

SECOND QUARTER FY2023 EARNINGS

MAY 4, 2023



VOTE



SAFE HARBOR

The information provided in this presentation may include forward-looking statements relating to future events or the future financial performance of the Company. Because such statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Words such as “aims”, “anticipates,” “plans,” “expects,” “intends,” “will,” “potential,” “hope” and similar expressions are intended to identify forward-looking statements. These forward-looking statements are based upon current expectations of the Company and involve assumptions that may never materialize or may prove to be incorrect. Actual results and the timing of events could differ materially from those anticipated in such forward-looking statements as a result of various risks and uncertainties. Detailed information regarding factors that may cause actual results to differ materially from the results expressed or implied by statements in report relating to the Company may be found in the Company’s periodic filings with the Commission, including the factors described in the sections entitled “Risk Factors,” copies of which may be obtained from the SEC’s website at www.sec.gov. The Company does not undertake any obligation to update forward-looking statements contained in this presentation.



KEY THEMES FOR TODAY

1

DELIVERING INDUSTRY-LEADING GROWTH IN A DYNAMIC MARKET

2

SOUND THREE PILLAR STRATEGY WELL POSITIONED TO DRIVE VALUE FOR STAKEHOLDERS

3

SOLID Q2 RESULTS

4

REAFFIRM FY2023 GUIDANCE

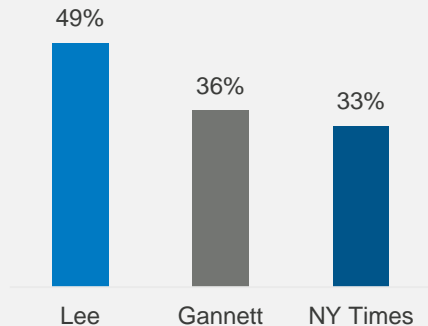


MARKET LEADING GROWTH

Digital Subscriber Growth Leads Industry

596K Current Digital-only Subscribers
13 quarters of leading digital subscriber growth

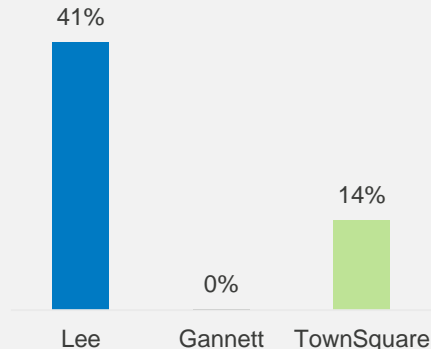
Dec 2022 3-Year CAGR



Digital Agency Revenue Growth Leads Industry

\$86M Amplified LTM Revenue
Industry-leading 51% YOY growth

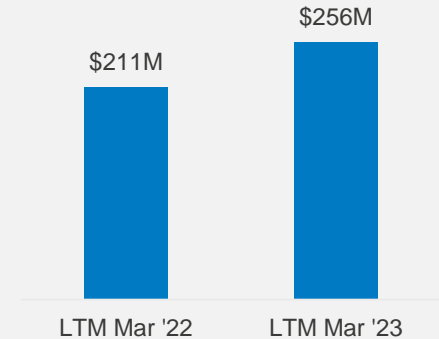
Dec 2022 3-Year CAGR



Total Digital Revenue Growing Significantly

\$256M LTM Total Digital Revenue
Total Digital Revenue up 21% YOY

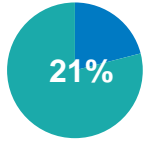
LTM Mar FY23 YOY



TRANSFORMING THE COMPOSITION OF REVENUE

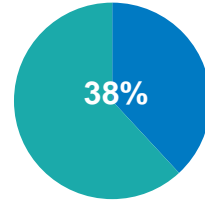
Where We Were
FY 2020

% Digital
Revenue



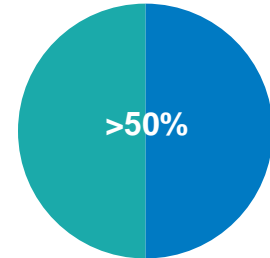
Prior to launch of Three Pillar
Digital Growth Strategy

Where We Are
Q2 2023



Industry-leading digital
revenue growth is transforming
the mix of revenue

Where We Are Going
FY 2026E



Continuing Transition to a
Digital-First Organization



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LEE'S STRATEGY FOR DIGITAL TRANSFORMATION: THE THREE PILLARS

LEE IS RAPIDLY TRANSFORMING FROM A PRINT-CENTRIC TO A DIGITAL-CENTRIC COMPANY

PILLAR 1

Expand digital audiences by transforming the presentation of local news and information

PILLAR 2

Expand digital subscription base and revenue

PILLAR 3

Diversify and expand offerings for local advertisers



Lee expects the Three Pillar Digital Growth strategy to drive more than \$435 million of recurring, sustainable digital revenue by 2026.



DIGITAL TRANSFORMATION: EXPAND DIGITAL AUDIENCES

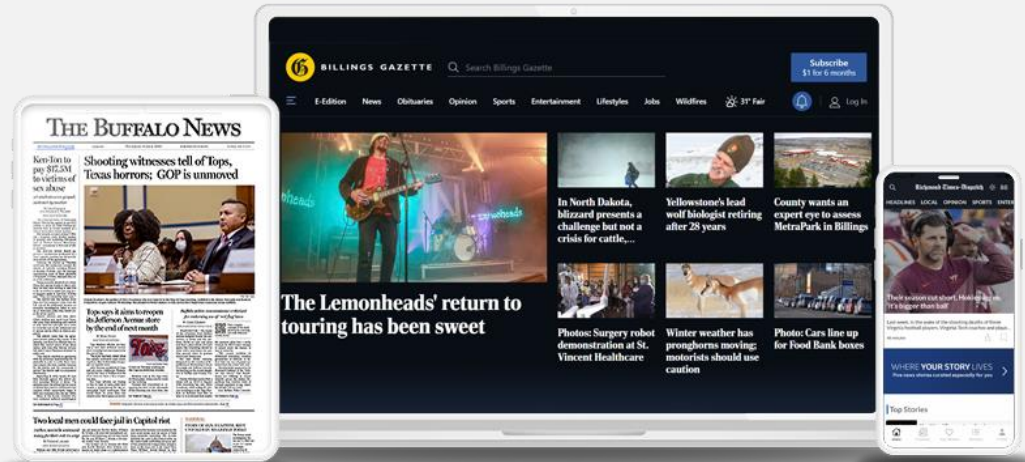
ENHANCING DIGITAL PRESENTATIONS TO PROVIDE BEST-IN-CLASS USER EXPERIENCE OF LOCAL NEWS, WITH MULTI-FORMAT, RICH CONTENT

PILLAR 1

PILLAR 2

PILLAR 3

- Multimedia presentation with an emphasis on video and audio to drive engagement and monetization
- Emphasis on recruiting, hiring and retaining the best digital-native journalists
- Significant investment in public service journalism team, with a focus on investigative, watchdog, and data analysis and storytelling that comes from the numbers
- Creating new channels (apps, podcasts) to utilize our unique content and expertise (e.g. local sports)
- Using data and analytics to drive digital conversions



DIGITAL TRANSFORMATION: STRATEGIES TO DRIVE SUBSCRIPTION REVENUE

ENHANCING CONVERSION WITHIN LEE'S ADDRESSABLE MARKET

PILLAR 1

PILLAR 2

PILLAR 3

Addressable Market



Anonymous Users

29.1 million

Known Users

11.6 million

Subscribers

596,000



Key initiatives...

- Optimize subscription model for digital-only growth
- Monetize content through new digital niche products
- Maximize subscription rates by leveraging first-party data
- Carefully manage the decline of legacy subscription revenue streams

...expected to drive:

- **900,000 digital-only subscribers by 2026**
- **Increase in average subscription rates (less than 7% CAGR through 2026)**
- **\$100+ million of highly profitable digital-only subscription revenue**



Addressable Market as of Q2 FY23

DIGITAL TRANSFORMATION: EXPAND DIGITAL ADVERTISING SERVICES

LEVERAGE “FIRST TO MARKET” POSITION WITH ARRAY OF DIGITAL PRODUCT OFFERINGS, SERVICES AND MARKETING SOLUTIONS

PILLAR 1

PILLAR 2

PILLAR 3

Diversify and Expand Offerings to Local Advertisers

Amplified: Lee's Omnichannel Marketing Solution

Amplified is a full-service digital marketing agency that offers omnichannel solutions for local advertisers (e.g., consulting, media buying, analytics) through its **Vision platform**

Competitive Advantages of Amplified:

- **Data driven ad tech** that efficiently feeds customized proposals to sales reps through Lee's **Vision platform**
- **Specialized category expertise** – automotive and healthcare
- **Scalable custom video content** from **Brand Ave. Studios**
- **First party data** to drive **premium eCPMs** and create recurring revenue
- Creates a pipeline for providing **e-commerce solutions** from custom website development and agency services supporting major e-commerce platforms

Maximize Revenue on Lee's Digital Platforms

Massive audiences on our **owned and operated websites (O&O)** provide a growing opportunity to drive **high margin** digital advertising revenue

Competitive Advantages of O&O:

- Audience to leverage Lee's **Vision platform** in order to:
 - Increase local market penetration increasing customer counts
 - Increase sell-thru rates and eCPM's to drive higher value digital advertising revenue
- Promote **video** digital banner, sponsorship and **branded content**

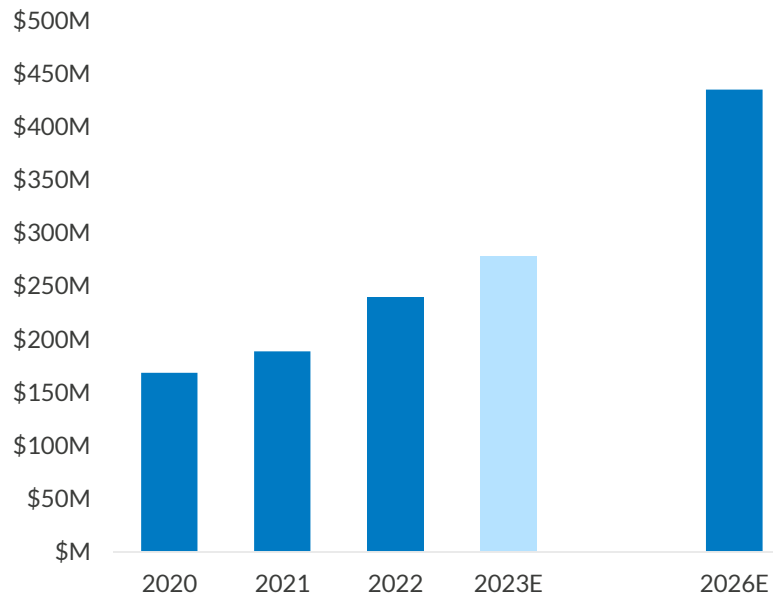


DIGITAL TRANSFORMATION: DIGITAL REVENUE OUTLOOK

DIGITAL REVENUE GROWTH IS FUELED BY AMPLIFIED AND DIGITAL SUBSCRIPTION GROWTH

- Amplified will drive digital marketing services revenue growth
- Our owned and operated digital products provides a unique opportunity to grow high margin digital advertising revenue
- We expect significant growth in digital subscribers
 - Expect 900,000 digital subscribers by 2026, assuming modest penetration of the current addressable market
- We expect to drive digital subscription revenue even faster
 - Expect ARPU expansion as introductory pricing becomes a smaller piece of the subscriber base
 - Maximizing ARPU through data and sophisticated analytics

Digital Revenue Outlook



Lee expects \$435M of Digital Revenue in 2026



DIGITAL TRANSFORMATION: KEY TAKEAWAYS

Digital Subscriptions

- Lee is the **fastest growing digital subscription platform** with a strong track record of accelerating digital subscription growth
- With 596,000 digital subscriptions, Lee is **well on its way to reaching its 2026 goal of 900,000 digital-only subscriptions**
- Lee's digital transformation strategy is expected to generate **recurring sustainable digital subscription revenue of \$100M in 2026**

Digital Advertising

- Our full-service digital agency, Amplified Digital®, is **growing rapidly**
- Lee's sophisticated **Vision platform** uniquely positions us to capitalize on the double-digit growth in omnichannel digital advertising
- Lee's strategy is expected to generate recurring sustainable digital revenue, exceeding **\$310M in digital advertising revenue in 2026**



LEE INVESTMENT THESIS

WE BELIEVE OUR THREE PILLAR DIGITAL GROWTH STRATEGY WILL CREATE SUBSTANTIAL VALUE:



Execute Three Pillar Digital Growth Strategy

Generate long-term sustainable digital revenue growth, margin expansion, and strong free cash flow



Continued Debt Reduction & Strengthened Balance Sheet

Expect to reach <2.5x leverage target



Increased Shareholder Value

Enhanced cash generation

Debt reduction drives shareholder value

Multiple expansion fueled by increased recurring, high-margin digital revenue



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SECOND QUARTER 2023 RESULTS & 2023 OUTLOOK

Q2 Revenue

Total Operating Revenue \$171M, -10%

Digital Revenue \$65M, +12%

- Digital Advertising Revenue \$46M, +7%
- Digital Subscription Revenue \$14M, +39%

Print Revenue \$106M, -20%

Q2 Cash Costs⁽¹⁾

- Total Cash Costs \$158M, -10%

Q2 Adjusted EBITDA⁽¹⁾

- Adjusted EBITDA \$14M

KEY TAKEAWAYS

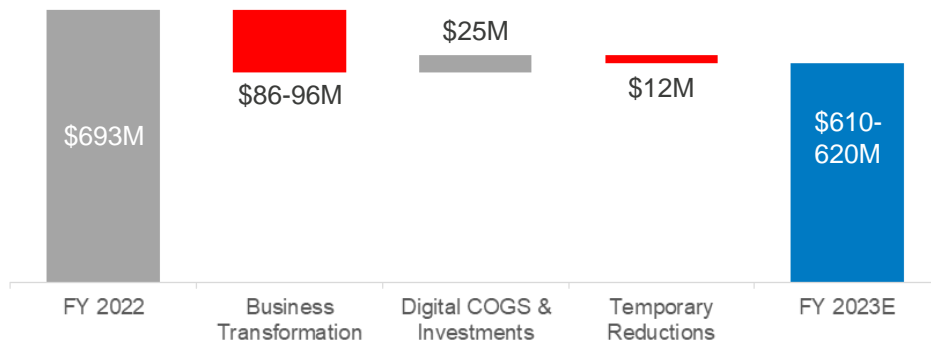
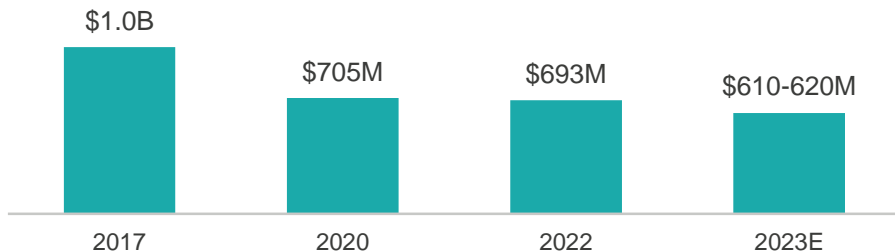
- **Industry-leading digital revenue growth in a dynamic market**
 - Digital subscribers totaled 596,000 and are on-track to achieve FY23 outlook of 632,000
 - Digital subscription revenue grew 39% YoY driven by unit growth of 21% and a strong focus on growing rate
 - Digital Advertising grew 7% YoY driven by Amplified growth of 20%
- **Proficient in driving efficiencies**
 - Eliminated unprofitable print advertising products impacting print advertising revenue trends by 4% pts
- **Thoughtful investments in digital future**
- **Reaffirm 2023 outlook**
 - 1H FY23 digital revenue grew 14% YoY and 2H FY23 digital revenue is expected to grow at a similar rate to achieve our 2023 outlook of \$270-285M
 - \$76M of annualized cost reductions executed in mid-Q2 had a significant impact on Q2 Adjusted EBITDA and is expected to continue in 2H FY23



⁽¹⁾ Adjusted EBITDA and Cash Costs are non-GAAP financial measures. See appendix.

STRONG TRACK RECORD OF SUSTAINABLE COST MANAGEMENT

Total Cash Costs⁽¹⁾



KEY TAKEAWAYS

- **Proficient in driving efficiencies**
 - Current base of \$300M of direct costs associated with our legacy revenue streams that will be managed with associated revenue trends
 - Executed \$76M in annualized cash cost reductions in mid-Q2 FY23; FY23 impact \$48M
 - Ongoing initiatives aimed at optimizing manufacturing, distribution, and corporate services
- **Thoughtful investments in digital future**
 - Significant investments made in talent and technology to fund successful execution of three-pillar strategy
 - Acquisition and retention of top talent focused on digital subscriber growth and expanding reach of Amplified Digital®
 - Increase in digital COGS driven by rapid growth in digital revenue

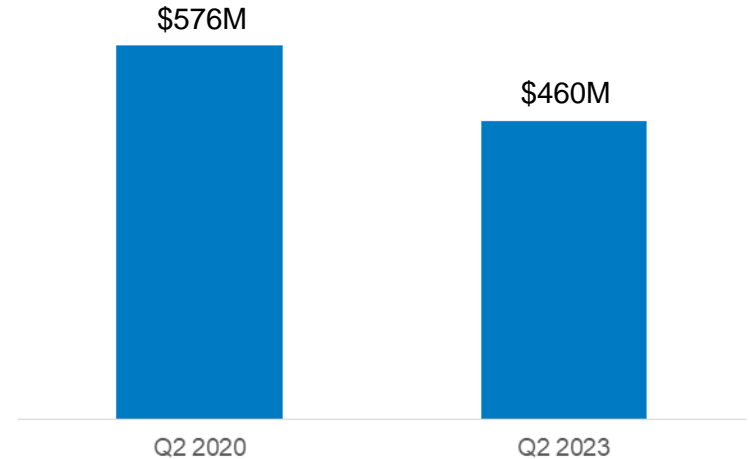
Optimizing operating structure by investing in the digital future & managing the legacy business

⁽¹⁾ Adjusted EBITDA and Cash Costs are non-GAAP financial measures. See appendix.

DIGITAL TRANSFORMATION: STRENGTHENED BALANCE SHEET

- **\$116M debt reduction** since refinancing in March 2020
- **Favorable credit agreement** with Berkshire Hathaway
 - **25-year runway** w/ no breakage costs or prepayment penalties
 - **Fixed annual interest rate**, no financial performance covenants and no fixed amortization
- Pension plans now **frozen** and **fully funded** in the aggregate with no material pension contributions expected in 2023
- Asset sales of **\$5.6M YTD** in 2023
 - Identified approximately \$30M of noncore assets to monetize

Significant Gross Debt Reduction



Achieve long-term leverage target of under 2.5x

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REAFFIRM 2023 OUTLOOK

	2021	2022	1H 2023	2H 2023E ⁽²⁾	2023 Outlook
Total Digital Revenue	\$189M	\$240M	\$130M	\$148M	\$270-285M
YoY	12%	27%	14%	17%	13% to 19%
Digital Only Subscribers	402,000	532,000	596,000	632,000	632,000
YoY	65%	32%	21%	19%	19%
Cash Costs ⁽¹⁾	\$686M	\$693M	\$328M	\$292M	\$610-620M
YoY	-3%	1%	-7%	-14%	-12% to -11%
Adjusted EBITDA ⁽¹⁾	\$117M	\$96M	\$32M	\$65M	\$94-100M
YoY	-5%	-18%	-26%	22%	-2% to +4%

Reaffirm Full Year Adjusted EBITDA Outlook

⁽¹⁾ Adjusted EBITDA and Cash Costs are non-GAAP financial measures. See appendix

⁽²⁾ 2H 2023E represents the estimates to achieve the midpoint of our 2023 outlook.



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QUARTERLY REVENUE COMPOSITION

(Millions of Dollars)	Q1 FY2022	Q2 FY2022	Q3 FY2022	Q4 FY2022	FY 2022	Q1 FY2023	Q2 FY2023
Digital Advertising and Marketing Services	42.8	43.4	46.2	49.1	181.5	47.7	46.3
YoY %	18.8%	36.1%	26.6%	32.7%	28.3%	11.6%	6.6%
Digital Only Subscription Revenue	7.9	10.1	11.0	11.2	40.1	12.3	14.0
YoY %	25.7%	44.4%	50.1%	45.9%	42.1%	56.2%	38.7%
Digital Services Revenue	4.6	4.7	4.3	4.4	18.0	4.7	4.8
YoY %	-4.0%	-3.4%	-8.1%	-6.5%	-5.5%	2.2%	2.1%
Total Digital Revenue	55.3	58.1	61.5	64.6	239.5	64.8	65.0
YoY %	17.4%	33.1%	26.8%	31.0%	27.0%	17.2%	11.8%
% of Total Revenue	27.3%	30.6%	31.5%	33.4%	30.7%	35.0%	38.1%
Print Advertising Revenue	56.0	44.2	44.8	39.9	185.0	41.8	31.5
YoY %	-16.0%	-17.6%	-18.0%	-24.6%	-18.8%	-25.3%	-28.9%
Print Subscription Revenue	79.6	77.3	78.1	78.5	313.5	67.4	64.6
YoY %	-6.4%	-6.7%	-4.2%	-2.0%	-4.9%	-15.4%	-16.4%
Other Print Revenue	11.4	10.4	10.7	10.5	43.0	11.1	9.6
YoY %	-12.8%	-15.2%	-10.2%	-8.2%	-11.7%	-2.3%	-7.0%
Total Print Revenue	147.0	131.9	133.6	129.0	541.4	120.3	105.7
YoY %	-10.8%	-11.3%	-9.8%	-10.8%	-10.7%	-18.1%	-19.9%
Total Revenue	202.3	190.0	195.0	193.6	781.0	185.1	170.7
YoY %	-4.5%	-1.3%	-0.7%	-0.1%	-1.7%	-8.5%	-10.2%

Total Digital Revenue – Total Digital Revenue is defined as digital advertising and marketing services revenue (including Amplified), digital-only subscription revenue and digital services revenue.

Rounding – Items may not visually foot due to rounding.



RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(Millions of Dollars)	Q2 FY2023
Net Loss	(5.4)
Adjusted to exclude	
Income tax benefit	(2.1)
Non-operating expenses, net	10.3
Equity in earnings of TNI and MNI	(0.7)
Depreciation and amortization	7.7
Restructuring costs and other	3.7
Assets gain on sales, impairments and other	(0.8)
Stock compensation	0.6
Add	
Ownership share of TNI and MNI EBITDA (50%)	0.9
Adjusted EBITDA	14.3

Adjusted EBITDA is a non-GAAP financial performance measure that enhances financial statement users overall understanding of the operating performance of the Company. The measure isolates unusual, infrequent or non-cash transactions from the operating performance of the business. This allows users to easily compare operating performance among various fiscal periods and how management measures the performance of the business. This measure also provides users with a benchmark that can be used when forecasting future operating performance of the Company that excludes unusual, nonrecurring or one time transactions. Adjusted EBITDA is a component of the calculation used by stockholders and analysts to determine the value of our business when using the market approach, which applies a market multiple to financial metrics. It is also a measure used to calculate the leverage ratio of the Company, which is a key financial ratio monitored and used by the Company and its investors. Adjusted EBITDA is defined as net income (loss), plus non-operating expenses, income tax expense, depreciation and amortization, assets loss (gain) on sales, impairments and other, restructuring costs and other, stock compensation and our 50% share of EBITDA from TNI and MNI, minus equity in earnings of TNI and MNI.

TNI and MNI – TNI refers to TNI Partners publishing operations in Tucson, AZ. MNI refers to Madison Newspapers, Inc. publishing operations in Madison, WI.

Rounding – Items may not visually foot due to rounding.



RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(Millions of Dollars)	Q2 FY2023	Q2 FY2022
Operating Expenses	168.5	194.6
Adjusted to exclude		
Depreciation and amortization	7.7	9.0
Restructuring costs and other	3.7	10.6
Assets gain on sales, impairments and other	(0.8)	(0.2)
Cash Costs	157.9	175.3

Cash Costs represent a non-GAAP financial performance measure of operating expenses which are measured on an accrual basis and settled in cash. This measure is useful to investors in understanding the components of the Company's cash-settled operating costs. Periodically, the Company provides forward-looking guidance of Cash Costs, which can be used by financial statement users to assess the Company's ability to manage and control its operating cost structure. Cash Costs are defined as compensation, newsprint and ink and other operating expenses. Depreciation and amortization, assets loss (gain) on sales, impairments and other, other non-cash operating expenses and other expenses are excluded. Cash Costs also exclude restructuring costs and other, which are typically paid in cash.

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