

Postmedia Network Canada Corp.

Q3 F2011 Investor and Analyst Conference Call

July 12, 2011

## **Forward-Looking Statements**

This presentation includes certain information that is "forward-looking information" under applicable Canadian securities laws and "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking information and forward-looking statements in this presentation relate to our restructuring efforts, transformation initiatives, expected annual cost savings, our digital first strategy, proposed debt repayment and future revenue generating opportunities.

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, but are not limited to, competition from other newspapers and alternative forms of media; the effect of economic conditions on advertising revenue; the ability of the Company to build out its digital media and online businesses; the continuation of current print and online newspaper readership and circulation levels; the realization of anticipated cost savings; possible damage to the reputation of the Company's brands or trademarks; possible labour disruptions; possible environmental liabilities, litigation and pension plan obligations; fluctuations in foreign exchange rates and the prices of newsprint and other commodities; and challenges related to operating as a stand-alone entity. A full description of these and other risks and uncertainties are set forth in the Company's Non-offering Prospectus dated June 7, 2011 under the section "Risk factors", which can be found on SEDAR at <a href="www.sedar.com">www.sedar.com</a> and which section is incorporated by reference herein. 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. 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.



## **Q3 Highlights**

#### **Operating Results**

- Consolidated revenue declined 4.1% versus the same quarter in the prior year.
- YTD consolidated revenue is down 2.8%.
- Revenue affected by slow economic recovery and loss of Globe and Mail printing.
- Operating profit before amortization, restructuring and other items<sup>(1)</sup> improved 0.8% to \$51.3 million in Q3 and is up year to date 3.9% to \$167.1 million.

### **Digital First**

- Digital audiences were up 6% and digital revenue grew 8.2% versus Q3 in prior year.
- Launched 11 newspaper apps on the new Blackberry PlayBook tablet.
- Began pilot of paid online content model in two markets.
- iPad app downloads at the end of June in excess of 300,000.

#### Other Items

- Q3 debt repayments totaled \$16.3 million.
- Cumulative debt repayments since the acquisition of the Canwest LP assets total \$74.1 million including \$34.7 million repaid in August 2010.
- Completed refinancing of Term Loan Facility resulting in reduced interest rate and less restrictive covenants.
- Completed TSX listing subsequent to quarter end.

#### Notes:

(1) See "Non-GAAP Financial Measures" and "Reconciliation of Non-GAAP Financial Measures" in the MD&A for the three and nine months ended May 31, 2011 which can be found on SEDAR at <a href="https://www.sedar.com">www.sedar.com</a>



## **Q2 Fiscal 2011 – Financial Highlights**

Three months ended May 31 (in thousands of Canadian dollars)

Nine months ended May 31 (in thousands of Canadian dollars)

	Postmedia	Canwest LP	% Change	Postmedia	Canwest LP	% Change
	2011	2010 (1)	vs Prior	2011	2010 <sup>(1)</sup>	vs Prior
Revenues						
Print advertising	171,971	180,383	-4.7%	528,865	542,681	-2.5%
Print circulation	59,068	60,770	-2.8%	175,983	181,320	-2.9%
Digital Other	23,108	21,348	8.2%	68,234	63,801	6.9%
	5,045	7,844	-35.7%	15,705	23,378	-32.8%
	259,192	270,345	-4.1%	788,787	811,180	-2.8%
Operating expenses						
Compensation	108,915	120,552	-9.7%	324,447	352,219	-7.9%
Newsprint Other operating	15,734 83,270	16,346 82,583	-3.7% 0.8%	48,070 249,125	•	-5.1% 0.7%
Operating profit before amortization, restructuring and other items (2)						
Amortization	51,273 18,568	50,864 10,074	0.8% 84.3%	167,145 56,517	160,866 30,736	3.9% 83.9%
Restructuring of operations and other items	3,267	196		39,873	2,660	
Operating income	29,438	40,594	-27.5%	70,755	127,470	-44.5%
Net earnings (loss)	(3,881)	40,639	-109.5%	(10,626)	94,869	-111.2%

#### Notes:

- (1) We have included historical consolidated financial information of Canwest Limited Partnership to provide historical financial data of the operations we acquired. However, Canwest Limited Partnership financial information is not comparable to our consolidated financial information and readers are cautioned that such information is not indicative of the future financial condition, results of operations, cash flows and the future development of our business. Additionally, Canwest Limited Partnership's historical financial data has been reclassified to be consistent with our revenue and expense presentation.
- (2) See "Non-GAAP Financial Measures" and "Reconciliation of Non-GAAP Financial Measures" in the MD&A for the three and nine months ended May 31, 2011 which can be found on SEDAR at <a href="https://www.sedar.com">www.sedar.com</a>



# **Q3 Fiscal 2011 – Factors Affecting Revenue**

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

Revenue Category	3 months ended Nov 30, 2010	3 months ended Feb 28, 2011	3 months ended May 31, 2011	9 months ended May 31, 2011	
National print advertising	+ 9%	- 6%	- 2%	+ 1%	
Retail print advertising	- 5%	- 7%	- 9%	- 7%	
Classified print advertising	- 4%	- 5%	- 11%	- 7%	
Flyer distribution revenue	+ 1%	- 1%	+ 4%	+ 2%	
Digital revenue - Advertising	+ 9%	+ 16%	+ 17%	+ 14%	
Digital revenue - Other	- 5%	- 5%	-10%	- 7%	
Print circulation revenue	- 3%	- 3%	- 3%	- 3%	

### Other Factors affecting Q3 Fiscal 2011 Revenue

Other revenue - loss of Globe and Mail commercial printing revenue in Q3: \$3.3 million.



## **Restructuring Update**

- Restructuring efforts continue however largest reductions have now been completed.
- Reductions achieved by variety of initiatives including: outsourcing, centralization, voluntary and involuntary buyouts.
- Transformation initiatives implemented to May 31, 2011 are expected to yield net annualized cost savings in the range of \$45 to \$47 million.
- Associated cost savings to be realized in fiscal 2011 expected to be in range of \$34 million<sup>(1)</sup>.
- Recorded expenses relating to restructuring and other items of \$51.1 million since completion of transaction in July.

#### Notes:

(1) Fiscal 2011 cost savings will be partially offset by other cost increases due to increased stock-based compensation, reduction of net cost recoveries from formerly affiliated Canwest companies and other normal course inflationary increases.



## **Liquidity and Covenants**

- Cash at May 31, 2011 of \$31 million.
- Revolver remains undrawn.
- Consolidated Indebtedness for covenant purposes of \$635 million (hedged portion converted to CDN \$ at hedged rate of US\$1:CDN\$1.035).
- Debt repayment in Q3 of \$16.3 million including voluntary prepayment of US\$14.5 million.
- Amended term loan and related cross-currency swap resulting in reduced interest expense.
- Term loan maintenance covenants :

Maintenance Covenant	Actual at May 31, 2011	Actual at Feb 28, 2011	Actual at Nov 30, 2010	Actual at Aug 31, 2010	Permitted by Term Loan Credit Agreement	
					at May 31, 2011 <sup>1</sup>	after Nov 29, 2012 <sup>1</sup>
Consolidated Interest Coverage Ratio	2.88	2.65	2.61	2.53	> 2.00	> 2.00
Consolidated Total Leverage Ratio	3.13	3.19	3.28	3.42	< 4.50	< 4.00
Consolidated First Lien Indebtedness Leverage Ratio	1.73	1.78	1.86	1.97	< 3.00	< 2.50

#### Notes:

(1) Financial maintenance covenants as set out in First Amendment to Term Loan Credit Agreement which became effective April 4, 2011.





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