Tribune Publishing Company

Fourth Quarter and Year-End Earnings

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CORPORATE PARTICIPANTS

Jenni Gilmer – *Manager, Investor Relations*

Jack Griffin – *Chief Executive Officer*

Sandra Martin – *Interim Chief Financial Officer*

Michael Rooney – *Chief Revenue Officer*

PRESENTATION

Operator
Good morning, and welcome to the Tribune Publishing 2014 Fourth Quarter and Year End Earnings conference call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. Please note this event is being recorded.

I would now like to turn the conference over to Jenni Gilmer, Manager of Investor Relations. Please go ahead.

Jenni Gilmer
Thank you and welcome to our 2014 Fourth Quarter and Year-End Earnings conference call. Joining me on the call are Jack Griffin, Chief Executive Officer; Sandra Martin, Interim Chief Financial Officer; and Michael Rooney, Chief Revenue Officer.

Before we begin, I would like to remind you that management will make forward-looking statements during the course of this call and our actual results could differ materially. Statements containing words such as may, believe, anticipate, expect, intend, plan, will, continue, estimate or similar expressions are forward-looking statements. Differences in our actual results from those described in these forward-looking statements may result from actions taken by the company as well as from risks and uncertainties beyond the company's control. Some of the risks and uncertainties that could impact our business are included in publicly-filed documents, including our quarterly report on Form 10-Q and our registration statement on Form 10 as amended effective July 21, 2014, filed with the SEC.

I should also mention that our remarks today will include references to non-GAAP financial measures, including adjusted EBITDA, pro forma adjusted EBITDA and free cash flow. And we have provided reconciliations to the most comparable GAAP measures in our earnings press release, which is available on our website at investor.tribpub.com.

Now I'd like to turn the call over to Jack Griffin.

Jack Griffin
Thank you, Jenni, and good morning, everyone. Welcome to our Fourth Quarter and Full-Year Earnings call. Before I talk about the fourth quarter, I'd like to take a few minutes to discuss 2014 and what we have accomplished at Tribune Publishing in our seven months as a standalone company.

The year 2014 was a watershed year for Tribune Publishing. As you know, we completed the separation from Tribune Media on August 4th. Since then we have been executing on an exciting strategy to transform our company. Some of the highlights are: We introduced the industry's best digital experience across all of our brands and launched companion mobile apps in all of our markets; we made a number of key management appointments at our leading media groups in Los Angeles, Orlando and Hartford; we appointed a Chief Revenue Officer and in short order, he has reorganized the team to create better offerings that meet the needs of local and national advertisers; we launched an ambitious cost reduction initiative, including the creation of a centralized procurement and strategic sourcing group; and we executed on our bolt-on acquisition strategy, which was articulated in our roadshow last summer.

While we have made significant progress in 2014, any successful journey takes time and we have only just begun our transformation. We continue to face secular headwinds in our core print advertising business, which are reflected in our Q4 2014 financial results. To address this, we have accelerated and heightened our emphasis on cost reduction, which partially offset advertising declines in Q4. We have put in place meaningful initiatives to mitigate the rate of print advertising declines, especially in national, and for ongoing structural cost reduction.

The fourth quarter of 2014 was our first full period as a public company. Total revenue in the quarter was $457 million versus $484 million in the prior year. We benefited from the impact of our acquired properties in Maryland and suburban Chicago, which contributed roughly $16 million in incremental revenue versus the prior year. Additionally, our circulation business remained strong, with revenue up $2 million in the quarter compared to the prior year quarter and we saw $11 million of revenue growth from digital marketing services, direct-mail and content syndication.

We continued to face declines in advertising with year-over-year revenue down 10.4% in the fourth quarter. Although the decline was in line with some of our peers, it was disappointing nevertheless. We have since seen a moderation in the trend in early 2015, due in part to the reorganization of our national sales unit under the leadership of Chief Revenue Officer Michael Rooney and new sales leadership elsewhere in the company. Michael will speak about this later on today's call.

In the other major revenue area of our business, commercial print and delivery, revenues totaled $38 million in the fourth quarter versus $47 million in the prior year quarter. Revenues declined by $5 million due to the end of the distribution agreement between the *Orange County Register* and the *Los Angeles Times*. The balance of the revenue decline in commercial print and delivery was related to lower unit volumes from other third-party clients.

On the expense side of the business, we reacted quickly to the advertising downturn in the fourth quarter. In the core business, which excludes the impacts of acquired properties, corporate transactions, spin and other related items, we reduced expenses by $25 million in the quarter, a portion of which was volume related. We made investments in our digital and print circulation programs related to the rollout of our new consumer all access and digital subscription initiatives, which accounted for $5 million in additional expenses for the quarter compared to last year.

On a reported basis, Q4 expenses were flat versus last year, at $421 million. Pro forma adjusted EBITDA, the measure we use to compare our performance as a standalone company versus our time as a division of Tribune Media, declined $14 million in the fourth quarter from the prior year; $5 million of the decline resulted from the circulation initiatives I just mentioned. A $4 million decline in commercial print and delivery was offset by $4 million in incremental operating income from acquired properties versus the prior year. The balance of $9 million was the net of results in the core business.

In the second half of 2014, we made early progress in our plan to position the company for future growth. On the digital front, the combination of our new responsive digital platforms, our suite of new apps and compelling consumer offers helped drive digital revenue for the full year.

Total digital revenues from all sources increased 4% to approximately $200 million. This represents over 11% of total company revenue for the year. These numbers, which are adjusted for the impact of modified affiliate agreements, demonstrate our increasing ability to monetize our premium content across all platforms.

In the fourth quarter, we created a new team dedicated to acquiring digital customers for our new suite of products. We also introduced new consumer acquisition and loyalty efforts, including our consumer all-access model, which rewards our best paying print customers by extending complimentary access to our new digital products.

By the end of the fourth quarter we demonstrated growth in all aspects of digital subscription marketing. The company ended the quarter with more than 3.2 million registered users, a 24% increase year-over-year. The number of paid digital users stood at 659,000, an increase of 8% from the third quarter to the fourth quarter. And the number of digital-only subscribers stood at 61,000, an 11% increase from Q3 to Q4 and a 24% increase year-over-year.

Also in the fourth quarter, we took significant steps to grow our digital marketing services capabilities. We established a new team and leadership dedicated to growing our portfolio of digital marketing services that marketers are seeking, from integrated SEO and SEM campaigns to website and app development to social and video.

Additionally, as we increase our reach online and on mobile devices, we continue to expand our brand publishing capabilities for national and regional clients. In the first two months of this year alone, we have launched nearly two dozen lifestyle-based video campaigns that come to life across all screens. You will hear more about this from Michael Rooney.

The lifeblood of our company is content and our brands are the bedrocks of the communities they serve. We continue to make important investments in creating premium content, including the *Los Angeles Times* relaunched the California section, putting a heightened focus on the issues that are important to all Californians. Numerous key executives have recently joined the *LA Times* Media Group, including Nicco Mele as deputy publisher, Stephen Battaglio as the TV and media business writer, and Larry Ingrassia as associate editor focused on new ventures.

The *Chicago Tribune* continued its investigative reporting through its critically-acclaimed Watchdog series, which included an exposé on Chicago's red light camera bribery scandal. This high impact series resulted in three federal indictments, one conviction and promises of reform. And Tribune Content Agency, our syndication and licensing service, added numerous new content partners, including Bloomberg News, Congressional Quarterly and Reuters Health. TCA now boasts 2000 clients in 100 countries.

As we advance to become a fully diversified media and marketing company, we are highly committed to the five core tenets of our transformation plan. They are: number one, accelerating our transition to digital; number two, diversifying our revenue base; number three, lowering our cost structure; number four, executing accretive acquisitions; and number five, realigning our national sales organization.

I'll take just a moment and discuss each of these areas. First, accelerating our transition to digital. With year-over-year and sequential improvements in digital revenue and digital subscriptions, we remain focused on converting our digital consumer base into paying customers and believe significant potential exists in this area.

Second, diversifying our revenue base. Tribune Publishing has long set an industry standard for operational excellence. In the fourth quarter, we introduced a new unit called business services, which exist to help other publishers identify efficiencies and streamline their infrastructures for maximum benefit. We are seeing a strong early response from other publishers.

Third, lowering our cost structure. We are highly focused on expense controls to preserve profitability while we execute our transformation plan. Our new strategic sourcing and procurement unit is leveraging the significant spending power of our company. We also completed an extensive zero-based budgeting initiative across the company, which we expect will produce in-year cost savings of $65 million to $70 million during 2015.

Fourth, executing accretive acquisitions. During our roadshow in July, we articulated a growth strategy that leverages our infrastructure, resources and management teams to build scale. In October, Tribune Publishing acquired 38 daily and weekly suburban titles which are now fully integrated into the *Chicago Tribune* Media Group. Earlier in 2014, we made a similar move in Maryland, acquiring two papers adjacent to our flagship *Baltimore Sun.* And fifth, realigning our national sales organization.

For this portion of the call, I'm going to turn the discussion over to Chief Revenue Officer Michael Rooney.

Michael Rooney
Thanks, Jack. First, let me begin by discussing digital ad revenue and national ad revenue. Excluding corporate transactions, total digital revenue was up 4% for the full year despite softness in digital display advertising. Total digital revenue was essentially flat in the fourth quarter versus the prior year.

Since joining the company a little more than 100 days ago, I’ve worked with the local and national sales teams and we're taking a number of actions to demonstrate to marketers the full value of our offerings. We are integrating our national digital and print teams into one cohesive group, ensuring that we go to market offering multi-platform solutions to marketers.

We are aligning talent to task and have appointed new leaders at the national level as well as at our major properties in Los Angeles and in Baltimore. We are increasing our custom content offerings. Our heritage in storytelling lends itself well to this emerging area and we now create custom content solutions for dozens of clients from every industry— from finance and insurance to food and beverage and travel and tourism.

In the first two months of 2015, we have already signed more than 22 custom clients, which represents more than half of all clients served in 2014. This is an early indication of the demand for these services in 2015, particularly in video and mobile. We are enhancing our programmatic efforts, allowing marketers to leverage the full digital scale of Tribune Publishing. Our brands collectively attract nearly 42 million unique users every month providing marketers the ability to target a wide cross-section of attractive demographics. And because we are a publisher of premium content we seek robust rates even in programmatic.

We have a unique opportunity to demonstrate to the marketplace how our leading brands can engage and motivate consumers across all platforms. I look forward to sharing our progress in the coming quarters.

At this point in time, I will turn the call over to Sandy Martin.

Sandy Martin
Thank you, Michael. Turning to our 2014 full year performance, revenues were $1.7 billion compared to $1.8 billion in 2013. Pro forma adjusted EBITDA for 2014 was $160 million compared to $179 million in the prior year. On a reported basis, operating expenses were essentially flat for the full year, including the impact of acquired properties, corporate transactions, spin and related items. Free cash flow for the year was $117 million, excluding capital expenditures of $22 million.

With respect to our company's capital allocation strategy, we have three primary priorities: maintain a strong balance sheet and cash flow liquidity while paying down debt; invest in high quality adjacent acquisitions that add to earnings and EBITDA and return cash to shareholders. We ended the fiscal year with cash on the balance sheet of $37 million and as of today the company's liquidity, including cash balances and availability on our revolver, is approximately $120 million. As you can see, we are very well-positioned for 2015.

With that, I'm going to turn the call back over to Jack to discuss our outlook for the current fiscal year.

Jack Griffin
Thank you, Sandy. Before we end, I'd like to take a few minutes to discuss our guidance for fiscal year 2015. This year, our first full year as a public company, we will remain vigilant and focused on executing our comprehensive transformation plan. Specifically for the full fiscal year of 2015, we are anticipating total revenue of $1.65 billion to $1.67 billion.

Adjusted EBITDA is expected to be in the range of $160 million to $170 million. Our recently completed zero-based budgeting process is expected to produce in-year savings of $65 million to $70 million. Businesses acquired in 2014 are expected to deliver year-over-year incremental EBITDA contribution of roughly $20 million. We expect this to be offset by roughly $20 million less EBITDA contribution from commercial printing and delivery.

Capital expenditures are planned at $30 million and one-time cash items related to restructuring are expected to be $10 million to $12 million for the year. And finally debt service, including interest, mandatory amortization and fees, is expected to be $40 million.

The management team and I are excited about 2015, our first full year as an independent company. We are making meaningful changes to the structure and foundation of our company. We believe these changes will serve our shareholders, our customers and our employees well.

Thank you very much for your attention and now I will turn the call over to the operator for Q&A.

QUESTIONS AND ANSWERS

Operator
We will now begin the question and answer session. To ask a question, you may press star then one on your touchtone phone. If you're using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star then two. At this time, we will pause momentarily to assemble our roster.

Our first question comes from Lance Vitanza with CRT Capital Group. Please go ahead.

Lance Vitanza
Hi, guys, a couple of questions here. I guess the first is obviously the secular pressures are well documented, but from a cyclical standpoint, gas price is up nearly 50% over the past nine months or so. Are you seeing any benefit at all from the rebound in ad spending that we're hearing about in other media?

Jack Griffin
So Lance, this is Jack. Thanks for the question. The holiday season, when gas prices started to descend, we actually expected retail sales for the clients we serve to be more vigorous and it turned out that they weren't, which speaks to the ad declines in 2014. However, I will say, and I said this just a few minutes ago, in the early part of 2015 we're seeing a bit of a moderation in the trend, particularly at the local level, which as you know is driven mostly by retail. So early in the year we're encouraged by what you see and we do a lot of business with companies like JCPenney and Kohl's and you've probably been reading in the press about how their traffic and their same-store sales are coming back and attributing a fair amount of that to gasoline prices. So we're encouraged by what we're seeing on

the local level early in 2015.

Lance Vitanza
Okay, and I apologize if I missed this as well, but how is the CFO search going and does that process mean that you're taking a pause on the M&A front until that gets resolved?

Jack Griffin
Sure. Thanks for the question. In reverse order, it does not mean we're taking a pause and the first part of the question is we're talking to internal and external candidates. I would say it's going well. We've had a tremendous amount to do, as you know, to get ready for this call and finish our year-end audit and file the 10-K. So we have all hands on deck doing that. It's all going extremely well and when we have news on the CFO front in the near future, we'll be reporting it.

Lance Vitanza
Okay. With respect to M&A, I don't want to put you in a box here, but is there a dollar amount that you'd like to deploy toward M&A each year if you could find the right targets?

Jack Griffin
Sure. As Sandy articulated, we have the three priorities for our excess cash and we don't put an exact number on the acquisition scenario. But we do conform to our principles, which are that an adjacent acquisition of a high quality product that allows us to leverage our infrastructure, we've proven we can execute well and they're highly accretive. So we look at them on a case-by-case basis and don't pin a specific number as we think about the year ahead.

Lance Vitanza
Okay. Lastly for me, on the free cash theme, I mean if I'm doing the math right, if I take the low end of your EBITDA guidance, I'm penciling out around $60 million in after-tax cash flow, although I don't know if I'm using the right cash restructuring number against that. But that works out to about $250 a share or 13% free cash for you, it seems like you've got some room potentially to increase the dividend. Is that something that you would consider? I know obviously you have your three objectives and so forth but any clarity that you could provide on that.

Jack Griffin
Sure. So in terms of our returning cash to shareholders, we had a dividend in the fourth quarter. Our board meets regularly and considers it on a regular basis. It's the method by which we've decided to return cash to shareholders, at least at this point. We're only seven months into this. So we want to get a good run into 2015 and, as I said before, it's our first full year as an independent public company. So we'll always be looking at the combination of our uses of cash to benefit shareholders and pay down debt and keep enough dry powder to do acquisition. So at this point I can't be precise and answer your question, but we feel good about where we stand in our ability to generate cash.

Lance Vitanza
Thanks very much.

Operator
Again, if you have a question, please press star then one. The next question comes from Barry Lucas with Gabelli & Company. Please go ahead.

Barry Lucas
Thanks and good morning. I have several as well, Jack. On the revenue front, could you talk a little bit further about what you're seeing in retail at the local level and I would say extraordinary, but the

accelerated weakness in national and just definitionally are big-box retailers, national big-box retailers in your retail segment, or do they drop into national?

Jack Griffin
Most of them drop into the national side of the business. So you take a CVS or Kohl's or Sears or a JCPenney and they tend to show up in national. The local retailers would be more like a Menards here in Chicago, for example. But I would say as a general theme what we're finding from the retail community is that notwithstanding the secular print declines, preprints are vital to their business. They drive store traffic, they bring people in for sales and promotions and we don't see that changing; if anything we see it more acute than ever. So we think that's good for our business.

I pointed earlier to, I think, one of the major national papers had a story this week about the turnarounds that are happening at the big-box retailers that serve sort of the upper-middle-class and the middle class and that's right in our wheelhouse. So we're very encouraged about what we're seeing from that score and as a general statement we're able to offer more and more in terms of solutions to these retailers here in Chicago. We have a big program with Jewel, which is the leading grocer in the market that's social and video and custom content and not just preprints.

So as we expand our offerings, as Michael said, we're getting more and more encouraging signs from retailers about the value of our audience.

Barry Lucas
If we just go a little bit deeper and shift maybe to the regional differences to the extent there are any, were there material differences if you look geographically, or I'm thinking were the largest papers, LA and Chicago, hurt a little bit more than say Orlando, Fort Lauderdale, Hartford, Baltimore?

Jack Griffin
So as you know, we don't break out our papers as business segments, but we do obviously track the peer group and try to compare our papers of similar size to others. We have two of the biggest metros in the country in Chicago and LA, the number two and number three markets. So I think we've been sort of, we've been forthcoming about this that the declines in the industry at the big metros on the print side tend to be larger in size than at smaller metros. And I would say it's fair to say we've experienced that, we experienced that in the second half of 2014.

But on the converse side of that, the digital opportunity is bigger in those businesses, in those markets. So we're looking to Los Angeles and Chicago to drive our digital growth as a function of their scale, size and audience.

Barry Lucas
Okay. Thanks, Jack. One last area, excuse me, for me. When I look at the guidance, and you were kind enough to break out some of the details. But if I look at essentially revenues off 2%, including some of the acquired properties and EBITDA flattish, may be down a bit depending on where you come in, but with $65 million to $70 million in cost savings, would have thought adjusted EBITDA, could have been a little bit better. Is that a function of timing and if it is, when do the bulk of the savings, those cost saves kind of roll through the P&L?

Jack Griffin
Right. So thanks for that question. When you think about our expense savings that we put in the guidance and any modeling that would go on, the critical factor to consider is that in 2014 we had seven months as a division of Tribune Company and our cost structure was meaningfully different in terms of the affiliate agreements with CareerBuilder and Cars.com, the public company costs and the rent that

we now pay to our former parent. So when you think about the cost reduction we had a big step up in the cost base in the last five months of the year as a function of those adjustments. So you have to build it up before you take it down by the $65 million to $70 million and then of course we have the acquired expenses, we call them, from the businesses that we bought in Chicago, so we only had that for two months of 2014, and the Baltimore properties which we had for seven months of 2014.

So there’s a lot of normalizing that goes on in terms of what’s the base for 2014, but in subsequent calls, I’m sure we can help you get clarity on that.

Barry Lucas
Thanks very much.

Jack Griffin
Thank you, Barry.

Operator
Once again, if you have a question, please press star then one. The next question comes from Hamed Khorsand with BWS Financial. Please go ahead.

Hamed Khorsand
Hi, and first, apologies for this background noise. First off, I wanted to ask since the movie industry played a role last year as far as the Q2, Q3 went, what kind of assumptions are you making this year with the calendar that’s poised to come out, especially the summer?

Jack Griffin
Yes, great question and thanks for the question. So the movie and entertainment business is largely for us in Los Angeles, at the *Los Angeles Times*. And as we said on the third quarter call, the box office was very weak in 2014 and that reflected itself in our second half 2014 results at the *Los Angeles Times*. We essentially get two kinds of entertainment advertising in LA. We get the box office on the one hand and then we get for your consideration which precedes the Oscars. And early in 2015 we've had very encouraging experience in LA on the for your consideration front as you watch the Oscars reveal themselves. It was a big horserace in essentially every category and that drives business at the *LA Times*. So we’re happy about that.

As we think about 2015, the box office assumptions that we've made, I would characterize, as somewhat better than 2014, but somewhat lower than 2013. In the second half of 2013 it was kind of a barnburner experience at the box office which helped the *LA Times*. So I would say we’ve budgeted closer to 2014 than we have 2013.

Hamed Khorsand
Okay. My other question is what is that’s causing some softness as far as digital ads go, especially given that you were saying that your subscriber numbers are increasing?

Jack Griffin
So I would say, I’d go back to the remark I made in the earlier part of the call, that this transformation takes time and we only launched our digital products pretty much midyear to Christmas time. And we were playing catch-up and it's a new suite of products. It's a new leadership team. As I said on the call we’ve put in place new units in the business to take advantage of monetizing these products, but we’re in early days. And so we’ve got a lot of work to do in 2015. My entire management team is highly focused on digital monetization and, as you know, I listed the five tenets of our transformation plan and accelerating the transition to digital is number one. So that's what we’re focused on in 2015 and as we

go through the year we'll keep you updated. But we see a large opportunity for us to catch up to our peers and ultimately transcend that.

Hamed Khorsand
Is there like certain customer feedback you're getting so far? Is there anything more granular you could share with us on that front?

Jack Griffin
You're talking about on digital?

Hamed Khorsand
Yes.

Jack Griffin
So I guess the general characterization that I would make about digital is that it's— think of a barbell, it's bifurcated. On one end of the barbell you have programmatic. Michael spoke about that and we're making lots of moves to increase our ability to monetize our inventory through programmatic. We're setting up private exchanges with agencies and with retailers and taking the best advantage of that. And then on the other end of the barbell is the multiplatform activity that Michael was talking about, that's idea driven, that's driven by not so much online inventory as it is by being able to push out a big program or a big idea across all the platforms in the big markets that we cover.

And in the middle, just the typical digital display advertising business. I think as you know, looking at the industry and our peers, it's a weak business. So we're looking at optimizing our impact on both ends of the barbell and doing the best job we can to optimize the middle part of the display business. But I think what Michael said is critical, is the scale that we offer to marketers. We have the number two and number three markets in the United States. In the automotive business we have the number one, number two and number three car markets in the United States. So we have a great opportunity in front of us, but as you all know on the call it's about execution, and we look at 2015 as an execution year capitalizing on all the pieces that we put in place.

Hamed Khorsand
Okay, that's it for me. Thank you.

Jack Griffin
Thank you.

Operator
Again, if you have a question, please press star then one. The next question comes from Michael Bee with Boyd Watterson Asset Management. Please go ahead.

Michael Bee
Hi, thanks for taking the question. Can you give us a little bit of an idea how you're targeting the growth in the digital subscriptions? Is it traditional call center or are you using digital email programs and what kind of success are you seeing?

Jack Griffin
So thanks for the question, and it's a multifaceted approach. We've, as I said, established a full team of people to drive this activity and work with the leadership in our markets, but I would say it starts with the basics, which is asking the consumer for the order. And if you go back to the early part of this year and went on our old websites there in many cases wasn't even a Subscribe button. So we've redesigned all

that, we've built new landing pages. We've built new connective tissue between the online and the off-line databases. We've taken what used to be a seven or eight step process for the consumer to order to down to two or three and we're on our way to one or two. So it's art and it's science, but we're very happy and excited about the progress that we've made.

We have a lot of offers out in the marketplace. So we do AB testing on a regular basis to find out what's the price point and what's the offer that drives the consumer behavior that we're looking for. And I would say we're seeing progress that's very encouraging, as I talked about the number of paid digital users at 659,000, a year ago that was de minimis.

And we have a companywide rallying cry to get all of our print customers to authenticate their digital account and to use the website, and to use the mobile apps and to make the product experience much more part of their daily lives and we're seeing early progress. We're highly dedicated to this. We see it as central to the growth story that we're articulating and now in 2015, as I said before, we have to execute on the investments that we've made.

Michael Bee
Okay, thank you.

Jack Griffin
Thank you.

Operator
Once again, to ask a question, please press star then one. As there are no further questions, this concludes our question and answer session. I would like to turn the conference back over to Sandra Martin for any closing remarks.

CONCLUSION

Sandy Martin
Great. Thank you very much for dialing in today. We hope to have continued conversations with you, and have a good afternoon. Thanks.

Operator
Ladies and gentlemen, this concludes today's conference call. You may now disconnect.