

# GCI - Media and Entertainment Analysts of New York

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## CORPORATE PARTICIPANTS

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**Bob Dickey** *Gannett Co., Inc. - President, US Community Publishing*

**Larry Kramer** *Gannett Co., Inc. - President, Publisher, USA TODAY*

**Dave Lougee** *Gannett Co., Inc. - President, Gannett Broadcasting*

**David Payne** *Gannett Co., Inc. - Senior Vice President, Chief Digital Officer*

**Vikram Sharma** *Gannett Co., Inc. - Vice President, Retail Strategy*

**Jack Williams** *Gannett Co., Inc. - President, Gannett Digital Ventures*

## PRESENTATION

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### John Janedis – UBS – Media Analyst

Thank you and thank you for joining us. It's such a hot day today. As always, we really appreciate the support of our organization. And since our last meeting, a lot has really happened at the company. So for one, Gracia Martore is named President and CEO about 6 or 8 months ago. Two, there is now a significant dividend and buyback in place. Third, the Company had the first Investor Day in its history only about 3 months or so ago.

And then fourth, but not the last, Larry Kramer was named President and Publisher of the USA TODAY. And for those of you who don't know Larry, he is really terrific. So I'd encourage you to get to know him over time.

Following senior management's prepared remarks, we will have a bit of time for some Q&A. So without further ado, Gracia Martore, President and CEO of the Gannett Company.

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### Gracia Martore - Gannett Co., Inc. - President, CEO

Thanks, John. Thanks for all of you for being here today on such a warm day in New York. We always managed to pick the wrong day weather-wise to be here, but I appreciate all of you making the effort to be here in person. And if you would like to take your jackets and ties off, please feel free -- that goes for all of you on the webcast as well.

We always enjoy doing an annual MEANY luncheon because, --especially this year -- it really gives us a great opportunity to continue to discuss our plans for the future of our company, to update you on our strategic initiatives that we shared with you back in February. And of course, it's also an opportunity for us to hear what's all on your minds.

But before we go further and I know my general counsel is in the room, we have to look at the forward-looking statement disclaimer. Now that you've absorbed it, let me introduce several of the Gannett executives who are here with us today. First off, we're very privileged to have our Chairman Marge Magner with us and who is incredibly supportive. And let me just say that our Board has been strongly supportive of all of the strategic initiatives that we are putting in place, and of our efforts to make ourselves more visible and share more information with the investor community.

Now I also want to introduce some other members of our senior management team.

With us today are Bob Dickey President of Gannett US Community Publishing, when he's not pitching for the New York Mets. Come on, there's got to be some baseball people -- [R.] Dickey -- never mind. Dave Lougee, President of Broadcasting; Jack Williams, President of Gannett Digital Ventures; and David Payne, our Chief Digital Officer.

Also with us are Vikram Sharma, President of Digital Marketing Services. Maribel Wadsworth, our Digital News Executive in US Community Publishing who is one of the leading forces behind our new all access content model and we're delighted to have her here today. Todd Mayman, our General Counsel. He's also responsible for our real estate activities. And Teri Gendron, our Controller and, of course, Jeff Heinz.

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Now, Larry, you've already gotten some kudos, but he's the new President and Publisher of USA Today. He's also here as you can see in the back of the room. And if you haven't met him or seen his work, let me just say that he has a great journalism background and a well-deserved reputation as a digital media pioneer and visionary and we're delighted he's part of the team. He's going to be reshaping the future of our most visible brand, USA TODAY.

Now, I'd also like to introduce the very newest member of our team. I am pleased to announce that Victoria Harker will be joining us effective July 23 as our new Chief Financial Officer. In response to the question I got at our table -- when are you going to name a new CFO? Victoria, please stand.

Victoria joined us from AES in DC and it is terrific to add someone with her broad range of financial experience and senior financial roles to our leadership team. And you're going to be hearing a lot from Victoria over the next several months.

Now, let me turn to the Gannett Company. As you know, we believe that Gannett is a great company with significant strengths and advantages that we, frankly, intend to leverage to the hilt. Our plan, as you've heard us say, is both ambitious and achievable. We are operating in a difficult environment -- we were just talking at our table about the uncertain global economic environment that we are all managing now. But, we know how to navigate these waters and we are optimistic about our future.

So, let me begin with a quick review of our blueprint for growth for the future. The path to return Gannett to sustainable growth is being driven by three distinct advantages that uniquely position the Company to prosper in the digital age. Our advantages are built on a foundation of over 106 years of service to the people in businesses and the communities we serve.

The first is our hometown advantage. We have deep longstanding relationships with consumers and businesses in our local market. And in over 100 communities across this country, we have been the trusted source of relevant and differentiated information literally for decades. Today, we continue to align our content with consumer interests and passions and we are interacting with them all day across multiple platforms.

At the same time, thanks to the rise in digital platforms, we're becoming an even more valuable partner to our more than 150,000 small and medium-sized businesses, advertising and marketing consumers who rely on us to help them, in turn, reach their customers.

Now the second is our brand advantage. We have iconic brands that resonate with audiences locally like KUSA in Denver or the Indy Star in Indianapolis and nationally with USA TODAY and CareerBuilder.

Throughout our history, we have engaged with people daily, but as media consumption patterns and habits have changed, so has our business. It's no secret that while millions of consumers continue to want their news in printed form and news consumption overall is growing, people are more and more embracing digital platforms.

And in this environment the key to success is delivering relevant, compelling news and information appropriate to the platform to people where, when, and how they want it, and that's exactly what our company is doing.

Our third advantage is our financial advantage, and we've earned that through our tremendous financial discipline over the years. We all emerged throughout this country, from a very difficult period over this last few years, but Gannett has emerged with a very strong balance sheet, manageable debt maturities, and consistent substantial free cash flow.

Financial strength and flexibility in and of themselves are interesting, but what that does is to allow us to fund growth initiatives, reinvest in our businesses while returning substantial capital to shareholders. And as you know, earlier in the year, we increased our dividend to \$0.80 per share per year, and we also expanded our share repurchase program to \$300 million over the next two years. That puts us on a path and trajectory to return over \$1.3 billion to our shareholders by 2015.

Now these advantages drive our strategy for returning Gannett to sustainable growth in the US. In the UK, our Newsquest team is beginning to execute on a similar strategy tailored to their businesses and their market.

Our strategy is comprised of three components. First, we are advancing our local news and marketing operation, while continuing to grow our high performing broadcasting and digital businesses. Businesses which, by the way, contributed over 50% of our operating income in the first quarter.

Second, we're moving into new businesses where our local relationships and our brand advantages position us to succeed. And third, we are optimizing our assets and maintaining our strong financial profile.

An important part and piece of our plans to return our local publishing operations to revenue growth is our new all access content subscription model. This model focuses squarely on the value of our content, not the distribution or the delivery method. Our approach is consumer oriented and consumer driven.

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Some of you in this room know that Warren Buffett, who is by the way a Gannett shareholder, has been making headlines recently, buying up community newspapers after several years, frankly, of saying nothing positive about the industry. When I listened really carefully to what he is saying, I feel very good about the approach we have been taking for the last couple of years and our focus on local and the communities we serve. And after all, who wouldn't want to be validated by Warren Buffett?

In terms of his newspaper investment, he's quoted as saying, "newspapers that intensely cover their community will have a good future." And regarding content, he said, "the original instinct of newspapers was to offer free in digital form what they are charging for in print. That's an unsustainable model. There is a blend of digital and print that will attract both the audience and the revenue we need."

We couldn't agree more. We, too, believe in local. As we said before, we were in local before local was in. Great content is the key to success of any local news franchise, but it's not sufficient on its own. The digital era demands more, and we are convinced that the content focused, multi-platform approach that we are pursuing is absolutely the right one.

But of course, you have to get paid for your work. So, let me drill down on our new content subscription model. Under the new plan, all subscribers in our market will get access to all of our content on all digital platforms when and where they want it. And, in addition to that, they'll have several home delivery options.

So, how does this work? Well, let's use Des Moines as a case. Digital all access costs \$10 per month. Now that \$10 also includes Sunday home delivery, if people want to enjoy their Sunday paper over a cup of coffee. All digital access plus Thursday to Sunday home delivery climbs to \$14, and digital access plus every day home delivery is \$23.00 a month. Now that is in Des Moines, and we made sure that we looked at each market and pricing options vary market to market, but that's a good example.

And what about those folks who don't currently choose to subscribe -- in our markets? Well, they can access our content digitally through a metered approach. The meter will allow them to access 7 to 20 stories free articles a month, depending on which market you're looking at. But we also continue to provide unlimited access to CareerBuilder and cars.com -- free to all.

We expect overall that the price for subscribers will increase approximately 25% to 30%. In addition, we've also looked at our single copy pricing and prices there are increasing 30% to 100%. We expect total subscription revenue in US Community Publishing to grow approximately 25% once all of our markets are rolled out early next year. And as a result, we expect to add to operating profit by about \$100 million in 2013.

Bob Dickey is here to provide an update on the good progress we are making, but before we do that, we want to show you an in-market ad that we are using to promote our new subscription model.

(Video Plays)

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### **Bob Dickey - Gannett Co., Inc. - President, US Community Publishing**

Currently, we've launched 38 of our markets. Those 38 markets represent about 50% of our advertising revenues across the division and 52% of our circulation revenue. So we're right at the halfway mark. The last 100 days have been an incredibly busy 100 days for our division, and it's been a cross divisional effort at Gannett to make this happen.

While it's obviously early to provide the results from the latest set of launches, I would like to point out that we expect to realize year-over-year circulation revenue gain of about 26% at those sites that have been launched once we cycle the longer term subscriptions. We estimate that we will realize 21% circulation revenue growth at those locations in the second quarter alone. And, more importantly, as we look at the initial six markets that were launched in February what's very encouraging is that we are sustaining the trends month-to-month.

Of course, in this model, we did project that we would experience some circulation volume losses. And based on the first three waves, we're experiencing daily year over year volume losses of 6.8% and on the Sunday side, 5.4%. These losses are about 5% greater than prior to the launch, but they are actually less than we had projected in our business model. So right now, we remain very encouraged by these early, early signs.

In May, we launched 17 markets. And what's very encouraging is so far new subscription starts are up over the last year, and we're seeing that being driven by voluntary and online orders. And so, once again, early signs are very positive. Also in this group, permanent stops are actually down year-over-year. So, the early May result is very, very positive.

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Today, we have not aggressively marketed the digital only subscription. That marketing campaign is just getting rolled out, and organically, we have over 12,000 digital only subscribers. So, we do believe that our projections along the digital only subscriptions are very, very obtainable. The incredibly positive news about those digital subscribers is that to no one's surprise, they're bringing a younger demographic and a very affluent demographic. So, these are new key targets for us, which we have not been able to crack in the past.

We spent a great deal of time and effort in marketing our easy pay programs to our subscribers. We now have markets that are over 65% -- the entire division is well over 50%. We have some markets with up to 65% of their subscribers on an easy pay program. The significance of that, of course, is those are becoming incredibly loyal, long-term subscribers -- that's the pattern we've seen.

And, in our current marketing campaigns and sales programs, 82% of the new subscribers we've brought on over the last few months have chosen easy pay program.

We spent a great deal of time and research looking at each market, as Gracia pointed out, as it's related to how to set the meter -- that's why it varies from 7 to 20 articles. And that has really paid off for us because I'm asked often, how are you executing your local digital campaigns? To-date we have executed each and every campaign across all of our markets, and we're doing really a good job of managing that inventory.

The Hometown Advantage Campaign that Gracia just shared with you has now launched, and that campaign incorporates television, radio, print and digital media. This is the first time in many years that Gannett has put together this robust of an external campaign, so we're looking for that to continue to bring new subscribers to the mix.

The key to this entire program obviously rests with our ability to continue to improve and publish strong, local unique content. And to do that, each and every one of our newsrooms was given the task of going out and researching the market, talking with consumers in identifying what are the key topics of high interest of passion in those communities, and it's our expectation to be the leader in the market and to provide that information. We will market that and we will stand by that. And to-date, we're off to a very good start.

We have added new content at all of the sites we've rolled out, both to the newspaper and digital platforms. Also -- we know the foundation is our investigative reporting, that's what our local markets look for and expect. And in all of our surveys, it is number one on their lists. And our commitment has not wavered there. Just last week -- or 10 days ago -- we had over 60 Gannett journalists at the Investigative Reporters and Editors Conference in Boston, learning new skills and we'll continue to spread that training across all of our division.

This all resonates because our research shows that the role of the daily newspaper in the future is to report in the passion topics and the high interest topics in the community, and the breaking news element will be played on our digital platforms. And so, I think we are well positioned to do just that as we go forward.

Here are a couple of examples of how our newsrooms are changing. In our newsroom in Lafayette, Indiana, they've created two new positions: a digital audience manager and news producer. Both of these folks spend 100% of their time working on how to place our content at the appropriate time, on the appropriate platforms.

And out of that, they've developed a daily feature called the 11:55 Special, and we are creating unique local content every day, available only on our web and mobile sites, at 11:55. The idea there is traffic builds. And we are now providing something new and unique for those who come to us over the lunch hour and we're marketing this through various social media sources.

In Burlington, at the Free Press -- no surprise -- environment coverage is very, very important. We have tremendous resources in improving that coverage, and it is paying off. Our most research shows that satisfaction ratings are up 25 points in Burlington.

In Brevard, Florida Today, they went out and through their research they identified high interest in health and in home decor. We launched two new sections. Those are both in the newspaper and digital. And we're very encouraged. Our research going back into the market shows that their satisfaction ratings are about 15% greater than we see across Gannett. So again, I believe they've done a very good job of honing in on what is important to that marketplace.

I mentioned our commitment to local journalism. To date, we have hired over 60 journalists through these waves, and our plan could add as many as 240 journalists at the local level so that we can continue to deliver and sustain this new full access model and provide the content that our local communities are looking for.

Thank you.

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

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Thanks, Bob for that great update. The other side of the equation, of course, is effectively connecting businesses to consumers through every possible channel. And to do that, we created a suite of products and services under our Digital Marketing Services umbrella led by Vikram Sharma. Now, DMS, as we call it, leverages our hometown and brand advantages and will help bring additional revenue across all of our business segments.

In that market arena, double-digit increases in digital marketing are fueling growth of local advertising and marketing spending. And as media consumption patterns are changing, businesses are working hard to be part of those digital interactions. At the same time, business owners are actually overwhelmed by the scale, complexity, and speed of change in the digital arena.

I can't tell you how many times we've heard people talking to us and saying: I know I have to be on Facebook. I don't know what it is. I don't know how to do it. Help me figure it out. And we're happy to do that.

That's where we all come in at the Gannett Company. We are a trusted partner -- again, over 150,000 small and medium-sized businesses already and are developing a full product suite to meet their digital marketing needs. So basically, we're offering one-stop shopping for businesses in our local markets. Now one of the products, that's part of that product suite, is a daily deals product that we call DealChicken.

It has done very well for us, and merchants that we've surveyed expressed very high satisfaction, and about 70% of them indicated that DealChicken has generated new customers for them. Now, DealChicken continues to show strong growth as revenue in the first quarter of this year was approximately 40% higher than the fourth quarter last year. And in May, we surpassed 1 million visitors, moving DealChicken to the fifth position among all deal sites nationally. And Vikram has promised me that we're going to do even better than that in the coming months.

Now, the social media marketing solutions are also a fast growing component of digital marketing as consumers flock to their Facebook or Twitter accounts and advertisers, of course, are eager to reach them there. The bottom line is this: We know how to connect advertisements with audiences in our local market better than anybody else at the right price point. Providing advice is part of the equation, but we are getting paid to create and fulfill digital campaigns.

DMS products are additive and working in conjunction with the display advertising we've always provided. We think the DMS is a big opportunity for us, and we're going to generate revenues of about \$75 million to \$100 million this year and we look to, in 2015, have our revenues between \$275 million to \$350 million from this initiative.

Now, Jack Williams is here to update us on the progress we're making in DMS. And you know what? While you're standing up, why don't you also talk a little bit about Career Builder and the great progress they're making?

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### **Jack Williams - Gannett Co., Inc. - President, Gannett Digital Ventures**

First let me talk about the digital marketing services, as Gracia said. We really do see this as the perfect marriage between the brand advantage and the local advantage that Gracia talked about. That this one-stop shop of digital marketing services sold by our trusted sales people with their relationships is, we believe, the best way for us to tap in with these major dollars that are being sent in our markets and growing fast and get revenue that we're not getting today.

Now, some of those dollars are switched to be sure, coming mostly, frankly, from the yellow pages and from direct marketing, which is the place that most small businesses spend their dollars in our markets. But the thing to remember is because the digital services we're selling are so easily measured and you can see the results, one of the things we're seeing is customers looking at it and seeing the ROI to increase their spend. And so, not only are we getting more money from a share standpoint, but they are actually increasing the money that they are spending in the local markets.

And we had dozen of examples, but let me give you just one, which believe it or not, is a garage door company. This garage door company spent about \$75,000 a year on newspaper advertising in the past and they spent the majority of their money on yellow pages. Today, after working with us on digital marketing services, they're spending somewhat north of \$200,000 a year all with us.

So, that's an example of a customer who both change their mix of what they're buying, and also increased the amount of total dollars they are spending because we've been able to offer this digital marketing services to them.

The initial efforts we would tell you are concentrated somewhat in search and social advertising. But these customers are very, very appreciative of the fact that we are able to offer them a broad range of services, and many of them are buying email marketing campaigns and other web services, in addition to search products and social products from us.

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As Gracia said, a lot of these people have told us very directly that they've been looking for solutions. They found the solutions being offered to them confusing and they didn't know who to deal with. They also found that many of those were not performing. And so, they were very happy to be talking to somebody who they consider to be a trusted partner; talking to them about how to solve their marketing problems.

Now, we offer a comprehensive suite of products. It includes search both SEO and SEM, social direct mail -- or e-mail marketing, website development and other kinds of services. So, we have the entire package. And we've rolled this out to all of our broadcast sites as well as 35 of our biggest newspaper sites today. And we've gotten a very enthusiastic response from our customers.

The typical initial spend is between \$1,000 and \$2,000 per month from a customer, which is a little bit north of what we think is really required to have a reasonable marketing campaign for small businesses, but we have sold deals many -- quite a few of them in the \$200,000 to \$300,000 a year range.

And like the garage door company that's become a much bigger spender and gotten into that range, many of those are businesses you'd be surprised at. And what we found is this really does work across the spectrum. We have car dealers, we have HVAC companies, we have dentists, we have the garage door guy, we have plumbers, we have lawyers spending money on these services with us today.

The initial revenue is driven by the search business, as I talked about, but the other point that you need to look at is what's happening in some of these components, and how can we leverage those. So, let me talk a minute about DealChicken. And I'm glad that Gracia didn't carry on with her threat to make me wear the DealChicken suit today while I was doing this.

As she said, these components continue to grow at a rapid rate, and we now are on the top 5 national deal sites in the United States. But since we were here in February, we've launched the travel deal site that's connected with DealChicken, and we've started launching seasonal deal sites. So, deal sites for Mother's Day, deal sites for Father's Day, deal sites for back to school and other kinds of things like that.

And in late January, early February, depending on when you rolled it out, we launched the mobile version of DealChicken. And that mobile version and even that short time period is now responsible for 20% of the sales that DealChicken is making. And the important other thing to note about DealChicken is it has shown exactly what we believed, and that is that when we sold people DealChicken business, we could get more advertising by selling them up.

80% of the people that we start having a relationship because of DealChicken are new customers that we have never had before in our local markets. And we're selling many of them additional services on top of DealChicken.

I have to admit that this -- we're in the early stages, so what I'm telling you about are some good win cases, but the one thing that we've seen overall whether it's anecdotal in all of the numbers that we have done is that it has validated our strategy. That the customers need these services -- that the customer who wants these services and they want them from a trusted partner.

So, so far we've been very, very happy with what's happened with DealChicken. Vikram and all of his folks at DealChicken and Gannett Local and a number of other components including ShopLocal have done that super job of getting this started.

As Gracia suggested, I'll now switch gears and I'll talk a little bit about CareerBuilder, which some of you usually want to hear about. CareerBuilder has been having a really strong year, despite what you've been reading and what you've been hearing about the labor markets supposedly slowing down over the last couple of months in particular.

What we've been hearing, especially anecdotally because it's not showing on our numbers, is that this macro picture is very much the result of uncertainty by a large number of people out there. And that uncertainty is always the election results. In the employment sector, its uncertainty over what's going to happen with the Health Care Bill which is going to have a major impact on hiring and health care industry, and uncertainty over what's going to happen in Europe since that has an impact on a lot of major employers in the United States as well. But again, we've not seeing that in the results.

So, for the first quarter of this year, CareerBuilders direct sold business in North America was up 8%. That compares to Monster who is down 3%. And I would tell you in the start of Q2, the CareerBuilder numbers look very similar to the numbers that we had in Q1. So, we're not seeing that slowdown that CareerBuilder got at this point. And they continue -- as I think most of you probably tracked, they continue to be the traffic leader by a wide margin and continue to grow in that margin.

It's important to know that we're also seeing growth in a lot of other areas. In our international markets, despite Europe and despite the uncertainty over Europe, our international markets are growing at over 30% year-to-date. We're also seeing good growth in our niche markets, which includes such things as retail and technology that are growing by over 45%.

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And we're having other growth areas in our other products that include data products like supply and demand products, recruiting products where we actually do the screening for customers, as well as searching and finding the right candidates and software products. And we think these products are going to be essential in the future, and there are going to be a big driver of future growth for us.

The customers loved them. And what we're seeing as we roll-out these products -- and we give them more things to buy -- is that the total customer value from our bookings is climbing and that's really a good factor for us.

So, bottom line on CareerBuilder, I think the message that I would leave you with is despite whatever you read in the media that -- we're not seeing in the CareerBuilder numbers the weak North American employment market that everybody is talking about.

With that, I'll turn it back over to Gracia.

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### **Gracia Martore - Gannett Co., Inc. - President, CEO**

And we're hoping that continues. Thanks a lot, Jack. And now, let's turn to one of our other businesses, the USA TODAY Sports Media Group. They have made tremendous strides in moving Gannett to the very top tier of sports information providers. We're on the move and the group ranks fourth among all digital sports properties in terms of audience according to comScore, and that's from 17th when we began this initiative late last year.

We're advancing by building on our strong in-house resources and by selectively adding capabilities. With our most recent acquisition of the news curation and recommendation hub Quickish, we are bringing in a trusted and respected gateway to the best sports news and analysis taking place across social media.

Next up at USA TODAY Sports Media is the relaunch next week of Highschoolsports.net, as well as its rebranding to USA TODAY High School Sports. The relaunch will enable us to build a stronger presence in a market that we believe is both underserved and tremendously important to millions of people across this country. And of course, the relaunch will take place in time for the football season in the fall.

Now let me turn to USA TODAY a little bit more globally. We believe in USA TODAY as do millions of our readers, users, and advertisers and we are committed to giving it renewed relevance in the fast-changing media landscape. We're making progress but there's a heck of a lot more to come, and as I mentioned before, we're fortunate that Larry is at USA TODAY's helm as we work to transform and re-imagine this iconic brand.

Now, Larry is new to the Company, but we thought it was important for you to hear from him his initial thinking on how he is going to re-imagine and strengthen the USA TODAY brand.

Larry?

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### **Larry Kramer - Gannett Co., Inc. - President and Publisher, USA TODAY**

Thanks, Gracia. I'm really excited to be here. I've only been here about a month, but I've made as much travel as I can in that month. And I'm happy to say I'm working for a company that's really willing to look at the future and place some bets now to get us where we have to be in the future, and that's why I'm here.

Transforming USA TODAY from a newspaper brand to a news brand and much more pronounced news brand is at the heart of what I'm hoping to do. We're going to leverage the 5,000 plus journalists we have in this company to all be part of what will be a national news brand not just a newspaper. And those journalists are in print, they're in television and they're going to be part of what we're going to do.

We're building a newsroom of the future in Virginia at our headquarters and in other places throughout the country. We've got a video production center being built. This is going to be a really interesting news play. It's going to be, I think, the first national place where this new form of storytelling that's developing is going to be pronounced for the first time.

We're going to produce -- we're seeing a landscape developing that's very interesting for us. The news -- the USA TODAY brand, as Gracia mentioned, is really strong. People love it. They love it where they get it and how they get it in all kinds of different ways. And we're seeing a strong morning readership for print. We're seeing the middle of the day being dominated by digital platforms and by phones, the mobile platforms. And we're seeing the end of the days moving heavily to our tablet and sometimes more print.

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But -- it's an interesting breakdown, and it's helping us envision how we want to deliver news to our customers and understanding that all of our customers want all of these different platforms. They want to be on all of them, so we want to carry our brand to all of them. In mobile and digital platforms, you're going to see a lot more native content that we're producing for them, and that means real time content. And you expect to get news on your phone right when it happens, and we're going to give it to you faster than anyone else.

You're going to see more video on all these platforms. You have a fantastic new video production center that's being constructed in our Atlanta TV station that's all ready starting to churn out video. We'll be able to deliver you live video from any of our newsrooms around the country and there are areas from their reporters to any of our platforms.

So, if the USA TODAY website wants to go live to a big fire that's happening in Des Moines, we'll be able to bring that to you live. And we'll be able to send out all kinds of new content that we've never been able to share among our properties, using resources of this center we're building in Atlanta, and all the resources we have -- with gathering resources we have around the country.

In print, you're going to see some changes too. You're going to see a much different use of the print vehicle. You're still going to see the culture -- the storytelling culture of USA TODAY, but you're going to see a lot more pronounced voices. There's been a change in the landscape and what used to be important to readers from a newspaper is changing.

Much as we like the fact that we could deliver you four paragraphs on any baseball game in your hotel room when you are out-of-town, that's less important today because you're probably sitting in your hotel room watching your home team's game on your iPad now, but we're going to give you a different voice.

We're going to give you more interesting takes. We're going to give you something you want to read that's different that you can get anywhere else. That's going to be as much forward-looking as it is backward-looking. And we're going to give you some very pronounced voices. You will recognize our writers and our writing more than you ever have in the past and that's very, very exciting.

And we're going to enhance the visual storytelling that we started 30 years ago. We're going to do better at graphics. We're going to do better at color photographs. We're going to do better presentation, and that kind of leads me to what's happening in September. September, we're having -- celebrating our 30th birthday at USA TODAY, and we're going to use that opportunity to change everything.

You're going to see a fantastic new print products something you haven't seen anywhere else. It's going to be very dynamic. It's going to be a major change that reflects both what's great about our history and things you haven't seen yet from anyone else and how we tell stories in the future.

We're also going to reboot every one of our digital platforms. So, you're going to take a look at apps and at a Web presence that recognizes really a next generation look at how people are getting their content on these platforms.

And it isn't just about the news that we're going to present, it's about advertising. We have a close relationship with several advertisers, and we're working with them to help understand how best to tell stories in these new platforms. And you're going to see some really exciting presentation of ads that you've never seen anywhere else on digital platforms that are going to tell their stories better than we are.

What we learned is our advertisers are just like us. They have exactly the same problems we do. They're trying to figure out how to tell their story on a digital platform just like we are, and we're going to help them do that. We're partners in it -- much closer partners than we've ever been.

We're working with them on how to tell stories on multiple platforms, how to take somebody who's watching a TV ad and move that to the iPad which they have sitting in front of them or the cell phone which they have sitting in front of them, and we're flowing content in exactly the same direction. So, we're making that a more obvious play. You're going to see some really interesting new storytelling.

Next, I want to mention sports which Gracia has already given you a lot of details on. But sports is a first example of our vertical strategy where we take in a single subject matter that we're known for, that we have a great reputation in and we've really decided to put together all of our assets into that and build a presence that isn't rooted in just one form of media. It isn't just a newspaper, it isn't just a website, but it will be an experience. And our -- sports is perfect to this because if you look at even the history of sports journalism, it transcends one media. The best sports writers are always on talk shows -- on radio talk shows.

They've learned to expand their knowledge different ways because people want to get them differently. If I'm driving in a car and I'm a sports fan, I've got sports radio on. So, we're going to be a presence on more of the platforms that we're on because we're hiring -- again, just like we're doing in news, we're hiring much more pronounced voices. We're hiring people you want to listen to, whose take matters to you.



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It isn't just about an agate sports score, it's going to be about the story behind what's going on in event. And it's going to be things like high school sports you study of who the next star is going to be, not who today star is. So, it's more forward-looking. It crosses all the media platforms.

It takes you, if you're a fantasy football player, from watching the game to using both print and digital to help you in your fantasy selections and how you play the game, basically engaging you everywhere we think you are. We have to take a consumer-centric approach here. We have to believe that the consumers are changing their habits and we need to change it with them and we're going to do that. We're going to watch it, and we're going to be prepared in every platform.

Finally, travel is the other area I just want to mention. Travel is big for us. We have longstanding relationship with people who travel - we're everybody's hometown paper when they're on the road. They love picking us up. It's a comfort level that rivals what the local relationship we have with people with our local newspapers. Somehow when you get to the hotel room, part of that experience is you've got a copy of the USA TODAY.

But we all know things are changing, and we all know habits are changing. So, we're moving very quickly to maintain and build that relationship on digital platforms too. And our first deal was with Hilton. And it's a very aggressive deal where we are not only providing newspapers at their hotels, but we're also providing content on digital platforms when you turn on whatever device you're looking at in your room or in the hotel.

We're providing not just our own content, but gateways to other people's content, curation of everything else that's out there. So, if you get to a hotel room, and one of the things you want to do is go out to dinner, you're going to be able to use our portal to look at reviews of local restaurants, to look at use a generated content about local restaurants and to make a reservation at a local restaurant.

As we grow it, it will grow into everything from going to a sporting event to getting a tee time at local golf course. We're going to help maintain and build that relationship, and we're going to do it with our partner, with the hotel. And the hotel partners have been terrific; they're interested in this. We're going to work with them to develop levels of this service that matches the levels of their loyalty users. So, if you're a platinum member of a hotel loyalty card, you may get more from us. And it's part of a relationship that it becomes a much more shared experience between us, our advertisers and our partners.

So, we're really excited about all these things. I mean, wait until you hear me at the 6 months you're going to be -- it's just going to blow your mind. But I have to tell you, it's a great company to work for and the month that I've been here, I'm really stunned by the amount of talent that's throughout the place.

And I really enjoy it, and working in every area that I've had to work with which is everything from digital development and David's group to working with the local newspapers on how we're sharing news in content to television, and how the news broadcasters are going to work as part of this new television -- this new news concept that we're selling -- across the broad news concept.

Everybody is excited about it. Everybody is working at it. And I really haven't walked into a media company in the last 10 years that's excited about what happening next. So, I think you see company that's really starting to leverage at its assets and leverage its partnerships and its advertisers to really go in that direction.

Thanks.

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

Thanks very much, Larry. I think we're all looking forward to seeing what happens in September. It's going to be quite exciting. Larry alluded to the fact that on the digital front, we're going to be launching desktop mobile and tablet versions, relaunching them across the Company as well.

Our video production center that we talked about in February has been launched, and David Payne is here to show some additional insights on that.

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**David Payne - Gannett Co., Inc. - Chief Digital Officer**

Sure. Good afternoon, everybody. Thank you, Larry. I could talk about the 125 new products we've launched just in the last 6 months for Bob's group, for Dave Lougee's group and then coming out in September the complete relaunch of all the USA TODAY platforms, but I really want to leave you kind of with one salient thought about all of those products. And that is that we're leveraging the entire backend of Gannett to support all of our publishing assets.

So, if there's priority for Gannett, it's getting on one common code base for all of these products moving forward, getting on one common ad serving system, so we can start delivering ads both nationally and locally and do the activation that Vikram group is doing it so forth, and one common front end.

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So, all of that sounds kind of boring, but I think if you want to see that manifested you can see it initially with this video production center that we have at Atlanta. It's a snapshot of the group, but it really brings to life what we're talking about.

So, at WXIA, which is one of our major broadcasters, we basically took over an unused control room. It was in that building, and we linked in all of an amazing fiber optic ring, so we can bring all of the content in from all of our various broadcast systems. We can bring in our live stream content. We can bring in user generated live content. We can bring in content from our local community newspapers. We can curate that content, and we can distribute it. So, this is the important thing to recognize; we can distribute that automatically out to 100 properties.

So, we have a built-in affiliate network at Gannett. It's all about leveraging the system together, sharing that information in the Cloud and then pushing it out automatically. And what that will enable us to do, as Larry briefly mentioned, is it will let us think about news completely differently. Think about news like CNN thinks about news, not like a newspaper division or broadcast division or USA TODAY. We actually can leverage the rights and systems that we have to bring live breaking news to 100 properties.

Okay? So that manifests really the work that we're doing at Gannett and that philosophy is what we're pushing all the way down through the Company. And that really is the advantage -- it is that essence of that idea that we can leverage everything across and digital enables us to do that.

So, thank you, Gracia.

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### **Gracia Martore - Gannett Co., Inc. - President, CEO**

Thank you very much, David. A lot of work being done by our digital group to really help move forward a lot of strategic initiatives across the Company.

Now, let me turn to the final initiative that we talked to you in February, and that is under the umbrella of cost transformation and asset optimization. Gannett Publishing Services was formed in September to operate all of our printing, production and distribution assets, and they continue to make good progress both on the cost saving and revenue generation front.

In May, they signed an agreement with Dow Jones to expand their distribution agreement to about 35 additional cities. And actually, this morning, we entered into an agreement that will enable us to reduce our cost for all of our third party printing. So, the printing of Clipper and USA WEEKEND that is done outside of our company, by over \$60 million over the next five years.

And this agreement also enables us to place all of our printing and distribution assets into this vendor's sophisticated network, enabling us to expand the marketing of our excess capacity in those areas. At this point, GPS is on track to deliver a positive impact of approximately \$40 million to the bottom line this year.

Now, as part of the asset optimization strategy, we are continuously evaluating our real estate portfolio, which consists of more than a 100 owned and 300 leased locations. Since 2005, we have sold more than 2 million square feet of real estate. And we currently have on the market more than 2.5 million square feet out of our total US portfolio of approximately 14 million. Once completed, we will have successfully reduced our owned real estate footprint in the US by more than 25% since 2005, and we continue to add to this list as we continue to evaluate our portfolio.

Now, our assessment isn't a simple one. It considers every strategic alternative, and every asset that we look at including selling older underutilized buildings and relocating to smaller other space that is leased, to reconfiguring space to make more room for leasing and subleasing opportunities, including at our headquarters building, to blend and extend strategies to drive down rental rate in situations where we want to renew a lease, to sale leaseback transactions and every other option.

Obviously, we are incredibly familiar with the real estate conditions in our markets; we write about them every day. And we have retained nationally-recognized real estate firms who have been assisting us with this process for an extended period of time.

For example, one thing that is happening right now is that the Des Moines Register and the Journal News in Westchester are going to vacate their longtime homes and move into newly-designed leased offices in the heart of their communities. No stone is being left unturned when it comes to all of our assets across the Company, including real estate.

As you've heard, we are already successfully progressing on the various initiatives we shared with you in February, and we will continue to invest in those initiatives both in the first half of this year, as well as the back half of the year. We expect them to positively impact results in the latter half of the year mostly in the fourth quarter.

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So, let me turn very quickly to our results thus far this quarter, and Bob and Dave Lougee are going to help me with this process. Overall, total company-wide revenues for the first 2 months of the quarter are down just 2%. Revenue growth of 9% in broadcasting and over 4% in the digital segment offset, in part, a decline of about 6% in publishing revenues. Digital revenue growth company-wide -- now, that includes revenue growth in our digital segment, as well as digital revenues in our broadcasting and publishing segments -- were up over 11%.

We were talking at our table about volatility, and that has become incredibly commonplace these days virtually everywhere you look. Reflecting that after a solid start to April, it softened significantly in the latter half of the month. But wait, May on the other hand roared back. Our publishing results in May were the best monthly year-over-year comparisons we have seen in a very long time, stretching back to early 2007. Publishing segment revenues in May were down less than 2% while in April they were approximately 9% lower.

Now, Bob, you're here to add just a few words -- some color commentary.

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### **Bob Dickey - Gannett Co., Inc. - President, US Community Publishing**

Yes, sure. April was negatively impacted by the shift in the Easter and Mother's Day holidays, but as Gracia pointed out, May improved dramatically and we saw these trends across all of our segments. We saw many of our customers come back to print ROP advertising. Preprint revenues had their best performance of the year.

Our automotive digital revenues were up in the low double figures, and despite the tough job growth numbers out there, our total recruitment revenue was flat to last year. Real estate no surprise remains a challenge, and those trends, though, remain unchanged. Digital revenues in May were up in the mid single digits.

June trends are slightly behind May, but we expect advertising revenues to finish the quarter a little bit stronger than we posted in Q1. And as I noted earlier, our new full all access subscription model is driving year-over-year circulation revenue gains in those markets.

Just to give you a little background as we look across USCP, our Midwest and West groups are leading the way in the second quarter. I will say though, all four of our groups are posting improved advertising trends to the first quarter. And all four groups have improved their year-over-year trends for the quarter. I would point out that our South group is our most challenged group at this point.

As we look at the individual states for the second quarter compared to last year, we're happy to say we're seeing a significant improvement at our California and New York properties. Arizona has softened slightly, but a lot of that is due to some stronger comps that they're up against from last year. And New Jersey and Nevada remained the biggest challenge for us as we look at individual states.

Thank you, Gracia.

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### **Gracia Martore - Gannett Co., Inc. - President, CEO**

Thanks very much, Bob. Just really turning quickly to Newsquest, they saw the same flip-flop in April to May as we did domestically. In April, total revenues in pounds were down about 8%, but in May, they were down just 1%. And despite the revenue decline, we expect them to improve margins year over year, as they continue to create efficiencies, control costs, and execute on their revenue initiatives.

Now, at this point, we expect the total decline in total publishing segment revenues in the second quarter to be in the 5% to 5.5% range based on current trends. And looking at digital results, again, company-wide, we expect total digital revenues to be up in the 12% to 13% range in the second quarter.

In the broadcasting segment, it's all good news for Dave Lougee, and he's here to talk about it.

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### **Dave Lougee - Gannett Co., Inc. - President, Gannett Broadcasting**

Well, thank you, Gracia. Second quarter has been a strong quarter and, in fact, this is the last week of the quarter for us and our core business has had an unexpectedly strong week and we're going to finish with total revenues for the quarter in the 10% to 11% range compared to last year.

Core advertising revenues like I said, have been strong in the second quarter -- stronger for us than the first quarter when you factor out the Super Bowl on our 12 NBC stations in February, and some political displacement this month which I'll talk to you about more in a moment.

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On retransmission consent, our revenues will finish at around \$22 million for the quarter, and around \$91 million for the year. It's worth noting, we have some significant agreements that will be coming up, and we'll have some significantly higher numbers next year.

A reminder that these are all cash deals that fall 100% to the bottom line, which is not the case with all retransmission agreements across the country. And our current network affiliation agreements expire from our ABC in 2015 to our larger NBC portfolio in 2017. And together with our networks, there is still a lot of upside because the audiences and subscriber fees are still nowhere near in alignment. And that's what happening now as the market begins to work.

On automotive, auto remains very, very strong. It's a little inflated in June, due to the tsunami related cancellations last year, but it has been strong all year, and clearly going very strong into third quarter.

Political -- I don't know if you want to talk about that at all, but the political switch literally turned on one day in May when the Republicans decided they had a nominee, the PAC money and the campaign was on. And on the political -- for instance, on the political dollars we'll bill in the second quarter, 85% of that will come in the last 6 weeks of this quarter.

Our presidential footprint for this year is very, very strong as it has been in the past. With news stations in Florida, Ohio, Colorado, North Carolina, and now, Virginia with WUSA, both the candidates in the PACs supporting them are now active in these states, and they should be right through to Election Day.

We've also got some key senate races, notably Virginia, Missouri, and Maine. And depending on how this immigration policy issue plays out, possibly, Phoenix might move into that column and although it hasn't to date -- same with the presidential race, frankly.

As always, we will have several hot US Senate races and there's a lot of money behind those -- I mean, house races. And another reminder, the vast majority of our political will come between Labor Day and Election Day, and most of that in October, and this year will be no different. So, it will be quite an October. So, that's going to give us a significant tailwind for both the third and fourth quarter.

Speaking of tailwinds, the other golden opportunity we'll have in third quarter, pun intended is the London Olympics in August. The Olympics have always been a tremendous audience and advertising platform for us. We're the largest distributor of NBC outside of the network itself, and we have a long and proud tradition with the Olympics. Our stations are always among the very highest rated of the 200 NBC affiliates, and they will be again this year.

But this year, what's unique is our revenue picture is going to be quite different. More on that in a moment, but first, here is a very short reminder about why the Olympics are such a special branding event.

(Video Plays)

Videos like that remind our clients why this is a branding platform they want to be part of. And this year, we transformed our Olympics sales process to get far more out of our local clients and get them into this branding vehicle. We already have \$3 million more on the books than we finished with in 2008 in Beijing. How did our folks do it? By starting, frankly, much earlier and embracing a different sales process, using the magic of that medium as opposed to PowerPoints, and a far more, far more specific process.

For instance, when our clients in Atlanta come to the station for their Olympic presentation, that's what the elevator looks like when they get in. Inside the elevator, Olympic images accompanied by the NBC Olympic music. From there, it's under the Olympic rings into a conference room retrofitted as a British pub.

And on the wall, an original mural of Olympic athletes from a local Atlanta artist. And in that room, they watch videos like that and some others tailored to their market about the magic stories of the Olympics, which are really about the human condition. It's not a sporting event. Two or three of our clients have actually cried at the end of those presentations, usually, a good indication they're going to buy.

When all is said and done, we're going to finish \$8 million to \$12 million ahead of 2008, driven by that new local business development process. Now, a reminder, that's not all incremental -- all of our Olympic money, because we are displacing prime inventory we would normally sell. But nevertheless, we have significant growth this year.

Lastly, on the digital side, and this is under the heading of frequency sales. You've heard from Gracia and Jack -- and Bob, to some extent, talk about this digital marketing services issue. This is a really big deal. And not withstanding retransmission revenues and political and Olympics, this is what I'm most excited about.

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If you think about it from a broadcast station, we -- in our larger markets, we get a lot of revenue from a small amount of advertisers. But we reached 80% of the market. 80% of those advertisers in the market do have a relationship with our brand. We now have a new way to monetize this, and it is a brand new revenue stream.

Jack referred earlier to some quarter million dollar annual deals that involve this one-stop shopping. We have several of those. At Investor Day, we talked about two specific ones. We've done several since north of a quarter million, and the lead on that is reputation management in social, which as Vikram, can attest is uncharted waters.

But simply put, if you're a client -- if you're a store, or you're a whatever, and somebody is on Twitter on Saturday night saying bad things about your business, we're monitoring that. And we're going to have your back, and you're going to find out on Wednesday without our service, we're taking care of it Saturday night. It's an exciting new venture. It's an entirely new revenue stream, and I couldn't be more excited about it.

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### **Gracia Martore - Gannett Co., Inc. - President, CEO**

Thanks, Dave. I hope some of the people in this room leave here crying and buy us as well. Good try. All right, we've given you a pretty good look on revenue. On the expense side, as you may recall, we have about \$30 million of strategic initiative investment in the second quarter along with the increased pension expense of about \$4 million.

If you include the impact of that \$34 million of additional investment, but you exclude special items, we expect total expenses to be in line with last year's second quarter. And if you take all of that into consideration, and based on current trends and expectations, we are comfortable with First Call's current consensus estimate for earnings per share for the quarter.

Now, as we wrap up today's presentation, let me reiterate. We have an excellent plan in place to take full advantage of the advantages that we have in this company. Our balance sheet is strong and we are determined to succeed. We're confident about our plans for the future and our ability to deliver increasing shareholder value.

So now, let's turn it back to John and if you want to lead the questions.

## QUESTION AND ANSWER

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### **John Janedis - UBS - Media Analyst**

One quick one. I know Paul is not here, but given the situation in the U.K. and the potential weakening of the macro economy, what are your people on the ground telling you, and how do you think about the outlook?

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### **Gracia Martore - Gannett Co., Inc. - President, CEO**

You know, Paul and his team are doing a terrific job. They are already in a recession in the UK, and they have been managing through that for the first several months of this year incredibly well. In March, their earnings were higher than last year and they continue to see that trend going, as I said, we expect higher margins year-over-year. They've done a phenomenal job on cost control.

They have consolidated a lot of operations centrally and they've got a number of revenue initiatives. They're almost too numerous to mention, because they're not GBP20 million or GBP30 million ideas. They can be GBP100,000 ideas or GBP200,000, but the amalgamation of all of those has allowed them to have the best regional newspaper ad results in the UK.

So, I think they're doing a fabulous job -- given the recessionary backdrop -- a fabulous job on the revenue front and as always, an extraordinary job on the expense front. So, we feel very good about what we're doing there despite the fact that they're in a recession.

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### **Unidentified Audience Member**

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Thank you. Just two quick questions. One, given all the positive data points you gave us on this which will impact the circulation line, is it possible that we could see sort of flattish, maybe positive circ revenue in the second quarter? Is that more back half of the year?

And the second question is just more of a bigger question on the DMS segment. You talked about a lot of these great new initiatives in terms of social networking, website development, all those other areas that you're working on right now. If you could explain, maybe, how does the revenue model work on those areas?

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

Sure. On the circulation front, clearly, the impact -- because we're rolling it out and across the year, and we have to honor subscriptions in place. So, if you have a 3-month or a 6-month or a year subscription, we have to honor that pricing. Really, we're going to see, in the fourth quarter, I think the biggest benefit this year on it. And I think that by the fourth quarter, certainly, we should see positive circulation revenue growth.

And, Bob, based on where we are today, we should see positive revenue growth.

And Jack and Vikram, why don't you address the revenue model on digital marketing service.

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**Jack Williams - Gannett Co., Inc. - President, Gannett Digital Ventures**

You know what, I think every single category of what we sell has a different revenue model. So, in some of them, like paid search, it's obviously the same model that almost anybody else would apply. You're going to get the money that's spent on the actual search, whether it's on Google or Bing or someplace else, and a service fee for handling the search and handling the search placement, and doing all of that.

Some of the others services are flat fees, so the social that Dave talked about or whatever would depend on the level of service that we're going to provide. So, if we're really going to watch the websites on a constant basis -- I think we're actually going to do postings for them, and we're going to build marketing campaigns for them on their social sites, the level of fees and services are much higher than somebody where we're building a basic social presence in doing that.

So, every one of those services is somewhat different, most of them have pretty high margins -- reasonably high margins.

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

Thanks, Jack.

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**Unidentified Audience Member**

Dave, just on political -- I mean, on the first quarter conference call, you guys were somewhat conservative on Q2 political emphasizing that will be very backend loaded this year based on how the races are falling out. It sounds like, either it came very late in the quarter, but is on -- in line or it's running ahead of expectation, which is it?

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**Dave Lougee - Gannett Co., Inc. - President, Gannett Broadcasting**

Sort of neither, it is -- I'd say was behind expectations in May and ahead in June. So, it kind of evens itself out, so it's still the same issues, a majority is going to be in the back end. But the presidential is running hotter earlier than it did in '08.

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**Unidentified Audience Member**

So, are you certain to raise your sights for political for the year or it's too early to say?

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**Dave Lougee - Gannett Co., Inc. - President, Gannett Broadcasting**

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We have high sights all ready.

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**Unidentified Audience Member**

Right.

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**Dave Lougee - Gannett Co., Inc. - President, Gannett Broadcasting**

So, we -- we had months where we've missed our goal, we had months where we've exceeded them. We have pretty high goals built in, baked in given our footprint. And frankly, this battle is going to be fought in less states than '08 was, --so there's an inventory issue among all broadcasters, so we're really focusing on pricing and inventory the smart way.

And the key there will be if there are some surprises drawn at the industry, where one stake goes cold, one candidate abandons the state and moves somewhere else. That will have impact on the pricing standpoint about what we can take. But, we're pretty optimistic about the overall outcome for the year.

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

If the dollars are there, we're going to get them, and more than our fair share. Ed?

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**Unidentified Audience Member**

In 2008, according to the annual report, had a \$118 million from political and Olympics, the Olympics might have been sort of 10 or 12 the rest -- and if you're having a big jump, is it over the 10 or 12 in 2008? And then, if we look at political, you could be looking at a lot of dollars in the combination.

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**Unidentified Company Representative**

Is that a question or a comment?

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

That was a paid comment. I asked him to say it.

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**Unidentified Company Representative**

Our total Olympic number in '08 was \$23.5 million in that, but that was, the 12 is really what we put out as an incremental. So, when I say 8 to 12 on, it's 8 to 12 on top of the 23.5.

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

And what would you say is the split?

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**Unidentified Company Representative**

But political -- political, I'm not -- we're not, I'm not throwing out numbers there.

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

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He'll do very well. I'm confident. Joan?

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### Unidentified Audience Member

This is in response to your new video capability and the ability to push things to tablets, to whatever, I'm wondering, if you look at it from the telecom user point of view, and as Verizon and AT&T are going to gouge me to what they want to charge for data bits. How are you building that into your model, so you don't overdo this, and then load people up with enormous bills if they really love your product?

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### Gracia Martore - Gannett Co., Inc. - President, CEO

David, I know you'd like to comment on that.

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### David Payne - Gannett Co., Inc. - Chief Digital Officer

That's a high class problem.

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### Gracia Martore - Gannett Co., Inc. - President, CEO

Indeed.

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### David Payne - Gannett Co., Inc. - Chief Digital Officer

Well, I guess, fundamentally, when you think about everything's consumer choice, so it's not like we're pushing to your tablet or pushing to your phone all of these data. And if you're like me, you get a data alert everyday telling you you're pushing your limit. There actually is an opportunity, I think, in that that nobody has accessed yet, which is around managing data caps and optimizing your video for those things.

And I think as the market gets a little more mature, the smarter companies are going to figure out, actually, a new business model around that. So, we're not just talking about pushing advertising in there, but we're also talking about optimizing it, and allowing people to do peer-to-peer sharing across the video ecosystems. There are a number of companies who are enabling that, and so, you can start seeing if you can leverage some dollars out of the data cap management.

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### Gracia Martore - Gannett Co., Inc. - President, CEO

And Dave --

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### Dave Lougee - Gannett Co., Inc. - President, Gannett Broadcasting

I want to add one thing to that. We're sort of hedged on that issue as a company, because we're very involved in mobile digital television, which is based on the premise that if spectrum becomes -- it becomes a real squeeze on spectrum and that data caps become an issue, then the live video transmission that's going to be a base consumer demand, and the country is going to have to be done for a broadcast ecosystem, not on a one-to-one network.

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### Unidentified Audience Member

On that channel or --

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### Dave Lougee - Gannett Co., Inc. - President, Gannett Broadcasting

On our front channels. Or, in other words, because we've all ready got a mobile digital standard that the country is coalesced around. In fact, we're involved right now in trying to build the business with 8 other broadcast groups, and NBC and Fox around this very issue. Because to your question, we believe, when it comes to live video,



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whether it's tornadoes in Omaha or you know, the Super Bowl, that there's not enough bandwidth out there for that all to be done on one-to-one networks on those big live events. So, there's going to need to be an off loading of live to the broadcast standard.

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### Unidentified Audience Member

When you look at your long-term projections, do you expect there's any point at which print advertising turns up?

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### Gracia Martore - Gannett Co., Inc. - President, CEO

In our print advertising, we sort of don't bifurcate it as to print versus digital in our publishing or in our broadcasting. We look at it as finding solutions for customers and whether those solutions include a video component, a digital component, or mobile component, and a print component, or a TV component, that's all of providing a solution to our clients.

So, what we have said is that we believe overall in publishing that by 2015, we will see growth of anywhere from 0% to 2% in the publishing segment. We're looking at it much more holistically as advertisers are looking at it in terms of providing a solution rather than just print versus digital, and what happens to each one of them.

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### Unidentified Audience Member

But that includes circulation event or -- it's the total division or just --

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### Gracia Martore - Gannett Co., Inc. - President, CEO

That's the total publishing segment, including USCP, USATODAY, as well as Newsquest.

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### Unidentified Audience Member

Thank you. Can you talk a little bit more about cost? I'd be curious for your thoughts on the back half of this year, cash cost - I guess non-news print in your division, taking into account all the investments you are doing, etc., and knowing the volatility in the economy, as you see things right now, how are you expecting cost to trend the back half versus a year ago?

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### Gracia Martore - Gannett Co., Inc. - President, CEO

Sure. On the initiative front, a lot of our spending has been front-loaded, so of the \$65 million or so that we expect to spend on our strategic initiatives, we spent about \$19 million or \$20 million in the first quarter, we're spending about \$30 million in the second quarter, and the remainder of that will be spent in the third and fourth quarters. But as I said earlier, in that fourth quarter, we're going to start to see a more significant ramp up of the revenues that we're going to be getting out of that investment.

So, I think you'll see that we will do the same job that we've always done on the expense front. And, if you exclude the strategic initiatives from our expenses, our expenses would be down for the quarter a few percentage points. We'll continue to be very focused on that. Newsprint pricing is flat; we'll have to see where that goes, but it's certainly not going up. We'll have benefit from that as well.

So, we'll do a good job. Some of the initiatives from the Gannett Publishing Services, some of the things that we're achieving there, also, will help. We expect that expenses will be well controlled. In broadcast, where they're seeing a significant ramp up in revenues, there will be the associated cost sales and commission cost and the like, and coverage cost that we would expect to see.

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### Unidentified Speaker

So, Gracia, are you ballparking suggesting the investment spending in the back half of the year, in non-newsprint will be down 2% to 3%?

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

I don't think I'm saying that.

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**Unidentified Speaker**

What are you saying then?

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

We'll have to see -- we'll have to see also where the revenue picture is at that point. So, we'll keep you posted on our quarterly earnings calls.

Yes, Bill?

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**Unidentified Audience Member**

Gracia, you touched on the real estate project and it's something that's been ongoing. Just wanted to clarify on an initiative that you circled. What could be kind of the financial impact in terms of either cash inflow or cost saves?

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

We have a number of properties up for sale. It's a constantly evolving thing. We have some smaller properties that -- a couple of million dollars, \$3 million, \$5 million. We have one more significant one of about \$20 million-plus. We're also looking at re-stacking buildings, so lease savings there.

So, what we don't want to do is actually put a number on them until we see what we can achieve because you have to go through due diligence processes, you have to re-stack -- it's a more protracted process. But as we get into later quarters as we see the flow of this, we'll definitely provide more specifics and more quantification around that. But, we have well over \$100 million of properties up for sale as we speak.

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**Unidentified Audience Member**

And has your real estate process kind of contemplated anything new with your headquarters?

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

Well, on our headquarters building, number one, we are already leasing out, I think about 100,000 square feet. We're always looking at that building, just as we're looking at other buildings where we say, okay, is there an opportunity to re-stack floors and to combine things. We're also looking at more open collaborative space, which we think actually fits better with the work styles that folks have today.

And so, are there some opportunities to do some additional allocating of space, and moving folks so that we free up a bigger chunk of our headquarters building to potentially make that available for lease. That is a project that we are literally in the midst of as we speak, and we should achieve some thoughts on that and some potential actions over the next 6 months.

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**Unidentified Audience Member**

And just a final question, just to clarify on your earnings guidance for the quarter. Will you be calling anything out as kind of one time like pension and etc.?

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

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Well, as I said, our pension expense is going to be up about \$4 million, that plus the \$30 million of investment is included in our numbers, and that leads us to being comfortable with consensus guidance.

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**Unidentified Audience Member**

Okay. Thank you.

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

Yes, Mike?

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**Unidentified Audience Member**

Can you talk a little bit about... you mentioned the headcount is kind of moving in staffing levels and in certain divisions and so forth? Can you break out for us what the headcount is going to be versus -- in like broadcasting and publishing by year end, up year-over-year, or down on the -- if you could just break that out for us?

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

Sure. Clearly, on the broadcasting side, headcount will be up. We are investing in content resources as well as sales resources.

Bob, you might want to answer for Community Publishing.

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**Bob Dickey - Gannett Co., Inc. - President, US Community Publishing**

When you consider the GPS initiatives, our headcount would be down, but we are reinvesting in our news resources to support our new model.

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

Right. And on the digital side, those are increasing resources, both from the standpoint of the work that David has been doing, as well as obviously, in Digital Marketing Services, we are ratcheting up the number of folks that are focused on that as we see this revenue opportunity as being very, very substantial.

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**Unidentified Speaker**

And so, year-over-year, do you expect that piece to be up at total company?

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

They may be up slightly. We'll just have to -- we'll have to see how the quarters unfold, but they could be with the increase in broadcast and the new initiatives and others same thing could be up slightly.

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**Unidentified Audience Member**

Looking say, 5 and then 10 years from now, what percentage do you think digital could be of your total publishing revenues? And secondly, I'm not an analyst in this industry, but it would seem to me that in theory, digital would be a lot more profitable than print, because you don't have paper, you don't have the same delivery expenses, etc.. So, I was wondering if you could comment on both of those?

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

You've heard us talk a lot about our digital initiatives today, Digital Marketing Services. We have every expectation that by 2015, digital revenues will represent a much more meaningful -- right now, our digital revenues represent about 21% of our total company revenues. And we would expect that percentage would be significantly north of that.

But, frankly, it's going to follow how advertisers and consumers want to access our content, and advertisers want to engage with their consumers. Irrespective of what platform it happens on, we are going to be there, that's the beauty of the Gannett Company. That's the great part of all of the initiatives we have. So, wherever those dollars are going, particularly in local, we're going to be there to capture those dollars. So, we absolutely believe that digital is going to be a bigger percentage -- a much bigger percentage of our total in 2015.

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**Unidentified Audience Member**

So, when you say much bigger, roughly, what do you get?

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

You know.

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**Unidentified Audience Member**

30%, 40%, 50%?

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

You know, it could be 30% to 40%, depending on how successful we are with a variety of these initiatives and other factors. It could be more. We just have to see how the consumer evolves and how advertisers evolve to connect with them. And wherever those dollars are, we're going to be there to capture them

And on the expense side, if you're not using newsprint and ink, and have distribution costs that are significant, that's clearly a savings, but you also have to look at CPMs and pricing.

And, Jack, and David, if you want to jump in, feel free to do that. I think Jack is nodding his head.

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**Jack Williams - Gannett Co., Inc. - President, Gannett Digital Ventures**

Yes, I just -- I probably would only add, just like my answer before, it's going to depend on the area, because some of these places have much lower barriers to entry, because the barrier to entry in the newspaper business is an example of us having those presses and having distribution.

Digital businesses have lower barriers to entry. The margins in every business is going to vary slightly based on the competency of the people providing it, the ability to duplicate that capability and that competency, and the ability to package products.

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

Well, thank you all very much for being with us today on such a hot day. We appreciate it. Thanks.

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