



Postmedia Reports Third Quarter Results

July 7, 2017 (TORONTO) – Postmedia Network Canada Corp. (“Postmedia” or the “Company”) today released financial information for the three and nine months ended May 31, 2017.

Third Quarter Operating Results

Net earnings in the quarter ended May 31, 2017 was \$13.0 million, as compared to a net loss of \$23.7 million in the same period in the prior year. The change was primarily the result of one-time non-cash items including a gain of \$22.8 million related to changes in the Company’s employee benefit plans and a decrease of \$15.2 million in impairment charges as well as a decrease in interest expense as a result of a recapitalization transaction in Q1 of fiscal 2017, partially offset by unrealized foreign currency exchange losses.

Operating income before depreciation, amortization, impairment and restructuring of \$20.4 million in the quarter represents an increase of \$0.6 million relative to the same period in the prior year. The increase is due to increased digital revenues and operating cost savings related to cost savings initiatives.

Revenue for the quarter was \$194.0 million as compared to \$218.3 million in the prior year, a decrease of \$24.3 million (11.1%). The revenue decline was primarily due to decreases in print advertising revenue of \$22.0 million (19.1%) and print circulation revenue of \$5.5 million (8.5%). Digital revenue increased \$3.9 million (13.7%) in the quarter with digital advertising revenue up 22.8%.

Total operating expenses excluding depreciation, amortization, impairment and restructuring decreased \$24.9 million (12.5%) for the quarter, relative to the same period in the prior year. The decrease was primarily related to cost savings initiatives.

Year-to-Date Operating Results

Net earnings in the nine months ended May 31, 2017 was \$4.4 million, as compared to a net loss of \$253.0 million in the same period in the prior year. The change was primarily the result of one-time non-cash items including a gain of \$22.8 million related to changes in the Company’s employee benefit plans, a decrease of \$181.2 million in impairment charges and a gain on debt settlement of \$78.6 million realized as part of a recapitalization transaction as well as a decrease in interest expense, partially offset by an increase in restructuring expense.

Operating income before depreciation, amortization, impairment and restructuring for the nine months ended May 31, 2017 was \$48.2 million, a decrease of \$26.7 million relative to the same period in the prior year. The decrease is due to revenue declines which were only partially offset by operating cost savings.

Revenue for the nine months ended May 31, 2017 was \$589.7 million as compared to \$678.5 million in the prior year, a decrease of \$88.8 million (13.1%). The revenue decline was primarily due to decreases in print advertising revenue of \$78.4 million (21.2%) and print circulation revenue of \$17.2 million (8.7%). Digital revenue increased \$7.7 million (9.2%) in the nine months ended May 31, 2017 with digital advertising up 15.4%.

Total operating expenses excluding depreciation, amortization, impairment and restructuring decreased \$62.0 million (10.3%) for the nine months ended May 31, 2017, relative to the same period in the prior year. The decrease was primarily related to cost reduction initiatives.

Business Transformation Initiatives

During the three and nine months ended May 31, 2017, the Company implemented initiatives which are expected to result in \$14 million and \$75 million of net annualized cost savings, respectively.

The Company will continue to identify and undertake ongoing cost reduction initiatives in an effort to address revenue declination in the legacy print business.

Management Commentary

“This is our second quarter of steady growth in digital advertising revenue,” said Paul Godfrey, President and CEO, Postmedia. “It is a strong endorsement of the hard work done by teams across Postmedia to accelerate our transformation and focus on maximizing new revenue opportunities.”

Infomart Transaction

On June 22, 2017, the Company announced an agreement with Meltwater News Canada Inc. to sell Infomart, its media monitoring division, for gross proceeds of approximately \$38.25 million subject to certain adjustments (the “Infomart Transaction”). The net proceeds of the Infomart Transaction will be used to redeem a portion of the Company’s long-term debt. Included in the Infomart Transaction are Infomart’s media monitoring business, direct feed business and professional services operations, including clients of such services. The Infomart Transaction is expected to close on or about August 15, 2017.

Executive Appointment

Postmedia also announced today the appointment of Brian Bidulka as Executive Vice President and Chief Financial Officer. Mr. Bidulka is an experienced finance executive with a 30-year career that includes senior roles in the food & beverage, telecommunications and technology industries. Mr. Bidulka joins Postmedia on July 17.

Note: All dollar amounts are expressed in Canadian dollars unless otherwise specified.

About Postmedia Network Canada Corp.

Postmedia Network Canada Corp. (TSX:PNC.A, PNC.B) is the holding company that owns Postmedia Network Inc., a Canadian newsmedia company representing more than 200 brands across multiple print, online, and mobile platforms. Award-winning journalists and innovative product development teams bring engaging content to millions of people every week whenever and wherever they want it. This exceptional content, reach and scope offers advertisers and marketers compelling solutions to effectively reach target audiences. For more information, visit www.postmedia.com.

Forward-Looking Information

This news release may include 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 news release include statements with respect to the implementation and results of the Company’s transformation initiatives, the realization of anticipated cost savings and the closing of the Infomart Transaction. 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: competition from digital and other 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 risk the Infomart Transaction will not be completed on the terms described, or at all and the anticipated benefits and consequences will not

be achieved; the failure to maintain 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. For a complete list of our risk factors please refer to the section entitled "Risk Factors" contained in our annual management's discussion and analysis for the years ended August 31, 2016 and 2015. 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 press release. 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.

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Postmedia Network Canada Corp.
Consolidated Statements of Operations
(UNAUDITED)

(In thousands of Canadian dollars, except per share amounts)	For the three months ended May 31,		For the nine months ended May 31,	
	2017	2016	2017	2016
Revenues				
Print advertising	93,352	115,391	290,679	369,073
Print circulation	59,349	64,860	179,370	196,528
Digital	31,894	28,041	91,390	83,661
Other	9,450	10,026	28,255	29,220
Total revenues	194,045	218,318	589,694	678,482
Expenses				
Compensation	74,640	91,673	237,387	276,479
Newsprint	11,554	12,760	35,314	37,826
Distribution	37,373	40,552	113,332	122,811
Production	18,781	17,968	55,439	52,541
Other operating	31,275	35,578	99,981	113,845
Operating income before depreciation, amortization, impairment and restructuring	20,422	19,787	48,241	74,980
Depreciation	5,171	5,280	17,157	16,419
Amortization	3,538	5,431	11,194	16,596
Impairments	4,166	20,000	25,758	207,000
Restructuring and other items	(16,691)	7,373	36,098	30,257
Operating income (loss)	24,238	(18,297)	(41,966)	(195,292)
Interest expense	8,029	18,231	23,912	56,004
Gain on debt settlement	-	-	(78,556)	-
Net financing expense related to employee benefit plans	1,471	1,449	4,413	4,348
(Gain) loss on disposal of property and equipment	184	(147)	119	241
Gain on derivative financial instruments	(512)	(2,677)	(1,668)	(1,438)
Foreign currency exchange (gains) losses	2,020	(11,471)	5,386	(1,405)
Earnings (loss) before income taxes	13,046	(23,682)	4,428	(253,042)
Provision for income taxes	-	-	-	-
Net earnings (loss) attributable to equity holders of the Company	13,046	(23,682)	4,428	(253,042)
Earnings (loss) per share attributable to equity holders of the Company				
Basic	\$0.14	\$(0.08)	\$0.05	\$(0.90)
Diluted	\$0.14	\$(0.08)	\$0.05	\$(0.90)

Postmedia Network Canada Corp.
Consolidated Statements of Financial Position
(UNAUDITED)

(In thousands of Canadian dollars)	As at May 31, 2017	As at August 31, 2016
Assets		
Current Assets		
Cash	16,068	17,139
Restricted cash	1,809	4,804
Accounts receivable	80,837	82,018
Inventory	6,236	7,036
Prepaid expenses and other assets	11,762	12,341
Total current assets	116,712	123,338
Non-Current Assets		
Property and equipment	237,167	261,986
Derivative financial instruments	1,966	298
Other assets	3,319	4,339
Intangible assets	88,354	117,137
Total assets	447,518	507,098
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	62,567	89,849
Provisions	28,926	16,853
Deferred revenue	34,614	36,600
Current portion of long-term debt	11,230	301,045
Total current liabilities	137,337	444,347
Non-Current Liabilities		
Long-term debt	337,906	352,103
Employee benefit obligations and other liabilities	119,781	188,479
Provisions	569	611
Total liabilities	595,593	985,540
Deficiency		
Capital stock	810,836	535,468
Contributed surplus	10,412	10,315
Deficit	(969,323)	(1,024,225)
Total deficiency	(148,075)	(478,442)
Total liabilities and deficiency	447,518	507,098

Postmedia Network Canada Corp.
Consolidated Statements of Cash Flows
(UNAUDITED)

(In thousands of Canadian dollars)	For the three months ended		For the nine months ended	
	May 31,		May 31,	
	2017	2016	2017	2016
Cash Generated (Utilized) by:				
Operating Activities				
Net earnings (loss) attributable to equity holders of the Company	13,046	(23,682)	4,428	(253,042)
Items not affecting cash:				
Depreciation	5,171	5,280	17,157	16,419
Amortization	3,538	5,431	11,194	16,596
Impairments	4,166	20,000	25,758	207,000
Gain on debt settlement	-	-	(78,556)	-
Gain on derivative financial instruments	(512)	(2,677)	(1,668)	(1,438)
Non-cash interest	3,410	1,011	9,366	3,029
Gain (loss) on disposal of property and equipment	184	(147)	119	241
Non-cash foreign currency exchange (gains) losses	2,032	(11,328)	5,952	(1,263)
Non-cash backstop commitment fee	-	-	5,500	-
Share-based compensation plans and other long-term incentive plan expense (recovery)	-	(84)	202	(248)
Net financing expense relating to employee benefit plans	1,471	1,449	4,413	4,348
Non-cash curtailment gain relating to employee benefit plans	(22,768)	-	(22,768)	-
Non-cash compensation expense of employee benefit plans	1,357	190	1,963	-
Employee benefit funding in excess of compensation expense	-	-	-	(1,720)
Net change in non-cash operating accounts	(22,363)	10,978	(20,233)	8,196
Cash flows from (used in) operating activities	(11,268)	6,421	(37,173)	(1,882)
Investing Activities				
Net proceeds from the sale of property and equipment	2,054	639	3,996	1,945
Purchases of property and equipment	(1,802)	(4,535)	(3,053)	(6,433)
Purchases of intangible assets	(791)	(2,587)	(1,569)	(3,998)
Purchase of warrants	-	-	-	(1,200)
Receipt of working capital adjustment	-	-	-	1,208
Acquisition	-	85	-	85
Cash flows used in investing activities	(539)	(6,398)	(626)	(8,393)
Financing activities				
Proceeds from issuance of long-term debt	-	-	110,000	-
Repayment of long-term debt	(1,167)	(9,733)	(80,061)	(25,996)
Advances from ABL Facility	5,000	-	5,000	-
Restricted cash	(1,071)	4,008	2,995	13,072
Debt issuance costs	(30)	-	(1,016)	-
Share issuance costs	-	-	(190)	-
Cash flow from (used in) financing activities	2,732	(5,725)	36,728	(12,924)
Net change in cash for the period	(9,075)	(5,702)	(1,071)	(23,199)
Cash at beginning of period	25,143	26,316	17,139	43,813
Cash at end of period	16,068	20,614	16,068	20,614
Supplemental disclosure of operating cash flows				
Interest paid	9,222	12,818	43,206	49,794
Income taxes received	-	3,785	-	3,785