Lee Enterprises is a year ahead of schedule in reducing debt

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SCOTTSDALE, Arizona (October 10, 2012) -- Lee Enterprises, Incorporated (NYSE: LEE) repaid more than $60 million of debt in its fiscal year ended September 30, 2012, and has since repaid another $15.3 million, reducing the balance to $930.6 million, below the level originally anticipated to be reached a year from now.

In remarks prepared for a presentation today at the Deutsche Bank 2012 Leveraged Finance Conference in Scottsdale, AZ, Mary Junck, Lee chairman and chief executive officer, and Carl Schmidt, vice president, chief financial officer and treasurer, said Lee expects to continue significantly reducing its leverage over the next few years. They said that in the 12 months ended June 2012, Lee posted unlevered free cash flow[(1)] of $170 million, and substantially all of that free cash flow will continue to be dedicated to servicing debt. Lower cash levels and selective asset sales have contributed to the acceleration in debt repayment.

In January 2012, Lee refinanced its former term loan and revolving debt into a structure of 1st and 2nd lien secured debt, along with a small undrawn revolver. Lee's former Pulitzer Notes debt also was refinanced. Lee used a voluntary, prepackaged Chapter 11 process to bind a small minority of non-consenting lenders to the terms. The agreements extend the maturity of Lee's borrowings to December 2015 and April 2017.

Among other comments:

- Buoyed by 10.1% growth in digital advertising revenue through June 2012, including 183% growth in mobile advertising, Lee's ad sales performance has led the Newspaper Association of America industry average for 36 quarters in a row, since June 2003.
- Digital subscriptions have been introduced in three-dozen Lee markets so far, and the company remains on track to put them into place nearly everywhere else by the end of the calendar year. Although most of the rollout did not begin until recent months, digital subscription revenue totaled more than $1 million in fiscal 2012.
- The company is aggressively transforming its business model. Among other cost initiatives, more than one-third of Lee's 51 daily newspapers are no longer printed locally, and several are being printed outside the company.
- For fiscal 2013, Lee expects cash costs to decrease another 3% to 4%. Lee previously announced that it expected cost reduction of 3.5% to 4.5% in 2012 on a comparable 52-week basis. Since 2007 Lee has permanently eliminated one-third of its cash costs, totaling nearly $280 million.
- Lee expects that higher interest costs from refinancing, and the tax treatment of recently refinanced debt, will result in minimal cash taxes going forward. The company paid a total of $16 million in federal taxes for 2010 and 2011 and is working to maximize its ability to carry back to those years and recover the bulk of those funds.

The text of the presentation and illustrations are available at lee.net.

Lee Enterprises is a leading provider of local news and information, and a major platform for advertising, in its markets, with 47 daily newspapers and a joint interest in four others, rapidly growing digital products and nearly 300 specialty publications in 23 states. Lee's newspapers have circulation of 1.3 million daily and 1.5 million Sunday, reaching nearly four million readers in print alone. Lee's websites and mobile and tablet products attracted 22.2 million unique visitors in June 2012. Lee's markets include St. Louis, MO; Lincoln, NE; Madison, WI; Davenport, IA; Billings, MT; Bloomington, IL; and Tucson, AZ. Lee Common Stock is traded on the New York Stock Exchange under the symbol LEE. For more information about Lee, please visit www.lee.net.

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(1) Unlevered free cash flow, which is defined as operating income, plus depreciation and amortization, impairment charges, and cash income tax benefit, minus curtailment gains, pension contributions, cash income taxes, capital expenditures and plus or minus (as appropriate) changes in working capital, other non-cash items and differences between equity in earnings of associated companies and distributions therefrom, is a non-GAAP (Generally Accepted Accounting Principles) financial measure. Reconciliations of unlevered free cash flow to operating income, the most directly comparable GAAP measure, are included in tables accompanying the presentation. No non-GAAP financial measure should be considered as a substitute for any related GAAP financial measure. However, the company believes the use of non-GAAP financial measures provides meaningful supplemental information with which to evaluate its financial performance, or assist in forecasting and analyzing future periods.

FORWARD-LOOKING STATEMENTS -- The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. This news release contains information that may be deemed forward-looking that is based largely on our current expectations, and is subject to certain risks, trends and uncertainties that could cause actual results to differ materially from those anticipated. Among such risks, trends and other uncertainties, which in some instances are beyond our control, are our ability to generate cash flows and maintain liquidity sufficient to service our debt, comply with or obtain amendments or waivers of the financial covenants contained in our credit facilities, if necessary, and to refinance our debt as it comes due. Other risks and uncertainties include the impact and duration of continuing adverse economic conditions, changes in advertising demand, potential changes in newsprint and other commodity prices, energy costs, interest rates, labor costs, legislative and regulatory rulings, difficulties in achieving planned expense reductions, maintaining employee and customer relationships, increased capital costs, maintaining our listing status on the NYSE, competition and other risks detailed from time to time in our publicly filed documents. Any statements that are not statements of historical fact (including statements containing the words "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "plan", "project", "consider" and similar expressions) generally should be considered forward-looking statements. Readers are cautioned not to place undue reliance on such forward-looking statements, which are made as of the date of this release. We do not undertake to publicly update or revise our forward-looking statements.