GANNETT CO., INC. Q2 2011 EARNINGS CONFERENCE CALL JULY 18, 2011
(EDITED FOR CLARITY AND ACCURACY)

CORPORATE PARTICIPANTS

Craig Dubow
Gannett Co. Inc. - Chairman and CEO

Gracia Martore
Gannett Co. Inc. - President and COO

PRESENTATION

Operator

Good day, everyone, and welcome to the Gannett second-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 conference over to Gracia Martore. Please go ahead.

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

Thanks, Corina. Good morning and welcome to our conference call and webcast to review our second-quarter results. Hopefully you have had the opportunity to review this morning's press releases. You can also find them 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 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 reconciliations of those measures to the most directly comparable GAAP measures in the press release and on the investor relations portion of our website.

In addition to our earnings release this morning, we announced two important capital allocation actions to return more value to our shareholders. Craig will discuss those decisions, briefly review the quarterly results and comment on the status of several strategic initiatives. 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?

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

Thanks, Gracia, and good morning, everyone. We are very pleased to announce this morning that the Board of Directors approved a doubling of our quarterly dividend from $0.04 to $0.08 and that we are resuming share repurchases under the $1 billion program authorized originally in mid-2006. We are committed to creating value for our shareholders, and the actions announced today reflect that commitment.

Over the past couple of years, we have further strengthened our balance sheet by using our free cash flow to aggressively reduce our debt. In addition, we issued longer-term debt to construct a very manageable debt maturity schedule and extend our revolving credit facilities. As we have stated previously, we wanted added clarity on the economy to be in a position to assess the best approach to returning capital to shareholders. We are taking these actions because we have confidence in our long-term growth prospects, our ability to consistently generate free cash flow and our strong financial position. As importantly, we will continue to have the financial flexibility to invest in our businesses and pursue new opportunities.

Regarding the dividend increase, it is the company's 172nd consecutive quarterly dividend spanning a period of 44 years since the company went public in October of 1967. In terms of share repurchases, we believe at current price levels, our stock is a great investment. And resuming the share repurchases plan underscores that conviction.

At this point, we have just over $800 million of remaining authority under the original authorization, and we expect to repurchase up to $100 million of shares over the next 12 months. Of course, as we have noted in the past, our board will regularly reassess these actions as economic and business conditions continue to evolve. We see many opportunities for future growth. The Gannett Company is uniquely positioned to capture those opportunities as consumer consumption further increases and media companies adapt to meet this change.

During the quarter, we continued progress on several fronts, most notably, our cross-platform selling efforts and leveraging the power of our local brands. Before I give you an update on our efforts, let me briefly cover our second-quarter results.

Overall, the results reflect the current state of economies here and in the UK -- strength in some sectors while in others a challenging environment for ad demand. Our efforts to sell across platforms and to focus on Digital are, once again, reflected in solid revenue growth in these areas in all of our business segments.

Earnings per diluted share adjusted for special items totaled $0.58. Revenue company-wide was 2% lower for the quarter due to softer ad demand stemming from the unsteady economy; tough comparisons in our Broadcasting segment; and the impact of the crisis in Japan had on auto and consumer electronics sectors here in the US.

Revenue results in our Digital segment were very strong again this quarter. Revenue in this segment was up almost 13% in the quarter, driven primarily by very strong results at CareerBuilder both domestically and internationally. Digital revenue company-wide advanced 13% as well, reflecting the growth in the Digital segment in addition to solid online revenue growth in both our Broadcasting and Publishing segments. Total Digital revenue was $276 million, almost 21% of total company revenues. Digital revenue year to date totaled $529 million.

Total Broadcasting segment revenues was up slightly. That was quite an achievement, given the challenge of overcoming our success and garnering political dollars last year -- $12 million in the second quarter alone. Strong growth in Digital advertising and a 24% increase in retransmission fees in television contributed to the results.

Publishing revenues were down just under 5% and reflect, in large part, the softening economic environment here and particularly in the UK. While the economy seemed to be improving through the end of last year, growth slipped in many areas of the country. Classified advertising categories were all impacted, including auto and employment. Real estate advertising demand continues to lag, reflecting what is sure to be a slow recovery in housing.

Digital revenue growth was a bright spot, as the Publishing segment at US Community Publishing, Newsquest, and USA TODAY all achieved increases.

Expenses company-wide, excluding special items, declined overall as we continue our focus on efficiency efforts across all of our businesses. Our Broadcasting and Digital segments expanded their profitability in the second quarter. The Publishing segment was solidly profitable despite the economic challenges. As I noted, we continue to drive change here at Gannett to adapt to the changing media landscape. This is particularly evident in our approach to a sales process in our local media franchises. A more complex selling environment and our transformation to multimedia organization calls for a better understanding of our business clients, marketing, and communication challenges and a new suite of services that get better results for our customers.

This new environment also opens up new revenue opportunities as we help businesses understand, utilize, and reap the benefits of our engaged and loyal audiences. A number of sales initiatives are in the works to create greater value for advertisers, drive differentiation and enhance our sales performance. Gannett Client Solutions teams in place since the fourth quarter last year are gaining traction. The four regional teams collaborate with local sales management to target the highest potential local accounts and offer them more than traditional reach and frequency. The regional groups have fulfilled marketing needs that extend further into nontraditional advertising avenues. They range from developing mobile apps; to managing social media to event planning; to leveraging database analysis for customer acquisition programs. We are focused on cross-platform sales and leveraging our local brands in our Broadcasting segment as well. Our Digital sales efforts, particularly local community sales, resulted in a jump of almost 30% in online revenue for our TV stations this quarter.

During the quarter, we had a great example of our TV stations showcasing the power of the local brand. The show, The Voice, has done very well on NBC with strong help from Gannett NBC stations and the marketing blitz around the show.

Gannett TV stations had an extremely strong showing and dominated the ratings since the show's launch. In the top 25 metered markets for all of NBC stations, Gannett consistently had three stations ranked in the top five every week. Among all metered markets, Gannett had the four highest rated stations on three nights and the Gannett station was ranked number 1 six times.

Driving these outstanding ratings was a marketing effort that included several techniques that went beyond traditional on-air methods. Social media, for instance, was a critical component and included everything from live chats to polls to fan comments on topics like performers, choice of music and judges.

Our NBC-TV stations built momentum to The Voice by engaging local consumers in different and innovative ways and by providing extra promotional muscle on air, online, and using social media. The success of The Voice demonstrates the impact of Gannett Broadcasting's collective strength and the ability to help push a strong show even further ahead of our competition.

While the strength of the local brand is critical to the success of our TV stations in their markets, equally important is the steadfast quality on local reporting. Our NBC affiliate, WGRZ in Buffalo, recently received the 2011 Edward R. Murrow award for overall news excellence in a small market for doing just that -- focusing on stories and issues that are of interest to the community; giving reporters the latitude to cover them; and affording them the requisite air time, are all keys to the award-winning coverage. The right combination of people, commitment to compelling stories, and then covering them in depth resulted in solid watchdog journalism that can better a community. And the effort has resulted in improving ratings for the station as well.

The power of our local brands, our deep connections to and our knowledge of the communities we serve and our reach within those communities, are key differentiators for Deal Chicken, our daily deal site. They will help Deal Chicken more effectively serve both merchants and consumers build long-term relationships that will last beyond the single daily zeal. Another key difference for our product is our ability to combine the discount promotion with several other types of media, including print and online products. The result is a much broader ad campaign and increased potential for repeat customers.

Deal Chicken has produced outstanding results in the Phoenix market. It is consistently one of the top three daily deal products in the market and often working its way in the number two position. We have committed to rolling out the product in 50 of our largest Publishing and Broadcasting markets and began that rollout early last week with launches in St. Louis, Cincinnati, Detroit, Washington, DC, and Rochester. A business that used Deal Chicken in Phoenix said that it, and I quote, worked epically. That kind of success has resulted in a 41% increase in revenues in the Phoenix market for Deal Chicken from the first quarter to the second quarter.

I touched on just a few of the initiatives that are underway here at the Gannett Company. They all have a common thread -- our local market presence, knowledge, and the ability to leverage and scale it. We continue to stretch and adapt to the consumer and advertiser, and those efforts are moving ahead very strongly. We are confident in our long-term growth as well as our ability to generate cash flow. We have the financial flexibility and the strength of the balance sheet to resume share repurchases and increase the dividend. And at the same time, we'll have the ability to invest in future growth opportunities, which is critically important.

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

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

Thanks, Craig, and good morning, again.

Our second-quarter revenue results once again reflect the confluence of several factors. We benefited from the positive impact of our efforts to create new revenue opportunities, particularly in Digital, as well as overcoming our own terrific success last year generating political ad spending. The economic environment continues to present a headwind with a bit of deceleration here and continuing challenges in the UK. As a result, total company revenues were $1.33 billion, a 2.2% decline, but a sequential improvement from the first-quarter comparisons.

Our expenses were down 1.3% excluding special items as we continue efforts company-wide to be as efficient as possible and well-positioned to benefit when the pace of economic recovery improves. Lower expense levels were achieved in both Publishing and Broadcasting. Digital segment expenses were higher, reflecting the substantial revenue growth there and investments in new initiatives.

As a result, the company generated operating income excluding special items of $257 million and operating cash flow of $307 million. We detailed those special items in the release this morning. This quarter, on a pretax basis, approximately $9 million was due to workforce restructuring, while over $6 million related to facility consolidations.

We had a net tax benefit of over $20 million related primarily to a tax settlement and other items covering multiple years. In total, that resulted in a $0.04 benefit to reported earnings per share. Results for the second quarter last year included a net tax benefit of almost $29 million or $0.12 per share. We provided reconciliations of those several non-GAAP items to our GAAP schedules in our release this morning as well.

From a cash flow perspective, net cash flow from operating activities totaled $191 million for the quarter and free cash flow totaled $180 million. Through the first half of the year, the company has generated free cash flow of almost $400 million.

Focusing a little more closely on the segments, total Publishing segment revenues were down about 5% in the quarter. That was a better result than first-quarter comparisons. In fact, advertising, circulation, and other revenue comparisons all improved from first-quarter comparisons.

Reflecting our focus and investment in circulation, particularly Sundays, circulation revenue was down just 1.7% and trended better within the quarter, finishing in June with less than 0.5% decline. And the good news on the volume front was that in June, total Sunday circulation was actually up 1.2%.

Digital revenues in Publishing were up over 12%, an increase of almost 9% in online ads at US Community Publishing, contributed to the growth, as did a 23% increase in Digital revenue at USA TODAY.

Domestically, Publishing revenue was about 6% lower. Classified advertising in the US was impacted by the deceleration in the economy. Auto advertising was down about 4%. Employment was virtually flat to last year and real estate continues to lag. The decline in real estate advertising this quarter was in line with first-quarter comparisons. While we believe the impact to the auto category across all of our businesses from the earthquake in Japan will be temporary, the housing market issues will take some time to sort themselves out.

Turning to national advertising in the Publishing segment, it was about 8.5% lower. An increase of almost 3% in pounds at Newsquest was offset by softer ad demand at USA TODAY. Newsquest benefited early in the quarter from the royal wedding with national advertising up over 12% in April. At USA TODAY, significant growth in the telecom and financial categories among some others was offset by declines in some other categories.

Retail advertising was down, although comparisons both here and in the UK were better this quarter than the first quarter. That reflects, in part, a later Easter.

Revenue overall at Newsquest declined about 7% in pounds, reflecting again the economic realities there. In the quarter, they did benefit from the royal wedding and the timing of the later Easter, as I noticed.

Overall results were muted during the quarter, as consumers are cutting back because of the tough economic climate, worries about rising fuel prices, and job uncertainty. So the economic challenges persist and impact our results.

Publishing expenses this quarter were down about 1%, but excluding those special items, expenses were almost 3% lower. As noted, the continuous effort to create efficiencies has helped to reduce expenses. Those savings were offset in part by an increase in newsprint expense of over 9%. A decline in usage of approximately 9% was more than offset by a 20% increase in newsprint usage prices.

Now focusing for a moment on the current newsprint market, demand for newsprint in North America is down nearly 7% year to date with same period no operating rates below 90%. Producers are trying to manage this imbalance in supply and demand by increasing exports and implementing downtime. Domestic prices have been stable since the third quarter of 2010, although a regional East-West price variance continues. Overall, market conditions do not support higher prices as most observers expect news prices to remain flat in the near term. We believe on a best case basis, for producers, that would be the case. Although newsprint usage price comparisons in the third quarter of this year are expected to continue to be unfavorable, the gap will narrow relative to the same quarter.

Profitability in the Publishing segment was solid once again this quarter as operating income, excluding special items, was $154 million and operating cash flow on the same basis totaled $185 million.

Turning to Broadcasting, revenue was up slightly to $184.4 million, overcoming a net decline of about $9 million in political spending. Growth in Digital revenues and retransmission fees contributed to that achievement.

Total television revenue, excluding the incremental impact of political spending, was over 5% higher. Although revenue growth was impacted by major cancellations by foreign car manufacturers due to the crisis in Japan, higher ad demand in many categories offset the decline in auto. As a result, core TV advertising excluding, again, the impact of political, was up as well, about 1.5%.

Digital revenues at our TV stations were 29% higher and reflect our focus on local Digital sales. Broadcasting segment expenses were down about 2%. Successful revenue efforts to overcome much higher political spending as well as lower expenses led to an increase in profitability in Broadcasting; operating income up 3% totaling $80.4 million; and operating cash flow was almost $88 million, an increase of almost 2% despite the difficult comparison.

And those difficult comparisons will continue in the third quarter as political spending ramped up to about $21 million in that quarter last year. We expect growth in core advertising, a continued increase in retrans fees, and the challenges presented by the Japan crisis abating as the quarter progresses. So, based on current trends, we expect the percentage decline in total television revenues for the third quarter to be in the mid-single digits. But excluding the incremental impact of political spending, the percentage increase in total television revenues is expected to be in the mid-single digits in the third quarter.

Again, that's where we are today. There is obviously going to be some volatility, hopefully to the upside as the quarter unfolds.

Digital segment revenues were up 13% in the quarter and CareerBuilder delivered yet another strong quarter. Despite a somewhat anemic job picture, CareerBuilder generated strong revenue growth for a variety of reasons. Online job listings are growing across all categories. They are no longer a trusted job site, but rather they are evolving into a true human capital solutions company. And there was a significant revenue increase in their international operations.

Digital segment expenses were up over 8% as the segment had solid revenue growth and made investments in new initiatives. Operating income in the Digital segment was up substantially, almost 32% to $36.2 million, while operating cash flow was 24% higher to $43.8 million.

As Craig noted, and it bears repeating, Digital revenue company-wide totaled $276 million, a 13% increase, and is now 21% of total revenues.

Let me turn quickly to the balance sheet. As a result of our operations, we generated, as we said, strong free cash flow. We reduce debt by $167 million during the quarter to approximately $2 billion. Cash at quarter end was $165 million.

Interest expense in the quarter was higher than last year's second quarter as the continuing decline in the average debt balances was offset by higher average rates due to a higher proportion of long-term fixed rate debt. At this point, our all-in cost of debt is approximately 6.6%.

Our debt to EBITDA ratio as measured for the covenant test in our credit facilities, was reduced to approximately 1.8 times at the end of the quarter. One final financial item, CapEx in the quarter, were $16.6 million and a little over $29 million year to date.

Before we open the call to your questions, I want to emphasize what Craig said at the beginning of our comments. The capital allocation announcements today underscore our commitment to creating more shareholder value. The strength of our balance sheet, our future growth prospects, and the confidence in the company's free cash flow generation enable us to commit to the higher dividend and share repurchases while maintaining lots of flexibility to invest in our existing businesses and in new opportunities to grow our businesses.

And with that, we'll open it up to questions.

QUESTION AND ANSWER

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

Thank you. First question is on the newspaper advertising trends. Were there any notable changes monthly as the quarter progressed, and any insights into July?

And then, on the circulation front, all staying in newspapers, could you give us a sense of the improvement -- was it volume driven or price?

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

Let me just start with the circulation side. As you know, Alexia, Bob Dickey, President of USCP, has had a major effort to increase circulation, particularly on Sunday. We are seeing positive results. And that is the driver behind that part of it, which is really exciting when you consider what we have been facing.

We have really made an effort from a design standpoint and have found yet further ways to further engage the consumer for multiple hours on Sunday. And what we are learning from that I think will further help us as we continue to move forward.

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

And Alexia, with regard to newspaper ad trends during the quarter, I would say April was a little bit better month because of the later Easter, and also we had some things earlier in the quarter in the UK that helped numbers.

June actually was a better month sequentially, so we felt good about the way we closed out the quarter.

And I would say as we look into July, the sense we've gotten -- and remember it's extremely early in the quarter -- is that things are perking along about in the same way; a little bit of improvement here and there; certainly nothing that looks less satisfying than what we achieved in the second quarter. So overall, the quarter is getting off to the same sort of momentum as the second quarter ended.

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

Alexia, just to add one sentence here, what Gracia is talking about, I really think, is the kicking in of the selling that we have that Bob has worked so hard on. And the results are starting to show, so we're very excited by the direction, particularly the strategic direction that he is really driving, and it's beginning to work nicely.

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

And then lastly, as you had raised a question on circulation as to whether it's volume or price. I would say it is primarily volume driven. We are seeing, as we mentioned, total Sunday circulation in June up 1.2% which was just a terrific achievement.

So we are seeing some good follow-through as well on single copy. Americans are focused more on couponing and deals, they are re-looking at the value of the coupons that are provided in their newspapers. And I think that's giving some impetus to some improvement on the single-copy side as well.

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

And just lastly, on the use of cash, I mean you obviously have robust free cash flows. The announcement today was good news on the dividend and the buyback. But could you just update us on sort of your outlook from here because you will still have a very nice cushion even after the news today. And what are your priorities for use of cash?

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

Sure. You know, we have talked about it for a long time. We are continuing to look for opportunities first in the Digital markets. And with the kind of results that we are seeing. In fact, it even strengthens. We want to have that flexibility so that we can give capital back, but yet at the same time, have opportunity to move forward, first from a Digital perspective.

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

And then as well, as we have gained clarity on the economy, and as we had indicated earlier in the year, our sense was that the economy was not as robust as perhaps some of the pundits thought. And in fact, the economic numbers over the last few months bear that out.

This has been a good first step for us on the capital allocation side. It's something, as we said in the press release, that the Board will continually reassess. And that's certainly on the minds of the board as well as that flexibility to invest in our current businesses as well as future opportunities that Craig mentioned.

Craig Huber *- Access 342 - Analyst*

Yes. Good morning. You took another restructuring charge in the quarter. I understand you eliminated about roughly 3% of your US newspaper workforce here in the quarter. Are you expecting it to do that again here in the September quarter? My first question.

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

Craig, it was about 2% layoffs. And as we said, we currently have no intention of looking at further reductions, but that is driven by each individual business's prospects and revenue opportunities going forward.

But at the same time, we have been adding back in key Digital areas as well as in the Broadcast division. We've been adding folks on the news side as well as in the sales area. You can't just hone in on one specific division. You have to look at the company in total and the varying performances in each one of our businesses. And even within US Community Publishing, the varying performances of each of the individual units and the prospects for the economies in those particular markets.

Craig Huber *- Access 342 - Analyst*

And then also, Gracia, this down 5.6% retail ad revenue for your newspapers in the US this last quarter, how much of that was volume versus price please?

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

Yes, on the pricing side, it's a bit of a mixed bag. I would say on the retail local side, pricing is down in the low-to-mid-single digits. That's going to depend on category. There are some categories where we have actually raised prices because that's an area of significant demand, but overall, down in the low-to-mid-single digits on the rate side.

Craig Huber *- Access 342 - Analyst*

What was classified then, please? Do you have that?

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

Classified down in the low single digits, but again, some categories where we are seeing good follow-through and high demand, those rates are actually increasing, but then conversely, you look at real estate, which is still under tremendous pressure across the country, and we are obviously being mindful of that as we look at rates and we work with our advertisers in those areas.

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

Yes, it's really important to note, Craig, that as we look at all of this, as I said in the opening comments, it really is where we have a good market, we are seeing good results. And keep in mind, those key markets,-- California, Phoenix, Nevada, and Florida in particular -- real estate is very pressed. And in great part, it impacts other sectors as well. We want to keep a very close eye on it, but it is not one size fits all. It's different across the company.

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

The other thing we would add is that as we mentioned on the auto side, there have been supply chain disruptions that we believe are going to be of a temporary nature, and not a lot of new cars were coming into the ports as a result of those supply disruptions. We fully anticipate that in September and October, as the new model year comes on board, that there will be an influx, of vehicles, assuming what we are hearing is correct, and that that will have a good impact on auto across our entire company, but certainly auto in Publishing and auto on our Broadcast side as well.

Craig Huber *- Access 342 - Analyst*

Can I ask, how much was auto in your TV -- what was the percent change there in the quarter, please?

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

Auto was down about 7% and it represented about 20% of revenues in the quarter.

Craig Huber - *Access 342 - Analyst*

One more long-term thing; I'm sorry to ask just one more thing here. About roughly a year ago, you guys rolled out pay walls into three of your markets, right? And the last time I asked this question about four months ago, I believe you said the number of people are paying for the Digital version of your papers in these three markets was roughly the equivalent of between 2% to 5% of your daily circulation volume for the print. Is that still roughly the case right now?

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

I don't actually think, Craig, we would have mentioned those numbers. It's a small percentage, but the most important thing that you need to focus in on is that those folks who are paying are paying for content they are absolutely passionate about, and that the level of engagement and time spent on those sites is several times what it is on a normal website. So incredibly high engagement, and we're working on a number of other items right at the moment. A few more tests and a few other things that will result in us looking at this in a more meaningful way as the year progresses, but it's a little early for us to share any more details.

Craig Huber - *Access 342 - Analyst*

Great. Thank you.

Operator

Doug Arthur, Evercore.

Doug Arthur - *Evercore Partners - Analyst*

Gracia, on TV, just a clarification. The press release talks about adjusted TV up 5.4% in the quarter. You mentioned 1.5% core. So is the adjustment there retransmission?

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

Well, total revenues, which would include retrans and other revenues in addition to time sales, and the other was just simply advertising sales.

Doug Arthur - *Evercore Partners - Analyst*

Okay. So core ad sales ex-political up 1.5%. So then the applicable -- is the applicable comp on your Q3 guidance mid-single digit? Or is that not applicable or comparable to the 1.5%?

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

I think what we said was that total revenues excluding political, incremental political, would be up in the mid-single digits.

Doug Arthur *- Evercore Partners - Analyst*

Okay. So I mean, I guess then in terms of the auto supply disruption, you made a comment that it's looking better. Can you put some color around that comment in terms of Q3?

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

Yes, Dave Lougee, our Broadcast President, has shared with us that from what they are hearing in the marketplace, September would appear to be let's say a bit better, but it's still early. And it's anecdotal as far as we are concerned at this point, but the opportunity for them to be talking at this point, based on the kind of disruption that we have seen, we are viewing as a positive sign, Craig.

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

And we're already seeing July better than June, so I think we have cause for optimism, but it is early in the quarter, and we want to make sure we don't get ahead of ourselves.

Doug Arthur *- Evercore Partners - Analyst*

I'm sorry, July better than June in the auto category?

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

In auto, yes.

Doug Arthur *- Evercore Partners - Analyst*

Okay. Thank you.

John Janedis *- UBS - Analyst*

Hi, thank you. Good morning. Gracia, I think you have guided to flattish expense growth for the year out of the 10-Q. I'm wondering with the recent layoffs and the furloughs, can you help us with the aggregate impact for the year going forward?

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

Yes, what you will see is that we will be continuously adjusting to what the revenue and economic realities are. And so as you have seen, despite the fact that our earlier assumptions that we gave you back in December were for probably flattish expenses. Given what we have seen in the economy, we have taken the necessary steps to bring expenses in line with the revenue opportunity. So you will see expenses continue to be down for the remainder of the year based on actions we have taken.

As well, I mentioned that our newsprint comparisons will be a bit better than they have been in the first two quarters of the year. So we will get a little bit of help from less draconian newsprint comparisons.

But overall, you will see that we will continue to be very disciplined on the expense side. In some categories, like in Digital and in other areas where we are starting new initiatives like Deal Chicken and others, we're going to invest the appropriate dollars to get those initiatives off to a great start.

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

Yes, I think the critical part here, John, and what you will see, particularly on the Digital side, as Gracia is mentioning, to get these businesses really going, we're going to deviate slightly from the way we typically look at that expense side, and that's because we are convinced and know that there will be an associated return. So there is tremendous opportunity by doing so, and I think you will be noticing that as you go through the Digital numbers.

John Janedis *- UBS - Analyst*

Okay, thanks. And as maybe a follow-up on the UK, given the events there, to what extent are you seeing any kind of meaningful uptick in ad dollars? And would you have any interest in growing your newspaper market exposure in the region through acquisitions?

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

John, as highlighted, we had some good one-off events in the second quarter with the royal wedding and a few other things and a later Easter. They still have some tough slogging there, given the significant economic headwinds; I would say worse than even what we are experiencing here in the US. But Paul Davidson and his management team have just done a fabulous job in doing all the right things to manage through this, for them, truly economic downturn with very difficult austerity measures, and a contraction in growth rather than even tepid growth there. So our team there has done a wonderful job in managing through that, both from looking at new revenue opportunities, as well as managing on the cost side. But I think we will still see some headwinds there through the remainder of the year.

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

The interesting and exciting part right now is to see what Paul and the team are doing in Digital. They have had some near-term success with the add-on of CareerBuilder. And what you are going to see is more opportunistic growth from that arena. They have really engaged it, and we're very proud, as Gracia said, of what Paul and that team have done for us.

John Janedis *- UBS - Analyst*

Okay. So is there any impact from News of the World closing or not yet?

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

It remains to be seen.

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

Right. Let's -- we'll stay out of that.

John Janedis - ***UBS - Analyst***

Thank you very much.

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

Thanks. Thank you for taking some questions here. I have just a couple of quick ones. Just following up on the Digital, can you give some thoughts on how the Digital pacings look like in that Digital segment for the second half? And certainly you had very strong operating margins there at 25%. And now that you indicated that they've made some investments there, what are any thoughts on the margins in that segment going forward for the next few quarters?

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

Sure. Let me just kind of give you a sense of where we are. First on the CareerBuilder side, I think Matt has done just a phenomenal job. As you know, we are now in 20 countries. The international piece is kicking in, and this is what we were hoping for.

They have also added new opportunity, certainly with an iPhone application that employers will be able to use. We think all of that combined, Michael, is really going to drive this in a positive way, and so that's one side.

The other side, we talked about Deal Chicken. As we mentioned, it kicked off just this last week. The initial pieces here -- obviously it's very early to tell, but the response and the number of deals that are coming up already is quite exciting.

There was also one deal -- and I think it really ties to the community -- an additional add-on that was done in Washington, DC by WUSA television. Allan Horlick, our general manager there, has great relations with the biggest outdoor concert venue. They had a terrific deal that actually took up to 60% off the cost of Fiddler on the Roof. And from what I have heard already this morning, we did have some very, very positive results.

So as you look at this, across the board, I think you are going to see continued strength as these pieces kick in; as well, the additional local community side that Dave Lougee is doing as well as Bob Dickey. So, we're very comfortable with what is taking place and certainly how fast the pickup is in those Digital markets.

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

And as to the margin part of your question, Mike, our folks have done a great job on the Digital side, on the revenue side and particularly keeping expenses in good shape. But as we look at the future and as we find opportunities like Deal Chicken to invest in those opportunities, and particularly with David Payne, our new Chief Digital Officer coming on board with some of the great ideas that he has about moving us forward in that area, -- we're not going to be running that business for the margin. We're going to be running that business to grow that business. And we are very good at delivering margin, but we are going to make sure that we make appropriate investments as we see new opportunities. And in the early months of those new opportunities, there may not be the margin associated with the investment, but it's the right thing to do for the future and for long-term growth. So, we will continue to do a great job in Digital, but we will have investments as we see new opportunities like Deal Chicken and the like.

Michael Kupinski *- Noble Financial Group - Analyst*

Given those comments, do you think that the operating cash flow margins or even operating income margins will probably be lower than the second quarter, in the second half of the year?

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

You know, it depends on what kinds of things we do. There are going to be more expenses associated with the Deal Chicken ramp-up, as we rollout more markets this quarter and next. But the fourth quarter is always a very strong quarter for CareerBuilder and some of our other Digital properties. So we will do a very good job. But just be mindful -- and I'm not talking quarter to quarter; I'm talking overall on the Digital business -- that we will make investments like Deal Chicken, and we're going to grow that business in an even more meaningful way.

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

And Michael, the last thing, I would be careful with the backdrop of what's going on from a national perspective as well. We don't want to get ahead of ourselves here. We're excited, but yet, we want to contain it in every way possible and be very mindful of what the larger national exposure is.

Michael Kupinski *- Noble Financial Group - Analyst*

Fair enough. I just have one final question. In terms of -- you stated your acquisition thoughts and it sounds like you want to concentrate that in the Digital segment. There are some TV stations on the market. I just wanted to see if you have any comments of whether or not you would be interested in some of those, and then maybe just kind of review if you are interested in CareerBuilder, what your acquisition strategy might be there.

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

You know, on the TV side, we look at everything, there, as always. But at this particular time, I think you know the priorities that we have. Not as interested in pure stand-alone. Greater opportunity where there is a synergy that we can really bring together. So, again, we're always looking, but that's for TV.

On CareerBuilder, we are very happy where we are right now, and let's just see where things shape out, but no immediate plans. We have managing control. Everything is in the proper position as we see it right now.

Michael Kupinski *- Noble Financial Group - Analyst*

Perfect. Thank you so much.

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

Thank you. You've talked about newsprint being perhaps less draconian in the second half, and I'm wondering if earlier on this year, you have had some temptation to support the industry in not pressuring the price increase issue too much. And then to put things into context, if you looked at newsprint share of overall cost, both for the newspaper sector and the overall company, now versus five or 10 years ago, can you point to a significant decline and maybe what those percentages might be?

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

You know, newsprint expense as a percentage of operating expense in Publishing has always sort of been in that 15% -- low teens to 20% range. I can think of years in the '90s when newsprint prices went to $700 plus a ton. So I would say that overall, it continues to be in sort of those low teens to when prices are escalating as they did late last year; a little bit higher percentage of operating expenses. But I don't see any significant change -- a dramatic change in the impact.

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

Right. I just thought that on an overall basis, it's got to become a declining share of total, given the redirection of the company.

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

Of the total company, absolutely. But of the Publishing, it's in that same sort of ballpark.

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

Okay. The iPad model, as you've gotten a little more into it, are you looking for it to be primarily ad driven? I guess it's exclusively ad driven to this point. And what sort of CPM rates are you getting, given the likely premium demos on that product?

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

Let me say this first. The iPad is working exceptionally well for USA TODAY. We have just surpassed 9 million downloads on the various platforms that we run it on. We are continuing to look at the various modeling. Gracia pointed out earlier that there are even additional tests that are going on, and we're looking at other considerations into how and what we are doing.

Yes, there is premium because of the environment. It is extremely clean. There is no clutter within the environment whatsoever. But, as we move forward, let's just see where things settle. We are continuing to run these tests, but we have not definitively defined at this point precisely when or how as we move forward.

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

Okay. Last thing, Craig, retrans -- these are obviously beneficial. What share of your stations are covered so far in retrans agreements? And what sort of pressure are you getting for reverse comp to this point?

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

You know, number one, all of our stations are covered by this, and we have done some very good deals. As we mentioned, we're at 24% increase over this same time last year on Q2.

And we will have another bite at the apple so to say as we move forward in a couple of years. And again, that all ties directly with the network contracts, and, as you know, in NBC, we go out to Jan of '17.

So when you look at all of that, yes, there will be another big opportunity as we go forward. We are extremely pleased with what Dave Lougee has done with his team on that as we sit. And you are going to continue to see nice increases.

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

Thanks very much.

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

I think we have time for just two more questions.

Bishop Cheen *- Wells Fargo Securities - Analyst*

Thank you for the detailed summary and for taking the question. Let me ask you about the balance sheet. I think in June, you did a bond redemption, roughly $193 million. Wondering if you used revolver or cash on that. And then in July, it already passed -- mid July, $180 million term loan redemption. Can you tell us what the status of that is?

And last, just again, remind us what your target leverage would be. You're 1.8% now. And given strategic Digital acquisitions, possible equity enhancements, how you would like to keep your leverage ratios?

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

Thanks for the questions, Bishop. Actually we had about $400 million plus of long-term notes that came due, and then we had a term loan of about $180 million that came due in July. And both of those were paid off with a combination of cash as well as borrowings under our revolving credit facilities. As you know, currently, we have about $1.6 billion of facilities. I think at quarter end, there was about $320 million outstanding under our revolver with the usage of that, plus cash to pay off that debt maturity and then we paid off the term loan in the middle of July.

As to our goals on the balance sheet, it is always to maintain a very strong balance sheet. And as we all know, having lived through these last few years, it really depends on what access to capital markets looks like and a variety of other things. So we feel very good about the strength of our balance sheet. It's really phenomenal. We have our debt maturities laddered out very carefully; there's no debt coming due in 2013. But as Craig said, we will continuously look at opportunities to share that free cash flow more directly with our shareholders as well as have the flexibility as good opportunities, investment opportunities, come up, to invest in those. So we will always provide a little bit more flexibility than not in the balance sheet for those things that you can't time when they are going to come up or not, but you have to be ready to respond when they do come up. But I think we very much appreciate how strong our balance sheet is now, and we will continue to have a combination of paying a little bit of debt down and returning value to shareholders. And we have made some pension contributions this year about $25 million of pension contributions year to date. Last year, we did about $140 million.

So we have done a lot of things that just continuously strengthen the company while investing in growth opportunities for the future. Thanks for the questions, Bishop.

Bishop Cheen *- Wells Fargo Securities - Analyst*

That's very helpful. One follow-up on the pension -- if last year was $140 million, is there -- is that like a target we should think about for this year, or is each year different in your mind?

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

Not necessarily. Each year is different. It depends on, the returns we have on our pension plan and other discount rate assumptions and the like. I would expect that we would make, certainly, a couple of more contributions through the end of the year, which would be less than $15 million a quarter. But then on top of that, we may make additional discretionary contributions. A lot of that will depend on where the pension fund stands as we get our valuations in later in the year; how it has performed; where the markets are. So a whole host of things that we have to focus on as we think about what we are going to do, vis-a-vis the pension plan.

Bishop Cheen *- Wells Fargo Securities - Analyst*

Okay. Thank you.

Edward Atorino *- The Benchmark Company - Analyst*

Two quickies. What was Digital as a percent of Publishing for the quarter this year versus last year?

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

You know, we will have to come back to you with that answer.

Edward Atorino *- The Benchmark Company - Analyst*

And well the second part was what was the increase in the Digital Publishing revenues, year to year? year.

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

Yes, I think we talked about USCP being up around 9%.

Edward Atorino *- The Benchmark Company - Analyst*

But -- on -- was that Publishing -- 9%?

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

No, that was US Community Publishing. And I think overall in Publishing it was around 13%.

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

And you will get back to me with the percentage?

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

Jeff will get back to you with the percentage of Publishing that that represents.

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

And lastly, are you seeing any early political in any markets?

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

Yes. In fact, political has been moving along for us nicely. Dave Lougee reports that we are anticipating further builds as we go toward the end of the year. So definitely -- and we very much look forward to it, Ed,

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

Thank you very much.

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

Thanks very much for joining us today. If you have any additional questions, you can reach Jeff Heinz at 703-854-6917 or me at -6918. Corina, I'll turn it back to you.

Operator

And once again, everyone, this does conclude today's conference. We do thank you all for joining us.

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

Have a great day.

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

Thank you.