
LEE ENTERPRISES

# ANNUAL MEETING OF STOCKHOLDERS

FEB
19
2020

# SAFE HARBOR

## FORWARD LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward-looking statements. This presentation 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;
- Our ability to comply with the financial covenants in our credit facilities;
- Our ability to refinance our debt as it comes due;
- Our ability to manage declining print revenue;
- That the warrants issued in our refinancing will not be exercised;
- The impact and duration of adverse conditions in certain aspects of the economy affecting our business;
- Changes in advertising and subscription demand;
- Changes in technology that impact our ability to deliver digital advertising;
- Potential changes in newsprint, other commodities and energy costs;
- Interest rates;
- Labor costs;
- Significant cyber security breaches or failure of our information technology systems;
- Legislative and regulatory rulings;
- Our ability to achieve planned expense reductions;
- Our ability to maintain employee and customer relationships;
- Our ability to manage increased capital costs;
- Our ability to maintain 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”, “believes”, “expects”, “anticipates”, “intends”, “plans”, “projects”, “considers” 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, except as required by law.

# ANNUAL MEETING AGENDA

- **Introductions**
- Meeting Procedures
- Business Update
- Results of Voting
- Questions
- Adjournment

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# SUBSTANTIAL BOARD AND GOVERNANCE IMPROVEMENTS

- Enacted major governance improvements in 2019
  - Established majority voting standard for the election of directors in uncontested elections
  - Adopted proxy access, providing shareholders who satisfy the requirements specified in the amended bylaws the ability to include their own nominees in the Company's proxy statement
  - Provided substantially more time for shareholders to submit proposals and director nominations for consideration at annual meetings

- 7 out of 10 directors independent; 4 new directors since 2016[1]

- Significant Board refreshment – three new independent directors who bring expertise in digital, finance, tech and media
  - **Megan Liberman** (Added June 2019): VP, News, Talk & Entertainment at SiriusXM
  - **Steven Fletcher** (Nominated Oct. 2019): CEO of Explorer Parent LLC
  - **David Pearson** (Nominated Oct. 2019): CFO of Vonage

[1]Assumes election of Lee Board nominees at today's 2020 annual meeting

# COMMITTED TO LOCAL NEWS

WE PROVIDE HIGHLY-VALUED LOCAL NEWS, INFORMATION AND ADVERTISING IN THE COMMUNITIES WE SERVE



**LEE-OWNED PUBLICATIONS**

**Arizona Daily Sun • Arizona Daily Star • Santa Maria Times • The Lompoc Record • The Sentinel • Napa Valley Register • The Times-News**
**Elko Daily Free Press • The Pantagraph • The Southern Illinoisan • Herald & Review • Journal Gazette & Times-Courier • The Times • Globe Gazette • Quad-City Times**
**Muscatine Journal • Dispatch-Argus • Sioux City Journal • The Courier • Daily Journal • St. Louis Post Dispatch • Billings Gazette**
**The Montana Standard • Independent Record • Missoulian • Ravalli Republic • The Bismarck Tribune • Lincoln Journal Star • Beatrice Daily Sun**
**Columbus Telegram • Fremont Tribune • The Citizen • The Post-Star • Kenosha News • Albany Democrat-Herald • Corvallis Gazette-Times**
**The Sentinel • The Times and Democrat • Rapid City Journal • The Daily News • Wisconsin State Journal • Daily Citizen • Baraboo News Republic**
**Portage Daily Register • The Journal Times • La Crosse Tribune • Winona Daily News • The Chippewa Herald • Casper Star-Tribune**

**ADDED PUBLICATIONS WITH BERKSHIRE HATHAWAY TRANSACTION**

**Dothan Eagle • Opelika-Auburn News • The Daily Nonpareil in Council Bluffs • Omaha World-Herald • The Grand Island Independent • Scottsbluff Star-Herald**
**The North Platte Telegraph • Kearney Hub • York News-Times • The Press of Atlantic City • The Buffalo News • Winston-Salem Journal • Greensboro News & Record**
**The News Herald in Morganton • The McDowell News • Statesville Record and Landmark • Hickory Daily Record • Tulsa World • The Florence Morning News**
**The Eagle in Bryan-College Station • Waco Tribune-Herald • Richmond Times-Dispatch • The Daily Progress in Charlottesville • The Roanoke Times • Bristol Herald Courier**
**News & Advance in Lynchburg • Martinsville Bulletin • Danville Register & Bee • The Free Lance-Star in Fredericksburg • Culpeper Star-Exponent • The News Virginian in Waynesboro**

# TRANSFORMATIONAL TRANSACTION WITH BERKSHIRE HATHAWAY

LEE ENTERPRISES

BH MEDIA GROUP

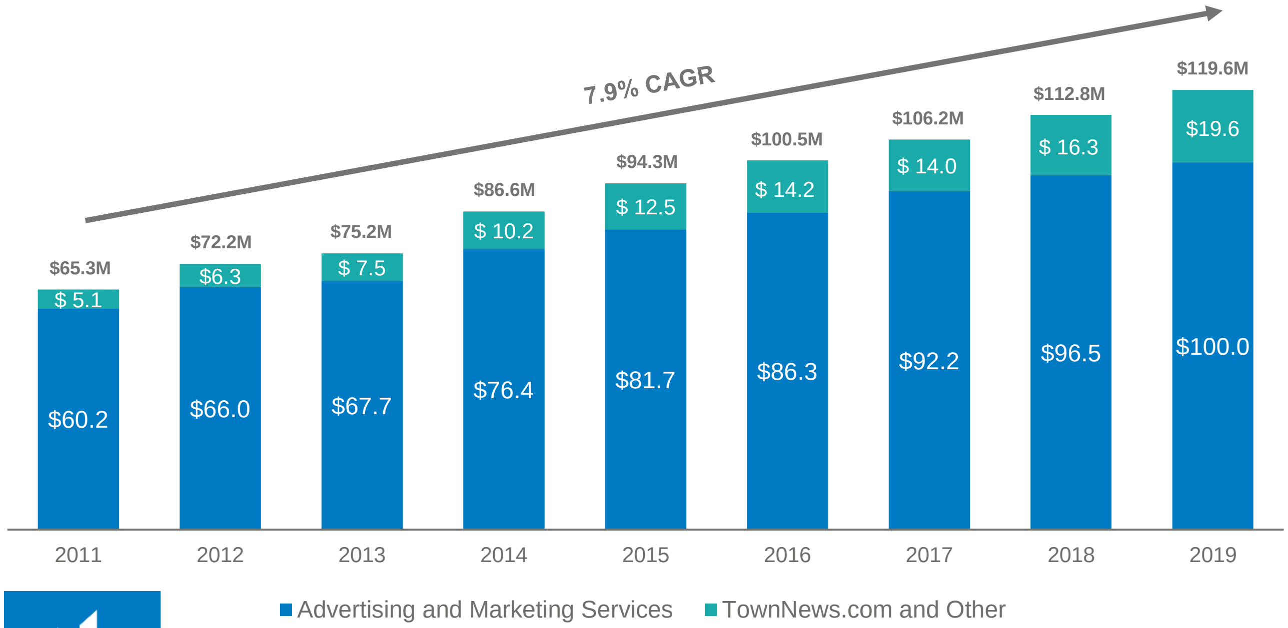
A Berkshire Hathaway Company

[BN]

THE BUFFALO NEWS

# INDUSTRY LEADING DIGITAL GROWTH

**Digital Revenue Increasing at 7.9% CAGR**




**Digital now comprises:**

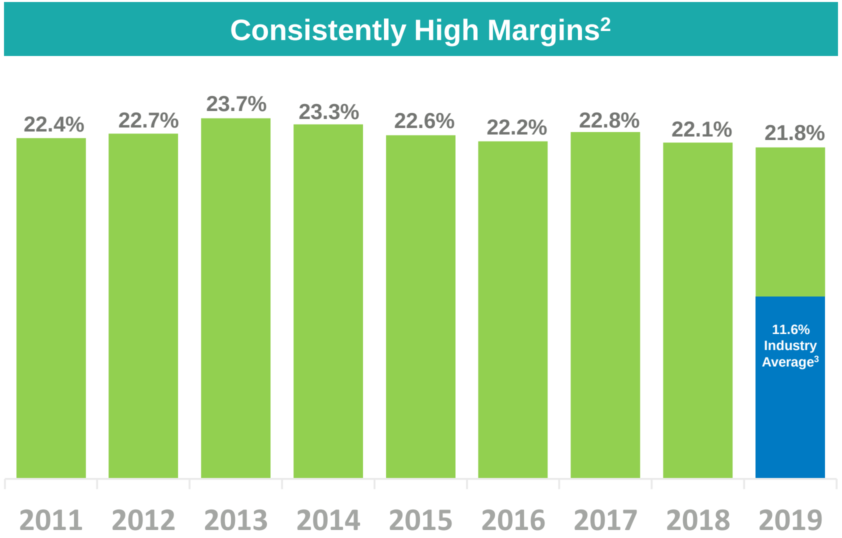
~40% of Advertising Revenue

~30% of Total Operating Revenue

105,000
Digital-Only Subscribers

# SUPERIOR OPERATING PERFORMANCE

- Premier operator with industry-leading margins – nearly double the industry average
- Strong cash flow that has outperformed peers in key performance metrics
- September 2019 FY Adjusted EBITDA[1] totaled $121.5M with 21.8% margin




**Lee strongly outperforms peers on profit margin**

[1] Adjusted EBITDA is a non-GAAP financial measure. See Appendix.
[2] Margin is a non-GAAP financial measure. See Appendix.
[3] Average margins for MNI, NEWM, TRNC and GCI. Source: SEC Filings

# TRANSFORMATIONAL AGREEMENT WITH BERKSHIRE HATHAWAY

- Adds 31 local daily news publications with digital operations; nearly doubles Lee's audience
- Provides significant revenue opportunities and highly achievable operational synergies
- Addresses maturing long-term debt at attractive terms
- Deepens long-term relationship with Berkshire Hathaway as Lee's sole lender

> *"[Lee has] delivered exceptional performance managing BH Media's newspapers and continue[s] to outpace the industry in digital market share and revenue. We had zero interest in selling the group to anyone else for one simple reason: We believe that Lee is best positioned to manage through the industry's challenges. No organization is more committed to serving the vital role of high-quality local news, however delivered, as Lee. I am confident that our newspapers will be in the right hands going forward and I also am pleased to be deepening our long-term relationship with Lee through the financing agreement."*
>
> ***- Warren E. Buffett, Berkshire Hathaway Chairman and CEO***

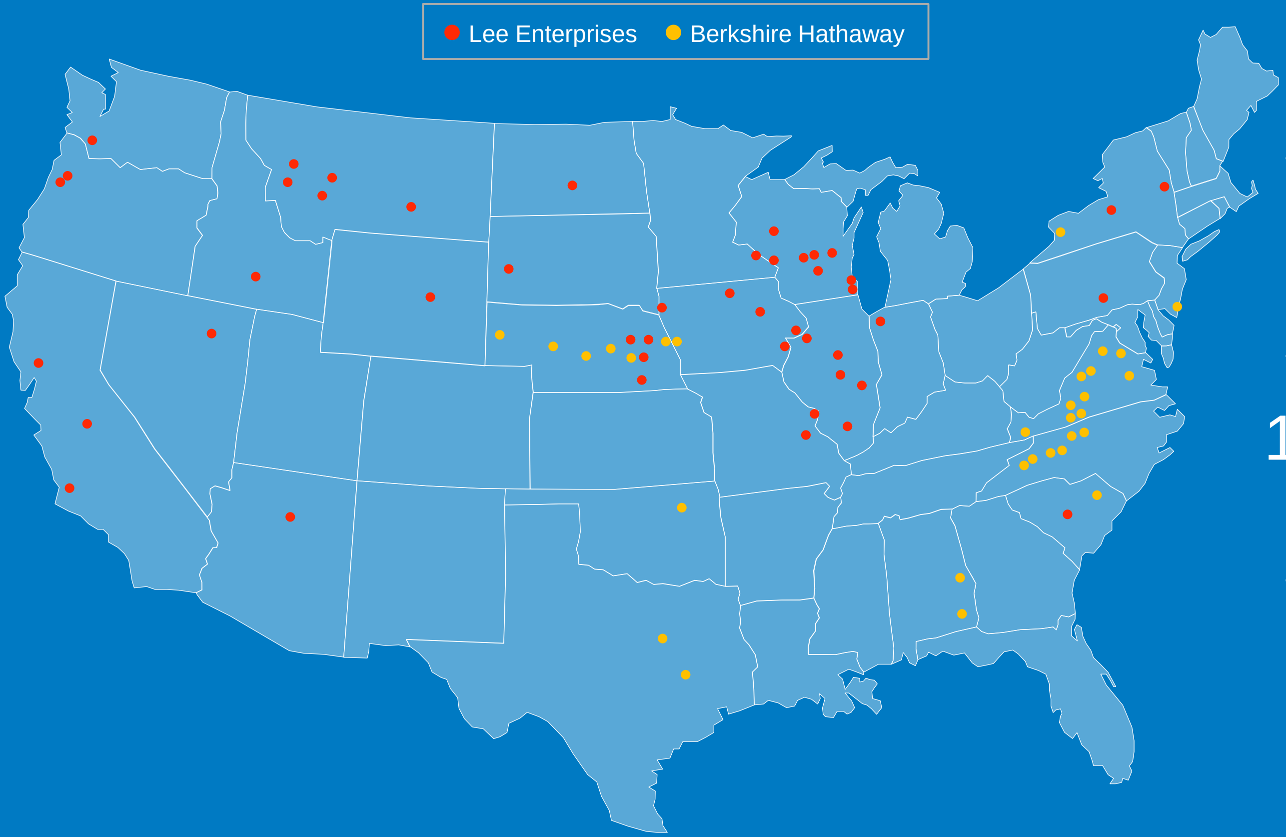
BH MEDIA GROUP
A Berkshire Hathaway Company

[BN]
THE BUFFALO NEWS

# TRANSACTION OVERVIEW

| | |
|---|---|
| Financing Details | • Berkshire Hathaway providing approximately $576M financing<br>• 9% annual interest rate with 25-year maturity; ~$5M of interest rate savings on Lee's refinanced debt annually<br>• Eliminates existing $23M revolving credit facility<br>• Avoids fees and equity dilution associated with traditional refinancings<br>• No performance covenants<br>• Timed to avoid $8.5M in breakage costs on existing long-term debt |
| Acquisition Details | • Lee to acquire 30 BH Media Group publications and *The Buffalo News* for $140M in cash<br>• Valuation represents an attractive 3.3x Adjusted EBITDA multiple for BHMG properties alone<br>• BHMG real estate (including permanently attached equipment) and cash excluded<br>• Lee will enter 10-year lease with BHMG, assume maintenance and property expense; initial $8M annual lease payment<br>• Closing expected mid-March 2020, subject to customary regulatory approvals |
| Financial Profile and Balance Sheet | • Immediately accretive to earnings before synergies<br>• Reduces Lee's balance sheet leverage before revenue and cost synergies<br>• ~$20-25M highly achievable revenue and cost synergies identified<br>• 2019 revenue would be 87% higher on a pro forma basis, Adjusted EBITDA would increase 40% |

# ADDS SIGNIFICANT SIZE AND SCALE




**80**
Communities Served

**26**
States

**1.2+ million**
Average Daily Newspaper Circulation

**44 million**
Digital Unique Visitors per Month

# OPERATIONAL IMPROVEMENTS ALREADY UNDERWAY

Key actions include:

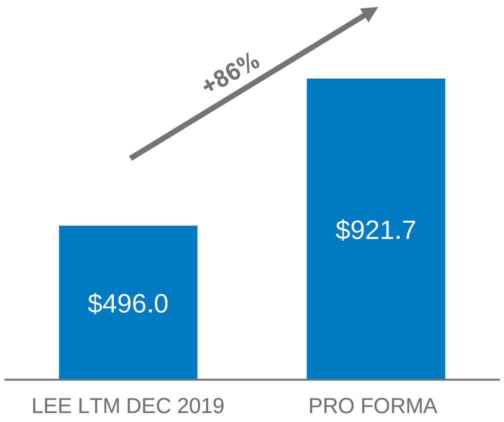
- Continuing to evolve audience strategy, driving additional revenue – have already grown subscription revenue 6.5% through application of Lee pricing methodology, with additional upside potential
- Increased programmatic revenue +90% in the first year of the management agreement, with additional upside potential
- Recoding websites to drive user engagement
- Continuing application of digital advertising and subscriber programs
- Implementing Lee sales and marketing shared service
- Significant operational improvements and further reducing corporate overhead

**Significant opportunities to drive efficiencies through application of ongoing initiatives across an integrated platform**

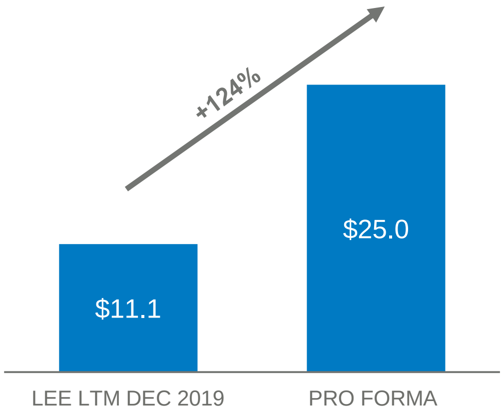
# IMMEDIATELY ACCRETIVE TO LEE EARNINGS – PRE-SYNERGIES

($Millions)

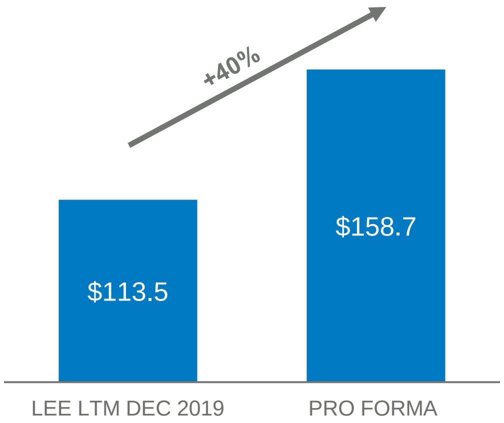
## Revenue




## Net Income




## Adjusted EBITDA [1]




[1] Adjusted EBITDA is a non-GAAP financial measure. See Appendix.

# $20-25M IN HIGHLY ACHIEVABLE SYNERGIES

| | |
|---|---|
| Revenue Synergies | • ~$5M revenue synergies from expanded application of digital advertising and subscriber programs underway |
| Cost Synergies | • ~$20M cost synergies from reduction of administrative expenses and full integration of businesses |
| Timing | • Expect to achieve full synergy run-rate within 24 months of closing<br>• ~75% of synergies expected to be achieved within first 12 months of closing |

# STRENGTHENED BALANCE SHEET

- Transaction includes refinancing of more than $400M of debt due in 2022
  - Addresses uncertainty from nearing maturity of long-term debt
- Attractive terms relative to market refinancing
  - No fees; 9% annual interest rate
  - ~$5M of interest rate savings on Lee's refinanced debt annually
  - Eliminates existing $23M revolving credit facility
  - At closing, Berkshire Hathaway will be sole lender
- Acquisition valued at 3.3x, lower than Lee's leverage – before any synergies
- Stronger growth profile and balance sheet flexibility enable rapid de-levering
  - Lee will continue to prioritize deleveraging long-term, including strategically monetizing noncore assets
  - Goal of reaching leverage target of under 2.0x

| | |
|---|---|
| **December 2019** | 3.8x |
| **Pro-Forma with BH Transaction** | 3.5x |
| **Target** | < 2.0x |

# SUMMARY

## POSITIONED TO CREATE VALUE FOR READERS, ADVERTISERS AND SHAREHOLDERS

- ✓ Leading source of news, information and advertising in attractive midsized markets
- ✓ Top of the industry in digital transformation and operational performance
- ✓ Transformative Berkshire Hathaway transaction unlocks significant opportunities to grow the topline and increase efficiency
- ✓ Significantly increases scale and audience size
- ✓ Immediately accretive to earnings
- ✓ Strengthened capital structure through refinancing at attractive terms with long-term partner in Berkshire Hathaway

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# APPENDIX

## NON-GAAP FINANCIAL MEASURES

We use non-GAAP financial performance measures to supplement the financial information presented on a GAAP basis. These non-GAAP financial measures should not be considered in isolation or as a substitute for the relevant GAAP measures and should be read in conjunction with information presented on a GAAP basis.

In this presentation, we present Adjusted EBITDA, cash costs, and margin, which are non-GAAP financial performance measures that exclude from our reported GAAP results the impact of certain items consisting primarily of restructuring charges and non-cash charges. We believe such expenses, charges, and gains are not indicative of normal, ongoing operations, and their inclusion in results makes for more difficult comparisons between years and with peer group companies. In the future, however, we are likely to incur expenses, charges, and gains similar to the items for which the applicable GAAP financial measures have been adjusted and to report non-GAAP financial measures excluding such items. Accordingly, exclusion of those or similar items in our non-GAAP presentations should not be interpreted as implying the items are non-recurring, infrequent, or unusual.

We define our non-GAAP measures, which may not be comparable to similarly titled measures reported by other companies, as follows:

*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 also 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, plus non-operating expenses, income tax expense, depreciation and amortization, assets loss 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 MN.

*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. 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 settled in cash.

*Total Operating Revenue Less Cash Costs*, or "Margin", represents a non-GAAP financial performance measure of revenue less total cash costs, also a non-GAAP financial measure. This measure is useful to investors in understanding the profitability of the Company after direct cash costs related to the production and delivery of products are paid. Margin is also useful in developing opinions and expectations about the Company's ability to manage and control its operating cost structure in relation to its peers.

# NON-GAAP RECONCILIATION ($MM)

| Margin and Cash Costs[2] | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|
| **Total operating revenue** | **726.0** | **709.6** | **677.8** | **660.9** | **648.5** | **614.4** | **566.9** | **544.0** | **509.9** |
| Operating expenses: | | | | | | | | | |
| Compensation[1] | 285.4 | 280.7 | 257.8 | 245.3 | 242.2 | 233.0 | 213.1 | 199.2 | 182.9 |
| Newsprint and ink | 55.8 | 51.6 | 43.5 | 38.0 | 30.3 | 26.1 | 24.9 | 24.9 | 22.2 |
| Other cash costs | 222.3 | 216.2 | 216.0 | 223.5 | 229.2 | 218.7 | 199.8 | 199.7 | 193.7 |
| **Cash Costs** | **563.5** | **548.5** | **517.3** | **506.7** | **501.6** | **477.9** | **437.8** | **423.8** | **398.8** |
| **Margin** | **162.5** | **161.1** | **160.5** | **154.2** | **146.9** | **136.5** | **129.1** | **120.2** | **111.0** |
| **Margin %** | ***22.4*** | ***22.7*** | ***23.7*** | ***23.3*** | ***22.6*** | ***22.2*** | ***22.8*** | ***22.1*** | ***21.8*** |

| Adjusted EBITDA[2] | 52 weeks ending September 29, 2019 | 52 weeks ending December 29, 2019 |
|---|---|---|
| **Net Income** | **15.9** | **10.9** |
| Adjusted to exclude: | | |
| Income tax expense | 7.9 | 5.3 |
| Non-operating expenses, net | 50.9 | 49.1 |
| Equity earnings of TNI and MNI | (7.1) | (6.6) |
| Assets loss on sales, impairments, and other | 2.5 | 3.4 |
| Depreciation and amortization | 29.3 | 28.5 |
| Restructuring costs and other | 11.6 | 13.2 |
| Stock compensation | 1.6 | 1.5 |
| Add: | | |
| Ownership share of TNI and MNI EBITDA (50%) | 8.8 | 8.1 |
| **Adjusted EBITDA** | **121.5** | **113.5** |



1 Compensation has been adjusted to reclassify certain components of net periodic pension costs which were previously recognized in compensation.
2 Amounts my not add or recalculate due to rounding.