

# MNG ENTERPRISES, INC.

## FICTION vs FACT

# GANNETT

SINCE RECEIVING OUR \$12.00 PER SHARE 41% PREMIUM ALL-CASH OFFER, GANNETT HAS RELIED UPON MISLEADING AND FACTUALLY INCORRECT STATEMENTS IN AN EFFORT TO DISTRACT INVESTORS FROM THE TRUTH OF ITS DISMAL PERFORMANCE AND INABILITY TO GENERATE PROFITABLE GROWTH. THE INCUMBENT BOARD HAS BEEN UNWILLING TO ENGAGE WITH MNG'S GENUINE ATTEMPTS TO EXPLORE WAYS THAT WOULD ENHANCE VALUE FOR ALL GANNETT SHAREHOLDERS.

We are confident our nominees can initiate a review of strategic alternatives while putting Gannett back on a path towards profitable growth. In light of Gannett's investor presentation and subsequent public releases, we are compelled to respond to correct their false and misleading statements. We think it is only fair to highlight their FICTION and note the FACTS so you can FAIRLY decide to vote "FOR" the MNG director nominees by internet, phone or on the BLUE proxy card sent by mail.

April 2019

## FICTION

## FACT

### Gannett says...

Gannett's USA Today Network strategy, digital acquisitions and focus on client relationships is paying off

Gannett has been unable to **generate profitable growth** since its spin-off while **MNG has an exceptional track record of growth** across key metrics:

LTM June 2015 to LTM December 2018

	Gannett <sup>1</sup>	MNG
Adj. EBITDA	(24%)	66%
Free Cash Flow	(52%)	120%
FCF per Share <sup>2</sup>	(53%)	180%

Gannett has delivered a higher and more stable total shareholder return than most of its industry peers

Period Ending January 11, 2019

GCI's TSR Relative to:	1 Year	3 Year	Since Spin-Off
1. Peer Median <sup>3</sup>	(2%)	(74%)	(15%)
2. S&P 500	(5%)	(71%)	(51%)
3. Russell 2000	(2%)	(72%)	(37%)

Gannett's strategy is delivering results, with stable margins and positive cash flow generation

- GCI's Adj. EBITDA margins have **declined by 300bps** since spin-off<sup>1</sup>
- GCI's margins projected to **decline** again in 2019 by **~100bps**<sup>4</sup>

Gannett's profitability is in line with public peers

- Gannett's adj. EBITDA margins **trail peers by ~400bps**<sup>5</sup>
- Gannett's adj. EBITDA margins **trail MNG by ~520bps**<sup>6</sup>
- Gannett's 2019E adj. EBITDA margins are **2<sup>nd</sup> worst** and trail Gannett's selected peer median<sup>7</sup> by 300bps

Gannett's strategy is to pursue accretive growth through disciplined, selective acquisitions that provide synergies

- **\$350mm** spent on **digital acquisitions** (36% of market cap)<sup>8</sup> and **~\$650mm** spent on **acquisitions in total**<sup>9</sup> (67% of market cap)<sup>8</sup>
- **The result: diluted EPS down 93% since spin-off**<sup>1</sup>

Executive compensation is aligned with the execution of the company's transformation strategy

- **Highest CEO compensation among peers** at ~\$21mm vs. peer median<sup>3,10</sup> of ~\$12mm over the past three years

[Gannett has] strong leadership in place to oversee value creation

- Incumbent board has overseen **\$780mm of value destruction**<sup>11</sup>
- **Inadequate succession planning** and **CEO void** expected beginning May 7<sup>th</sup>, 2019 ; Head of Digital resigned in Jan. 2019

The combined [MNG-Gannett] would be levered at over 4x

- MNG estimates **pro forma leverage would be less than 3.0x**<sup>12</sup>

The proposal undervalues Gannett, its key assets and its prospects

- 41% year-end premium, 23% unaffected premium and 30% premium to current share price<sup>13</sup>
- Proposal implies a multiple of **5.5x TEV / 2019E EBITDA**<sup>14</sup> and represents a **significant premium** to Gannett's median **historical trading multiple of ~4.0x**

## FICTION

## FACT

### **Gannett says...**

*MNG presented no ability to finance transaction*

- **Gannett is the barrier** restricting MNG from finalizing our financing – it is **rare** for an acquirer to obtain fully committed financing without access to confidential information
- MNG sent the Gannett board a **highly confident letter from Oaktree** given Oaktree’s size, experience investing in the newspaper industry, and prominence in the leverage finance market
- Along with Oaktree, **multiple other lenders** that **submitted term sheets expressed significant interest** in participating in the financing
- **Gannett made no inquiry** about the letter, Oaktree or any other potential financing sources; such lack of inquiry **indicates the lack of seriousness by the Gannett board in evaluating MNG’s offer**
- MNG is confident it can **finalize its financing package in a few weeks** if given the opportunity to conduct due diligence under NDA

*MNG proposed no pathway for antitrust concerns*

- Antitrust **not expected to be an impediment to close**
- In **Gannett’s attempt to acquire Tribune Publishing**, the same Board members at **Gannett said it had a plan for antitrust clearance** and that should be **enough to start merger discussions**<sup>15</sup>
- **MNG offered to share its work** and strategy under NDA and **Gannett refused to engage**

*MNG has failed to address pension-related risks*

- Pensions **not expected to be an impediment to close**
- Combined MNG-Gannett will be a much **stronger and more profitable company** and will strengthen the employee pension plan
  - MNG believes the PBGC will view this as a **positive**
- The PBGC early warning system does not interfere in M&A transactions that do not weaken the pension plan sponsor – **this transaction will strengthen it!**
- MNG is **current on all of its required contributions** owed to its sponsored single-employer defined benefit pension plans
- MNG believes the **biggest risk to Gannett’s pension plan is a declining standalone Gannett**

*MNG is looking to take control of the Board for its own benefit*

- MNG announced it **reduced its slate to three** to enable continuity for majority of the GCI Board
- These “concerns” are **entirely unfounded** and the change to a minority slate makes them **completely irrelevant**

## FICTION

## FACT

### **Gannett says...**

*... the number of MNG nominees does not matter... We believe that electing even one of MNG's nominees to the Gannett board would put the value of your investment at risk*

- Our desire to nominate **three highly qualified directors** was based on **direct feedback from other shareholders**
- Provides shareholders with the strongest platform to **send a clear message that the Board must act now** to commence a review of strategic alternatives to **maximize value for all Gannett shareholders**
- As Gannett's **largest active shareholder**, MNG is aligned in acting in the best interest of all shareholders
- **MNG's nominees possess** the newspaper turnaround, real estate, and capital allocation **experience** the Gannett board desperately needs and would **enhance the value of your investment**

*[MNG's nominees] cannot be expected to act in the best interests of all Gannett shareholders*

- **MNG's nominees will act in the best interest of all shareholders** including urging the company to engage in a full strategic review to maximize value for all Gannett shareholders

*... MNG has NOT demonstrated an ability to position acquired newspapers for long-term profitability*

- MNG has **increased profitability** evidenced by **adj. EBITDA margins increasing from 11.6% to 16.2% from FY2015 to FY2018**
- During this time period it **acquired and successfully integrated newspapers** including the Orange County Register and Boston Herald, both of which **are well positioned for long-term profitability**

*MNG reduces jobs and ultimately closes papers all together*

- MNG **saves newspapers and positions them for a strong and profitable future** so they can weather the secular decline
- In the **aforementioned acquisitions**, The Orange County Register and The Boston Herald, both **papers were left for dead and put into bankruptcy** by their former owners, which **could have caused** a liquidation and a **loss of all the jobs**
- MNG **stepped up and invested** in them, **saving many** of those **jobs and providing for new jobs**

## Notes

1. Changes in Gannett financial results since its 2015 spin-off from its former parent company reflect changes in trailing 12-month financials from June 28, 2015 to December 31, 2018.
2. Free Cash Flow per Share, calculated using fully diluted shares outstanding as of period end.
3. Peers include Graham Holdings Company, Lee Enterprises, Incorporated, Meredith Corporation, The McClatchy Company, New Media Investment Group Inc., The New York Times Company, Scholastic Corporation, and Tribune Publishing Company; selected by MNG based on criteria including revenue, exposure to print publishing and footprint across multiple markets.
4. Based on mid-point of GCI management 2019E guidance for Revenue of \$2,740mm to \$2,810mm and Adjusted EBITDA of \$285mm to \$295mm in 2018 Q4 Earnings Release.
5. Based on Gannett's 2018 adjusted EBITDA margin compared to peer median; peers include: Graham Holdings Company, Lee Enterprises, Incorporated, Meredith Corporation, The McClatchy Company, New Media Investment Group Inc., The New York Times Company, Scholastic Corporation, Tribune Publishing Company, and MediaNews Group; selected by MNG based on criteria including revenue, exposure to print publishing and footprint across multiple markets.
6. Based on Gannett's 2018 adjusted EBITDA margin compared to MNG's FY2018 adjusted EBITDA margin for the fiscal year ended June 30, 2018.
7. Gannett's selected industry peers include The New York Times Company, New Media Investment Group Inc., Tribune Publishing Company, News Corporation, The McClatchy Company, and Lee Enterprises, Incorporated.
8. Based on year-end market capitalization of \$965 million per S&P Capital IQ.
9. Digital acquisitions include ReachLocal, SweetIQ and WordStream and other acquisitions include Journal Media Group and North Jersey Media Group.
10. Excludes New Media Investment Group Inc. due to CEO compensation not disclosed.
11. Based on change in market capitalization from June 29, 2015 to January 11, 2019 per S&P Capital IQ.
12. Including estimated year 1 run-rate synergies.
13. Based on close price of \$9.26 on April 25, 2019.
14. Based on mid-point of GCI management 2019E guidance for Adj. EBITDA of \$285mm to \$295mm provided in 2018 Q4 Earnings Release; capitalization as of December 31, 2018.
15. Source: Gannett Presentation, *Gannett Urges Tribune Stockholders to Withhold Votes for ALL Tribune Directors at Upcoming Annual Meeting*, filed with the SEC on May 13, 2016.

# VOTE BLUE TODAY TO PROTECT THE VALUE OF YOUR INVESTMENT

You can vote by Internet, telephone or by signing and dating the enclosed BLUE proxy card or BLUE voting instruction form and mailing it in the postage paid envelope provided. We urge you NOT to vote using any white proxy card or voting instruction form you receive from Gannett. Please discard any white proxy card.

If you have any questions about how to vote your shares, please contact MNG's proxy solicitor, Okapi Partners LLC, at its toll-free number (888) 785-6668 or via email at [info@okapipartners.com](mailto:info@okapipartners.com)

Additional information about MNG, its proposal to acquire Gannett, and its nominees for election to the Board is available at [www.SaveGannett.com](http://www.SaveGannett.com).

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## **Additional Information**

MNG Enterprises, Inc., together with the other participants in its proxy solicitation, have filed a definitive proxy statement and an accompanying BLUE proxy card with the Securities and Exchange Commission (the "SEC") to be used to solicit votes for the election of MNG's slate of highly-qualified director nominees at the 2019 annual meeting of stockholders (the "Annual Meeting") of the Company. Stockholders are advised to read the proxy statement and any other documents related to the solicitation of stockholders of the Company in connection with the Annual Meeting because they contain important information, including additional information relating to the participants in MNG's proxy solicitation. These materials and other materials filed by MNG in connection with the solicitation of proxies are available at no charge on the SEC's website at [www.sec.gov](http://www.sec.gov). The definitive proxy statement and other relevant documents filed by MNG with the SEC are also available, without charge, by directing a request to MNG's proxy solicitor, Okapi Partners LLC, at its toll-free number (888) 785-6668 or via email at [info@okapipartners.com](mailto:info@okapipartners.com).

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