



## Tribune Publishing Co.

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James Kopelman: Good afternoon, everyone. My name is James Kopelman and I'm a media analyst at J.P. Morgan. We're very pleased to welcome Tribune Publishing to the J.P. Morgan TMT Conference.

With us today are Jack Griffin, chief executive officer, and Sandy Martin, chief financial officer. Tribune Publishing is a diversified media and marketing solutions company, and the second-largest newspaper publisher based on Sunday circulation.

Tribune's portfolio includes 11 major dailies, more than 60 digital properties, and over 150 niche publications in eight major US markets with marquis properties such as the "LA Times," the "Chicago Tribune," the "Baltimore Sun," and others.

I'll start it off with a few questions. We'll leave some time to open up the floor for Q&A. Just starting off big-picture, Jack, you've now completed two full quarters as a standalone company and you've laid out a comprehensive five-point plan for the business. How would you characterize your progress so far in implementing the plan? Maybe you could just take us through the plan high-level.

Jack Griffin: Sure, James. Thanks for the question and thanks for inviting us here today. We've been a spun company now, a separately traded public company, for about 10 months. If you go back, it was August 4th of last year.

When you spin, you have to stand up the company. We spent I would say the better part of the fall, August, September, October, putting in place the architecture and the infrastructure to stand on our own. It is very different being a division of a large conglomerate like Tribune Company as opposed to being a separately traded company.

I think we've been an operating company now for six or seven months. I would characterize our progress relative to what we signaled last summer as pretty good. We're bringing on new talent, we're making acquisitions, and as you said, we've got a five-point transformation plan. I think that that's the right word. These big print-based businesses need to be transformed, and the management team and I are actively engaged in doing that.

If you think about our plan, I'll just give you the five points and then Sandy and I will divide them up. We have an imperative to accelerate our transition to digital, so that is underway. I'll come back to that later in the discussion. We have a lot of work to do, and that we have done on the cost side of the business, which is essential these days in our business. Sandy will talk about that in a moment.

We're diversifying our revenue base. In each of our markets where we have a big infrastructure, we tend to be the printer and distributor of choice for any newspaper that distributes in that market. We're working very hard to accelerate our national sales revenue, and I'll talk a little bit about that.

Then finally the fifth point is pursuing accretive acquisitions, and in the last year we've done three. I'll come back to the latest in a moment as it relates to what we're doing in San Diego, and explain the general thesis there. That's the five-point plan, and we're executing on it, and so far, so good.

James: Why don't we start off with cost structure? Sandy, let me just ask you. Could you talk about your strategies around managing cost structure as it pertains to the plant?

Sandy: Absolutely. We as a spun company had a lot of departments to stand up, public company structure to put into place. But we also had the legacy infrastructure of a lot of costs associated with the spun company. We had a corporate management allocation that was coming from parent that was, it clearly went away. We had a technology and finance structure to right size, which we've been doing the last few months.

In December we went through our first ever zero-based budget process, which was painful to the organization. Because they went from having a somewhat fixed amount of budget every year to, let's look at it fresh. Let's pull all the layers back and build it from the ground up.

Jack and I put that into place and were able to find \$65 to \$70 million of structural cost changes at that point. Clearly it was somewhat easy from a personnel standpoint to go from eight different CEOs in eight different businesses to one digital strategy, one finance strategy, so some of it happened naturally. But the zero-based budget process dug a little bit deeper.

Now as we roll into 2015, and looking ahead, there's incremental cost structure changes, and then there's the big structural cost changes. We've hired A.T. Kearney to come in and take a look at the big structural changes and the addressable spend. We've got about a billion dollars in spend. They are helping us set up a strategic sourcing unit.

We've centralized buying, which means instead of all the different business units buying individually, we've now combined our purchasing power, and we're getting a lot of savings off of it combined. In just a couple of quick examples, the poly bags, the plastic bags. Just combining it

and going with one or two vendor across all of our platform has saved a couple million dollars there.

We also have a significant amount of outsourced printing that we do, and looking at, going through the traditional RFP process we've been to consolidate, and save quite a bit of spend there. There's a lot of wood to chop still, but we feel like we've done a fantastic job at least getting that low-hanging fruit this first year.

We'll continue to do it as we manage the print decline. We'll look deeper and deeper into the organization. Look at different areas of ad ops and technology, digital, even finance. I think there's plenty to do still. We've probably got a good 18 months of structural changes that we're going to continue to look at spans and layers in the organization with personnel.

James: Just as a quick follow-up, I think your sourcing is being applied to about one-third of I guess one billion. Is there a timeline for the rest of that, or is that something that's still being worked out?

Sandy: We're talking to A.T. Kearney. Over the next 18 months, looking at the entire addressable spend. That's the ramp.

James: Let me shift back to digital, Jack. Obviously you've recently made a significant hire. Someone that's well-known for being substantially involved in I think the gold standard of digital subscription models. Maybe you could talk about what Denise's hire means.

Jack: Sure. You're referring to Denise Warren, who left the "New York Times" in October of last year. After 28 years with that company and virtually every job, she's joining Tribune Publishing in June as the president of digital. She will also run our east coast properties.

She has a track record of achievement and accomplishment, particularly in monetizing the consumer interaction. I know the New York Times folks will be speaking here in a couple of days, and they get great attention and due credit for building a model, that I think most people thought would be very hard to do.

Denise was at the helm for much of that, and if you look at the Times' last quarter, they reported almost a million digital-only subscriptions. That's a specialty sport. It's an art form. Denise will come to our company and lead that effort. We're in early days.

We just in the first quarter of this year built our team to do that. We built all the user interfaces to do that. We've been doing a ton of experimenting in digital-only subscribers. But to give you some feel for the order of magnitude, at the end of the first quarter our company had 67,000 digital-only subscribers, and we have a print Sunday circulation base of 2.3 million or so.

If you do any kind of a ratio, take here and Boston. The "Boston Globe's" done a tremendous job. They have a Sunday circ of 250,000 or so, and they have almost as many digital subscribers as we do in our entire company. We see a big upside under Denise's leadership to do that and lots of other digital monetization that we can talk about.

James: I think digital subscriber growth was up around 25 percent year-over-year in the first quarter. You talked about an experimenting phase with the product, and you're obviously looking at different price points and offers. How much of the growth was related to what you've learned so far and thinking about those new price points and offers?

Jack: I think underscoring again, I call it a specialty sport. It's a blend of direct marketing, and product development, and commerce. Our first quarter as I characterized in our earnings call was highly experimental with price and term and offer. I think that we're building the base of learning to be able to execute aggressively, particularly with new leadership like Denise coming on board.

James: Why don't we stick with digital? Because there's so many interesting topics. One is of course native advertising. We'd be interested to hear your thoughts, I guess first on how big you think this opportunity is, and then maybe we can delve a little bit deeper as well.

Jack: It's clearly a large opportunity. All of these digital monetization techniques, as you know, require the right people, the right product, the right platform. In the time that we've been an operating company that I just referred to, we've been very busy building that. Which previously, I think is fair to say it didn't exist. Let's just take native advertising for now. People call it branded content. There's about five different names for it.

We're executing on that now in 2015 with a new team at the national level. In terms of talent to our company, we recruited late last year Michael Rooney. Michael's the chief revenue officer for our company, and he had done the same job at the "Wall Street Journal." We think Denise and Michael will make a formidable conversation as we move to monetize our digital platforms with native or branded content, however you want to call it.

But it takes teams that we've built. It takes a commitment that we're demonstrating, and we're early days but we're very encouraged with what we're seeing so far.

James: You said you're early days and your peers are as well. Can I ask you maybe a little bit of color around, what do you think about mobile? How much of your client base, I guess, is currently buying up mobile inventory? How quickly is that ramping up in general?

Jack: Sure. It was interesting to hear the Facebook team today talk about them being in early days for mobile. If they characterize it that way we sure are, and I think all of our peers are.

I look at it in two forms. One thing we did last year in addition to re-launching all of our websites on a platform that we call NGUX, which stands for next-generation user experience, is we built all-new native apps. Those mobile apps launched by December and they have obviously commerce inside the app and they've gotten rave reviews.

So certain advertisers will buy the mobile app as a discrete mobile product. United Airlines did that recently with us in Chicago on a pretty big level. But then there's just the whole rendering of advertising on mobile platforms that our websites were designed to do.

We don't disclose the number yet because it's pretty small, but we see it as a large growth opportunity in many of our markets. Take Los Angeles. Almost half the traffic is from mobile as opposed to desktop. We have to master it, which is another reason we're bringing in the kind of talent that we are.

James: Recently you rolled out a whole suite of apps, I think it was in Q4, that you described as a mobile-first strategy. How do you feel about where your apps stand and maybe any color you can talk about with regards to usage of mobile? Versus the other ways that people are consuming your content at your flagships, or maybe even your regional apps.

Jack: Sure. The data presently is anecdotal, but I would characterize a big piece of it this way. At least when it comes to news, mobile means the phone as opposed to the tablet, and particularly with young people. My phone's in my bag, but you see as the screen sizes get bigger there's use cases for every part of the day. When you're on a train...You shouldn't be doing it in your car, but...All sorts of times and places to use the device.

And particularly with young people. We're seeing, again, it's anecdotal, but the digital-only customer is a different customer than the print plus digital customer. We're seeing really interesting patterns starting to emerge with younger people on the phone. That's where the apps matter so much. Again, early days, but lots of promise we think.

James: Let me just shift back to M&As. We were going through the five-point plan and accretive acquisitions was part of that. I just wanted to give you a chance to talk about the genesis of San Diego, and maybe how that fits into your 100-mile radius.

Jack: That's a transaction we're really excited about. It'll be, as I said earlier, our third in a year. We started on this work in May of last year with an acquisition in Maryland, and we continued it in October with an acquisition in Illinois. Now we expect to close fairly soon on the acquisition of the "San Diego Union Tribute."

The common element in the strategy and in the thesis is that we can create considerable value with adjacent acquisitions in markets where we have a flagship. Let's take San Diego.

The LA Times is just about 100 miles up the road on the 5 or the 405. You can get a truck full of newspapers at three o'clock in the morning down to San Diego in a little over an hour. It doesn't snow there, which is a big help.

Within three months after the acquisition closes, we will exit the printing facility in San Diego, and the printing of that newspaper, and all its derivative products will be done out of our Olympic plant in Los Angeles, which is one of the biggest printing plants in North America with capacity.

Then the other big piece of the cost synergy is the distribution. There's plenty of LA Times newspapers that already get distributed in San Diego County. So we have efficiencies that we create there. Then the last piece of the cost-side synergy is where we have big, large shared services centers in human resources, in IT. We can bring all of those to bear which had previously stood alone inside the seller's business.

We model only cost synergies, but we think the San Diego execution reflects significant upside potential for our entire business in southern California. You think about marketers who want to buy that tremendously affluent region. We now have the number one media property, and the number one and number two cities in California.

We can bring our national sales resources to bear, our digital resources to bear. A paper like San Diego on its own doesn't have access to a Washington bureau like we have for political coverage. There's a lot we can do with the product, and we love markets like San Diego that have macroeconomic tailwinds and great franchises.

James: Just a couple more before we open the floor up. I guess just looking forward, how should we think about M&A opportunities over the next say year or two? Maybe if you could give any color around the three regions and how you might be looking at that.

Jack: Without being specific, I think it's significant to have done three in a year. I'm not signaling any commitment to a particular number, but that cadence feels good to us. It allows us to, we think, negotiate a good deal, be certain that the cost synergies are there. Then to be able to execute on the business plan post-close.

As I said before, we're becoming an operating company, and executing on those sorts of commitments are fundamental to our ability to succeed. Like I said, we've done that. We've done one now in the east, in the Midwest, in the west, and we'll see what happens from here on out.

James: Let me ask a last one and we'll open it up. Let me ask a content question. You were recently awarded a couple of Pulitzers. How important is the caliber of content and differentiating your flagship brands given the broader Internet space with so many places to consume content, but arguably fewer options for higher-quality content?

Jack: That is for us the coin of the realm. The predicate for us being in business is producing high-quality original content in our markets, much of it local. But local is different by market. In California the LA Times, one of the Pulitzer prizes it won was a big series covering the impact of the drought on the whole state. You can make the case that in California, for the LA Times California is local coverage.

It's original premium content that we think drives the whole equation. If you listen to anybody in these conferences who's involved in media and content, I think you'll hear a common theme. That it's engagement that creates the ability to monetize content.

Our commitment is to continue to create premium, original content in our markets, and when something happens of consequence. For example, it's very unfortunate, but what's gone on in Baltimore over the past month. So we have the Baltimore Sun there. We had a legion of reporters out covering the unrest in the city. Our web traffic went up by a factor of 10. About half of it was out-of-market traffic.

I think that it's fair to say that when something of consequence happens, consumers realize that newspapers, newspaper publishing, reporters and editors are the ones that cover the stories, that break the stories, that validate the facts, that make sure that what's being published is right. When it matters is when we can really see it.

James: Sorry, just one more before we get into Q&A. I just want to make sure we hit print. Just high-level, what are your views on the state of the print ad marketplace, and the print business in general?

Jack: The print business is hard. That's not a big revelation. I think any company that comes through a conference like this, and doesn't admit that it's hard is probably not facing up to reality. But our job is to manage the secular issues as we make these other transitions that we're talking about.

When I think about print, I think about the opportunity for a marketer to present a vivid and compelling message. Whether it be a price and item message, or whether it be a branding message. One that's memorable, and that's lasting, and that's preserved in time.

Now that's not for every marketing execution, but it's for plenty. We have local and national teams devoted to and dedicated to getting our fair share of print advertising that is spent, and creating demand on the part of marketers to leverage what we bring to the equation. Like I said, we're in early days, but we've got the right team and the right products focused on the right exercise.

James: Let's open up the floor to Q&A. If there are any questions in the room we'll be happy to take them now. We'll go right here in the middle.

## INDECIPHERABLE OFF-MIKE QUESTION:

James: Just to repeat the question, the question was could you see a move to more regional groupings of papers in the country given the proliferation, or at least the increased number of pure play newspaper companies?

Jack: I personally think that the next 24 months in the United States newspaper business are going to be fascinating. "Gannett's" spin will occur soon. "Journal Register" just did so, like it happened with us. There are independent, standalone players fundamentally dedicated to this particular business. When you look across the country, there is a lot of excess capacity in virtually every activity in the newspaper business.

I don't think that we're alone in the industry starting to think about, how's that riddle going to get solved? But this is a...It's an interesting business at a fascinating time with new players. We think that we'll be a key catalyst in things that might happen down the road.

James: Do you have any other...Right here in the middle.

Audience Member 1: The question is that, yeah, there is excess capacity, but it seems talent is going to be extremely important. You've got to have the reporters and those people that can do the stories. Are you going to be in competition for that? I know a lot of them are going off, and they're doing independent blogs. How are you going to get the talent, maintain the talent, and really make your network worthwhile?

James: The question is around retaining talent given a potentially greater competition across different publishers for high-caliber editorial talent.

Jack: Great question and thank you for that. I interpret it as editorial talent. Is that generally the question?

Audience Member 1: Editorial lead talent, yes.

Jack: I think that's just a fascinating topic of conversation these days. In my job I'm not involved in the content, but I spend a lot of time with our top editors understanding their challenges and concerns. I would describe it this way. That the job of being a, let's call it a newspaper reporter is in great transition itself.

Journalists these days are expected to do more than just go out and fact gather. Many of them are carrying video cameras. Many of them are blogging. Doing social commentary. For the right kind of person, it's a very meaningful assignment.

Our editors are given the latitude and the, essentially the resources to build the newsrooms the

way they see it work best in their own image. I think one of the things our company's done particularly well -- post-spin and pre-spin -- is preserve resources in the editorial function.

When you hear Sandy and I talking about taking costs out, we're not looking to newsrooms. We're looking to have our newsrooms be places where great journalism gets created, flourished, and encouraged, and attracts the kind of people who want to do it with the leadership that we have. I think we're doing a good job.

James: Any more questions?

INDECIPHERABLE OFF-MIKE QUESTION:

James: The question is what...It sounds like what percentage of print advertisers are also advertising cross-platform? What's the rate of acceleration of the advertising multi-platform?

Jack: I can't give you an exact number on that, but I can say that it's a smaller percentage than we would like. If you look at the two key executives that I've talked about here, Michael Rooney at the Wall Street Journal, and Denise Warren when she was the chief advertising officer of the New York Times were both credited with creating integrated sales forces. Where sellers were expected to be marketers and serve the client across all the platforms.

I think if you ask the folks at those two newspaper businesses, "Did that happen?" I think they'd say yes. We see it as something that we've got to do a much better job at. But that is one of the initiatives that will help accelerate our digital transition.

James: Question here.

INDECIPHERABLE OFF-MIKE QUESTION:

James: The question is, is that usually an exercise in preserving dollar spend or is there some uplift as you move across platforms?

Jack: My personal experience with the topic is that it tends to start with a blank sheet of paper, and an informed conversation between a marketer, and a seller on marketing objectives. What is it that the marketer's seeking to achieve and how can the various platforms, whether they be print or the web or mobile or apps, be created in an integrated fashion to drive a particular message or be it a purchase intent.

If you think about our medium for a second, and I harken back to the Facebook conversation this morning when Carolyn was saying that they're selling people. That a particular consumer might be looking at the desktop in one part of the day, and the tablet in another of the day, and a phone in another part of the day. Trying to get alignment on is that the same person is one of the

challenges.

In the newspaper business, in the business that we're in, our goal is to have a logged-in, registered user. Someone who we know is a real person who created an account, who signed in, and who stays signed in until he or she signs out.

When we talk about multimedia-integrated campaigns, we're trying to sell the proposition that we surround the customer around various day parts. Because we see it just like a Facebook would see it. We see desktop traffic spike at lunchtime. People tend to be in their offices, and they're with their computer. Tablets at night, phones all the time.

So the better we get at understanding who our people are and getting them to register and log in, the more runway we have to sell the kind of programs that we were just talking about.

James: Got a question right here.

Audience Member 2: Across the properties, do you sell all of the inventory directly, or do you embrace programmatic selling? Is there an opportunity to increase the [indecipherable 30:11] ?

James: Just to repeat the question, the question is around, it sounds like the extent to which programmatic may be employed. It sounds like a segue for you to describe your barbell strategy.

Jack: We've invested in a programmatic team, and technology, and tools pretty aggressively over the past year. I describe it this way. What our team is doing is taking the inventory on our sites that's not sold directly by one of our local or national sellers and optimizing the value of that inventory. We have number of private exchanges, now, that a year ago we didn't have. They tend to be the blind network in price by two to one or three to one.

The more inventory we can push through programmatic through a private exchange or an informed conversation with a marketer, the better off we're going to be. I still look at the equation, I still look at the stock that we've got to do a very good job at selling direct.

The more we sell direct, the more the general economics gets better because there's more pressure on the inventory, and there's less supply to go out to a programmatic function. That's where this idea of a dumbbell comes in where you think about programmatic on one end and this native custom integrated idea based digital advertising on another.

That's where we see the business, the old business, and it's not that long ago, that used to be the base of the business. The IAB banners and towers just gone away. You have to excel at programmatic and you have to excel at integrated idea base selling to have a future in digital.

James: Unfortunately, we're out of time. Let's thanks our guest one more time for joining us. We

appreciate it and please check at J. P. Morgan for the webcast of the event. Thank you.

Jack: Thank you very much.



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