



MEMORANDUM

Confidential

TO: All Employees
FROM: Kirk Davis
DATE: May 24, 2019
SUBJECT: Accelerating Results

Last year, as part of our *Accelerating Change* initiative, we aligned our consumer marketing, sales, digital and manufacturing organizations under centralized, functional leadership with the goal of driving more consistent implementation of best practices, heightened accountability and revenue growth. Results demonstrate an approach that is working:

- Employing a more efficient and effective marketing spend in our 16 largest markets, the Consumer Marketing team has driven a 53% increase in digital subscriptions (YoY) and is showing net growth in paid subscriptions for first time in ten years.
- Our Digital team's focus on improving consumer experience, especially on mobile devices, has resulted in eight consecutive months of YoY audience growth
- We've been selected to participate in a variety of Google and Facebook beta programs, that come with development and promotional subsidies: Subscribe with Google, Facebook Instant Articles, and, the Google News Initiative Digital Subscription Lab
- Our pilot Sales centralization initiatives have shown encouraging results – a positive GateHouse Auto revenue trend vs. prior year and strong New England-based Patriot Group performance on employee retention, average order size, digital revenue growth and YoY trend performance
- Streamlining production and delivery operations, the Manufacturing team generated significant savings last year that helped fund our growth initiatives and provide local market savings.

To build a sustainable business model for quality, local journalism, we must accelerate these results -- which requires continued and significant investment in our growth opportunities. To fund these investments and keep our cost structure aligned with current revenue, we need to structurally reduce our cost base. Already underway is a major review of (and negotiations with) our supply chain partners to identify and capture meaningful savings.

As many of you are aware, we made sizeable reductions to staff yesterday. This included many newsroom staff. I don't take these reductions lightly; many committed colleagues, who played important roles in our company, were impacted. A painful reality is that difficult decisions must be made to enable the company to invest in its future.

Let me be clear -- local journalism and community leadership remain core to our growth plan. I believe that will be clear as I share the exciting developments taking place within our news organization.

News: Strategy & Investments

Effective today, we are centralizing leadership of our news organization. Bill Church, our Senior Vice President of News, adds direct oversight of news operations to his responsibilities. An industry visionary, Bill is committed to transforming our existing newsroom model into agile, audience-engaged teams (aka Accelerator Team

Model). His signature hashtag, #DoJournalismWithImpact, has been a guiding principle for our newsrooms for the past 2+ years; the results are evident in the public's response to our investigative reporting and in the national, regional and local awards that our journalists have received.

Bill and team have spent the past two years researching how to build audience-focused, agile-based teams that allow us to succeed regardless of the economic challenges. Their findings suggest the need for strong, adaptive leaders, a different approach to newsroom structures, roles and news coverage, and an emphasis on audience growth.

Thanks to the work in the Coastal North Carolina group, we launched a pilot for the Accelerator Team Model last fall, just ahead of Hurricane Florence. A destructive hurricane did not deter our employees from their public service to our customers. Nor did the hurricane change our belief that we can change the way we operate, be adaptive in our approach, and build stronger relationships with our audiences.

In February, ATM expanded to a pilot 2.0 group that touches more than 30 markets. And, last week, we launched Project Armada, our enterprise roll-out where daily newsrooms will go through an orchestrated process to define audiences, decide priorities, design teams, and deploy their plan. Keep in mind, this plan has been underway since late last summer.

Additionally, we are making exciting investments in news. We're building out a national investigative and data-driven reporting team of more than 30 talented editors and reporters with track records of award-winning, high impact journalism. Their focus will be on topics of interest across our communities -- from census data to health to public safety to higher education. The team will be embedded in local newsrooms which will add considerably to our local efforts.

Beyond News: Growth Opportunities & Investments

Through our 2019 budget process, we identified and prioritized investments to accelerate our growth. Below are a number of examples, beyond news, of commitments we're making to invest in our future.

- Expanding our consumer marketing 'agency' to serve Markets 17-60
- Investing in data science and digital product development, so that we may better understand and serve our readers and advertisers
- Building out our 'native' content team to better support demand for custom and turn-key content marketing programs
- Adding sales engineers, critical partners to aid our multi-media sales executives in the development of large, cross-platform packages
- Launching a central call center in Oklahoma City to efficiently reach many thousands of small businesses throughout the country with our attractive suite of digital products
- Re-investing in our commercial print facilities to improve quality, capacity and reliability

Transformation is hard. But, I believe there is great opportunity ahead. We are committed to executing on a strategic plan for growth so that we may achieve a sustainable, long-term future for our company.