Postmedia Reports Third Quarter Results

July 11, 2024 (TORONTO) – Postmedia Network Canada Corp. ("Postmedia" or the "Company") today released financial information for the three and nine months ended May 31, 2024.

"With over 85% of all digital advertising being allocated to foreign platforms, the entire Canadian media sector remains significantly distressed. Yet Canadians' appetite for trusted journalism has never been higher," said Andrew MacLeod, President and CEO. "Initiatives like the Journalism Tax Credit and bill C18 implemented by the Federal government are providing critical support. Ultimately our industry's future will be determined by Canadian media companies' ability to capture a greater share of the market and so we applaud the Ontario government for their commitment to spending 25% of their advertising dollars on Ontarian media platforms."

Third Quarter Operating Results

Revenue for the quarter was $100.8 million as compared to $111.2 million in the same period in the prior year, representing a decrease of $10.4 million (9.3%). The revenue decrease was primarily due to decreases in advertising revenue of $6.5 million (12.0%) circulation revenue of $3.4 million (9.4%) and other revenue of $1.6 million (16.6%), partially offset by increases in parcel revenue of $1.2 million (10.8%).

Total operating expenses excluding depreciation, amortization and restructuring decreased $7.5 million, or 7.0%, for the quarter ended May 31, 2024, relative to the same period in the prior year. The decrease relates to decreases in compensation, newsprint, production and other operating expenses, partially offset by an increase in distribution expense.

Operating income before depreciation, amortization and restructuring in the quarter was $1.5 million, a decrease of $2.9 million relative to the same period in the prior year. The decrease in operating income before depreciation, amortization and restructuring is due to a decrease in total revenue, partially offset by the decrease in operating expenses excluding depreciation, amortization and restructuring.

Net loss in the quarter ended May 31, 2024 was $15.9 million, as compared to a net loss of $24.8 million in the same period in the prior year. The decrease in net loss was primarily the result of decreases in restructuring expenses, partially offset by a decrease in operating income before depreciation, amortization and restructuring and an increase in foreign currency exchange losses.

Year-to-Date Operating Results

Revenue for the nine months ended May 31, 2024 was $302.8 million as compared to $347.2 million in the same period in the prior year, a decrease of $44.4 million or 12.8%. The revenue decrease was primarily due to decreases in advertising revenue of $32.3 million (18.5%) and circulation revenue of $14.6 million (12.9%), partially offset by increases in parcel revenue of $7.2 million (22.6%).

Total operating expenses excluding depreciation, amortization and restructuring decreased $38.3 million or 11.3% for the nine months ended May 31, 2024, relative to the same period in the prior year. The decrease relates to decreases in compensation, newsprint, production and other operating expenses, partially offset by an increase in distribution expense.

Operating income before depreciation, amortization and restructuring of $2.6 million in the nine months ended May 31, 2024 represents a decrease of $6.2 million relative to the same period in the prior year.

The decrease is due to the decrease in total revenue, partially offset by the decrease in operating expenses excluding depreciation, amortization and restructuring.

Net loss in the nine months ended May 31, 2024 was $46.6 million, as compared to a net loss of $61.5 million in the same period in the prior year. The decrease in net loss was primarily the result of decreases in depreciation, restructuring expenses and foreign exchange losses, partially offset by a decrease in operating income before depreciation, amortization and restructuring, an increase in interest expense, and a decrease in gain on disposal of property, plant and equipment, assets held-for-sale and other assets.

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.sedarplus.ca**.

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, 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, 2023 and 2022. 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.

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Postmedia Network Canada Corp.
Consolidated Statements of Operations
(UNAUDITED)

	For the three months ended May 31,		For the nine months ended May 31,	
	2024	**2023**	**2024**	**2023**
Revenues				
Advertising	48,015	54,554	142,019	174,310
Circulation	32,651	36,028	98,104	112,666
Parcel services	11,909	10,746	38,870	31,704
Other	8,237	9,880	23,770	28,529
Total revenues	100,812	111,208	302,763	347,209
Expenses				
Compensation	35,272	38,058	105,046	122,913
Newsprint	2,710	4,273	8,772	13,920
Distribution	34,323	31,473	103,708	97,777
Production	9,910	13,599	31,524	44,047
Other operating	17,073	19,342	51,111	59,789
restructuring	1,524	4,463	2,602	8,763
Depreciation	2,270	2,757	8,036	9,641
Amortization	2,014	2,397	6,187	7,015
Restructuring	2,021	15,476	5,301	21,535
Operating loss	(4,781)	(16,167)	(16,922)	(29,428)
Interest expense	9,444	8,560	27,214	25,502
Net financing expense relating to employee benefit plans	344	349	1,033	1,048
Loss (gain) on disposal of property, plant and equipment, right-of-use assets, assets held-for-sale and other assets	859	(41)	(139)	(3,177)
(Gain) loss on derivative financial instruments and financial assets at fair value through profit and loss	(1,091)	(246)	(1,222)	140
Loss on debt refinancing	-	-	367	-
Foreign currency exchange losses	1,543	48	2,412	8,583
Net loss after income taxes attributable to equity holders of the Company	(15,880)	(24,837)	(46,587)	(61,524)
Loss per share attributable to equity holders of the Company:				
Basic and diluted	$ (0.16)	$ (0.25)	$ (0.47)	$ (0.62)

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

	As at May 31, 2024	As at August 31, 2023
ASSETS		
Current Assets		
Cash	1,514	6,191
Restricted cash	-	6,968
Trade and other receivables	40,027	46,764
Assets held-for-sale	5,174	2,560
Inventory	2,528	3,408
Prepaid expenses and other assets	7,845	8,837
Total current assets	57,088	74,728
Non-Current Assets		
Property and equipment	37,471	48,299
Right of use assets	22,709	26,780
Derivative financial instruments and other assets	3,106	3,335
Intangible assets	15,262	16,236
Total assets	135,636	169,378
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	45,465	35,609
Provisions	2,418	10,201
Deferred revenue	15,420	17,841
Current portion of lease obligations	7,923	8,320
Current portion of long-term debt	19,035	17,772
Total current liabilities	90,261	89,743
Non-Current Liabilities		
Long-term debt	309,810	292,524
Employee benefit obligations and other liabilities	33,611	35,131
Lease obligations	20,807	24,286
Total liabilities	454,489	441,684
Deficiency		
Capital stock	820,357	820,131
Contributed surplus	19,297	18,923
Deficit	(1,158,507)	(1,111,360)
Total deficiency	(318,853)	(272,306)
Total liabilities and deficiency	135,636	169,378

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

	For the three months ended May 31,		For the nine months ended May 31,	
	2024	**2023**	**2024**	**2023**
CASH GENERATED (UTILIZED) BY:				
OPERATING ACTIVITIES				
Net loss attributable to equity holders of the Company	(15,880)	(24,837)	(46,585)	(61,524)
Items not affecting cash:				
Depreciation	2,270	2,757	8,036	9,641
Amortization	2,014	2,397	6,187	7,015
Loss on debt refinancing	-	-	367	-
(Gain) loss on derivative financial instruments and financial assets at fair value through profit and loss	(1,091)	(246)	(1,222)	140
Non-cash interest	8,909	6,694	24,758	19,631
Loss (gain) on disposal of property, plant and equipment, right-of-use assets, assets held-for-sale and other assets	859	(41)	(139)	(3,177)
Non-cash foreign currency exchange losses	2,226	23	2,968	8,563
Share-based compensation plans	220	255	600	786
Net financing expense relating to employee benefit plans	344	349	1,033	1,048
Employee benefit plan funding in excess of compensation expense	(920)	(996)	(2,392)	(2,882)
Net change in non-cash operating accounts	(3,188)	8,368	(1,710)	5,555
Cash flows used in operating activities	(4,237)	(5,277)	(8,099)	(15,204)
INVESTING ACTIVITIES				
Net proceeds from the sale of property, plant and equipment, assets held-for-sale and other assets	-	1,596	3,072	22,462
Purchases of property and equipment	(52)	(299)	(449)	(406)
Purchases of intangible assets	(421)	(258)	(747)	(423)
Cash flows (used in) from investing activities	(473)	1,039	1,876	21,633
FINANCING ACTIVITIES				
Repayment of senior secured notes	-	-	(24,475)	(21,060)
Repayment of first lien senior secured notes	-	-	(699)	-
Restricted cash	-	(1,589)	6,968	(859)
Advances from senior secured asset-based revolving credit facility	-	4,500	8,500	18,500
Repayment of senior secured asset-based revolving credit facility	-	-	(14,500)	-
Advances from asset-based lending credit facility	4,835	-	8,791	-
Repayment of asset-based lending facility	(2,177)	-	(6,347)	-
Repayment of unsecured promissory notes	-	-	(4,696)	-
Issuance of first lien senior secured notes	-	-	20,158	-
Issuance of asset-based lending facility	-	-	15,393	-
Debt issuance costs	-	-	(2,418)	-
Lease payments	(1,920)	(1,793)	(5,129)	(5,244)
Cash flows from (used in) financing activities	738	1,118	1,546	(8,663)
Net change in cash for the period	(3,972)	(3,120)	(4,677)	(2,234)
Cash at beginning of period	5,486	12,947	6,191	12,061
Cash at end of period	**1,514**	**9,827**	**1,514**	**9,827**

	2024	**2023**	**2024**	**2023**
Supplemental disclosure of operating cash flows				
Interest paid	419	2,191	3,126	6,303