaken across all districts. As we have noted in the past, we believe the real estate meltdown led the cyclical slowdown, so a complete recovery of the economy will be dependent on a real estate market that is growing or, at the very least, has stabilized.

National advertising was volatile, to say the least, both here and in the UK with double-digit percentage point swings month to month. At USA TODAY, there was strength in the telecom and credit card categories while several other key categories declined compared to the first quarter last year. As a result, total national advertising across all publishing was down about 11% in the quarter. Retail advertising demand was hindered by softer ad demand overall in addition to the weather in the Northeast and the South and the later Easter.

In the UK, revenue at Newsquest was about 7% lower in pounds in the quarter. The economy there, as we have noted, continues to be very fragile. Consumer confidence is subdued, as shown by retail sales, which posted the worst numbers in 15 years, driven by concern about the impact of public sector cuts. Reduced public sector spending, together with this lack of confidence, continues to affect revenues.

The other revenue category, primarily commercial printing, however, continues to be a bright spot. It was up 30% for the quarter and is about 9% of their total revenues, eclipsing national advertising. Our cross-platform sales efforts continue to take hold. U.S. Community Publishing digital revenue growth increased over 13% with key categories like auto, employment, national and retail all delivering double-digit growth. And at USA TODAY, their digital growth was 19% higher in the quarter.

Now let me turn for a moment to expenses. Reported Publishing expenses this quarter were down about 2%. Excluding special items, however, Publishing expenses were 3% lower year-over-year. Once again, the decline reflects our effort to drive efficiencies as well as the impact of facility consolidations over the past several quarters. Higher newsprint costs, which were up about 12.5%, tempered the lower level of operating expenses. Significantly higher newsprint usage prices were offset partially by a decline in consumption of almost 10%.

Now let me just say a few words on the current status of the newsprint market. Newsprint shipments declined to offshore markets and domestically throughout the first quarter. While some supply rationalizations have been announced, these adjustments are not expected to offset the cumulative effect of current soft market conditions. As a result, downward price pressure may grow.

At this point, however, newsprint usage price comparisons in the second quarter of 2011 are expected to be unfavorable, although not to the extent they were in the first quarter, and consumption is expected to be lower.

As a result of the revenue and expense picture, Publishing segment operating income excluding special items was about $131 million, and operating cash flow on the same basis totaled almost $163 million.

Moving to the Broadcasting segment, again a real bright spot for us, revenue was just $3.6 million lower in the quarter despite the absence of $24 million of ad spending associated with several events last year. We benefited last year from $18.6 million in Olympic advertising on our NBC-affiliated stations, $3.3 million in politically related ad spending and $2.2 million in ad demand related to the Super Bowl, which this year moved to Fox from our CBS stations. If you exclude the incremental impact of these events, total television revenues were over 7% higher.

Core advertising remained strong in the first quarter, continuing the momentum we saw last year. Looking at March revenue results, which were not impacted by Olympics or the Super Bowl, core advertising was up 5.5%, driven in part by strength in auto. For the quarter retransmission fees were up significantly, about 26% to $19.5 million.

And Digital revenue growth in TV was up almost 28%. As Craig noted, efforts to extend our reach through local community sites and our alliance with Yahoo! contributed to the online revenue growth. Expenses in Broadcasting were up approximately 1%. Therefore, operating income totaled $63.5 million while operating cash flow was almost $71 million despite the revenue headwinds.

Looking at the second quarter, comparisons again will be difficult with almost $12 million in political spending in the second quarter last year. We do, however, expect the momentum in core advertising to continue as well as the upward trend in retrans fees. So, based on current trends, we expect total television revenues for the second quarter to be flat compared to the second quarter of 2010. Excluding the incremental impact of political spending, the percentage increase in total television revenues in the second quarter this year compared to last year is expected to be up in the mid-single digits.

Now turning to the Digital segment, revenues there were 12% higher in the quarter, driven primarily by higher online employment ad demand that positively impacted CareerBuilder's results. Digital segment expenses were well-managed and were up just a little over 3%. As a result, operating income was up substantially, almost fivefold, to a little over $16 million from $3.4 million last year in what has typically been the Digital segment's smallest quarter.

Similarly, operating cash flow more than doubled to almost $24 million. As Craig noted, for the entire Company, Digital revenue totaled $251 million, over 12% higher, and approximately 20% of total revenues.

Turning quickly to the balance sheet, we generated about $216 million in free cash flow and we used part of that to reduce debt by $164 million. At the end of the quarter long-term debt stood at $2.2 billion and cash at quarter end was $142 million.

Interest expense in the quarter was about $3.2 million higher year-over-year as the sharp decline in the average debt balances was offset by higher average rates as our debt mix shifts to longer-term fixed-rate debt. At this point our all-in cost of debt is approximately 7%. Our debt to EBITDA covenant at the end of the period was about 1.9 times, giving us tremendous financial flexibility.

One last financial item -- capital expenditures in the first quarter were $12.6 million.

Before we open the call to questions, I want to focus for a few moments on our proven ability to consistently generate free cash flow even in the most challenging economic environments. As we noted, free cash flow was $216 million. We define that as net cash flow from operating activities less the outlay for capital expenditures during the quarter, plus the net of payments for and proceeds from investments.

We believe that our Publishing, Broadcast and Digital businesses, each quite profitable on their own, are integral parts of our business as a whole. The most fundamental economic way to understand Gannett as a whole is to understand our free cash flow and what we have done and can do with it. We have substantially delevered the balance sheet over the past two years from $3.8 billion of debt at the end of 2008 to $2.2 billion at the end of the quarter, and we have the financial flexibility to invest in all of our businesses, especially Digital.

With a strong balance sheet and with more clarity on the economy, which we hope will come in the second half of the year, we will be in a better position to consider returning additional capital to shareholders through either share repurchases and/or dividends.

So in summary, we are making dramatic changes in our ability to distribute content across all platforms, and we are improving our capability to sell across those platforms. That, combined with the earnings power of our businesses and the financial flexibility we have to invest in future growth opportunities, puts Gannett in a unique position to grow with the changing landscape.

And with that, we will open it up for questions.

QUESTION AND ANSWER

Craig Huber - *Access 342 - Analyst*

Gracia or Craig, can you give us a little sense of how your April newspaper ad revenues are doing? I'm also curious if you're planning on doing newspaper furloughs again in the second quarter. I believe you did them in the first quarter.

Gracia Martore - *Gannett Co., Inc. - President, COO*

Craig, on the newspaper revenue side, Publishing revenue side, April will benefit from the later Easter that impacted March. As well, in the UK we are going to be the beneficiary of some special events surrounding the wedding, the royal wedding in the UK. So at this point, we are anticipating that revenues will look a bit better in April than they have, certainly, in the prior three months.

As to the second part of your question --

Craig Dubow - *Gannett Co., Inc. - Chairman, CEO*

The question was regarding furloughs. And, Craig, as we always do, we take that element very, very seriously. We are going to see how the quarter starts shaping. And again, it will be a position that we look at as we move forward.

Gracia Martore - *Gannett Co., Inc. - President, COO*

Although I will say, Craig, in our Publishing, U.S. Community Publishing, we are taking some minor furloughs, about 1000 folks or so. And that, at this point, is the extent, basically, of the furloughs that we are taking across the Company.

Craig Huber - *Access 342 - Analyst*

And also, Craig, if I could ask, on the auto side within television, how did that perform as a percent change there in the quarter? Is that, say, 20% to 25% of the total TV revenues?

Craig Dubow - *Gannett Co., Inc. - Chairman, CEO*

Yes, it's in that range, about 23% to 25%. Overall, for the period three, I can give you that. It's up 13% plus at this point. There was a bit of softness as we came in the first two months, but that seems to, certainly, have improved and has been a big factor in the overall success for Broadcast.

Craig Huber - *Access 342 - Analyst*

Do you have it, Craig, for the whole quarter?

Gracia Martore - *Gannett Co., Inc. - President, COO*

It was down slightly, Craig, but you have to recall that with Olympics, that's a big auto number.

Gracia Martore - *Gannett Co., Inc. - President, COO*

So if you exclude the special event of Olympics, auto performed very, very well for us in the quarter and in the month of March, which I think is indicative of how things are going.

Craig Dubow - *Gannett Co., Inc. - Chairman, CEO*

I think you've got to be careful how you look at that, and I think March is probably going to be more reflective on a pure year-over-year comparison.

Craig Huber - *Access 342 - Analyst*

And the last thing, if I could just ask, your CareerBuilder sales force-only revenues -- what was the percent change there in the quarter?

Gracia Martore - *Gannett Co., Inc. - President, COO*

Yes; CareerBuilder had a very strong quarter, and their network global revenue was up about 14% year-over-year.

Craig Huber - ***Access 342 - Analyst***

Was your own sales force in line with that, sales force only?

Gracia Martore - ***Gannett Co., Inc. - President, COO***

Are you talking newspaper-driven, the partners?

Craig Huber - ***Access 342 - Analyst***

Well, no, CareerBuilder sales force only-generated revenue, which you typically help us with? As opposed to the network.

Gracia Martore - ***Gannett Co., Inc. - President, COO***

CB-driven revenue was actually up about 16%. Newspaper-driven was up, but not, obviously, as significantly as CB-driven.

Craig Huber - ***Access 342 - Analyst***

Okay, thank you.

Alexia Quadrani - ***JPMorgan Chase & Co. - Analyst***

Your Broadcast guidance for the second quarter in the core guidance, if you include political, implies a little bit of moderation from what you saw in the first quarter, particularly if you take out the acceleration in re-trans you are expecting. Is that just an element of conservatism, I guess, looking forward, or are you seeing the core slow down a little bit?

And just staying on the second quarter, if you can give us a little bit of detail of what you think the positive impact of Easter may amount to -- sorry, on the Publishing side.

Craig Dubow - ***Gannett Co., Inc. - Chairman, CEO***

First, on Broadcast, it has been a very, very solid start with the quarter. And as we have commented, particularly in the automotive area and telecom area, we have seen quite a bit of real strength as well as in media. To say that there is anything moderating, I would not agree with that at this point. It's, I think, pretty consistent with where we are trying to go at this point, Alexia.

Gracia Martore - *Gannett Co., Inc. - President, COO*

I think there may be a little bit of conservatism as we watch and wait to see the impact of the Japanese situation. As you know, there were several plants there that were closed. There are some key parts that are needed here that aren't necessarily flowing. So I think, as we start out the quarter, we want to be a little bit conservative as that other situation plays out.

Alexia Quadrani - *JPMorgan Chase & Co. - Analyst*

And is there any way to quantify how much of a benefit Easter may be on the publishing side in April?

Gracia Martore - *Gannett Co., Inc. - President, COO*

It's probably in the single millions, low to mid-single millions of dollars, off the top of my head.

Alexia Quadrani - *JPMorgan Chase & Co. - Analyst*

All right, thank you.

Michael Kupinski - *Noble Financial Group - Analyst*

Thank you for taking the question. You guys are holding down the costs on the corporate side, which came in little lighter than I expected. Does your branding campaign fall in that line item? And can you just give us some thoughts on how -- any updates on the corporate expense for the year?

Gracia Martore - *Gannett Co., Inc. - President, COO*

Sure. I think of the corporate expense side, the branding campaign does impact that line item. Some of that was accrued earlier. But as well, I think we have the benefit of a little bit lower stock-based compensation number on the corporate side. But I would say it will be in that general run rate or a little bit higher through the remainder of the year.

Michael Kupinski - *Noble Financial Group - Analyst*

Okay. And just going back to the Digital revenues, they were obviously strong, probably the best we've seen for well over a year, a couple of years. Do you have any thoughts on how that is shaping and pacing into the second quarter? Are you seeing similar rates of growth from the first quarter?

Craig Dubow - *Gannett Co., Inc. - Chairman, CEO*

That would be a pure guess at this point, Michael. We are seeing continued opportunity. And as we said in the prepared comments, it really is dependent in great part on the economy because, as the economy improves, we are well-positioned. And I think you are seeing that with a bit of a bump-up in the employment number to the positive. And that is going to carry through in what Matt has positioned with CB. So I would expect that to continue.

Gracia Martore - ***Gannett Co., Inc. - President, COO***

And just to add to what Craig said, on the Yahoo! side we have been ramping up and so we should have a good, strong full quarter in the second quarter, similarly to the local community websites that we are doing on the Broadcast side. And then, as Craig said, early indications are that CB is starting the quarter well. So we anticipate good follow-through on the Digital front.

Craig Dubow - ***Gannett Co., Inc. - Chairman, CEO***

Michael, the other thing, just to carry on to the Yahoo! part and now with the additional Yahoo openings we had in our broadcast markets, I think, is a very, very good signal. Dave Lougee and the team are really working hard. But again, when you have the combined reach that we have now in the marketplace, as we discussed in the comments, I think you're going to see some real positive opportunity as we go forward. So we're quite excited by what we are seeing early on and only believe that's going to further expand.

And additionally, with the 264 hyper-local community sites that we have, we are seeing some positive progress on that as well. And that is now in 10 of the Broadcast markets. So with that, we are quite hopeful that, again, as the economy improves, we should have some nice improvement on that end.

Michael Kupinski - ***Noble Financial Group - Analyst***

Thank you, and just one final question -- the margins in Publishing obviously took the biggest tumble in well over a year, and you guys were just doing an incredible job last year. Some of that obviously is the newsprint. But I was wondering if you can just talk about the individual components of Publishing, whether or not any one of those divisions, whether it be Newsquest or the community newspapers or USA TODAY, had a disproportionate impact on the margins.

Gracia Martore - ***Gannett Co., Inc. - President, COO***

On the margin side in Publishing, in the first quarter that's always typically our smallest quarter. And when you have newsprint expense going against you, whereas it was a positive in the first quarter of last year, that has a disproportionate impact on margin. I think you will see as the year unfolds that revenues and expenses will be in better alignment and we will make good progress on the margin front.

Michael Kupinski - ***Noble Financial Group - Analyst***

So that's basically -- Gracia, just to follow up on that, what you are saying is that all of the components in Publishing, including USA TODAY, Community and Newsquest, all saw just lower margins, and they were all proportionate to the margin decline for the total Company?

Gracia Martore - ***Gannett Co., Inc. - President, COO***

Basically proportionate. I wouldn't call out one over the other. USA TODAY may have had a little bit more volatility to their margin, but I wouldn't call out any other.

Michael Kupinski - ***Noble Financial Group - Analyst***

Okay, great, thank you.

Jim Goss - ***Barrington Research Associates, Inc. - Analyst***

Starting off, what is the current mix within classified advertising of the auto-employment-real estate? I think I remember it historically had been about a 30-ish, but now you're getting some varied experienced. I'm just wondering how it looks right now.

Gracia Martore - ***Gannett Co., Inc. - President, COO***

Within classified, Jim, or within all the categories?

Jim Goss - ***Barrington Research Associates, Inc. - Analyst***

No, just within the classified category; how does it break down right now?

Gracia Martore - ***Gannett Co., Inc. - President, COO***

On the classified side, depending on whether --

Jim Goss - ***Barrington Research Associates, Inc. - Analyst***

You could even use US, international, and total, I suppose.

Gracia Martore - ***Gannett Co., Inc. - President, COO***

Yes. At Newsquest, there's a higher predominance of classified as a percentage of their total revenues. But in US Community Publishing and domestically, we are probably in the 30% range on auto, 20% to 22% in employment and 15% or so in real estate. And all other is another 25%, and some legal spending, whereas at Newsquest, auto would be about half of what it is in the US, employment would be in that 25% range and real estate would be a bigger category for them, in the 20% to 25% range. And then their all other would be a similar kind of number.

Jim Goss - ***Barrington Research Associates, Inc. - Analyst***

What do you think it will take to get real estate to improving within the context of still high foreclosure activity that probably creates continuing pressures in that category even if housing prices started to move up?

Gracia Martore - *Gannett Co., Inc. - President, COO*

Yes. I think, as the Beige Book indicated, we are going to need to see the foreclosure situation abate, and we're going to need to see new homes permits picking up. So it will depend on the part of the country, how quickly or not quickly the market picks up. But we really need to see the foreclosure side of the equation improve a bit more before you can see new home permits picking up in any consequential way.

Craig Dubow - *Gannett Co., Inc. - Chairman, CEO*

There will be, as you know, Jim, just by region just scores of inventory on the market. So there's going to be lots of question. But again, our real hope is to see the improvement on the overall economy, because that's going to be the first key indicator for us as we look at real estate overall. And let's just hope that we are nearing the end, despite the comments from each of the districts from the Fed Book or the Beige Book.

Jim Goss - *Barrington Research Associates, Inc. - Analyst*

And I'm just wondering, at what point do you not have huge decline on huge decline, at least some leveling in that? And the other area I want to ask about is USA TODAY. I was wondering if you would provide an update regarding travel, as to its impact on both advertising and circulation, and maybe throw in any progress regarding the monetization of the iPad edition.

Gracia Martore - *Gannett Co., Inc. - President, COO*

Sure. On USA TODAY, the travel category represents several percentage points of their total revenues. And they are still being somewhat impacted by the travel situation. That has seemingly bottomed out, although we are keeping a close eye on what higher fuel prices is going to translate into with regard to airline prices and travel over key holidays, such as Memorial Day and the 4th of July.

So there's still, clearly, an impact from those events, from those areas. But USA TODAY is doing a very good job of improving its vertical on the travel side and looking at other opportunities to garner additional dollars there. So I think it will be interesting to see how all of that plays out for the remainder of the year.

And as to the monetization of the iPad, they continue to do a good job in attracting advertising to that platform and continue to support the efforts that we have there. But that's something that's under constant review here.

Craig Dubow - *Gannett Co., Inc. - Chairman, CEO*

And all I would say, Jim, in addition, on the iPad, our version 2 came out for Apple, and then we launched our first version on the Honeycomb Android. And certainly with tech, it immediately jumped, lots of popularity to it, and as well with travel. So as that continues, the numbers are going to be very interesting as we move forward. It's a very positive environment, and with the number of awards and other things, we seem to be winning monthly. People seem quite satisfied with the offerings. And that's just going to continue to grow. So we are really excited by that.

Jim Goss - *Barrington Research Associates, Inc. - Analyst*

All right, thanks Craig, thanks Gracia.

Doug Arthur - *Evercore Partners - Analyst*

Gracia, what tax rate assumption did you build in to get to the $0.41? It looks a little bit lower, on a normalized basis, than a year ago.

Gracia Martore - *Gannett Co., Inc. - President, COO*

Actually, as we said at MEANY, our tax rate was about 30.7%, which is actually right in line with last year's tax rate. You have to take out special items. And last year you also had the Medicare credit that impacted taxes. But when you solve for apples to apples, it's right in line with last year's tax rate.

Doug Arthur - *Evercore Partners - Analyst*

Okay, and then the big jump in net income attributable to non-controlling interest, I assume, is mostly CareerBuilder?

Gracia Martore - *Gannett Co., Inc. - President, COO*

Yes, yes, it is.

Doug Arthur - *Evercore Partners - Analyst*

Okay, and then finally, do you have a number on USA TODAY ad pages year-over-year?

Gracia Martore - *Gannett Co., Inc. - President, COO*

You know, Doug, we probably are not going to be giving out ad page numbers because they really don't reflect the totality of the platforms that USA TODAY has. USA TODAY is not just a print product; it is a combination of print, web, mobile, iPad, a lot of different devices. And so I think we will, in the future, be reporting on their total results rather than giving out just pages, which is only one part of their distribution.

Craig Dubow - *Gannett Co., Inc. - Chairman, CEO*

It's just not -- agreed -- it's just not fully reflective of the opportunity that it's providing for us.

Doug Arthur - *Evercore Partners - Analyst*

Okay, thank you.

Edward Atorino - *The Benchmark Company - Analyst*

Could you give us the year-to-year change in revenues for CareerBuilder as opposed to the other Digital stuff?

Gracia Martore - *Gannett Co., Inc. - President, COO*

Yes, Ed. I think that we indicated that with regard to CareerBuilder, their -- CareerBuilder-driven revenues were up about 16%.

Edward Atorino - *The Benchmark Company - Analyst*

And the non-CareerBuilder?

Gracia Martore - *Gannett Co., Inc. - President, COO*

Would have been up, a lesser amount.

Edward Atorino - *The Benchmark Company - Analyst*

Got you. Speaking of the tax rate, any guidance going forward on a normalized tax rate?

Gracia Martore - *Gannett Co., Inc. - President, COO*

It varies quarter to --

Edward Atorino - *The Benchmark Company - Analyst*

I know.

Gracia Martore - *Gannett Co., Inc. - President, COO*

And, you know, some good things tend to happen in the quarter, and so we take advantage of those. Looking into the second quarter, on a normalized basis, I would use for modeling purposes at this point a 33% tax rate. But there may be some significant changes that will be of a one-time nature that, as we get better clarity on them, we will certainly share information around it.

Edward Atorino - *The Benchmark Company - Analyst*

Thank you. Did you say retrans was $12.6 million?

Gracia Martore - *Gannett Co., Inc. - President, COO*

No; I think I said $19.5 million.

Craig Dubow - *Gannett Co., Inc. - Chairman, CEO*

It's a solid number, up very nicely.

Edward Atorino - *The Benchmark Company - Analyst*

And Digital? Did you give a Digital number?

Gracia Martore - *Gannett Co., Inc. - President, COO*

Yes. Company-wide we said Digital --

Edward Atorino - *The Benchmark Company - Analyst*

No, for Broadcasting.

Gracia Martore - *Gannett Co., Inc. - President, COO*

Oh, Broadcasting? We gave a TV Digital number, which was up 28%.

Edward Atorino - *The Benchmark Company - Analyst*

Okay, dollar amount?

Gracia Martore - *Gannett Co., Inc. - President, COO*

We didn't give dollar amounts.

Edward Atorino - ***The Benchmark Company - Analyst***

Okay, thanks.

Amy Stepnowski - ***Hartford Investment Management - Analyst***

I was wondering if you could just remind us about the relationship between your auto classifieds and Classified Ventures, particularly autos.com, how the two relate and if the improvement in auto classifieds is reflective of what you are seeing in your ownership in cars.com.

Gracia Martore - ***Gannett Co., Inc. - President, COO***

I think that, everywhere you look, auto is a positive. So both at the cars.com level and in our businesses, as we have just been detailing. In Broadcast, as well as in our auto classified, auto has been, over the last several quarters, a real positive across the board.

With regard to classified, cars.com -- we sell cars.com through our local businesses as well as directly through cars.com. And so both of them have benefited from the relationship that we have between the two of them.

Amy Stepnowski - ***Hartford Investment Management - Analyst***

And that's because you are an owner in cars.com, you have an exclusive for being able to sell their advertising? Is that correct?

Gracia Martore - ***Gannett Co., Inc. - President, COO***

Well, it varies market to market. But in the markets that we serve, we would be the only media outlet that would sell cars.com.

Amy Stepnowski - ***Hartford Investment Management - Analyst***

Okay, great, thank you very much.

Barry Lucas - ***Gabelli & Co. - Analyst***

Thank you and good morning, I appreciate getting a chance here. Craig or Gracia, could you talk about regional variances around -- and, in particular, if any green shoots are appearing in the really tough states of Arizona, California, Nevada and Florida?

Gracia Martore - ***Gannett Co., Inc. - President, COO***

You know, Barry, on the regional variation front, we are seeing actually better numbers on the real estate front in those markets, which may, in part, be some of the foreclosure sales or other activity such as that. But on the auto and employment side, those four states -- I'm sorry, on the auto side, those four states continue to lag what are very positive results in the other states.

Our employment revenue in everything but those four states is about two to three times better. So it really varies from category to category, but we are seeing a little bit better results on the real estate side than we were seeing, and also a little bit better on the retail front. And it depends on the state, but feeling -- particularly in Arizona, we have seen some good results there in our Arizona media properties.

So it's a bit of a mixed bag, but a little bit of green shoot, I suppose, if you could call it that.

Barry Lucas - *Gabelli & Co. - Analyst*

Great, thanks very much.

Gracia Martore - *Gannett Co., Inc. - President, COO*

Thanks very much for joining us today. And if you have any additional questions, you can reach Jeff Heinz at 703-854-6917, or me at 6918. Have a terrific day.