Newspapers:

Newspapers: Core Revenue Performance & Guidance:

Newspapers	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17 Guidance	Notes
Newspaper Industry Ad Spending	-13%	-10%	-11%	-12%	-15%	-15%	-14%	-17%	NA	Metrics from MAGNA GLOBAL
Lee Enterprises	-9%	-9%	-9%	-11%	-10%	-11%	-11%	na	NA	Advertising revenues
McClatchy (b)	-12%	-10%	-11%	-13%	-11%	-12%	-11%	-13%	digital-only ad revs up (FY17 +00%); print declines cont.	Advertising revenues
New York Times (b)	-3%	-7%	-12%	-8%	-10%	-7%	1%	-9%	total ad revs down low-double-digits (13-week basis)	Advertising revenues
tronc (Tribune Publishing) (b)	-9%	-12%	-9%	-11%	-14%	-15%	-15%	-18%	sequential improvement in digital	Total Advertising revenues

(b) Where applicable, GCI, MNI & NYT's ad revs % change are shown on a comparable 13-week basis (excludes extra week in select periods). Also, where applicable, excludes the impact of Apartments.com sale.
Source: Deutsche Bank estimates, company reports & conference calls, Kantar, NAA, Street Events

As shown in the chart above, once again newspaper advertising revenue trends remained in negative territory throughout 2017. In fact, we have the rate of decline actually increasing (to mid-teens) despite comping to declines last year, the year before that, and the year before that, etc. (The industry has posted advertising losses since 2006). The erosion in physical distribution and circulation, brought on by the digital transition, is being only partially mitigated by digital growth.

Looking ahead to 2018, we don't see much changing here. Despite consolidation in the industry leaving many participants in the space with lower debt levels (appropriately so, in our view), we remain cautious on the outlook. We expect newspaper's share of media spend to continue to erode (from ~26% in 2007 to ~4.4% in 2018, as per Magna), pricing pressures to persist, advertising revenue declines in the mid-to-high-teens, and the digital ad environment to remain competitive. Thus we're underweight on the sector as a whole.