Postmedia Reports First Quarter Results

TORONTO--(BUSINESS WIRE)--January 12, 2023--Postmedia Network Canada Corp. (“Postmedia” or the “Company”) today released financial information for the three months ended November 30, 2022 which include the results of the daily and weekly newspapers, digital properties and parcel delivery business acquired from J. D. Irving, Limited on March 25, 2022 (the “BNI Acquisition”).

“Reflected in our first quarter results is the impact of continued headwinds coming out of a pandemic into an uncertain economic landscape. Nearly every company, especially those in the media industry, has had to face these challenges with accelerated transformation, Postmedia included,” said Andrew MacLeod, President and Chief Executive Officer, Postmedia. “In Fiscal 2023 we are strengthening our focus and seeing progress from key revenue areas including digital subscriptions and parcel services. We will continue proactively transforming the Company to capitalize on a new business model.”

First Quarter Operating Results

Revenue for the quarter was $124.2 million as compared to $118.1 million in the same period in the prior year, representing an increase of $6.1 million (5.2%). The revenue increase was primarily due an increases in parcel services revenue of $8.6 million partially offset by decreases in advertising revenue of $4.1 million (5.9%) and circulation revenue of $2.3 million (5.4%). Excluding the impact of the BNI Acquisition, revenue for the three months ended November 30, 2022 was $108.5 million, a decrease of $9.6 million (8.1%) relative to the same period in the prior year. The revenue decline, excluding the impact of the BNI Acquisition, was primarily due to decreases in advertising revenue of $9.2 million (13.3%) and circulation revenue of $4.6 million (11.0%).

Total operating expenses excluding depreciation, amortization and restructuring increased $13.2 million or 12.4% for the quarter ended November 30, 2022, relative to the same period in the prior year. Excluding the impact of the BNI Acquisition, total operating expenses excluding depreciation, amortization and restructuring decreased $4.1 million or 3.8%. The decrease, excluding the BNI Acquisition, relates to compensation, distribution and production expenses partially offset by increases in newsprint and other operating expenses.

Operating income before depreciation, amortization and restructuring in the quarter was $4.8 million, a decrease of $7.1 million relative to the prior year. Excluding the impact of the BNI Acquisition, operating income before depreciation, amortization and restructuring in the quarter was $6.4 million, a decrease of $5.5 million relative to the prior year. The decrease, excluding the impact of the BNI Acquisition, is due to the decrease in total revenues, partially offset by the decrease in operating expenses excluding depreciation, amortization and restructuring.

Net loss in the quarter ended November 30, 2022 was $15.9 million, as compared to $4.4 million in the same period in the prior year. The increase in net loss was primarily the result of a decrease in operating income before depreciation, amortization and restructuring, increases in restructuring and interest expenses and foreign exchange losses, partially offset by a gain on disposal of assets held-for-sale and other assets.

Acquisition of Brunswick News Inc.

On February 17, 2022 the Company entered into a purchase agreement with J. D. Irving, Limited ("JDI") to purchase all of the issued and outstanding shares of Brunswick News Inc. ("BNI"). The acquisition closed on March 25, 2022 and included BNI's daily and weekly newspapers, digital properties and parcel delivery business. The purchase price consisted of cash consideration of $7.5M and share consideration of 4,282,920 Class NC variable voting shares with a fair value of $7.6 million.

Debt Repayment and Refinancing

During the three months ended November 30, 2022, the Company obtained consent of the lender to increase the senior secured asset-based revolving credit facility ("ABL Facility") to $25.0 million. Subsequent to November 30, 2022, the Company further amended the ABL Facility to increase both the availability to the maximum amount of $30.0 million and the interest rate on amounts drawn to the bankers acceptance rate plus 8.0% and extended the maturity date to October 1, 2026. In addition, the Company entered into a $5.0 million Unsecured Revolving Promissory Note with the lender of the ABL Facility at similar terms.

Subsequent to November 30, 2022, the Company redeemed $5.2 million of first-lien debt with the proceeds of asset sales. After this redemption, the Company has $41.9 million of first-lien debt outstanding of the original $225.0 million that was issued in October 2016.

Business Transformation Initiatives

During the three months ended November 30, 2022, the Company implemented cost reduction and transformation initiatives related to compensation expense reductions, real estate rationalization, production efficiencies and other programs, which are expected to result in approximately $19 million of net annualized cost savings.

As previously stated, in F23 the Company intends to focus on key growth areas of Digital Advertising, Digital Subscriptions and Parcel Services. Transformation initiatives for the year ahead include a combination of streamlining resources, product mix rationalization, outsourcing where possible and real estate divesture.

Additional Information

Additional information, including financial statements and management's discussion and analysis can be found on the Company's website at **www.postmedia.com** or on SEDAR at **www.sedar.com**.

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 130 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 Our expertise in home delivery and expanding distribution network powers Postmedia Parcel Services. For more information, visit www.postmedia.com, www.postmediasolutions.com and www.postmediaparcelservices.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 the implementation and results of the Company’s transformation initiatives, continued benefits of historical results into future periods, the realization of anticipated cost savings and the identification and undertaking of ongoing cost savings initiatives. 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 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, 2022 and 2021. 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.

Postmedia Network Canada Corp.
Consolidated Statements of Operations

(UNAUDITED)

(In thousands of Canadian dollars, except per share amounts)	**For the three months ended November 30,**	
	2022	**2021**
Revenues		
Advertising	65,273	69,378
Circulation	39,650	41,901
Parcel services	9,196	554
Other	10,057	6,237
Total revenues	**124,176**	**118,070**
Expenses		
Compensation	44,078	40,267
Newsprint	5,326	4,266
Distribution	33,219	23,450
Production	16,279	19,923
Other operating	20,444	18,274
Operating income before depreciation, amortization and restructuring	**4,830**	**11,890**
Depreciation	2,664	2,657
Amortization	2,135	2,190
Restructuring	1,615	700
Operating income (loss)	**(1,584)**	**6,343**
Interest expense	8,317	7,530
Net financing expense related to employee benefit plans	349	234
Gain on disposal of assets held-for-sale and other assets	(1,527)	-
Loss on derivative financial instruments and financial assets at fair value through profit and loss	441	264
Foreign currency exchange losses	6,742	2,737
Loss before income taxes	**(15,906)**	**(4,422)**
Provision for income taxes	-	-
Net loss attributable to equity holders of the Company	**(15,906)**	**(4,422)**

Loss per share attributable to equity holders of the Company		
Basic	$(0.16)	$(0.05)
Diluted	$(0.16)	$(0.05)

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

(In thousands of Canadian dollars)	**As at November 30, 2022**	**As at August 31, 2022**
Assets		
Current Assets		

Cash	9,117	12,061
Restricted cash	5,286	730
Trade and other receivables	61,298	49,118
Assets held-for-sale	14,698	17,727
Inventory	5,409	4,950
Prepaid expenses and other assets	7,570	8,275
Total current assets	**103,378**	**92,861**
Non-Current Assets		
Property and equipment	64,161	66,747
Right of use assets	29,957	30,095
Derivative financial instruments and other assets	3,301	3,742
Intangible assets	17,397	17,930
Total assets	**218,194**	**211,375**
Liabilities and Deficiency		
Current Liabilities		
Accounts payable and accrued liabilities	50,178	39,440
Provisions	3,772	3,766
Deferred revenue	20,120	21,262
Current portion of lease obligations	8,390	8,312
Current portion of long-term debt	25,241	13,000
Total current liabilities	**107,701**	**85,780**
Non-Current Liabilities		
Long-term debt	262,373	260,909
Employee benefit obligations and other liabilities	37,333	38,169
Lease obligations	27,542	27,749
Total liabilities	**434,949**	**412,607**
Deficiency		
Capital stock	820,131	820,131
Contributed surplus	18,268	17,973
Deficit	(1,055,154)	(1,039,336)
Total deficiency	**(216,755)**	**(201,232)**
Total liabilities and deficiency	**218,194**	**211,375**

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

(In thousands of Canadian dollars)	**For the three months ended November 30,**	
	2022	**2021**
Cash Generated (Utilized) by:		
Operating Activities		
Net loss attributable to equity holders of the Company	(15,906)	(4,422)
Items not affecting cash:		
Depreciation	2,664	2,657
Amortization	2,135	2,190

Loss on derivative financial instruments and financial assets at fair value through profit and loss	441	264
Non-cash interest	6,410	5,401
Gain on disposal of assets held-for-sale and other assets	(1,527)	-
Non-cash foreign currency exchange losses	6,725	2,751
Share-based compensation plans	295	(27)
Net financing expense relating to employee benefit plans	349	234
Employee benefit plan funding in excess of compensation expense	(875)	(1,121)
Net change in non-cash operating accounts	(8,984)	(13,320)
Cash flows used in operating activities	**(8,273)**	**(5,393)**
Investing Activities		
Net proceeds from the sale of assets held-for-sale and other assets	4,556	-
Purchases of property and equipment	(78)	(613)
Purchases of intangible assets	(2)	(159)
Cash flows from (used in) investing activities	**4,476**	**(772)**
Financing activities		
Repayment of long-term debt	-	(2,396)
Restricted cash	(4,556)	-
Advances from senior secured asset-based revolving credit facility	7,000	-
Lease payments	(1,591)	(1,430)
Cash flow from (used in) financing activities	**853**	**(3,826)**
Net change in cash for the period	(2,944)	(9,991)
Cash at beginning of period	12,061	61,996
Cash at end of period	**9,117**	**52,005**
Supplemental disclosure of operating cash flows		
Interest paid	2,711	3,551
Income taxes paid	-	-

Contacts

For more information:
Media
Phyllise Gelfand
Vice President, Communications
(647) 273-9287
pgelfand@postmedia.com

Investor
Mary Anne Lavallee
Executive Vice President, Chief Financial Officer and Chief Transformation Officer

(416) 442-3448
mLavallee@postmedia.com