MNG ENTERPRISES, INC.
101 W. Colfax Avenue
Denver, CO 80202

March 5, 2019

VIA E-MAIL DELIVERY

The Honorable Charles E. Schumer
U.S. Senate
322 Hart Senate Office Building
Washington, DC 20510

Re: MNG Enterprises, Inc. Response to February 21, 2019 Letter

Dear Senator Schumer:

On behalf of MNG Enterprises Inc. ("***MNG***"), its many passionate and talented employees, and its owners, I appreciate the opportunity to respond to your February 21, 2019 letter (the "***Letter***") regarding MNG's efforts to acquire Gannett Co., Inc. ("***Gannett***" or the "***Company***").

Gannett is in trouble – it has been moving in the wrong direction for years, with a lack of focus on the newspaper part of their business, resulting in some of the worst revenue performance in the industry. Instead, their focus has been on making questionable non-core digital acquisitions. Gannett's poor newspaper performance and poor capital allocation has resulted in major layoffs throughout the organization, a declining stock price and lack of investor confidence that Gannett's Board of Directors (the "***Board***") and existing management are willing and able to take the steps necessary to turn Gannett around. Based on our industry experience, we believe that it will be very difficult for Gannett to address its operational and strategic issues as a public company, and that a sale of the Company presents the best path forward for Gannett stockholders, employees, business partners, readers and customers. For convenience, we have attached our January 14, 2019 letter to the Board, which details Gannett's poor results and poor capital allocation.

MNG is a best in class operator and long-term investor in the newspaper business, and as such, has a 7.5% ownership stake in Gannett, making us Gannett's largest active shareholder. Our interest in Gannett is a reaffirmation of MNG's commitment to the newspaper industry and our desire to grow the newspaper business over the long term. Moreover, MNG and many of its employees are your constituents – with 6 publications in the State of New York that gainfully employ New Yorkers. Our company-wide portfolio of publications serve the information needs of 1,750,000 New Yorkers on a monthly basis through our print and digital products. Producing quality journalism for the citizens of New York and 8 other states across the country is a driving force behind what we do each and every day. Further, our substantial "skin in the game" as a major stockholder of Gannett, coupled with our extensive operational experience and successful track record in the newspaper industry, enable us to provide a home for Gannett's businesses and valued employees so they can continue to serve their local communities.

MNG is led by a seasoned and talented team of media and newspaper operators who truly believe in what we are doing. Our top four Executives have a total of 128 years in the business, an average of 32 years each. For example, Guy Gilmore is our Chief Operating Officer with 43 years in the business and has held leadership roles at the *St. Paul Pioneer Press*, *Allentown Morning Call*, *Baltimore Sun*, *Portland Oregonian*, *Nashville Tennessean*, *Nashville Banner*, and *USA Today*. I myself have over 40 years of intense involvement in the newspaper and media industry. I have served as the Executive Chairman of MNG since 2012, and as President of Rockfleet Broadcasting, Inc., a broadcasting company based in Florida with three stations in its family, since 1998. Previously, I was President of Rockfleet Media, a publisher of weekly newspapers in New Jersey, from 1993 to 1999, and had an equity interest in a Fox Television station in Colorado from 1984 until 2003.

MNG believes in the local newspaper business and we know how to operate successful newspaper businesses over the long term. As referenced above, we are one of the leading newspaper operators in the U.S., with approximately 200 publications including *The Denver Post*, *The San Jose Mercury News*, *The Orange County Register* and *The Boston Herald*. MNG and its successors have been operating in the space for well over 30 years, and we well know the myriad of challenges facing the industry. One has to look no further than a 2018 study from University of North Carolina, which found that the U.S. has lost nearly 1,800 local newspapers since 2004, or approximately one in five.[1] These local newspapers play an important and vital role in their communities, but are currently at risk of shutting down completely, given the changing media landscape and related technological and economic developments. If local newspapers do not adapt to reach today's consumers and appropriately confront the reality of the shift from ad-based revenue to circulation-based revenue (both print and digital), they will continue to be economically challenged, and ultimately will falter and may cease to exist.

Importantly, the MNG business model is not based on closing publications, but on getting publications to a place where they can operate profitably and sustainably – specifically so they can continue to serve their communities in a challenging environment. In fact, MNG has a proven track record of doing exactly that. In addition to currently operating approximately 200 publications, MNG has rescued a number of publications from bankruptcy, such as *The Boston Herald* and *The Orange County Register*, saving jobs, creating new jobs, and making them sustainable papers.

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1 Penelope Muse Abernathy, THE EXPANDING NEWS DESERT, *The Loss Of Local News: What It Means For Communities* (2019), *available at* https://www.usnewsdeserts.com/reports/expanding-news-desert/loss-of-local-news/.

Declining advertising revenues and declining circulation volume have threatened the vitality of the newspaper business generally, which can require scaling expenses to current revenues, and may also include a reduction in the size of a publication's workforce in order to preserve that news source for the local community. Failing to equip these local newspapers to adapt to the economic realities of the newspaper business in the 21st century would most certainly lead to more bankruptcies, more jobs lost, and more disruption to local communities.

Consistent with our experience running local newspapers efficiently and effectively so they can remain viable, our proposed acquisition of Gannett would include a strategic focus on economic realities. With respect to real estate, strategic steps might include, where feasible, consolidating print sites, editorial production hubs, advertising production hubs, and financial services. MNG would use the best and most efficient service providers to assist with these efforts, which may include affiliates of MNG. At this stage, MNG has not identified where such consolidation might be necessary or feasible or how any proceeds from asset sales would be utilized, but the goal would be to right size overhead costs so that each and every newspaper can maintain healthy reporting, covering the communities they currently serve. By way of background, the proceeds from previous real estate sales within the MNG business have been held for strategic and reinvestment opportunities and for the repayment of debt. While MNG certainly has reduced some positions due to redundancies and inefficiencies, like all its peers, this has always been done with a commitment to providing continuing local news coverage and enabling these papers to serve their local communities well into the future. We will continue that commitment.

MNG's economically viable and common sense approaches are not new in the newspaper (or any) industry, and are very commonplace. In fact, in the state of New York, Gannett has already fired nearly 100 workers, consolidated its New York operations to a single print site in Rochester, New York, and outsourced its circulation call center work.[2] However, in light of Gannett's poor operating and financial performance, more must be done to save Gannett's newspapers. MNG will do exactly that.

MNG is current on all of its required contributions owed to its sponsored single-employer defined benefit pension plans. Less than 0.5% of all these plan assets are managed by Alden, and there have never been any management fees paid to Alden for any such services. MNG anticipates no issues with making both future MNG and, subsequent to a transaction, Gannett

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[2] *See* Rick Moriarty, *Gannett to move printing of 3 Upstate NY dailies to Rochester, lay off nearly 100*, NYup.com (Mar. 20, 2018), https://www.newyorkupstate.com/business/2018/03/gannett_to_close_printing_operations_in_johnson_city_lay_off_nearly_100.html; *see also* Pressconnects.com, *Press & Sun-Bulletin printing to move from Johnson City to Rochester beginning in June*, PressConnects (Mar. 16, 2018), https://www.pressconnects.com/story/news/local/2018/03/16/press-sun-bulletin-printing-move-johnson-city-rochester-inproduction-plant-johnson-city-papers-print/431438002/.

contributions to their respective plans. Based on our analysis, the completion of a transaction would not increase any risk of long-term loss to the participants or beneficiaries of MNG's or Gannett's respective plans or to the Pension Benefit Guaranty Corporation ("***PBGC***"). Therefore, we do not expect the PBGC to have any concerns with this transaction.

With respect to your question regarding potential antitrust issues, we have analyzed the transaction from this perspective with the assistance of experienced legal advisors and have found that the companies' products and geographic footprints are very complementary. We are confident that antitrust approval would not be an impediment to the combination of MNG and Gannett, and we would of course work as appropriate with the relevant regulators to address any questions or concerns.

We respectfully conclude by reiterating that Gannett is in serious trouble, and needs to quickly address its operational and strategic issues if it is going to survive. MNG has a track record of saving newspapers and operating them successfully so they can continue to employ staff and serve their local communities — and that's what we plan to do at Gannett. As the largest active shareholder in Gannett, MNG is ready, willing and able to pay $12 per share, which represents a significant, 41% premium to where Gannett stock closed at year-end 2018, before our proposal was made public. MNG has committed significant resources to our analysis of Gannett, working with our financial advisor, Moelis & Company, legal advisors Olshan Frome Wolosky LLP and Akin Gump, and our proxy advisors, Okapi Partners LLC. We are confident in our ability to finance and close this strategic transaction and believe our proposal is in the best interest of Gannett's stockholders, employees, business partners, readers and customers. MNG is fully committed to the newspaper business over the long term and seeing our proposal through to save Gannett.

Sincerely,

R. Joseph Fuchs
Chairman, Board of Directors
MNG Enterprises, Inc.

MNG ENTERPRISES, INC.

101 W. Colfax Avenue
Denver, CO 80202

January 14, 2019

Gannett Co., Inc.
7950 Jones Branch Drive
McLean, Virginia 22107
Attn: John Jeffry Louis III, Chairman of the Board of Directors

To the Board of Directors:

MNG Enterprises, Inc. ("MNG" or "we"), through its managed investment account, has a 7.5% ownership stake in Gannett Co., Inc. ("Gannett" or the "Company"), making it the Company's largest active stockholder. We also are one of the leading Newspaper operators in the U.S., with approximately 200 publications including The Denver Post, The San Jose Mercury News, The Orange County Register and The Boston Herald. Because we know how to consolidate and operate successful newspaper businesses over the long term, we have approached members of your Board and management on multiple occasions about a potential strategic combination. Despite our overtures, Gannett has not meaningfully engaged with us.

Gannett has lost 41% of its value since its debut as a public company two and a half years ago, significantly underperforming its peer group and indices. [i] During this period, Gannett suffered from a series of value-destroying decisions made by an unfocused leadership team – overpaying for a string of non-core aspirational digital deals and pursuing an ill-fated hostile for Tribune Publishing, all while Gannett's core revenue, EBITDA, margins and Free Cash Flow continue to decline. With Gannett's CEO departing by May and its key digital executive leaving later this month, there's now an even greater leadership void. **Frankly, the team leading Gannett has not demonstrated that it's capable of effectively running this enterprise as a public company.** Gannett shareholders cannot sit by and watch further value erode while the Board casts about for a strategy and a leader, especially when there is an opportunity to maximize value right now. We believe Gannett shareholders deserve better.

Accordingly, MNG proposes to purchase Gannett for $12.00 per share, representing a substantial cash premium, and requests the Board <u>immediately</u> take the following actions to maximize value for stockholders:

- **Enter into discussions with MNG about a strategic combination;**
- **Hire an investment bank to conduct a review of strategic alternatives, including a potential sale of the Company;**
- **Commit to a moratorium on digital acquisitions; and**
- **Commit to a feasible, strategic and financial path forward before hiring a new CEO.**

<u>MNG's proposal to buy Gannett for $12.00 per share in cash, represents a 41% premium to where the stock closed at YE 2018.</u> [i] Such an acquisition, subject to confirmatory due diligence, would provide a substantial premium over Gannett's $8.53 closing price on December 31, 2018 and its closing price of $9.75 on January 11, 2019, and would provide compelling and immediate cash value for stockholders. Further, unlike other potential buyers, as a proven operator in the newspaper business, we are able to provide a home for the Company's businesses and valued employees so they can continue to serve their local communities. We do not believe that any material regulatory issues would stand in the way of completing this transaction.

MNG has invested in Gannett because we see significant value in Gannett's assets, particularly its core newspaper business. However, Gannett has been moving in the wrong direction, resulting in a declining stock price and lack of confidence that the Board and existing management are willing and able to take the steps necessary to turn the Company around. Based on our industry experience, we believe that it will be very difficult for Gannett to address its operational and strategic issues as a public company, and that a sale of the Company presents the best path forward for Gannett stockholders, employees, business partners and customers.

We are keenly interested in working constructively with the Board, with the goal of getting to a successful transaction with value, speed and certainty. We ask that the Board promptly contact us to arrange an opportunity to discuss our proposal to purchase the Company. We are not asking for exclusivity, and believe that running a sale process open to other serious bidders would be in the best interests of all stockholders. We believe that our substantial "skin in the game" as a major stockholder, as well as our extensive operational experience and successful track record in the newspaper industry, enabling us to provide a home for the Company's businesses and valued employees so they can continue to serve their local communities, should make our proposal particularly compelling. **Our interest in Gannett is a reaffirmation of MNG's commitment to the newspaper industry and our desire to grow in the newspaper business over the long term.**

<u>Who We Are</u>

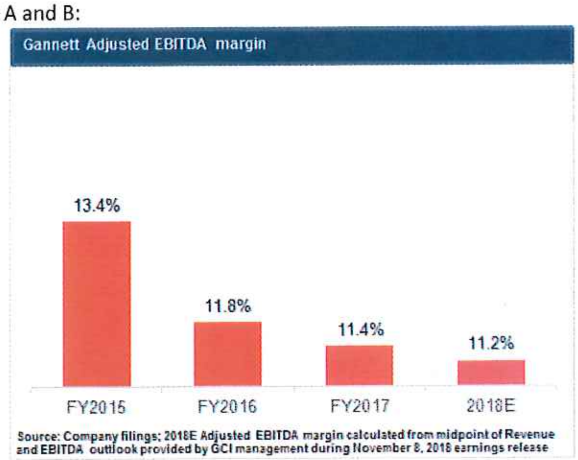
MNG runs one of the largest newspaper businesses in the U.S. by circulation with approximately 200 publications including The Denver Post, The San Jose Mercury News, The Orange County Register and The Boston Herald. **We are experienced newspaper operators with a successful track record of acquiring newspaper businesses and running them in a profitable and sustainable way.**

Seasoned Newspaper Operators: This is a team of veteran and seasoned Newspaper Executives that believe in what we are doing. Our top 4 Executives have a total of 128 years in the business, and an average of 32 years each. Our goals are simple: to run profitable newspapers so they will be around to serve their local communities well into the future.

Leading Industry Consolidator and Operator: MNG employs a continued focus on consolidation of operations (real estate, printing, shared services, IT, finance and administration), zero based budgeting and rationalization of labor costs. A consolidation strategy works when the consolidator is a best in class operator and brings the most value to its targets. With one of the best in class margins and a strong unlevered balance sheet, we are one of the leading industry consolidators who are able to make acquisitions of newspapers on our platform successful today and well into the future. We also recognize the importance of our valued employees to our success, and compensate our newspaper operators well and incentivize them to thoughtfully maintain and grow EBITDA the best way they know how, even in this challenging environment of secular decline.

In stark contrast to Gannett's declining EBITDA margins as shown in Chart A, Chart B and Chart C, we have increased EBITDA margins for each of the last 4 years, and have a consolidated EBITDA margin near the top of the industry.

Charts A and B:



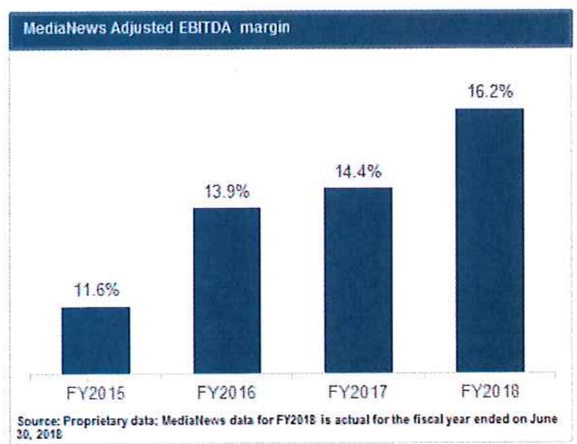
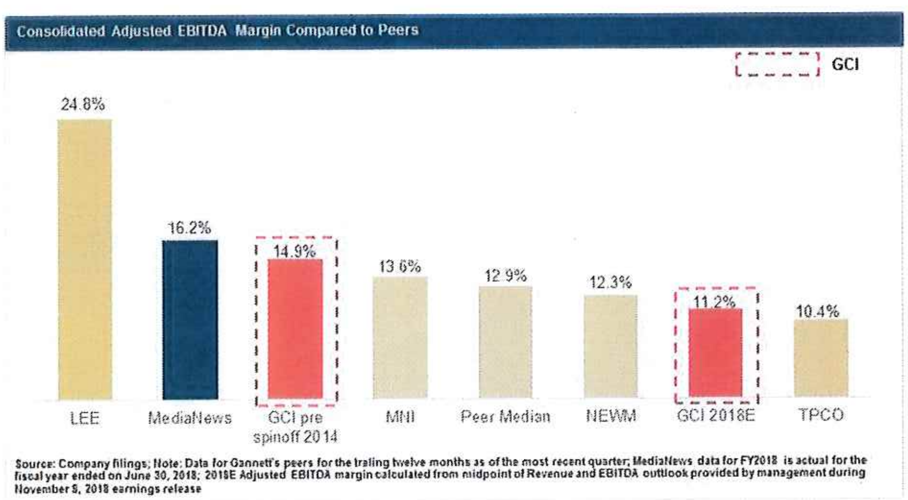


Chart C:



We Save Newspapers: When other people won't step up, we do. We save newspapers and position them for a strong and profitable future so they can weather the secular decline.

Take our last two 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 when others wouldn't, saving many of those jobs and providing for new jobs. We improved operations and made them viable and profitable by providing them with new leadership, a seasoned executive team and a new strategy when others clearly had failed.

Gannett is Moving in the Wrong Direction

Gannett has not been successful as a public company investment. **The Company's stock price has declined 41% from approximately $14.37 to $8.53 since its spin-off from TEGNA Inc. (NYSE: TGNA) in 2015.** [i] **As shown in Table A, the Company has trailed its media peers, proxy peer group, and the S&P 500 index since its spin-off, underperforming the S&P 500 index by a staggering 67% over the past three years.**

Table A:

Cumulative Total Shareholder Return[1]		
	Since Spinoff	3YR
Peer Average[2]	(24%)	(2%)
Proxy group average[3]	(2%)	19%
S&P 500 Index	31%	30%
GCI	**(26%)**	**(37%)**
Gannett underperformance relative to:		
Peer group	(2%)	(35%)
Proxy group	(23%)	(55%)
S&P 500 Index	(57%)	(67%)

(1) Total returns for all periods include dividends, and performance is measured as of December 31, 2018

(2) Peers include MNI, NEWM, LEE and TPCO; AHC excluded due to size and business model difference

(3) Proxy group refers to GCI's TSR Peer Group for the 2017-2019 Incentive Period from the 2018 proxy statement

Note: Proxy peer group excludes Angie's List, Inc. and Time, Inc. because of transactions

Source: S&P Capital IQ

Approximately 90% of Gannett's Revenue and EBITDA is from publishing. [ii] A lack of focus on managing the core business and poor capital allocation have resulted in the business experiencing a severe decline, with Adjusted EBITDA dropping by 31% from $472mm in 2014 to a projected $328mm for 2018, and Free Cash Flow down close to a staggering 50% from $274mm in 2014 to $145mm on a trailing twelve month basis. [iii] We believe that Gannett's newspaper business could be improved and made more profitable by optimizing the Company's cost structure and showing discipline in capital allocation with a goal of optimizing EBITDA and Free Cash Flow per share every year. However, instead of focusing on its core newspaper business and acting as the industry consolidator pitched to investors at the time of the spin-off, the Company has spent approximately $350mm on digital acquisitions since 2015. [iv] That $350mm equates to over $3.00 per share, or 36% of Gannett's entire market capitalization. [i]

Despite the Company's poor stock and operating performance since the spin-off, the Company seems to be doubling down on its current strategy. As we have heard from senior leadership, and as reported in the news media, the Board appears to be looking for a new CEO with a digital rather than newspaper background.

As Gannett's largest active stockholder, with insight and expertise in the Company's core newspaper business, we ask the Board to shift its focus away from questionable digital acquisitions and finding a new CEO to pursue them, and toward consideration of strategic alternatives. It is imperative to act with urgency, as the Company is on its way to putting Gannett's stockholders, valued employees, and the local communities they serve in jeopardy.

The Best Path Forward for Gannett – A Sale of the Company

The Company is at a critical juncture. Its core newspaper business is in decline. President and CEO Robert J. Dickey will step down by May 2019 and Sharon Rowlands, the CEO of ReachLocal, Inc., is leaving later this month, each of them a key figure in the Company's current strategy. The $350mm in digital acquisitions have not yielded positive results in our view, with the Company experiencing an extended period of stock price declines, poor operating performance, and a substantial deterioration in EBITDA,

EBITDA margins, Free Cash Flow and free cash flow per share, destroying more than $650mm of shareholder value. [i] Gannett now trades at a meaningful discount relative to peers.

Table B:

Trailing 12 months multiples	EV / Revenue	EV / EBITDA
McClatchy	1.0x	9.0x
New Media	0.7x	6.5x
Lee Enterprises	1.1x	4.4x
Tribune Publishing	0.2x	3.3x
Mean	0.7x	5.8x
Median	0.8x	5.5x
Gannett	**0.4x**	**4.0x**

Source: S&P Capital IQ

Note: Market date as of December 31, 2018

This has taken place while the Board has been driving the questionable digital acquisition strategy (in part by compensating senior officers based on contributions to the Company's strategic plan, including its acquisition strategy), the Company's corporate expenses and executive compensation have been consistently increasing, and director stock ownership has been minimal, undermining investor confidence that the Board's interests are aligned with stockholders.

We believe that a sale of the Company presents the best path forward to maximize value for Gannett stockholders, rather than attempting in full view of the public markets to address its operational issues, find new leadership to pursue its unsuccessful strategic transformation and regain the trust of a skeptical investment community.

To reiterate, we believe that the Board should immediately take the following actions:

- Enter into discussions with MNG about a strategic combination;
- Hire an investment bank to conduct a review of strategic alternatives, including a potential sale of the Company;
- Commit to a moratorium on digital acquisitions; and
- Commit to a feasible, strategic and financial path forward before hiring a new CEO.

We request that the Board promptly contact us to arrange an opportunity to discuss our proposal to purchase the Company. If the Board refuses to engage with us in good faith and in a timely fashion, we reserve our rights to take action to protect the value of our investment, which may include seeking changes to the composition of the Board. **Put plainly, MNG is committed to maximizing value for all Gannett shareholders and growing our newspaper business over the long term.**

We hope that the Board will work with us to maximize value for all Gannett stockholders, and we look forward to receiving a response in an expeditious manner.

Sincerely,

On behalf of the Board of Directors, MNG Enterprises, Inc.
Chairman, R. Joseph Fuchs

Endnotes:
[i] Based on closing price as of December 31, 2018.

[ii] Gannett's Publishing segment Adjusted EBITDA contribution to the Consolidated Entity is measured after allocation of Gannett's Corporate and Other segment Adjusted Expenses on the basis of the segment's revenue contribution; Data for the trailing twelve months as of September 30, 2018.

[iii] Gannett's Consolidated Adjusted EBITDA of $472mm in 2014 as disclosed in Company filings and $328mm as the midpoint of the outlook range for 2018 Adjusted EBITDA as included in earnings release on November 8, 2018; Gannett's Free Cash Flow of $247mm in 2014 as disclosed in 2015 10-K and $145mm on a trailing twelve month basis calculated from Company filings.

[iv] Gannett's acquisition of ReachLocal for $162.5mm and SweetIQ for $31.8mm as disclosed in the Company's 2017 10-K; Gannett paid approximately $145mm in cash to WordStream's equity holders as disclosed on July 2, 2018; Further consideration to WordStream included up to an additional $20mm in potential cash earn-out payments based on WordStream meeting certain revenue targets and up to $6.4mm in cash payable upon the release of the escrow and expense holdbacks.