

Postmedia Network Canada Corp. Q4 F2016 Investor and Analyst Conference Call October 20, 2016

# Forward Looking Statements

This presentation may include certain information that is "forward-looking information" under applicable Canadian securities laws.

The Company has tried, where possible, to identify such information and statements by using words such as "believe," "expect," "intend," "estimate," "anticipate," "may," "will," "could," "would," "should" and similar expressions and derivations thereof in connection with any discussion of future events, trends or prospects or future operating or financial performance.

Forward-looking statements in this presentation include statements with respect to: the anticipated benefits and consequences of the Recapitalization Transaction; the implementation and results of the Company's transformation initiatives, including the realization of anticipated cost savings. By their nature, forward-looking information and statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future

These risks and uncertainties include, among others: the risk that the anticipated benefits and consequences of the Recapitalization Transaction may not be achieved; the risks associated with the possible failure to realize the anticipated synergies in integrating the operations of the Sun Media publications with the operations of Postmedia; competition from digital and other forms of media; the effect of economic conditions and structural changes in the industry on advertising revenue; the ability of the Company to build out its digital media and online businesses and the failure to maintain current print and online newspaper readership and circulation levels.

For a complete list of our risk factors please refer to the section entitled "Risk Factors" contained in our annual management's discussion & analysis for the years ended August 31, 2016, and 2015, which can be found on the Company's website at <a href="www.postmedia.com">www.postmedia.com</a> or on SEDAR at <a href="www.sedar.com">www.sedar.com</a>. Although the Company bases such information and statements on assumptions believed to be reasonable when made, they are not guarantees of future performance and actual results of operations, financial condition and liquidity, and developments in the industry in which the Company operates, may differ materially from any such information and statements in this presentation.

Given these risks and uncertainties, undue reliance should not be placed on any forward-looking information or forward-looking statements, which speak only as of the date of such information or statements. Other than as required by law, the Company does not undertake, and specifically declines, any obligation to update such information or statements or to publicly announce the results of any revisions to any such information or statements.

Unless otherwise noted, all references to "\$" are to Canadian dollars.

### Recapitalization Transaction

Completed October 5, 2016. Elements of the transaction include:

- the 8.25% senior secured notes issued by Postmedia Network Inc. ("PNI") due August 2017 have been extended by approximately four years to July 2021 and reduced to C\$225 million with a cash repayment of approximately C\$78 million at par;
- all of the 12.50% senior secured notes issued by PNI due July 2018 in the aggregate principal amount of approximately US\$268.6 million, together with all interest accrued from and after July 15, 2016, have been exchanged for approximately 98% of the total number of voting shares and variable voting shares;
- the voting shares and variable voting shares of the Company have been consolidated on the basis of one post-consolidation variable voting share for every 150 pre-consolidation variable voting shares and one post-consolidation voting share for every 150 preconsolidation voting shares;
- approximately US\$84.4 million of new capital has been invested in the form of new U.S. dollar denominated second lien secured notes due July 2023 with no cash interest for the first three years, subject to certain conditions;
- the Company's total debt has been reduced by approximately C\$307 million and its annual cash interest expense has been reduced by approximately C\$50 million; and
- obligations to employees, customers and suppliers were not affected by the Recapitalization Transaction.

### Q4 Fiscal 2016 Highlights

#### **Q4 Operating Results**

- Revenue for the quarter was down 13.7% relative to Q4 F2015.
- Operating income before depreciation, amortization, impairment and restructuring (EBITDA) decreased \$14.9 million relative to Q4 F2015.

#### **Cost Savings and Synergies**

- The Company is currently in the process of implementing operating cost reductions expected to total \$80 million by the first quarter of fiscal 2017.
- In Q4, the Company implemented initiatives which are expected to result in approximately \$11 million of net annualized cost savings.
- Total net annualized cost savings, since the program was announced in July 2015, are approximately \$75 million or 94% of the \$80 million target.

## Q4 Fiscal 2016 - Financial Highlights

(In thousands of Canadian dollars)

For the three months ended August 31, 2016 and 2015

For the years ended August 31, 2016 and 2015

			Variance favourable			Variance favourable
	Q4 F2016	Q4 F2015	(unfavourable)	Q4 YTD F2016	Q4 YTD F2015 (1)	(unfavourable)
Revenues						
Print advertising	97,500	123,870	(26,370)	466,573	404,685	61,888
Print circulation	64,357	69,980	(5,623)	260,885	221,969	38,916
Digital	26,916	26,710	206	110,577	97,669	12,908
Other	9,901	9,672	229	39,121	25,960	13,161
	198,674	230,232	(31,558)	877,156	750,283	126,873
Operating expenses						
Compensation	85,259	92,140	6,881	361,738	293,326	(68,412)
Newsprint	12,765	13,539	774	50,591	37,015	(13,576)
Distribution	39,967	42,302	2,335	162,778	122,863	(39,915)
Production	18,246	19,063	817	70,787	58,908	(11,879)
Other operating	35,076	40,880	5,804	148,921	126,759	(22,162)
Operating income before depreciation,						
amortization, impairment and restructuring	7,361	22,308	(14,947)	82,341	111,412	(29,071)
Depreciation	5,599	5,782	183	22,018	31,957	9,939
Amortization	5,323	10,847	5,524	21,919	40,146	18,227
Impairments	60,700	-	(60,700)	267,700	153,043	(114,657)
Restructuring and other items	12,313	11,349	(964)	42,570	34,622	(7,948)
Operating loss	(76,574)	(5,670)	(70,904)	(271,866)	(148,356)	(123,510)
Net loss attributable to equity holders of the						
Company	(99,440)	(54,092)	(45,348)	(352,482)	(263,405)	(89,077)



<sup>(1)</sup> Includes the results of the properties acquired in the Sun Acquisition for the period from April 13, 2015 to August 31, 2015.

### Q4 Fiscal 2016 - Factors Affecting Revenue

#### **Change vs. Same Period Prior Year for Key Revenue Categories**

Revenue Category	3 months ended November 30, 2015 <sup>(1)</sup>	3 months ended February 29, 2016 <sup>(1)</sup>	3 months ended May 31, 2016 <sup>(1)</sup>	3 months ended August 31, 2016	
Local run-of-press revenue	-17%	-15%	-20%	-22%	
National run-of-press revenue	-23%	-26%	-26%	-30%	
Insert revenue	-7%	-8%	-4%	-7%	
Digital revenue - Advertising	-10%	-6%	-6%	+2%	
Digital revenue - Other	0%	-1%	+4%	-1%	
Print circulation	-7%	-8%	-7%	-8%	

#### **Factors affecting Q4 Fiscal 2016 Revenue**

• Largest decline was in the Automotive category, accounting for 37% of Postmedia print advertising decline.

(1) Excludes the impact of the properties acquired in the Sun Acquisition on April 13, 2015.

# F2017 Two Fold Strategy

### EXTEND THE LEGACY RUNWAY

- Support print advertising & circulation revenue
- Aggressive and accelerated cost cutting
  - Secure time for strategic transformation

# EVOLVE BUSINESS MODEL

 Transform from selling audience to selling performance marketing solutions & outcomes