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New Media Investment Group Inc.

Form 10-Q

May 02, 2019

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2019

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number:001-36097

New Media Investment Group Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

38-3910250

(I.R.S. Employer
Identification No.)

**1345 Avenue of the Americas 45th floor,
New York, New York**

(Address of principal executive offices)

10105

(Zip Code)

Telephone: (212) 479-3160

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Emerging growth company

Non-accelerated filer Smaller reporting company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Securities Registered Pursuant to Section 12(b) of the Act:

<u>Title of each class:</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered:</u>
------------------------------------	------------------------------	--

Common stock, par value \$0.01 per share	NEWM	New York Stock Exchange
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As of April 30, 2019, 60,529,861 shares of the registrant's common stock were outstanding.

CAUTIONARY NOTE REGARDING FORWARD LOOKING INFORMATION

Certain statements in this report on Form 10-Q may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that reflect our current views regarding, among other things, our future growth, results of operations, performance and business prospects and opportunities, as well as other statements that are other than historical fact. Words such as “anticipate(s),” “expect(s),” “intend(s),” “plan(s),” “target(s),” “project(s),” “believe(s),” “will,” “aim,” “would,” “seek(s),” “estimate(s)” and similar expressions are intended to identify such forward-looking statements.

Forward-looking statements are based on management’s current expectations and beliefs and are subject to a number of known and unknown risks, uncertainties and other factors that could lead to actual results materially different from those described in the forward-looking statements. We can give no assurance that our expectations will be attained. Our actual results, liquidity and financial condition may differ from the anticipated results, liquidity and financial condition indicated in these forward-looking statements. These forward looking statements are not a guarantee of future performance and involve risks and uncertainties, and there are certain important factors that could cause our actual results to differ, possibly materially from expectations or estimates reflected in such forward-looking statements, including, among others:

- general economic and market conditions;
- economic conditions in the various regions of the United States;
- the growing shift within the publishing industry from traditional print media to digital forms of publication;
- declining advertising revenue and circulation subscribers;
- our ability to grow our digital marketing and business services initiatives, and grow our digital audience and advertiser base;
- our ability to grow our business organically;
- our ability to acquire local media print assets at attractive valuations;
- the risk that we may not realize the anticipated benefits of our recent or potential future acquisitions;
- the availability and cost of capital for future investments;
- our indebtedness may restrict our operations and / or require us to dedicate a portion of cash flow from operations to the payment of principal and interest;
- our ability to pay dividends consistent with prior practice or at all;
- our ability to reduce costs and expenses;
- our ability to realize the benefits of the Management Agreement (as defined below);
- the impact of any material transactions with the Manager (as defined below) or one of its affiliates, including the impact of any actual, potential or perceived conflicts of interest;
- the competitive environment in which we operate; and
- our ability to recruit and retain key personnel.

Additional risk factors that could cause actual results to differ materially from our expectations include, but are not limited to, the risks identified by us under the heading “Risk Factors” in Part II, Item 1A of this report. Such forward-looking statements speak only as of the date on which they are made. Except to the extent required by law, we expressly disclaim any obligation to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or change in events, conditions or circumstances on which any statement is based.

PART I. FINANCIAL INFORMATION

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Item 1. Financial Statements**NEW MEDIA INVESTMENT GROUP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

(In thousands, except share data)

	March 31, 2019	December 30, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$24,597	\$48,651
Restricted cash	4,054	4,119
Accounts receivable, net of allowance for doubtful accounts of \$8,259 and \$8,042 at March 31, 2019 and December 30, 2018, respectively	153,222	174,274
Inventory	24,972	25,022
Prepaid expenses	30,155	23,935
Other current assets	21,149	21,608
Total current assets	258,149	297,609
Property, plant, and equipment, net of accumulated depreciation of \$229,268 and \$219,256 at March 31, 2019 and December 30, 2018, respectively	347,766	339,608
Operating lease right-of-use assets	102,583	—
Goodwill	316,208	310,737
Intangible assets, net of accumulated amortization of \$110,877 and \$101,543 at March 31, 2019 and December 30, 2018, respectively	485,026	486,054
Other assets	10,936	9,856
Total assets	\$1,520,668	\$1,443,864
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$11,296	\$12,395
Current portion of operating lease liabilities	13,415	—
Accounts payable	28,219	16,612
Accrued expenses	90,290	113,650
Deferred revenue	116,521	105,187
Total current liabilities	259,741	247,844
Long-term liabilities:		
Long-term debt	435,426	428,180
Long-term operating lease liabilities	96,248	—
Deferred income taxes	7,665	8,282
Pension and other postretirement benefit obligations	24,094	24,326
Other long-term liabilities	10,498	16,462
Total liabilities	833,672	725,094
Redeemable noncontrolling interests	1,298	1,547
Stockholders' equity:		
Common stock, \$0.01 par value, 2,000,000,000 shares authorized; 60,806,451 shares issued and 60,529,861 shares outstanding at March 31, 2019; 60,508,249 shares issued and 60,306,286 shares outstanding at December 30, 2018	608	605
Additional paid-in capital	699,787	721,605
Accumulated other comprehensive loss	(6,911)	(6,881)
(Accumulated deficit) retained earnings	(5,224)	3,767

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Treasury stock, at cost, 276,590 and 201,963 shares at March 31, 2019 and December 30, 2018, respectively	(2,562)	(1,873)
Total stockholders' equity	685,698		717,223	
Total liabilities, redeemable noncontrolling interests and stockholders' equity	\$1,520,668		\$1,443,864	

See accompanying notes to unaudited condensed consolidated financial statements.

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NEW MEDIA INVESTMENT GROUP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(UNAUDITED)

(In thousands, except per share data)

	Three months ended	
	March 31,	April 1,
	2019	2018
Revenues:		
Advertising	\$178,694	\$163,259
Circulation	152,165	129,991
Commercial printing and other	56,740	47,515
Total revenues	387,599	340,765
Operating costs and expenses:		
Operating costs	229,495	196,389
Selling, general, and administrative	131,508	118,819
Depreciation and amortization	20,923	19,247
Integration and reorganization costs	4,112	2,430
Impairment of long-lived assets	1,207	—
Net loss (gain) on sale or disposal of assets	1,789	(3,171)
Operating (loss) income	(1,435)	7,051
Interest expense	10,134	8,352
Other income	(260)	(520)
Loss before income taxes	(11,309)	(781)
Income tax benefit	(1,954)	(116)
Net loss	(9,355)	(665)
Net loss attributable to redeemable noncontrolling interests	(249)	—
Net loss attributable to New Media	\$(9,106)	\$(665)
Loss per share:		
Basic:		
Net loss attributable to New Media	\$(0.15)	\$(0.01)
Diluted:		
Net loss attributable to New Media	\$(0.15)	\$(0.01)
Dividends declared per share	\$0.38	\$0.37
Comprehensive loss	\$(9,385)	\$(732)
Comprehensive loss attributable to redeemable noncontrolling interests	(249)	—
Comprehensive loss attributable to New Media	\$(9,136)	\$(732)

See accompanying notes to unaudited condensed consolidated financial statements.

NEW MEDIA INVESTMENT GROUP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)
(In thousands, except share data)

	Common stock		Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings (accumulated deficit)	Treasury stock		Total
	Shares	Amount				Shares	Amount	
Three months ended March 31, 2019								
Balance at December 30, 2018	60,508,249	\$ 605	\$ 721,605	\$ (6,881)	\$ 3,767	201,963	\$(1,873)	\$ 717,223
Net loss	—	—	—	—	(9,106)	—	—	(9,106)
Net actuarial loss and prior service cost, net of income taxes of \$0	—	—	—	(30)	—	—	—	(30)
Restricted share grants	298,202	3	(3)	—	—	—	—	—
Non-cash compensation expense	—	—	1,136	—	—	—	—	1,136
Impact of adoption of ASC 842 - Leases	—	—	—	—	115	—	—	115
Restricted share forfeiture	—	—	—	—	—	22,861	—	—
Purchase of treasury stock	—	—	—	—	—	51,766	(689)	(689)
Common stock cash dividend	—	—	(22,951)	—	—	—	—	(22,951)
Balance at March 31, 2019	60,806,451	\$ 608	\$ 699,787	\$ (6,911)	\$ (5,224)	276,590	\$(2,562)	\$ 685,698
Three months ended April 1, 2018								
Balance at December 31, 2017	53,367,853	\$ 534	\$ 683,168	\$ (5,461)	\$ (2,767)	140,972	\$(1,081)	\$ 674,393
Net loss	—	—	—	—	(665)	—	—	(665)
Net actuarial loss and prior service cost, net of income taxes of \$0	—	—	—	(67)	—	—	—	(67)
Restricted share grants	212,974	2	223	—	—	—	—	225
Non-cash compensation expense	—	—	1,163	—	—	—	—	1,163
Restricted share forfeiture	—	—	—	—	—	6,216	—	—
Purchase of treasury stock	—	—	—	—	—	42,726	(735)	(735)
Common stock cash dividend	—	—	(19,749)	—	15	—	—	(19,734)
Balance at April 1, 2018	53,580,827	\$ 536	\$ 664,805	\$ (5,528)	\$ (3,417)	189,914	\$(1,816)	\$ 654,580

See accompanying notes to unaudited condensed consolidated financial statements.

NEW MEDIA INVESTMENT GROUP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In thousands)

	Three months ended	
	March 31,	April 1,
	2019	2018
Cash flows from operating activities:		
Net loss	\$(9,355)	\$(665)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	20,923	19,247
Non-cash compensation expense	1,136	1,163
Non-cash interest expense	344	504
Deferred income taxes	(617)	(92)
Net loss (gain) on sale or disposal of assets	1,789	(3,171)
Impairment of long-lived assets	1,207	—
Pension and other postretirement benefit obligations	(276)	(369)
Changes in assets and liabilities:		
Accounts receivable, net	24,684	19,409
Inventory	988	(3,169)
Prepaid expenses	(5,680)	(3,888)
Other assets	(103,641)	(1,289)
Accounts payable	10,803	3,030
Accrued expenses	(6,289)	(17,573)
Deferred revenue	5,327	4,027
Other long-term liabilities	90,399	1,499
Net cash provided by operating activities	31,742	18,663
Cash flows from investing activities:		
Acquisitions, net of cash acquired	(37,953)	(29,409)
Purchases of property, plant, and equipment	(2,242)	(1,929)
Proceeds from sale of real estate and other assets	2,465	9,207
Net cash used in investing activities	(37,730)	(22,131)
Cash flows from financing activities:		
Payment of debt issuance costs	—	(500)
Borrowings under term loans	—	49,750
Repayments under term loans	(2,197)	(1,031)
Borrowings under revolving credit facility	54,400	—
Repayments under revolving credit facility	(46,400)	—
Purchase of treasury stock	(689)	(735)
Payment of dividends	(23,245)	(20,046)
Net cash (used in) provided by financing activities	(18,131)	27,438
Net (decrease) increase in cash, cash equivalents and restricted cash	(24,119)	23,970
Cash, cash equivalents and restricted cash at beginning of period	52,770	46,162
Cash, cash equivalents and restricted cash at end of period	\$28,651	\$70,132

See accompanying notes to unaudited condensed consolidated financial statements.

NEW MEDIA INVESTMENT GROUP INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share data)

(1) Unaudited Financial Statements

The accompanying unaudited condensed consolidated financial statements of New Media Investment Group Inc. and its subsidiaries (together, the “Company” or “New Media”) have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and the instructions to Form 10-Q and applicable provisions of Regulation S-X, each as promulgated by the United States Securities and Exchange Commission (the “SEC”). Certain information and note disclosures normally included in comprehensive annual financial statements presented in accordance with GAAP have been condensed or omitted pursuant to SEC rules and regulations.

Management believes that the accompanying condensed consolidated financial statements contain all adjustments (which include normal recurring adjustments) that, in the opinion of management, are necessary to present fairly the Company’s consolidated financial condition, results of operations, changes in stockholders’ equity and cash flows for the periods presented. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the full year. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 30, 2018, included in the Company’s Annual Report on Form 10-K.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Company’s reporting units (Newspapers and BridgeTower) are aggregated into one reportable business segment. The newspaper industry and the Company have experienced declining same-store revenue and profitability over the past several years. As a result, the Company has implemented, and continues to implement, plans to reduce costs and preserve cash flow. This includes cost-reduction programs and the sale of non-core assets. The Company believes these initiatives along with cash provided by operating activities will provide it with the financial resources necessary to invest in the business and provide sufficient cash flow to enable the Company to meet its commitments.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02 (“ASU 2016-02”), “Leases (Topic 842)”, which revised the accounting related to lease accounting for both lessees and lessors. Under the new guidance, lessees are required to recognize a lease liability and a right-of-use asset on the balance sheet for all leases with terms greater than twelve months. Leases are classified as either finance or operating, with classification affecting the classification of expense recognition in the income statement. As permitted under the transition guidance, we have carried forward the assessment of whether our contracts contain or are leases, classification of our leases and remaining lease terms. Refer to Note 6 for further discussion.

In February 2018, the FASB issued ASU 2018-02, “Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (“AOCI”)”. This ASU provides entities the option to reclassify tax effects to retained earnings from AOCI which are impacted by the Tax Cuts and Jobs Act (“TCJA”). The ASU is effective for fiscal years beginning after December 15, 2018 but early adoption is permitted. The Company has a full valuation allowance for all tax benefits related to AOCI, and therefore, there are no tax effects to be reclassified to retained earnings.

All other issued and not yet effective accounting standards are not relevant to the Company.

(2) Acquisitions

2019 Acquisitions

The Company acquired substantially all the assets, properties and business of certain publications and businesses on February 11, 2019, February 2, 2019, January 31, 2019, and December 31, 2018 (“2019 Acquisitions”), which included 10 daily newspapers, 11 weekly publications, eight shoppers, a remnant advertising agency, and an events production business, for an

aggregate purchase price of \$34,458, including estimated working capital. The acquisitions were financed from cash on hand. The rationale for the acquisitions was primarily due to the attractive nature, as applicable, of the newspaper assets and digital platforms, and their estimated cash flows combined with the cost-saving and revenue-generating opportunities available.

The Company accounted for the 2019 Acquisitions using the acquisition method of accounting for those acquisitions determined to meet the definition of a business. The net assets, including goodwill, have been recorded in the consolidated balance sheet at their fair values in accordance with Accounting Standards Codification ("ASC") 805, "Business Combinations" ("ASC 805"). The fair value determination of the assets acquired and liabilities assumed are preliminary based upon all information currently available to the Company and are subject to working capital and other adjustments and the completion of valuations to determine the fair market value of the tangible and intangible assets. The final calculation of working capital and other adjustments and determination of fair values for tangible and intangible assets may result in different allocations among the various asset classes from those set forth below, and any such differences could be material.

The 2019 Acquisitions that were determined to be asset acquisitions were measured at the fair value of the consideration transferred on the acquisition date. Intangible assets acquired in an asset acquisition have been recognized in accordance with ASC 350 "Intangibles - Goodwill and Other". Goodwill is not recognized in an asset acquisition.

The following table summarizes the preliminary determination of fair values of the assets and liabilities:

Current assets	\$6,830
Property, plant and equipment	19,572
Noncompete agreements	280
Advertiser relationships	1,930
Subscriber relationships	2,080
Customer relationships	1,370
Trade names	299
Mastheads	2,860
Goodwill	6,627
Total assets	41,848
Current liabilities assumed	7,390
Total liabilities	7,390
Net assets	\$34,458

The Company obtained third party independent valuations or performed similar calculations internally to assist in the determination of the fair values of certain assets acquired and liabilities assumed. Three basic approaches were used to determine value: the cost approach (used for equipment where an active secondary market is not available, building improvements, and software), the direct sales comparison (market) approach (used for land and equipment where an active secondary market is available) and the income approach (used for intangible assets).

The weighted average amortization periods for recently acquired amortizable intangible assets are equal to or similar to the periods presented in Note 5.

The Company expensed approximately \$766 of acquisition-related costs for the 2019 Acquisitions during the three months ended March 31, 2019, and these expenses are included in selling, general, and administrative expenses.

For tax purposes, the amount of goodwill that is expected to be deductible is \$6,562.

2018 Acquisitions

The Company acquired substantially all the assets, properties and business of certain publications and businesses on November 16, 2018, November 14, 2018, October 1, 2018, August 15, 2018, July 2, 2018, June 18, 2018, June 4, 2018, May 11, 2018, May 1, 2018, April 2, 2018, March 31, 2018, March 6, 2018, February 28, 2018, February 23, 2018, and February 7, 2018 ("2018 Acquisitions"), which included seven business publications, eight daily newspapers, 16 weekly publications, one shopper, a print facility, an events production business, cloud services and digital platforms and related domains, for an aggregate purchase price of \$205,786, including estimated working capital. The

acquisitions were financed from cash on hand.

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The rationale for the acquisitions was primarily due to the attractive nature, as applicable, of the newspaper assets and digital platforms, and their estimated cash flows combined with the cost-saving and revenue-generating opportunities available.

In the August 15, 2018 acquisition, the Company acquired an 80% equity interest in the acquiree, and the minority equity owners retained a 20% interest, which have been classified as redeemable noncontrolling interests in the accompanying financial statements. Noncontrolling interests with embedded redemption features, such as put rights, that are not solely within the control of the Company are considered redeemable noncontrolling interests and are presented outside of stockholders' equity on the Company's Unaudited Condensed Consolidated Balance Sheets. The Company accounted for the 2018 Acquisitions using the acquisition method of accounting for those acquisitions determined to meet the definition of a business. The net assets, including goodwill, have been recorded in the consolidated balance sheet at their fair values in accordance with ASC 805. The fair value determination of the assets acquired and liabilities assumed are preliminary based upon all information currently available to the Company and are subject to working capital and other adjustments and the completion of valuations to determine the fair market value of the tangible and intangible assets. The final calculation of working capital and other adjustments and determination of fair values for tangible and intangible assets may result in different allocations among the various asset classes from those set forth below and any such differences could be material.

During the three months ended March 31, 2019, the Company recorded adjustments to the recorded fair values of the assets acquired and liabilities assumed in the 2018 acquisitions. The recorded amount of net assets acquired was increased by \$66, while the recorded balances of current assets, goodwill and current liabilities were decreased by \$8, \$1,105 and \$1,179, respectively.

(3) Share-Based Compensation

The Company recognized compensation cost for share-based payments of \$1,136 and \$1,163 during the three months ended March 31, 2019 and April 1, 2018, respectively. The total compensation cost not yet recognized related to non-vested Restricted Stock Grants ("RSGs") pursuant to the Company's Nonqualified Stock Option and Incentive Award Plan as of March 31, 2019 was \$6,925, which is expected to be recognized over a weighted average period of 2.39 years through February 2022. As of March 31, 2019, the aggregate intrinsic value of unvested RSGs was \$5,256.

RSG activity during the three months ended March 31, 2019 was as follows:

	Number of RSGs	Weighted-Average Grant Date Fair Value
Unvested at December 30, 2018	384,471	\$ 16.11
Granted	298,202	13.65
Vested	(159,273)) 15.89
Forfeited	(22,861)) 16.16
Unvested at March 31, 2019	500,539	\$ 14.71

Under FASB ASC Topic 718, "Compensation – Stock Compensation", the Company elected to recognize share-based compensation expense for the number of awards that are ultimately expected to vest. The Company's estimated forfeitures are based on historical forfeiture rates. Estimated forfeitures are reassessed periodically, and the estimate may change based on new facts and circumstances.

(4) Restructuring

Over the past several years, in furtherance of the Company's cost-reduction and cash-preservation plans outlined in Note 1, the Company has engaged in a series of individual restructuring programs, designed primarily to right-size the Company's employee base, consolidate facilities and improve operations, including those of recently acquired entities. These initiatives impact all of the Company's operations and are often influenced by the terms of union contracts. All costs related to these programs, which primarily include severance expense, are accrued at the time of the program announcement or over the remaining service period.

Severance-related expenses

Accrued restructuring costs are included in accrued expenses on the Unaudited Condensed Consolidated Balance Sheets. The activity in accrued restructuring costs for the three months ended March 31, 2019 is as follows:

	Severance and Related Costs	Other Costs ⁽¹⁾	Total
Balance at December 30, 2018	\$ 2,554	\$ 346	\$2,900
Restructuring provision included in Integration and Reorganization	3,413	699	4,112
Cash payments	(3,006) (329) (3,335
Balance at March 31, 2019	\$ 2,961	\$ 716	\$3,677

⁽¹⁾ Other costs primarily include costs to consolidate operations.

The majority of the accrued restructuring reserve balance is expected to be paid out over the next twelve months.

Facility consolidation charges and accelerated depreciation

During the three months ended March 31, 2019, the Company ceased operations of three print publications and one print facility as part of the ongoing cost reduction programs. As a result, the Company recognized an impairment charge related to retired equipment of \$1,207 and a loss on disposal of assets related to retired equipment of \$168 and intangibles of \$444 during the three months ended March 31, 2019. There were no publication closures or facility consolidations during the three months ended April 1, 2018.

(5) Goodwill and Intangible Assets

Goodwill and intangible assets consisted of the following:

	March 31, 2019		
	Gross carrying amount	accumulated amortization	Net carrying amount
Amortized intangible assets:			
Advertiser relationships	\$261,897	\$58,006	\$ 203,891
Customer relationships	45,897	9,797	36,100
Subscriber relationships	155,938	34,445	121,493
Other intangible assets	13,625	8,629	4,996
Total	\$477,357	\$ 110,877	\$ 366,480
Nonamortized intangible assets:			
Goodwill	\$316,208		
Mastheads	118,546		
Total	\$434,754		

	December 30, 2018		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Advertiser relationships	\$260,142	\$53,477	\$ 206,665
Customer relationships	44,630	8,704	35,926
Subscriber relationships	153,923	31,560	122,363
Other intangible assets	13,046	7,802	5,244
Total	\$471,741	\$ 101,543	\$ 370,198
Nonamortized intangible assets:			
Goodwill	\$310,737		
Mastheads	115,856		
Total	\$426,593		

As of March 31, 2019, the weighted average amortization periods for amortizable intangible assets are 14.5 years for advertiser relationships, 12.3 years for customer relationships, 13.6 years for subscriber relationships and 5.2 years for other intangible assets. The weighted average amortization period in total for all amortizable intangible assets is 13.7 years.

Amortization expense for the three months ended March 31, 2019 and April 1, 2018 was \$9,450 and \$7,155, respectively. Estimated future amortization expense as of March 31, 2019, is as follows:

For the following fiscal years:

2019 (nine months remaining)	\$27,033
2020	35,470
2021	35,275
2022	34,407
2023	34,169
Thereafter	200,126
Total	\$366,480

The changes in the carrying amount of goodwill for the period from December 30, 2018 to March 31, 2019 are as follows:

Balance at December 30, 2018, net of accumulated impairments of \$25,641	\$310,737
Goodwill acquired in business combinations	6,627
Measurement period adjustments	(1,109)
Goodwill from disposal	(47)
Balance at March 31, 2019, net of accumulated impairments of \$25,641	\$316,208

The Company's annual impairment assessment is made on the last day of its fiscal second quarter.

The carrying value of goodwill and indefinite-lived intangible assets are evaluated for possible impairment on an annual basis or between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit or indefinite-lived intangible asset below its carrying value. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit.

As of March 31, 2019, the Company performed a review of potential impairment indicators noting that its financial results and forecast have not changed materially since the annual impairment assessment, and it was determined that no indicators of impairment were present. However, the Company's closing per share stock price was \$10.50 on March 29, 2019, the last day of trading for the quarter ended March 31, 2019. At that price, the market value of the Company's stock, including an estimated control premium of 20%, exceeded the carrying value of stockholders' equity by less than 10%.

The newspaper industry and the Company have experienced declining same-store revenue and profitability over the past several years. Should general economic, market or business conditions decline and have a negative impact on estimates of future cash flow and market transaction multiples, the Company may be required to record impairment charges in the future.

(6) Leases

Adoption

Effective December 31, 2018, the Company adopted FASB ASU 2016-02, "Leases (Topic 842)" using the modified retrospective method at the adoption date. In addition, the Company elected the package of practical expedients permitted under the transition guidance within the new standard. This allowed us to carry-forward the historical lease classification. The Company elected to make the accounting policy election for short-term leases resulting in lease payments being recorded as an expense on a straight-line basis over the lease term. The Company also adopted this approach for individually insignificant operating leases. Also, the Company elected to not separate lease and non-lease components for equipment leases. Adoption of this standard resulted in the recording of net operating lease right-of-use assets of \$102,536 and corresponding operating lease liabilities of \$109,230. The Company's financial position for reporting periods beginning on or after December 31, 2018 is presented under the new guidance, while prior period amounts are not adjusted and continue to be reported in accordance with previous guidance.

A significant portion of our operating lease portfolio includes office space, distribution centers, press facilities, office equipment, and vehicles. The majority of our leases have remaining lease terms of 1 year to 10 years, some of which include options to extend the leases. As of March 31, 2019, the Company has an additional obligation of approximately \$12,000 for future payments related to operating leases that have not yet commenced.

Total lease expense consists of the following:

	Three months ended March 31, 2019
Operating lease expense related to right-of-use assets	\$5,889
Other operating lease expense	2,740
Sublease income	(524)

Total lease expense	\$8,105
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Supplemental information related to leases was as follows:

	Three months ended March 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows for operating leases	\$6,317
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	\$106,681

Supplemental balance sheet information related to leases was as follows:

	March 31, 2019
Operating leases:	
Operating lease right-of-use assets	\$102,583
Current portion of operating lease liabilities	\$13,415
Long-term operating lease liabilities	96,248
Total operating lease liabilities	\$109,663
Weighted-average remaining lease term	9 years
Weighted-average discount rate	10.67 %

As of March 31, 2019, maturities of lease liabilities were as follows:

2019 (nine months remaining)	\$18,173
2020	22,788
2021	21,037
2022	17,955
2023	14,658
Thereafter	81,259
Total lease payments	175,870
Less: interest	(66,207)
Present value of lease liabilities	\$109,663

(7) Indebtedness

New Media Credit Agreement

The Company, through its wholly-owned subsidiary New Media Holdings II LLC (the “New Media Borrower”) maintains secured credit facilities (the “Credit Facilities”) under an agreement (the “New Media Credit Agreement”) with a syndication of lenders, including a term loan facility and a revolving credit facility. The term loan facility expires on July 14, 2022, and the revolving credit facility expires on July 14, 2021. Maximum borrowings under the revolving credit facility, including letters of credit, total \$40,000.

As of March 31, 2019, there were outstanding borrowings against the term loan facility and revolving credit facility totaling \$435,060 and \$8,000, respectively. As of December 30, 2018, there were outstanding borrowings against the term loan facility and revolving credit facility totaling \$437,257 and \$0, respectively. As of March 31, 2019, there were \$495 letters of credit issued against the revolving credit facility. As of March 31, 2019, the Company had \$31,505 of borrowing availability under the revolving credit facility.

Borrowings under the term loan facility bear interest, at the New Media Borrower’s option, at a rate equal to either (i) an adjusted Eurodollar rate (subject to a floor of 1.00%), plus an applicable margin equal to 6.25% per annum or (ii) an adjusted base rate (subject to a floor of 2.00%), plus an applicable margin equal to 5.25% per annum. The New Media Borrower currently uses the Eurodollar rate option.

Borrowings under the revolving credit facility bear interest, at the New Media Borrower's option, at a rate equal to either (i) an adjusted Eurodollar rate, plus an applicable margin equal to 5.25% per annum or (ii) an adjusted base rate, plus an applicable margin equal to 4.25% per annum, with a step down based on achievement of a certain total leverage ratio. The New Media Borrower currently uses the Eurodollar rate option.

As of March 31, 2019, the New Media Credit Agreement had a weighted average interest rate of 8.73%.

The Credit Facilities are unconditionally guaranteed by New Media Holdings I LLC ("Holdings I"), a wholly-owned subsidiary of New Media and the parent of the New Media Borrower, as well as by certain subsidiaries of the New Media Borrower (collectively, the "Guarantors") and are required to be guaranteed by all future material wholly-owned domestic subsidiaries, subject to certain exceptions. All obligations under the Credit Facilities are secured, subject to certain exceptions, by substantially all of the New Media Borrower's assets and the assets of the Guarantors.

Repayments made under the term loans are equal to 1% annually of the original principal amount in equal quarterly installments for the life of the term loans, with the remainder due at maturity. The New Media Borrower is permitted to make voluntary prepayments at any time without premium or penalty, except in the case of prepayments made in connection with certain repricing transactions with respect to the term loans effected within six months of November 28, 2018, to which a 1.00% prepayment premium applies.

The New Media Credit Agreement contains customary representations and warranties and affirmative covenants and negative covenants applicable to Holdings I, the New Media Borrower and the New Media Borrower's subsidiaries, including, among other things, restrictions on indebtedness, liens, investments, fundamental changes, dispositions, dividends and other distributions, and events of default. The New Media Credit Agreement contains a financial covenant that requires Holdings I, the New Media Borrower and the New Media Borrower's subsidiaries to maintain a maximum total leverage ratio of 3.25 to 1.00. As of March 31, 2019, the Company is in compliance with all of the covenants and obligations under the New Media Credit Agreement.

Halifax Alabama Credit Agreement

In connection with the purchase of the assets of Halifax Media in 2015, the Company assumed obligations of Halifax Media including the amount owing (\$8,000 at that time) under the credit agreement dated June 18, 2013 between Halifax Alabama, LLC and Southeast Community Development Fund V, L.L.C. (the "Halifax Alabama Credit Agreement").

As of March 31, 2019 and December 30, 2018, the debt outstanding under the Halifax Alabama Credit Agreement had a principal amount of \$8,000, bore interest at an annual rate of 2% and had a maturity date of March 31, 2019.

As of March 31, 2019, the Company was in compliance with all of the covenants and obligations under the Halifax Alabama Credit Agreement. The amount outstanding was repaid in full on April 1, 2019.

Fair Value

The fair value of long-term debt was estimated at \$451,060 as of March 31, 2019, based on discounted future contractual cash flows and a market interest rate adjusted for necessary risks, including the Company's own credit risk as there are no rates currently observable in publicly traded debt markets of similar risk, terms and average maturities. Accordingly, the Company's long-term debt under the Credit Facilities is classified within Level 3 of the fair value hierarchy.

Payment Schedule

As of March 31, 2019, scheduled principal payments of outstanding debt are as follows:

2019 (nine months remaining)	\$ 10,198
2020	4,395
2021	12,395
2022	424,072
	451,060
Less:	
Current	11,296
Unamortized original issue discount	1,723
Deferred financing costs	2,615
Long-term debt	\$435,426

(8) Related Party Transactions

As of March 31, 2019, the Company's manager, FIG LLC (the "Manager"), which is an affiliate of Fortress Investment Group LLC ("Fortress"), and its affiliates owned approximately 1.1% of the Company's outstanding stock and approximately 39.5% of the Company's outstanding warrants. The Manager and its affiliates hold 2,904,811 stock options of the Company's common stock as of March 31, 2019. During the three months ended March 31, 2019 and April 1, 2018, Fortress and its affiliates were paid \$244 and \$252 in dividends, respectively.

In addition, the Company's Chairman, Wesley Edens, is also a member of the board of directors of the Manager and a Principal, the Co-Chief Executive Officer and a member of the board of directors of Fortress. The Company does not pay Mr. Edens a salary or any other form of compensation.

The Company's Chief Executive Officer is an employee of Fortress (or one of its affiliates), and his salary is paid by Fortress (or one of its affiliates).

Management Agreement

On November 26, 2013, the Company entered into a management agreement with the Manager (as amended and restated, the "Management Agreement"). The Management Agreement requires the Manager to manage the Company's business affairs, subject to the supervision of the Company's board of directors (the "Board of Directors" or "Board"). The Management Agreement had an initial three-year term and will be automatically renewed for one-year terms thereafter unless terminated either by the Company or the Manager. The Manager is (a) entitled to receive from the Company a management fee, (b) eligible to receive incentive compensation that is based on the Company's performance and (c) eligible to receive options to purchase New Media Common Stock upon the successful completion of an offering of shares of the Company's Common Stock or any shares of preferred stock with an exercise price equal to the price per share paid by the public or other ultimate purchaser in the offering, see Note 10. In addition, the Company is obligated to reimburse certain expenses incurred by the Manager. The Manager is also entitled to receive a termination fee from the Company under certain circumstances.

The following provides the management and incentive fees recognized and paid to the Manager for the three months ended March 31, 2019 and April 1, 2018:

	Three months ended	
	March 31, 2019	April 1, 2018
Management fee expense	\$2,456	\$2,367
Incentive fee expense	—	869
Management fees paid	3,711	2,657
Incentive fees paid	5,220	8,374
Reimbursement for expenses	550	444

The Company had an outstanding liability for all management agreement related fees of \$3,006 and \$10,696 at March 31, 2019 and December 30, 2018, respectively, included in accrued expenses.

(9) Income Taxes

Income tax expense includes Federal and state income taxes and interest and penalties on uncertain tax positions. Certain income and expenses are not reported in tax returns and financial statements in the same year. The tax effect of such temporary differences is reported as deferred income taxes. Deferred tax assets are reported net of a full valuation allowance since it is more likely than not that a tax benefit will not be realized.

The Company recorded an income tax benefit of \$1,954 and \$116 for the three months ended March 31, 2019 and April 1, 2018, respectively, using projected effective tax rates of approximately 18% and 20%, respectively. The projected effective tax rates are primarily attributable to indefinite lived deferred tax liabilities which are a source of income to support realization of certain deferred tax assets which are expected to become indefinite lived net operating losses when they reverse in future years.

The Company performs a quarterly assessment of its deferred tax assets and liabilities. ASC Topic 740, "Income Taxes" ("ASC 740") limits the ability to use future taxable income to support the realization of deferred tax assets when a company has experienced a history of losses even if future taxable income were supported by detailed forecasts and projections.

In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences are projected to become deductible. The Company considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The Company concluded that during the three months ended March 31, 2019, a net increase to the valuation allowance of \$1,755 is necessary to offset additional deferred tax assets (primarily the tax benefit of the net operating loss). All of this amount was recognized through the Unaudited Condensed Consolidated Statements of Operations and Comprehensive Loss.

The realization of the remaining deferred tax assets is primarily dependent on their scheduled reversals. Any changes to deferred taxes may require an additional valuation allowance. Any increase or decrease in the valuation allowance could result in an increase or decrease in income tax expense in the period of adjustment.

The computation of the annual expected effective tax rate at each interim period requires certain estimates and assumptions including, but not limited to, the expected operating (loss) income for the year, projections of the proportion of income or loss, permanent and temporary differences, and an assessment of the likelihood of recovering deferred tax assets generated in the current year. The accounting estimates used to compute the provision for income taxes may change as new events occur, more experience is acquired, or as additional information is obtained.

For the three months ended March 31, 2019, the difference between the expected tax benefit (excluding the minority interest) at the statutory rate of 21% (\$2,323) and the recorded tax benefit of \$1,954 is primarily attributable to the tax effect of the federal valuation allowance, state taxes and non-deductible expenses.

The Company and its subsidiaries file a U.S. federal consolidated income tax return. The U.S. federal and state statute of limitations generally remains open for the 2015 tax year and beyond.

(10) Equity**Loss Per Share**

The following table sets forth the computation of basic and diluted loss per share (“EPS”):

	Three months ended	
	March 31,	April 1, 2018
	2019	
Numerator for loss per share calculation:		
Net loss attributable to New Media	\$(9,106)	\$ (665)
Denominator for loss per share calculation:		
Basic weighted average shares outstanding	59,965,036	62,934,640
Effect of dilutive securities:		
Stock Options and Restricted Stock	—	—
Diluted weighted average shares outstanding	59,965,036	62,934,640

The Company excluded the following securities from the computation of diluted loss per share because their effect would have been antidilutive:

	Three months ended	
	March 31,	April 1,
	2019	2018
Stock warrants	1,362,479	1,362,479
Stock options	2,904,811	2,214,811
Unvested restricted stock	500,539	377,353

Equity

On May 17, 2017, the Board of Directors authorized the repurchase of up to \$100,000 of the Company's common stock (“Share Repurchase Program”) over the next 12 months. On May 1, 2018, the Board of Directors authorized an extension of the Share Repurchase Program through May 18, 2019. Under the Share Repurchase Program, the Company may purchase its shares from time to time in the open market or in privately negotiated transactions.

Pursuant to the anti-dilution provisions of the Incentive Plan, the exercise price on the 652,311 remaining options granted to the Manager in 2014 were equitably adjusted during the three months ended March 31, 2019 from \$12.95 to \$11.46 as a result of return of capital distributions.

Pursuant to the anti-dilution provisions of the Incentive Plan, the exercise price on the 700,000 options granted to the Manager in 2015 were equitably adjusted during the three months ended March 31, 2019 from \$18.94 to \$17.45 as a result of return of capital distributions.

Pursuant to the anti-dilution provisions of the Incentive Plan, the exercise price on the 862,500 options granted to the Manager in 2016 were equitably adjusted during the three months ended March 31, 2019 from \$13.24 to \$11.75 as a result of return of capital distributions.

Pursuant to the anti-dilution provisions of the Incentive Plan, the exercise price on the 690,000 options granted to the Manager in 2018 were equitably adjusted during the three months ended March 31, 2019 from \$16.45 to \$14.96 as a result of return of capital distributions.

The following table includes additional information regarding the Manager stock options:

	Number of Options	Weighted-Average Grant Date Fair Value	Weighted-Average Exercise Price	Weighted-Average Term (Years)	Remaining Contractual	Aggregate Intrinsic Value (\$000)
Outstanding at December 30, 2018	2,904,811	\$ 3.59	\$ 15.31	7.3		\$ —
Outstanding at March 31, 2019	2,904,811	\$ 3.59	\$ 13.82	7.0		\$ —
Exercisable at March 31, 2019	2,406,561		\$ 13.67	6.7		\$ —

Accumulated Other Comprehensive Loss

The changes in accumulated other comprehensive loss by component for the three months ended March 31, 2019 and April 1, 2018 are outlined below.

	Net actuarial loss and prior service cost ⁽¹⁾
For the three months ended March 31, 2019:	
Balance at December 30, 2018	\$ (6,881)
Amounts reclassified from accumulated other comprehensive loss	(30)
Balance at March 31, 2019	\$ (6,911)
For the three months ended April 1, 2018:	
Balance at December 31, 2017	\$ (5,461)
Amounts reclassified from accumulated other comprehensive loss	(67)
Balance at April 1, 2018	\$ (5,528)

(1) This accumulated other comprehensive loss component is included in the computation of net periodic benefit cost. See Note 12.

The following table presents reclassifications out of accumulated other comprehensive loss for the three months ended March 31, 2019 and April 1, 2018.

	Amounts Reclassified from Accumulated Other Comprehensive Loss Three months ended March 31, 2019	Amounts Reclassified from Accumulated Other Comprehensive Loss Three months ended April 1, 2018	Affected Line Item in the Consolidated Statements of Operations and Comprehensive Loss
Amortization of unrecognized (gain) loss	\$ (30)	\$ (67) ⁽¹⁾	
Amounts reclassified from accumulated other comprehensive loss	(30)	(67)	Loss before income taxes
Income tax expense	—	—	Income tax benefit
Amounts reclassified from accumulated other comprehensive loss, net of taxes	\$ (30)	\$ (67)	Net loss

(1) This accumulated other comprehensive loss component is included in the computation of net periodic benefit cost.

See Note 12.

Dividends

During the three months ended April 1, 2018, the Company paid dividends of \$0.37 per share of Common Stock of New Media.

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During the three months ended March 31, 2019, the Company paid dividends of \$0.38 per share of Common Stock of New Media.

(11) Unearned Revenues

Changes in unearned revenue were as follows:

	Circulation	Advertising	Other	Total
Three months ended March 31, 2019				
Beginning balance	\$82,645	\$9,107	\$13,435	\$105,187
Acquired deferred revenues	6,378	—	917	7,295
Cash receipts, net of refunds	94,197	13,347	14,239	121,783
Revenue recognized	(96,038)	(11,689)	(10,017)	(117,744)
Ending Balance	\$87,182	\$10,765	\$18,574	\$116,521
Three months ended April 1, 2018				
Beginning balance	\$73,874	\$6,615	\$7,675	\$88,164
Acquired deferred revenues	3,232	—	219	3,451
Cash receipts, net of refunds	86,035	9,769	8,680	104,484
Revenue recognized	(85,914)	(8,089)	(6,881)	(100,884)
Ending Balance	\$77,227	\$8,295	\$9,693	\$95,215

The Company records deferred revenues when cash payments are received in advance of the Company's performance. The most significant unsatisfied performance obligation is the delivery of publications to subscription customers. The Company expects to recognize the revenue related to unsatisfied performance obligations over the next three to twelve months in accordance with the terms of the subscriptions. The increase in deferred revenue balance for the three months ended March 31, 2019 is primarily driven by acquisitions and the timing of events.

(12) Pension and Postretirement Benefits

As a result of the Enterprise News Media LLC (in 2005), Copley Press, Inc. (in 2007), and Times Publishing Company (in 2016) acquisitions, the Company maintains two pension and several postretirement medical and life insurance plans which cover certain employees. The Company uses the accrued benefit actuarial method and best estimate assumptions to determine pension costs, liabilities and other pension information for defined benefit plans. Amounts related to the postretirement benefit plans are immaterial.

The George W. Prescott Company pension plan, assumed in the Enterprise News Media, LLC acquisition, was amended to freeze all future benefit accruals by December 31, 2008, except for a select group of union employees whose benefits were frozen during 2009. The Times Publishing Company pension plan was frozen prior to the acquisition.

The following provides information on the pension plans for the three months ended March 31, 2019 and April 1, 2018:

	Three months ended	
	March 31, 2019	April 1, 2018
Components of net periodic benefit costs:		
Service cost	\$159	\$150
Interest cost	736	700
Expected return on plan assets	(967)	(1,062)
Amortization of unrecognized loss	39	67
Net periodic credit cost	\$(33)	\$(145)

The service cost component of net periodic benefit cost is included within Operating Costs and the other components are included within Other Income in the Company's Condensed Consolidated Statements of Operations and Comprehensive Loss. During the three months ended March 31, 2019, the Company paid \$112 into the pension plans.

The Company is expected to pay an additional \$940 in employer contributions to the pension plans during the remainder of 2019.

(13) Fair Value Measurement

The Company measures and records in the accompanying condensed consolidated financial statements certain assets and liabilities at fair value on a recurring basis. ASC Topic 820 “Fair Value Measurements and Disclosures” establishes a fair value hierarchy for those instruments measured at fair value that distinguishes between assumptions based on market data (observable inputs) and the Company’s own assumptions (unobservable inputs).

These inputs are prioritized as follows:

Level 1: Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities or market corroborated inputs; and

Level 3: Unobservable inputs for which there is little or no market data and which require the Company to develop their own assumptions about how market participants price the asset or liability.

The valuation techniques that may be used to measure fair value are as follows:

Market approach – Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

Income approach – Uses valuation techniques to convert future amounts to a single present amount based on current market expectation about those future amounts;

Cost approach – Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost).

The following table provides information for the Company’s major categories of financial assets and liabilities measured or disclosed at fair value on a recurring basis:

	Fair Value Measurements at Reporting Date Using				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)		Total Fair Value Measurements
As of March 31, 2019					
Assets					
Cash and cash equivalents	\$24,597	\$	—\$	—	\$ 24,597
Restricted cash	4,054	—	—	—	4,054
Total	\$28,651	\$	—\$	—	\$ 28,651
Liabilities					
Contingent consideration	\$—	\$	—\$	1,963	\$ 1,963
Redeemable noncontrolling interests	\$—	\$	—\$	1,298	\$ 1,298
As of December 30, 2018					
Assets					
Cash and cash equivalents	\$48,651	\$	—\$	—	\$ 48,651
Restricted cash	4,119	—	—	—	4,119
Total	\$52,770	\$	—\$	—	\$ 52,770
Liabilities					
Contingent consideration	\$—	\$	—\$	3,256	\$ 3,256
Redeemable noncontrolling interests	\$—	\$	—\$	1,547	\$ 1,547

Contingent consideration relates to certain of the Company's 2018 Acquisitions and are primarily payable to the sellers based on the passage of time or as a component of earnings above an agreed-upon target as detailed in the applicable purchase agreements. The decrease in contingent consideration since December 30, 2018, is the result of a measurement period adjustment.

Redeemable Noncontrolling Interests

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The Company accounts for the redeemable noncontrolling interests in accordance with ASC 480-10-S99-3A, “Distinguishing Liabilities from Equity”, because the exercise is outside the control of the Company. The redeemable noncontrolling interests recorded at fair value are put arrangements held by the noncontrolling interests in the Company’s majority-owned events business.

The changes in redeemable noncontrolling interests classified as Level 3 measurements were as follows:

	Three months ended March 31, 2019	Year Ended December 30, 2018
Beginning balance	\$ 1,547	\$—
Purchases ⁽¹⁾	—	1,636
Net loss	(249)	(89)
Ending balance	\$ 1,298	\$ 1,547

(1) Refer to Note 2 “Acquisitions”.

Certain assets are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances (for example, when there is evidence of impairment).

For the 2019 acquisitions and 2018 acquisitions, the Company recorded the assets and liabilities under the acquisition method of accounting. Accordingly, the assets acquired and liabilities assumed were recorded at their fair value. Property, plant and equipment was valued using Level 2 inputs, and intangible assets were valued using Level 3 inputs. Refer to Note 2 for discussion of the valuation techniques, significant inputs, assumptions utilized, and the fair value recognized.

Refer to Note 7 for the discussion on the fair value of the Company’s total long-term debt.

(14) Commitments and Contingencies

The Company is and may become involved from time to time in legal proceedings in the ordinary course of its business, including but not limited to with respect to such matters as libel, invasion of privacy, intellectual property infringement, wrongful termination actions and complaints alleging employment discrimination, and regulatory investigations and inquiries. In addition, the Company is involved from time to time in governmental and administrative proceedings concerning employment, labor, environmental and other claims. Insurance coverage mitigates potential loss for certain of these matters. Historically, such claims and proceedings have not had a material adverse effect on the Company’s condensed consolidated results of operations or financial position. Although the Company is unable to predict with certainty the eventual outcome of any litigation, regulatory investigation or inquiry, in the opinion of management, the Company does not expect its current and any threatened legal proceedings to have a material adverse effect on the Company’s business, financial position or consolidated results of operations. Given the inherent unpredictability of these types of proceedings, however, it is possible that future adverse outcomes could have a material effect on the Company’s financial results.

Restricted cash of \$4,054 and \$4,119 at March 31, 2019 and December 30, 2018, respectively, was primarily held as cash collateral for certain business operations.

(15) Subsequent Events

Indebtedness

On April 1, 2019, the Company paid the outstanding balance under the Halifax Alabama Credit Agreement in the amount of \$8,000 with cash on hand.

Dividends

On May 2, 2019, the Company announced a first quarter 2019 cash dividend of \$0.38 per share of Common Stock, par value \$0.01 per share, of New Media. The dividend will be paid on May 22, 2019, to shareholders of record as of the close of business on May 13, 2019.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis of financial condition and results of operations is intended to help the reader understand the results of operations and financial condition of New Media Investment Group Inc. and its subsidiaries ("New Media", "Company", "we", "us" or "our"). The following should be read in conjunction with the unaudited consolidated financial statements and notes thereto included herein, and with Part II, Item 1A, "Risk Factors."

Overview

New Media supports small to mid-size communities by providing locally-focused print and digital content to its consumers, premier marketing and technology solutions for our small and medium businesses partners, and producing world-class events for the media industry and the communities they serve. We have a particular focus on owning and acquiring strong local media assets in small to mid-size markets. With our collection of assets, we focus on two large business categories: consumers and small to medium-sized businesses ("SMBs").

Our current portfolio of media assets spans across 617 markets and 39 states. Our products include 697 community print publications and 617 websites. As of March 31, 2019, we reach over 22 million people per week and serve over 200,000 business customers.

Our mission is to be the local audience and small-business expert in the markets that we operate in. We leverage this local expertise to sell our unique, hyperlocal content to consumers and our market-leading technology solutions to SMBs. There are three key elements of our strategy:

1. We aim to grow our business organically through both our consumer and SMB strategies,
2. We pursue strategic acquisitions of high-quality local media and digital marketing assets at attractive valuation levels, and
3. We intend to distribute a portion of our free cash flow generated from operations or other sources as a dividend to stockholders through a quarterly dividend, subject to satisfactory financial performance, approval by our board of directors (the "Board of Directors" or "Board") and dividend restrictions in the New Media Credit Agreement (as defined below). The Board of Directors' determinations regarding dividends will depend on a variety of factors, including the Company's U.S. generally accepted accounting principles ("GAAP") net income, free cash flow generated from operations or other sources, liquidity position and potential alternative uses of cash, such as acquisitions, as well as economic conditions and expected future financial results.

We believe that our focus on owning and operating leading local-content-oriented media properties in small to mid-size markets puts us in a position to better execute on our strategy. We believe that being the leading provider of local news and information in the markets in which we operate, and distributing that content across multiple print and digital platforms, gives us an opportunity to grow our audiences and reach. Further, we believe our strong local media brands and our market presence give us the opportunity to expand our advertising and lead generation products with local business customers.

For our SMB category, we focus on leveraging our strong local media brands, our in-market sales force and our high consumer penetration rates to offer technology solutions that allow SMBs to operate efficiently and effectively in a digital world. Central to this business strategy is our wholly-owned subsidiary UpCurve, Inc. ("UpCurve"). UpCurve provides two broad categories of services: ThriveHive, previously known as Propel Marketing, which provides guided marketing solutions for SMBs, and UpCurve Cloud which offers cloud-based products with expert guidance and support. ThriveHive is designed to offer a complete set of turn-key guided marketing and business solutions to SMBs that provide transparent results to the business owners. In 2016, we acquired a turn-key proprietary software application that enables SMB owners to run their own digital and guided marketing campaigns, and we have made a number of strategic acquisitions since.

We launched the UpCurve products in 2012 and have seen rapid growth since then. We believe UpCurve, combined with our strong local brands and in-market sales force, is positioned to continue to be a key component to our overall organic growth strategy. UpCurve is well positioned to seize upon the approximately 30.2 million SMBs in the U.S. in 2015 according to the U.S. Small Business Administration. Of these, approximately 29.0 million had 20 employees or fewer.

Many of the owners and managers of these SMBs do not have the resources or expertise to navigate the fast evolving workplace technologies market but are increasingly aware of the need to embrace the digital disruption to their

business model.

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GateHouse Live, our events and promotions business, was started in late 2015 to leverage our local brands to create world-class events in the markets we serve. In 2018, GateHouse Live produced over 350 events with a collective attendance over 400,000. Among our core event offerings are a variety of themed expos focused on target audiences, including men, women, seniors and young families. Other signature event series produced across many of our markets include one of the nation's largest high school sports recognition events and the official community's choice awards for dozens of markets across the country. In 2018, GateHouse Live expanded into endurance events that include a network of over 90 marathons, half marathons, other footraces and obstacle course races across the United States and Canada with over 250,000 attendees annually. GateHouse Live also offers white label event services for retailers and other media companies.

Portfolio Detail

Our core products include:

- 156 daily newspapers with total paid circulation of approximately 1.6 million;
- 328 weekly newspapers (published up to three times per week) with total paid circulation of approximately 310,000 and total free circulation of approximately 2.1 million;
- 136 “shoppers” (generally advertising-only publications) with total circulation of approximately 3.3 million;
- 617 locally-focused websites, which extend our businesses onto the internet and mobile devices with approximately 382 million page views per month;
- 77 business publications;
- UpCurve Cloud and ThriveHive digital marketing; and
- GateHouse Live.

In addition to our core products, we also opportunistically produce niche publications that address specific local market interests such as recreation, sports, healthcare and real estate. Our print and online products focus on the local community from a content, advertising, and digital marketing perspective. As a result of our focus on small and mid-size markets, we are usually the primary, and sometimes, the sole provider of comprehensive local market news and information in the communities we serve. Our content is primarily devoted to topics that we believe are highly relevant and of interest to our audiences such as local news and politics, community and regional events, youth sports, opinion and editorial pages, local schools, obituaries, weddings and police reports.

We believe our local media properties and local sales infrastructure are uniquely positioned to sell digital marketing and business services to local business owners and give us distinct advantages, including:

- our strong and trusted local brands, with 88% of our daily newspapers having published local content for more than 100 years;
- our ability to market through our print and online properties, driving branding and traffic; and
- our more than 1,155 local, direct, in-market sales professionals with long-standing relationships with small businesses in the communities we serve.

We believe the large number of publications we have, our focus on smaller markets, and our geographic diversity also provide the following benefits to our strategy:

- Diversified revenue streams, both in terms of customers and markets;
- Operational efficiencies realized from clustering of business assets;
- Operational efficiencies realized from centralization of back office functions;
- Operational efficiencies realized from improved buying power for key operating cost items through our increased size and scale;
- Ability to provide consistent management practices and ensure best practices; and
- Less competition and high barriers to entry.

The revenues derived from our SMB category come from a variety of print and guided marketing and business solutions products we offer through UpCurve and commercial printing services. Our consumer revenue category comes primarily from

subscription income as consumers pay for our deep, rich local content, both in print and online, however primarily in print today.

Our advertising revenue tends to follow a seasonal pattern, with higher advertising revenue in months containing significant events or holidays. Accordingly, our first quarter and our third quarter, historically, are our weakest revenue quarters of the year. Correspondingly, our second and fourth fiscal quarters, historically, are our strongest quarters. We expect that this seasonality will continue to affect our advertising revenue in future periods.

We have experienced ongoing declines in same store print advertising revenue streams and increased volatility of operating performance, despite our geographic diversity, well-balanced portfolio of products, broad customer base and reliance on smaller markets. We may experience additional declines and volatility in the future. These declines in print advertising revenue have come with the shift from traditional media to the internet for consumers and businesses. We believe our local advertising tends to be less sensitive to economic cycles than national advertising because local businesses generally have fewer advertising channels through which to reach their target audience. We are making investments in digital platforms, such as UpCurve, as well as online and mobile applications, to support our print publications in order to capture this shift as witnessed by our digital advertising and business services revenue growth, which more than doubled between 2013 and 2017, and continues to grow.

Our operating costs consist primarily of labor, newsprint, and delivery costs. Our selling, general and administrative expenses consist primarily of labor costs.

Compensation represents just under 50% of our expenses. Over the last few years, we have worked to drive efficiencies and centralization of work throughout our Company. Additionally, we have taken steps to cluster our operations, thereby increasing the production volume of our facilities and equipment while increasing the productivity of our labor force. We expect to continue to employ these steps as part of our business strategy.

Our reporting units (Newspapers and BridgeTower) are aggregated into one reportable business segment.

Acquisitions

During the three months ended March 31, 2019, we acquired substantially all the assets, properties and business of certain publications/businesses, which included 10 daily newspapers, 11 weekly publications, eight shoppers, a remnant advertising agency, and an events production business, for an aggregate purchase price of \$34.5 million, including estimated working capital.

During 2018, we acquired substantially all the assets, properties, and business of certain publications/businesses, which included seven business publications, eight daily newspapers, 16 weekly newspapers, one shopper, a print facility, an events production business, cloud services and digital platforms and related domains, for an aggregate purchase price of \$205.8 million, including estimated working capital.

Management Agreement

On November 26, 2013, New Media entered into the management agreement (as amended and restated, the "Management Agreement") with FIG LLC (the "Manager"), an affiliate of Fortress Investment Group LLC ("Fortress"), pursuant to which the Manager manages the operations of New Media. We pay the Manager an annual management fee equal to 1.5% of New Media's Total Equity (as defined in the Management Agreement) and the Manager is eligible to receive incentive compensation.

Long-Lived Asset Impairment

During the three months ended March 31, 2019, we ceased operations of three print publications and one print facility as part of the ongoing cost reduction programs. As a result, we recognized an impairment charge related to retired equipment of \$1,207 and a loss on disposal of assets related to retired equipment of \$168 and intangibles of \$444 during the three months ended March 31, 2019. There were no such facility consolidations during the three months ended April 1, 2018.

Industry

The newspaper industry and the Company have experienced declining same store revenue and profitability over the past several years. As a result, we have implemented, and continue to implement, plans to reduce costs and preserve cash flow. We

have also invested in potential growth opportunities, primarily in the digital and business services space. We believe the cost reductions and the new digital and business services initiatives will provide the appropriate capital structure and financial resources necessary to invest in the business and ensure our future success and provide sufficient cash flow to enable us to meet our commitments for the next year.

General economic conditions, including declines in consumer confidence, high unemployment levels in certain local markets, declines in real estate values in certain local markets, and other trends, have also impacted the markets in which we operate. Additionally, media companies continue to be impacted by the migration of consumers and businesses to an internet and mobile-based digital medium. These conditions may continue to negatively impact print advertising and other revenue sources as well as increase operating costs in the future. We expect that we will have adequate capital resources and liquidity to meet our working capital needs, borrowing obligations and all required capital expenditures for at least the next twelve months.

We periodically perform testing for impairment of goodwill and newspaper mastheads in which the fair value of our reporting units for goodwill impairment testing and newspaper mastheads are estimated using the expected present value of future cash flows and recent industry transaction multiples, using estimates, judgments and assumptions, that we believe are appropriate in the circumstances. Should general economic, market or business conditions decline, and have a negative impact on estimates of future cash flow and market transaction multiples, we may be required to record additional impairment charges in the future.

Critical Accounting Policy Disclosure

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires management to make decisions based on estimates, assumptions and factors it considers relevant to the circumstances. Such decisions include the selection of applicable principles and the use of judgment in their application, the results of which could differ from those anticipated.

A summary of our significant accounting policies are described in Note 1, of our consolidated financial statements, "Description of Business, Basis of Presentation, and Summary of Significant Accounting Policies", for the year ended December 30, 2018, included in our Annual Report on Form 10-K.

During the three months ended March 31, 2019, we changed our lease accounting policy in order to adopt Financial Accounting Standards Board (“FASB”) Accounting Standards Update No. 2016-02 (“ASU 2016-02”), “Leases (Topic 842)”. There have been no other material changes in critical accounting policies in the current year from those described in our Annual Report on Form 10-K for the year ended December 30, 2018.

Results of Operations

The following table summarizes our results of operations for the three months ended March 31, 2019 and April 1, 2018:

NEW MEDIA INVESTMENT GROUP INC. AND SUBSIDIARIES**Unaudited Condensed Consolidated Statements of Operations**

(In thousands)

	Three months ended	
	March 31, 2019	April 1, 2018
Revenues:		
Advertising	\$ 178,694	\$ 163,259
Circulation	152,165	129,991
Commercial printing and other	56,740	47,515
Total revenues	387,599	340,765
Operating costs and expenses:		
Operating costs	229,495	196,389
Selling, general, and administrative	131,508	118,819
Depreciation and amortization	20,923	19,247
Integration and reorganization costs	4,112	2,430
Impairment of long-lived assets	1,207	—
Net loss (gain) on sale or disposal of assets	1,789	(3,171)
Operating (loss) income	(1,435)	7,051
Interest expense	10,134	8,352
Other income	(260)	(520)
Loss before income taxes	(11,309)	(781)
Income tax benefit	(1,954)	(116)
Net loss	\$(9,355)	\$(665)

Three Months Ended March 31, 2019 Compared To Three Months Ended April 1, 2018

Revenue. Total revenue for the three months ended March 31, 2019 increased by \$46.8 million, or 13.7%, to \$387.6 million from \$340.6 million for the three months ended April 1, 2018. The increase in total revenue was comprised of a \$15.4 million, or 9.5%, increase in advertising revenue, a \$22.2 million, or 17.1%, increase in circulation revenue, and a \$9.2 million, or 19.4%, increase in commercial printing and other revenue.

Revenues increased primarily due to acquisitions. The advertising revenue increase from acquisitions was partially offset by declines driven by reductions in the local retail, classified, and preprint categories due to secular pressures and a continuing difficult retail environment. These secular trends and economic conditions have also led to a decline in our print circulation volumes that have largely been offset by price increases and distribution of premium editions in select locations. The majority of the remaining increase in commercial printing and other revenue is due to digital marketing services, events revenue, and new commercial print and distribution contracts.

Operating Costs. Operating costs for the three months ended March 31, 2019 increased by \$33.1 million, or 16.9%, to \$229.5 million from \$196.4 million for the three months ended April 1, 2018. The increase includes operating costs from acquisitions of \$42.0 million, an increase in outside services of \$1.7 million and a \$0.8 million increase in newsprint and ink due primarily to price increases offset by lower production volumes. These increases were partially offset by declines in operating costs related to the remaining operations, which was primarily due to a decrease in compensation of \$6.7 million, a decrease in hauling and delivery of \$2.5 million, a decrease in supplies of \$0.5 million and a decrease in news and editorial of \$0.5 million. There were no other increases or decreases greater than \$0.5 million.

Selling, General and Administrative. Selling, general and administrative expenses for the three months ended March 31, 2019 increased by \$12.7 million, or 10.7%, to \$131.5 million from \$118.8 million for the three months ended April 1, 2018.

The increase includes selling, general and administrative expenses from acquisitions of \$20.1 million, which was partially offset by a \$2.5 million decrease in compensation, a \$0.9 million decrease in web hosting and domain expenses, a \$0.8 million decrease in bad debt expense, a decrease of \$0.5 million in property tax expense and a \$0.5 million decrease in outside services. There were no other increases or decreases greater than \$0.5 million.

Integration and Reorganization Costs. During the three month periods ended March 31, 2019 and April 1, 2018, we recorded integration and reorganization costs of \$4.1 million and \$2.4 million, respectively, primarily resulting from severance costs related to acquisition-related synergies and the continued consolidation of our operations resulting from ongoing implementation of our plans to reduce costs and preserve cash flow.

Impairment of Long-lived Assets. During the three months ended March 31, 2019, we recorded a \$1.2 million impairment of long-lived assets due to the cessation of operations at one of our printing facilities during the three months ended March 31, 2019. No such charge was recorded during the three months ended April 1, 2018.

Interest Expense. Interest expense for the three months ended March 31, 2019 increased by \$1.8 million to \$10.1 million from \$8.3 million for the three months ended April 1, 2018, which primarily relates to an increase in our total outstanding debt and increased interest rates.

Income Tax Benefit. During the three months ended March 31, 2019 and April 1, 2018, we recorded an income tax benefit of \$2.0 million and \$0.1 million, respectively. The increased income tax benefit is primarily attributable to the higher loss reflected for the three months ended March 31, 2019.

Net Loss. Net loss for the three months ended March 31, 2019 and April 1, 2018 was \$9.4 million and \$0.7 million, respectively. The difference is related to the factors noted above.

Liquidity and Capital Resources

Our primary cash requirements are for working capital, debt obligations and capital expenditures. We have no material outstanding commitments for capital expenditures. We expect our 2019 capital expenditures to total between \$15 million and \$17 million. The 2019 capital expenditures will be primarily comprised of projects related to the consolidation of print operations and system upgrades. For more information on our long term debt and debt service obligations, see Note 7 to the unaudited condensed consolidated financial statements, "Indebtedness". Our principal sources of funds have historically been, and are expected to continue to be, cash provided by operating activities.

We expect to fund our operations through cash provided by operating activities, the incurrence of debt or the issuance of additional equity securities. We expect that we will have adequate capital resources and liquidity to meet our working capital needs, borrowing obligations and all required capital expenditures for at least the next twelve months. Our leverage may adversely affect our business and financial performance and restricts our operating flexibility. The level of our indebtedness and our on-going cash flow requirements may expose us to a risk that a substantial decrease in operating cash flows due to, among other things, continued or additional adverse economic developments or adverse developments in our business, could make it difficult for us to meet the financial and operating covenants contained in our credit facilities. In addition, our leverage may limit cash flow available for general corporate purposes such as capital expenditures and our flexibility to react to competitive, technological and other changes in our industry and economic conditions generally.

Dividends

On May 2, 2019, we announced a first quarter 2019 cash dividend of \$0.38 per share of Common Stock, par value \$0.01 per share, of New Media. The dividend will be paid on May 22, 2019, to shareholders of record as of the close of business on May 13, 2019.

On February 27, 2019, we announced a fourth quarter 2018 cash dividend of \$0.38 per share of Common Stock, par value \$0.01 per share, of New Media. The dividend was paid on March 20, 2019, to shareholders of record as of the close of business on March 11, 2019.

On October 31, 2018, we announced a third quarter 2018 cash dividend of \$0.38 per share of Common Stock, par value \$0.01 per share, of New Media. The dividend was paid on November 20, 2018, to shareholders of record as of the close of business on November 12, 2018.

On August 2, 2018, we announced a second quarter 2018 cash dividend of \$0.37 per share of Common Stock, par value \$0.01 per share, of New Media. The dividend was paid on August 21, 2018, to shareholders of record as of the close of business on August 13, 2018.

On May 3, 2018, we announced a first quarter 2018 cash dividend of \$0.37 per share of Common Stock, par value \$0.01 per share, of New Media. The dividend was paid on May 16, 2018, to shareholders of record as of the close of business on May 14, 2018.

On February 28, 2018, we announced a fourth quarter 2017 cash dividend of \$0.37 per share of Common Stock, par value \$0.01 per share, of New Media. The dividend was paid on March 22, 2018, to shareholders of record as of the close of business on March 14, 2018.

New Media Credit Agreement

The Company, through its wholly-owned subsidiary New Media Holdings II LLC (the “New Media Borrower”) maintains secured credit facilities (the “Credit Facilities”) under an agreement (the “New Media Credit Agreement”) with a syndication of lenders, including a term loan facility and a revolving credit facility. The term loan facility expires on July 14, 2022 and the revolving credit facility expires on July 14, 2021. Maximum borrowings under the revolving credit facility, including letters of credit, total \$40.0 million.

As of March 31, 2019, there were outstanding borrowings against the term loan facility and revolving credit facility totaling \$435.1 million and \$8.0 million, respectively. As of December 30, 2018, there were outstanding borrowings against the term loan facility and revolving credit facility totaling \$437.3 million and \$0, respectively. As of March 31, 2019, there were \$0.5 million letters of credit issued against the revolving credit facility. As of March 31, 2019, the Company had \$31.5 million of borrowing availability under the revolving credit facility.

The New Media Credit Agreement contains customary representations and warranties and affirmative covenants and negative covenants applicable to Holdings I, the New Media Borrower and the New Media Borrower’s subsidiaries, including, among other things, restrictions on indebtedness, liens, investments, fundamental changes, dispositions, dividends and other distributions, and events of default. The New Media Credit Agreement contains a financial covenant that requires Holdings I, the New Media Borrower and the New Media Borrower’s subsidiaries to maintain a maximum total leverage ratio of 3.25 to 1.00. As of March 31, 2019, we are in compliance with all of the covenants and obligations under the New Media Credit Agreement.

Refer to Note 7 to the unaudited condensed consolidated financial statements, “Indebtedness,” and to “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources,” in our Annual Report on Form 10-K for the fiscal year ended December 30, 2018, for further discussion of the New Media Credit Agreement.

Halifax Alabama Credit Agreement

In connection with the purchase of the assets of Halifax Media in 2015, the Company assumed obligations of Halifax Media including the amount owing (\$8.0 million at that time) under the credit agreement dated June 18, 2013 between Halifax Alabama, LLC and Southeast Community Development Fund V, L.L.C. (the “Halifax Alabama Credit Agreement”).

As of March 31, 2019 and December 30, 2018, the debt outstanding under the Halifax Alabama Credit Agreement had a principal amount of \$8.0 million, bore interest at an annual rate of 2%, and had a maturity date of March 31, 2019. As of March 31, 2019, we were in compliance with all of the covenants and obligations under the Halifax Alabama Credit Agreement. The amount outstanding was repaid in full on April 1, 2019.

Refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources,” in our Annual Report on Form 10-K for the fiscal year ended December 30, 2018, for further discussion of the Halifax Alabama Credit Agreement.

Cash Flows

The following table summarizes our historical cash flows.

	Three months ended March 31, 2019	Three months ended April 1, 2018
Cash provided by operating activities	\$31,742	\$18,663
Cash used in investing activities	(37,730)	(22,131)
Cash (used in) provided by financing activities	(18,131)	27,438

Cash Flows from Operating Activities. Our largest source of cash provided by our operations is advertising revenues primarily generated from local advertising (local retail, local classified and online). Additionally, we generate cash through national advertising sales, circulation subscriptions, commercial printing services to third parties, digital marketing and business services through UpCurve and event revenue through GateHouse Live.

Our primary uses of cash in our operating activities include personnel costs, newsprint, delivery, and outside services. Net cash provided by operating activities increased from 2018 to 2019 primarily due to cash flows from publications acquired since the first quarter of 2018.

Cash Flows from Investing Activities. Net cash used in investing activities for the three months ended March 31, 2019 was \$37.7 million. During the three months ended March 31, 2019, we used \$38.0 million, net of cash acquired, for acquisitions and \$2.2 million for capital expenditures, which was partially offset by \$2.5 million we received from the sale of publications, real estate and other assets.

Net cash used in investing activities for the three months ended April 1, 2018 was \$22.1 million. During the three months ended April 1, 2018, we used \$29.4 million, net of cash acquired, for acquisitions and \$1.9 million for capital expenditures, which was partially offset by \$9.2 million we received from the sale of real estate and other assets.

Cash Flows from Financing Activities. Net cash used in financing activities for the three months ended March 31, 2019 was \$18.1 million and was primarily comprised of the payment of dividends of \$23.2 million, term loan repayments of \$2.2 million, and a \$0.7 million purchase of treasury stock, which was partially offset by net borrowings under the revolving credit facility of \$8.0 million.

Net cash provided by financing activities for the three months ended April 1, 2018 was \$27.4 million and was primarily comprised of borrowings under term loans of \$49.8 million, which was partially offset by the payment of dividends of \$20.0 million, repayments under term loans of \$1.0 million, a \$0.7 million purchase of treasury stock, and payment of debt issuance costs of \$0.5 million.

Changes in Financial Position

The discussion that follows highlights significant changes in our financial position and working capital from December 30, 2018 to March 31, 2019.

Accounts Receivable. Accounts receivable decreased \$21.1 million, which primarily relates to seasonality and the timing of cash collections, which was partially offset by accounts receivable acquired in business acquisitions in the three months ended March 31, 2019.

Prepaid Expenses. Prepaid expenses increased \$6.2 million, which primarily relates to the timing of payments and assets acquired in the three month period ending March 31, 2019.

Property, Plant, and Equipment. Property, plant, and equipment increased \$8.2 million, of which \$19.6 million relates to business acquisitions in 2019 and \$2.2 million spent on capital expenditures, partially offset by \$11.5 million of depreciation. The change also results from \$1.2 million of assets sold or disposed of during the first three months of 2019 and an impairment charge of \$1.2 million.

Operating Lease Right-of-Use Assets. Operating lease right -of-use assets increased \$102.6 million due to the adoption of new leasing guidance under FASB ASU 2016-02, "Leases (Topic 842)".

Goodwill. Goodwill increased \$5.5 million due to businesses acquired in 2019.

Intangible Assets. Other assets decreased \$1.0 million due to amortization, partially offset by the intangibles we acquired in our business acquisitions during the three months ended March 31, 2019.

Current Portion of Operating Lease Liabilities. Current portion of operating lease liabilities increased \$13.4 million due to the adoption of new leasing guidance under FASB ASU 2016-02, "Leases (Topic 842)".

Accounts Payable. Accounts payable increased \$11.6 million due to the timing of vendor payments and the effect of increased volume resulting from our 2019 business acquisitions.

Accrued Expenses. Accrued expenses decreased \$23.4 million, which primarily relates to a decrease in the accrual for all management agreement related fees of \$8.0 million, a \$10.2 million decrease in accrued compensation, a \$4.5 million decrease in the accrued acquisition liability due to working capital settlements, a \$3.0 million decrease in accrued interest, and a \$1.2 million decrease in accrued taxes, partially offset by a \$2.8 million increase in accrued accounts payable, a \$0.7 million increase in accrued restructuring, and a \$0.6 million increase in accrued insurance.

Deferred Revenue. Deferred revenue increased \$11.3 million, primarily due to acquisitions during the three months ended March 31, 2019 and timing of events.

Long-term Debt. Long-term debt increased \$7.2 million, primarily due to net borrowings under the revolving credit facility of \$8.0 million and \$0.3 million non-cash interest expense, partially offset a \$2.2 million repayment of term loans and a reclassification of long-term debt to current portion of long-term debt of \$1.2 million.

Long-term Operating Lease Liabilities. Long-term operating lease liabilities increased \$96.2 million due to the adoption of new leasing guidance under FASB ASU 2016-02, "Leases (Topic 842)".

Other Long-term Liabilities. Other long-term liabilities decreased \$6.0 million, primarily due to a reclassification of accrued lease liabilities due to the adoption of new leasing guidance under FASB ASU 2016-02, "Leases (Topic 842)".

Additional Paid-in Capital. Additional paid-in capital decreased \$21.8 million, which resulted primarily from dividends of \$23.0 million, partially offset by non-cash compensation expense of \$1.1 million.

Accumulated Deficit. Accumulated deficit increased \$9.0 million, primarily due to the net loss attributable to New Media.

Summary Disclosure About Contractual Obligations and Commercial Commitments

There have been no significant changes to our contractual obligations previously reported in our Annual Report on Form 10-K for the year ended December 30, 2018.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements reasonably likely to have a current or future effect on our financial statements.

Contractual Commitments

There were no material changes made to our contractual commitments during the period from December 30, 2018 to March 31, 2019.

Non-GAAP Financial Measures

A non-GAAP financial measure is generally defined as one that purports to measure historical or future financial performance, financial position or cash flows, but excludes or includes amounts that would not be so adjusted in the most comparable GAAP measure. We define and use Adjusted EBITDA, a non-GAAP financial measure, as set forth below.

Adjusted EBITDA

We define Adjusted EBITDA as follows:

Income (loss) from continuing operations *before*:

- income tax expense (benefit);
- interest/financing expense;
- depreciation and amortization; and
- non-cash impairments.

Management's Use of Adjusted EBITDA

Adjusted EBITDA is not a measurement of financial performance under GAAP and should not be considered in isolation or as an alternative to income from operations, net (loss) income, cash flow from continuing operating activities or any other measure of performance or liquidity derived in accordance with GAAP. We believe this non-GAAP measure, as we have defined it, is helpful in identifying trends in our day-to-day performance because the items excluded have little or no significance on our day-to-day operations. This measure provides an assessment of controllable expenses and affords management the ability to make decisions which are expected to facilitate meeting current financial goals as well as achieve optimal financial performance.

Adjusted EBITDA provides us with a measure of financial performance, independent of items that are beyond the control of management in the short-term, such as depreciation and amortization, taxation, non-cash impairments and interest expense associated with our capital structure. This metric measures our financial performance based on operational factors that management can impact in the short-term, namely the cost structure or expenses of the organization. Adjusted EBITDA is one of the metrics we use to review the financial performance of our business on a monthly basis.

Limitations of Adjusted EBITDA

Adjusted EBITDA has limitations as an analytical tool. It should not be viewed in isolation or as a substitute for GAAP measures of earnings or cash flows. Material limitations in making the adjustments to our earnings to calculate Adjusted EBITDA and using this non-GAAP financial measure as compared to GAAP net (loss) income, include: the cash portion of interest/financing expense, income tax (benefit) provision and charges related to impairment of long-lived assets, which may significantly affect our financial results.

A reader of our financial statements may find this item important in evaluating our performance, results of operations and financial position. We use non-GAAP financial measures to supplement our GAAP results in order to provide a more complete understanding of the factors and trends affecting our business.

Adjusted EBITDA is not an alternative to net income, income from operations or cash flows provided by or used in operations as calculated and presented in accordance with GAAP. Readers of our financial statements should not rely on Adjusted EBITDA as a substitute for any such GAAP financial measure. We strongly urge readers of our financial statements to review the reconciliation of (loss) income from continuing operations to Adjusted EBITDA, along with our consolidated financial statements included elsewhere in this report. We also strongly urge readers of our financial statements to not rely on any single financial measure to evaluate our business. In addition, because Adjusted EBITDA is not a measure of financial performance under GAAP and is susceptible to varying calculations, the Adjusted EBITDA measure, as presented in this report, may differ from and may not be comparable to similarly titled measures used by other companies.

We use Adjusted EBITDA as a measure of our day-to-day operating performance, which is evidenced by the publishing and delivery of news and other media and excludes certain expenses that may not be indicative of our day-to-day business operating results. We consider the unrealized (gain) loss on derivative instruments and the (gain) loss on early extinguishment of debt to be financing related costs associated with interest expense or amortization of financing fees. Accordingly, we exclude financing related costs such as the early extinguishment of debt because they represent the write-off of deferred financing costs and we believe these non-cash write-offs are similar to interest expense and amortization of financing fees, which by definition are excluded from Adjusted EBITDA. Additionally, the non-cash gains (losses) on derivative contracts, which are related to interest rate swap agreements to manage interest rate risk, are financing costs associated with interest expense. Such charges are incidental to, but not reflective of, our day-to-day operating performance and it is appropriate to exclude charges related to financing activities such as

the early extinguishment of debt and the unrealized (gain) loss on derivative instruments which,

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depending on the nature of the financing arrangement, would have otherwise been amortized over the period of the related agreement and does not require a current cash settlement. Such charges are incidental to, but not reflective of our day-to-day operating performance of the business that management can impact in the short term.

The table below shows the reconciliation of net loss to Adjusted EBITDA for the periods presented:

	Three months ended	
	March 31, 2019	April 1, 2018
	(in thousands)	
Net loss	\$(9,355)	\$(665)
Income tax benefit	(1,954)	(116)
Interest expense	10,134	8,352
Impairment of long-lived assets	1,207	—
Depreciation and amortization	20,923	19,247
Adjusted EBITDA	\$20,955 ^(a)	\$26,818 ^(b)

Adjusted EBITDA for the three months ended March 31, 2019 included net expenses of \$12,102, related to (a) transaction and project costs, non-cash compensation, and other expense of \$6,201, integration and reorganization costs of \$4,112 and a \$1,789 loss on the sale or disposal of assets.

Adjusted EBITDA for the three months ended April 1, 2018 included net expenses of \$5,709, related to transaction (b) and project costs, non-cash compensation, and other expense of \$6,450, integration and reorganization costs of \$2,430 and an \$3,171 gain on the sale or disposal of assets.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

During the three month period ended March 31, 2019, there were no material changes to the quantitative and qualitative disclosures about market risk that were presented in Item 7A of our Annual Report on Form 10-K for the year ended December 30, 2018.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer (principal executive officer) and interim Chief Financial Officer (interim principal financial officer), has evaluated the effectiveness of our disclosure controls and procedures (as is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act of 1934, as amended), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our Chief Executive Officer and interim Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective.

Changes in Internal Control

Beginning December 31, 2018, we implemented the updated guidance on lease accounting. In connection with the adoption of this standard, we implemented changes to our disclosure controls, procedures related to lease accounting as well as the associated control activities within. These included the implementation of lease management and accounting software, development of new policies based on the updated guidance, ongoing contract review requirements and gathering of information provided for disclosures.

Other than the updates described above, there has not been any change in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) during the fiscal quarter to which this Quarterly Report on Form 10-Q relates that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. — OTHER INFORMATION

Item 1. Legal Proceedings

There have been no material changes to the legal proceedings previously disclosed under “Legal Proceedings” included in our Annual Report on Form 10-K filed with the SEC on February 27, 2019.

Item 1A. Risk Factors

You should carefully consider the following risks and other information in this Quarterly Report on Form 10-Q in evaluating us and our common stock. Any of the following risks could materially and adversely affect our results of operations or financial condition. The risk factors generally have been separated into the following groups: Risks Related to Our Business, Risks Related to Our Manager, and Risks Related to Our Common Stock.

Risks Related to Our Business

We depend to a great extent on the economies and the demographics of the local communities that we serve, and we are also susceptible to general economic downturns, which have had, and could continue to have, a material and adverse impact on our advertising and circulation revenues and on our profitability.

Our advertising revenues and, to a lesser extent, circulation revenues, depend upon a variety of factors specific to the communities that our publications serve. These factors include, among others, the size and demographic characteristics of the local population, local economic conditions in general and the economic condition of the retail segments of the communities that our publications serve. If the local economy, population or prevailing retail environment of a community we serve experiences a downturn, our publications, revenues and profitability in that market could be adversely affected. Our advertising revenues are also susceptible to negative trends in the general economy that affect consumer spending. The advertisers in our newspapers and other publications and related websites are primarily retail businesses that can be significantly affected by regional or national economic downturns and other developments. For example, many traditional retail companies continue to face greater competition from online retailers and face uncertainty in their businesses, which has reduced and may continue to reduce their advertising spending. Declines in the U.S. economy could also significantly affect key advertising revenue categories, such as help wanted, real estate and automotive.

Uncertainty and adverse changes in the general economic conditions of markets in which we participate may negatively affect our business.

Current and future conditions in the economy have an inherent degree of uncertainty. As a result, it is difficult to estimate the level of growth or contraction for the economy as a whole. It is even more difficult to estimate growth or contraction in various parts, sectors and regions of the economy, including the markets in which we participate. Adverse changes may occur as a result of weak global economic conditions, declining oil prices, wavering consumer confidence, unemployment, declines in stock markets, contraction of credit availability, declines in real estate values, natural disasters, or other factors affecting economic conditions in general. These changes may negatively affect the sales of our products, increase exposure to losses from bad debts, increase the cost and decrease the availability of financing, or increase costs associated with publishing and distributing our publications.

Our ability to generate revenues is correlated with the economic conditions of three geographic regions of the United States.

Our Company primarily generates revenue in three geographic regions: the Northeast, the Midwest, and the Southeast. During the three months ended March 31, 2019, approximately 32% of our total revenues were generated in four states in the Northeast: Massachusetts, Pennsylvania, New York, and Rhode Island. During the same period, approximately 27% of our total revenues were generated in four states in the Midwest: Ohio, Nebraska, Illinois, and Oklahoma. Also during the same period, approximately 26% of our total revenues were generated in two states in the Southeast: Florida and North Carolina. As a result of this geographic concentration, our financial results, including advertising and circulation revenue, depend largely upon economic conditions in these principal market areas.

Accordingly, adverse economic developments within these three regions in particular could significantly affect our consolidated operations and financial results.

Our indebtedness and any future indebtedness may limit our financial and operating activities and our ability to incur additional debt to fund future needs or dividends.

We maintain secured credit facilities under a credit agreement with a syndication of lenders, including a term loan facility and a revolving credit facility. The term loan facility expires on July 14, 2022 and the revolving credit facility expires on July 14, 2021. Maximum borrowings under the revolving credit facility, including letters of credit, total \$40 million. As of March 31, 2019, there were outstanding borrowings against the term loan facility and revolving credit facility totaling \$435.1 million and \$8.0 million, respectively. As of March 31, 2019, there were \$0.5 million letters of credit issued against the revolving credit facility. As of March 31, 2019, the Company had \$31.5 million of borrowing availability under the revolving credit facility.

In addition, as of March 31, 2019, we had an outstanding balance under our Halifax Alabama Credit Agreement in the amount of \$8.0 million, which balance was repaid in full on April 1, 2019.

Our indebtedness and any future indebtedness we incur could:

require us to dedicate a portion of cash flow from operations to the payment of principal and interest on indebtedness, including indebtedness we may incur in the future, thereby reducing the funds available for other purposes, including dividends or other distributions;

subject us to increased sensitivity to increases in prevailing interest rates;

place us at a competitive disadvantage to competitors with relatively less debt in economic downturns, adverse industry conditions or catastrophic external events; or

reduce our flexibility in planning for or responding to changing business, industry and economic conditions.

In addition, our indebtedness could limit our ability to obtain additional financing on acceptable terms or at all to fund future acquisitions, working capital, capital expenditures, debt service requirements, general corporate and other purposes, which would have a material effect on our business and financial condition. Our liquidity needs could vary significantly and may be affected by general economic conditions, industry trends, performance and many other factors not within our control.

Discontinuation, reform or replacement of LIBOR, or uncertainty related to the potential for any of the foregoing, may adversely affect us

The U.K. Financial Conduct Authority announced in 2017 that LIBOR could be effectively discontinued after 2021. In addition, other regulators have suggested reforming or replacing other benchmark rates. The discontinuation, reform or replacement of LIBOR or any other benchmark rates may have an unpredictable impact on contractual mechanics in the credit markets or cause disruption to the broader financial markets. Uncertainty as to the nature of such potential discontinuation, reform or replacement may negatively impact the volatility of LIBOR rates.

Under our existing Term Loans, if LIBOR becomes unavailable or if LIBOR ceases to accurately reflect the costs to the lenders, we may be required to pay interest under an alternative base rate which could cause the amount of interest payable on the Term Loans to be materially different than expected. We may choose in the future to pursue an amendment to our existing Term Loans to provide for a transition mechanism or other reference rate in anticipation of LIBOR's discontinuation, but we can give no assurance that we will be able to reach agreement with our lenders on any such amendment.

The New Media Credit Agreement contains covenants that restrict our operations and may inhibit our ability to grow our business, increase revenues and pay dividends to our stockholders.

The New Media Credit Agreement contains various restrictions, covenants and representations and warranties. If we fail to comply with any of these covenants or breach these representations or warranties in any material respect, such noncompliance would constitute a default under the New Media Credit Agreement (subject to applicable cure periods), and the lenders could elect to declare all amounts outstanding under the agreements related thereto to be immediately due and payable and enforce their respective interests against collateral pledged under such agreements. The covenants and restrictions in the New Media Credit Agreement generally restrict our ability to, among other things:

incur or guarantee additional debt;

make certain investments, loans or acquisitions;

- transfer or sell assets;
- make distributions on capital stock or redeem or repurchase capital stock;
- create or incur liens;
- enter into transactions with affiliates;
- consolidate, merge or sell all or substantially all of our assets; and
- create restrictions on the payment of dividends or other amounts to us from our restricted subsidiaries.

The restrictions described above may interfere with our ability to obtain new or additional financing or may affect the manner in which we structure such new or additional financing or engage in other business activities, which may significantly limit or harm our results of operations, financial condition and liquidity. A default under the New Media Credit Agreement could also significantly limit our alternatives to refinance the debt under which the default occurred. This limitation may significantly restrict our financing options during times of either market distress or our financial distress, which are precisely the times when having financing options is most important.

We may not generate a sufficient amount of cash or generate sufficient funds from operations to fund our operations or repay our indebtedness.

Our ability to make payments on our indebtedness as required depends on our ability to generate cash flow from operations in the future. This ability, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

If we do not generate sufficient cash flow from operations to satisfy our debt obligations, including interest payments and the payment of principal at maturity, we may have to undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital.

We cannot provide assurance that any refinancing would be possible, that any assets could be sold, or, if sold, of the timeliness and amount of proceeds realized from those sales, that additional financing could be obtained on acceptable terms, if at all, or that additional financing would be permitted under the terms of our various debt instruments then in effect. Furthermore, our ability to refinance would depend upon the condition of the finance and credit markets. Our inability to generate sufficient cash flow to satisfy our debt obligations, or to refinance our obligations on commercially reasonable terms or on a timely basis, would materially affect our business, financial condition and results of operations.

We may not be able to pay dividends in accordance with our announced intent or at all.

We have announced our intent to distribute a portion of our free cash flow generated from operations or other sources as a dividend to our stockholders, through a quarterly dividend, subject to satisfactory financial performance, approval by our Board of Directors and dividend restrictions in the New Media Credit Agreement. The Board of Directors' determinations regarding dividends will depend on a variety of factors, including the Company's GAAP net income, free cash flow generated from operations or other sources, liquidity position and potential alternative uses of cash, such as acquisitions, as well as economic conditions and expected future financial results. Although we recently paid a fourth quarter 2018 cash dividend of \$0.38 per share of Common Stock and have paid regularly quarterly dividends since the third quarter of 2014, there can be no guarantee that we will continue to pay dividends in the future or that this recent dividend is representative of the amount of any future dividends. Our ability to declare future dividends will depend on our future financial performance, which in turn depends on the successful implementation of our strategy and on financial, competitive, regulatory, technical and other factors, general economic conditions, demand and selling prices for our products and other factors specific to our industry or specific projects, many of which are beyond our control. Therefore, our ability to generate free cash flow depends on the performance of our operations and could be limited by decreases in our profitability or increases in costs, capital expenditures or debt servicing requirements.

We may acquire additional companies with declining cash flow as part of a strategy aimed at stabilizing cash flow through expense reduction and digital expansion. If our strategy is not successful, we may not be able to pay dividends.

We are also dependent on our subsidiaries being able to pay dividends. Our subsidiaries are subject to restrictions on the ability to pay dividends under the various instruments governing their indebtedness. If our subsidiaries incur additional debt or losses, such additional indebtedness or loss may further impair their ability to pay dividends or

make other distributions to us. In addition, the ability of our subsidiaries to declare and pay dividends to us will also be dependent on their cash income and

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cash available and may be restricted under applicable law or regulation. Under Delaware law, approval of the board of directors is required to approve any dividend, which may only be paid out of surplus or net profit for the applicable fiscal year. As a result, we may not be able to pay dividends in accordance with our announced intent or at all.

We have invested in growing our digital business, including UpCurve and including through strategic acquisitions, but such investments may not be successful, which could adversely affect our results of operations.

We continue to evaluate our business and how we intend to grow our digital business. Internal resources and effort are put towards this business and acquisitions are sought to expand this business. In addition, key partnerships have been entered into to assist with our digital business, including UpCurve. We continue to believe that our digital businesses, including UpCurve, offer opportunities for revenue growth to support and, in some cases, offset the revenue trends we have seen in our print business. There can be no assurances that the partnerships we have entered into, the acquisitions we have completed or the internal strategy being employed will result in generating or increasing digital revenues in amounts necessary to stabilize or offset trends in print revenues. In addition, we have a limited history of operations in this area and there can be no assurances that past performance will be indicative of future performance or future trends or that the demand trends for online advertising and services experienced in recent periods will continue. If our digital strategy, including with regard to UpCurve, is not as successful as we anticipate, our financial condition, results of operations and ability to pay dividends could be adversely affected.

Acquisitions have formed a significant part of our growth strategy in the past and are expected to continue to do so. If we are unable to identify suitable acquisition candidates or successfully integrate the businesses we acquire, our growth strategy may not succeed. Acquisitions involve numerous risks, including risks related to integration, and these risks could adversely affect our business, financial condition and results of operations.

Our business strategy relies on acquisitions. We expect to derive a significant portion of our growth by acquiring businesses and integrating those businesses into our existing operations. We continue to seek acquisition opportunities; however, we may not be successful in identifying acquisition opportunities, assessing the value, strengths and weaknesses of these opportunities or consummating acquisitions on acceptable terms. Furthermore, suitable acquisition opportunities may not even be made available or known to us. In addition, valuations of potential acquisitions may rise materially, making it economically unfeasible to complete identified acquisitions.

Additionally, our ability to realize the anticipated benefits of the synergies between New Media and our recent or potential future acquisitions of assets or companies will depend, in part, on our ability to appropriately integrate the business of New Media and the businesses of other such acquired companies. The process of acquiring assets or companies may disrupt our business and may not result in the full benefits expected. The risks associated with integrating the operations of New Media and recent and potential future acquisitions include, among others:

- uncoordinated market functions;
- unanticipated issues in integrating the operations and personnel of the acquired businesses;
- the incurrence of indebtedness and the assumption of liabilities;
- the incurrence of significant additional capital expenditures, transaction and operating expenses and non-recurring acquisition-related charges;
- unanticipated adverse impact on our earnings from the amortization or write-off of acquired goodwill and other intangible assets;
- cultural challenges associated with integrating acquired businesses with the operations of New Media;
- not retaining key employees, vendors, service providers, readers and customers of the acquired businesses; and
- the diversion of management's attention from ongoing business concerns.

If we are unable to successfully implement our acquisition strategy or address the risks associated with integrating the operations of New Media and past acquisitions or potential future acquisitions, or if we encounter unforeseen expenses, difficulties, complications or delays frequently encountered in connection with the integration of acquired entities and the expansion of operations, our growth and ability to compete may be impaired, we may fail to achieve acquisition synergies and we may be required to focus resources on integration of operations rather than other profitable areas. Moreover, the success of

any acquisition will depend upon our ability to effectively integrate the acquired assets or businesses. The acquired assets or businesses may not contribute to our revenues or earnings to any material extent, and cost savings and synergies we expect at the time of an acquisition may not be realized once the acquisition has been completed. Furthermore, if we incur indebtedness to finance an acquisition, the acquired business may not be able to generate sufficient cash flow to service that indebtedness. Unsuitable or unsuccessful acquisitions could adversely affect our business, financial condition, results of operations, cash flow and ability to pay dividends.

If we are unable to retain and grow our digital audience and advertiser base, our digital business will be adversely affected.

Given the ever-growing and rapidly changing number of digital media options available, we may not be able to increase our online traffic sufficiently and retain or grow a base of frequent visitors to our websites and applications on mobile devices.

We have experienced declines in advertising revenue due in part to advertisers' shift from print to digital media, and we may not be able to create sufficient advertiser interest in our digital businesses to maintain or increase the advertising rates of the inventory on our websites. There can be no assurances that past performance will be indicative of future performance or future trends or that the demand trends for digital advertising and services experienced in recent periods will continue.

In addition, the ever-growing and rapidly changing number of digital media options available may lead to technologies and alternatives that we are not able to offer or about which we are not able to advise. Such circumstances could directly and adversely affect the availability, applicability, marketability and profitability of the suite of SMB services and the private ad exchange we offer as a significant part of our digital business. Specifically, news aggregation websites and customized news feeds (often free to users) may reduce our traffic levels by driving interaction away from our websites or our digital applications. If traffic levels stagnate or decline, we may not be able to create sufficient advertiser interest in our digital businesses or to maintain or increase the advertising rates of the inventory on our digital platforms. We may also be adversely affected if the use of technology developed to block the display of advertising on websites proliferates.

Technological developments and any changes we make to our business strategy may require significant capital investments. Such investments may be restricted by our current or future credit facilities.

If there is a significant increase in the price of newsprint or a reduction in the availability of newsprint, our results of operations and financial condition may suffer.

A basic raw material for our publications is newsprint. We generally maintain a 45 to 55-day inventory of newsprint. An inability to obtain an adequate supply of newsprint at a favorable price or at all could have a material adverse effect on our ability to produce our publications. Historically, the price of newsprint has been volatile, reaching a high of approximately \$823 per metric ton in 2008 and experiencing a low of almost \$410 per metric ton in 2002. The average price of newsprint during 2018 was approximately \$728 per metric ton. Recent and future consolidation of major newsprint suppliers may adversely affect price competition among suppliers. Tariffs, duties and other restrictions on non-U.S. suppliers of newsprint have increased and may in the future increase the price of newsprint and/or limit the supply of available newsprint. Significant increases in newsprint costs for properties and periods not covered by our newsprint vendor agreement could have a material adverse effect on our financial condition and results of operations.

We have experienced declines in advertising revenue, and further declines, which could adversely affect our results of operations and financial condition, may occur.

Excluding acquisitions, we have experienced declines in advertising revenue, notably, in traditional print advertising, due in part to advertisers' shift from print to digital media. We continue to search for organic growth opportunities, including in our digital advertising business, and for ways to stabilize print revenue declines through new product launches and pricing. However, there can be no assurance that our advertising revenue will not continue to decline. In addition, the range of advertising choices across digital products and platforms and the large inventory of available digital advertising space have historically resulted in significantly lower rates for digital advertising than for print advertising. Consequently, our digital advertising revenue may not be able to replace print advertising revenue lost as a result of the shift to digital consumption. Further declines in advertising revenue could adversely affect our results of

operations and financial condition.

We compete with a large number of companies in the local media industry; if we are unable to compete effectively, our advertising and circulation revenues may decline.

Our business is concentrated in newspapers and other print publications located primarily in small and mid-size markets in the United States. Our revenues primarily consist of advertising and paid circulation. Competition for advertising revenues

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and paid circulation comes from direct mail, directories, radio, television, outdoor advertising, other newspaper publications, the internet and other media. For example, as the use of the internet and mobile devices has increased, we have lost some classified advertising and subscribers to online advertising businesses and our free internet sites that contain abbreviated versions of our publications. Competition for advertising revenues is based largely upon advertiser results, advertising rates, readership, demographics and circulation levels. Competition for circulation is based largely upon the content of the publication and its price and editorial quality. Our local and regional competitors vary from market to market, and many of our competitors for advertising revenues are larger and have greater financial and distribution resources than us. We may incur increased costs competing for advertising expenditures and paid circulation. We may also experience further declines of circulation or print advertising revenue due to alternative media. If we are not able to compete effectively for advertising expenditures and paid circulation, our revenues may decline.

We are undertaking strategic process upgrades that could have a material adverse financial impact if unsuccessful. We are implementing strategic process upgrades of our business. Among other things we are implementing the standardization and centralization of systems and processes, the outsourcing of certain financial processes and the use of new software for our circulation, advertising and editorial systems. As a result of ongoing strategic evaluation and analysis, we have made and will continue to make changes that, if unsuccessful, could have a material adverse financial impact.

Our business is subject to seasonal and other fluctuations, which affects our revenues and operating results.

Our business is subject to seasonal fluctuations that we expect to continue to be reflected in our operating results in future periods. Our first fiscal quarter of the year tends to be our weakest quarter because advertising volume is at its lowest levels following the December holiday season. Correspondingly, our second and fourth fiscal quarters tend to be our strongest because they include heavy holiday and seasonal advertising. Other factors that affect our quarterly revenues and operating results may be beyond our control, including changes in the pricing policies of our competitors, the hiring and retention of key personnel, wage and cost pressures, distribution costs, changes in newsprint prices and general economic factors.

We could be adversely affected by declining circulation subscribers.

Overall daily newspaper circulation subscribers, including national and urban newspapers, has declined in recent years. For the year ended December 30, 2018, our circulation revenue increased by \$100.6 million, or 21.2%, as compared to the year ended December 31, 2017, while our acquisitions during the year added \$122.2 million of circulation revenue. There can be no assurance that our circulation revenue will not decline in the future. We have been able to maintain annual circulation revenue from existing operations in recent years through, among other things, increases in per copy prices. However, there can be no assurance that we will be able to continue to increase prices to offset any declines in the number of subscribers. Further declines in the number of subscribers could impair our ability to maintain or increase our advertising prices, cause purchasers of advertising in our publications to reduce or discontinue those purchases and discourage potential new advertising customers, all of which could have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to pay dividends. The increasing popularity of digital media and the fragmentation of audience resulting from the rapidly changing number of available digital media options could also adversely affect the number of subscribers of our content, which may decrease circulation revenue and cause more marked declines in advertising. Further, readership demographics and habits may change over time. If we are not successful in offsetting such declines in revenues from our print products, our business, financial condition and prospects will be adversely affected.

The value of our intangible assets may become impaired, depending upon future operating results.

As of July 2, 2018, we reorganized our reporting units to align with our new management structure. The Eastern US Publishing, Central US Publishing ("Central") and Western US Publishing ("West") and Recent Acquisitions reporting units were consolidated into one reporting unit called Newspapers. BridgeTower remains a separate reporting unit. Due to the change in the composition of the reporting units, the Company performed an additional goodwill impairment test and assessment of mastheads for impairment after the reorganization. Fair values of the reporting units were determined to be greater than the carrying value of the reporting units. In addition, the estimated fair value exceeded the carrying value for all mastheads, so there was no impairment. However, the fair value of mastheads

exceeded carrying value by less than 10% in the former West reporting unit.

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At March 31, 2019 the carrying value of our goodwill is \$316.2 million, mastheads is \$118.5 million, and the carrying value of our amortizable intangible assets is \$366.5 million. The indefinite-lived assets (goodwill and mastheads) are subject to annual impairment testing and more frequent testing upon the occurrence of certain events or significant changes in our circumstances that indicate all or a portion of their carrying values may no longer be recoverable, in which case a non-cash charge to earnings may be necessary in the relevant period. We may subsequently experience market pressures which could cause future cash flows to decline below our current expectations, or volatile equity markets could negatively impact market factors used in the impairment analysis, including earnings multiples, discount rates, and long-term growth rates. Any future evaluations requiring an asset impairment charge for goodwill or other intangible assets would adversely affect future reported results of operations and shareholders' equity. As a result of the annual impairment assessment, as of June 25, 2017, we recorded a goodwill impairment in two of our former reporting units, Central and West, for a total of \$25.6 million, representing a full impairment of the goodwill then recorded in the former West reporting unit and a partial impairment of the goodwill in then recorded in the former Central reporting unit. Additionally, the estimated fair value exceeded carrying value for mastheads except in the former West reporting unit, for which we recognized an impairment charge of \$1.8 million.

For further information on goodwill and intangible assets, see Note 5 to the unaudited condensed consolidated financial statements included herein, "Goodwill and Intangible Assets".

We are subject to environmental and employee safety and health laws and regulations that could cause us to incur significant compliance expenditures and liabilities.

Our operations are subject to federal, state and local laws and regulations pertaining to the environment, storage tanks and the management and disposal of wastes at our facilities. Under various environmental laws, a current or previous owner or operator of real property may be liable for contamination resulting from the release or threatened release of hazardous or toxic substances or petroleum at that property. Such laws often impose liability on the owner or operator without regard to fault, and the costs of any required investigation or cleanup can be substantial. Although in connection with certain of our acquisitions we have rights to indemnification for certain environmental liabilities, these rights may not be sufficient to reimburse us for all losses that we might incur if a property acquired by us has environmental contamination. In addition, although in connection with certain of our acquisitions we have obtained insurance policies for coverage for certain potential environmental liabilities, these policies have express exclusions to coverage as well as express limits on amounts of coverage and length of term. Accordingly, these insurance policies may not be sufficient to provide coverage for us for all losses that we might incur if a property acquired by us has environmental contamination.

Our operations are also subject to various employee safety and health laws and regulations, including those pertaining to occupational injury and illness, employee exposure to hazardous materials and employee complaints.

Environmental and employee safety and health laws tend to be complex, comprehensive and frequently changing. As a result, we may be involved from time to time in administrative and judicial proceedings and investigations related to environmental and employee safety and health issues. These proceedings and investigations could result in substantial costs to us, divert our management's attention and adversely affect our ability to sell, lease or develop our real property. Furthermore, if it is determined that we are not in compliance with applicable laws and regulations, or if our properties are contaminated, it could result in significant liabilities, fines or the suspension or interruption of the operations of specific printing facilities.

Future events, such as changes in existing laws and regulations, new laws or regulations or the discovery of conditions not currently known to us, may give rise to additional compliance or remedial costs that could be material.

Sustained increases in costs of employee health and welfare benefits may reduce our profitability. Moreover, our pension plan obligations are currently underfunded, and we may have to make significant cash contributions to our plans, which could reduce the cash available for our business.

In recent years, we have experienced significant increases in the cost of employee benefits because of economic factors beyond our control, including increases in health care costs. At least some of these factors may continue to put upward pressure on the cost of providing medical benefits. Although we have actively sought to control increases in these costs, there can be no assurance that we will succeed in limiting cost increases, and continued upward pressure could reduce the profitability of our businesses.

Our pension and postretirement plans were underfunded by \$24.4 million at March 31, 2019. Our pension plans invest in a variety of equity and debt securities. Future volatility and disruption in the equity and bond markets could cause declines in

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the asset values of our pension plans. In addition, decreases in the discount rate used to determine minimum funding requirements could result in increased future contributions. If either occurs, we may need to make additional pension contributions above what is currently estimated, which could reduce the cash available for our businesses.

We may not be able to protect intellectual property rights upon which our business relies and, if we lose intellectual property protection, our assets may lose value.

Our business depends on our intellectual property, including, but not limited to, our titles, mastheads, content and proprietary software, which we may attempt to protect through patents, copyrights, trade laws and contractual restrictions, such as confidentiality agreements. We believe our proprietary and other intellectual property rights are important to our success and our competitive position.

Despite our efforts to protect our proprietary rights, unauthorized third parties may attempt to copy or otherwise obtain and use our content, services and other intellectual property, and we cannot be certain that the steps we have taken will prevent any misappropriation or confusion among consumers and merchants, or unauthorized use of these rights. If we are unable to procure, protect and enforce our intellectual property rights, we may not realize the full value of these assets, and our business may suffer. If we must litigate to enforce our intellectual property rights or determine the validity and scope of the proprietary rights of third parties, such litigation may be costly and divert the attention of our management from day-to-day operations.

We depend on key personnel and we may not be able to operate or grow our business effectively if we lose the services of any of our key personnel or are unable to attract qualified personnel in the future.

The success of our business is heavily dependent on our ability to retain our management and other key personnel and to attract and retain qualified personnel in the future. Competition for senior management personnel is intense, and we may not be able to retain our key personnel. Although we have entered into employment agreements with certain of our key personnel, these agreements do not ensure that our key personnel will continue in their present capacity with us for any particular period of time. We do not have key man insurance for any of our current management or other key personnel. The loss of any key personnel would require our remaining key personnel to divert immediate and substantial attention to seeking a replacement. An inability to find a suitable replacement for any departing executive officer on a timely basis could adversely affect our ability to operate or grow our business.

A shortage of skilled or experienced employees in the media industry, or our inability to retain such employees, could pose a risk to achieving improved productivity and reducing costs, which could adversely affect our profitability.

Production and distribution of our various publications requires skilled and experienced employees. A shortage of such employees, or our inability to retain such employees, could have an adverse impact on our productivity and costs, our ability to expand, develop and distribute new products and our entry into new markets. The cost of retaining or hiring such employees could exceed our expectations which could adversely affect our results of operations.

A number of our employees are unionized, and our business and results of operations could be adversely affected if current or additional labor negotiations or contracts were to further restrict our ability to maximize the efficiency of our operations.

As of March 31, 2019, we employed 10,847 employees, of whom 1,172 (or approximately 10.8%) were represented by 39 unions. 80% of the unionized employees are in four states: Ohio, Rhode Island, Massachusetts and Illinois and represent 30%, 20%, 14% and 13% of all our union employees, respectively.

Although our newspapers have not experienced a union strike in the recent past nor do we anticipate a union strike to occur, we cannot preclude the possibility that a strike may occur at one or more of our newspapers at some point in the future. We believe that, in the event of a newspaper strike, we would be able to continue to publish and deliver to subscribers, which is critical to retaining advertising and circulation revenues, although there can be no assurance of this. Further, settlement of actual or threatened labor disputes or an increase in the number of our employees covered by collective bargaining agreements can have unknown effects on our labor costs, productivity and flexibility.

The collectability of accounts receivable under adverse economic conditions could deteriorate to a greater extent than provided for in our financial statements and in our projections of future results.

Adverse economic conditions in the United States may increase our exposure to losses resulting from financial distress, insolvency and the potential bankruptcy of our advertising customers. We recorded write-offs of accounts

receivable relating to

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recent bankruptcies of national retailers, including Sears and Bon Ton, among others. Our accounts receivable is stated at net estimated realizable value, and our allowance for doubtful accounts has been determined based on several factors, including receivable agings, significant individual credit risk accounts and historical experience. If such collectability estimates prove inaccurate, adjustments to future operating results could occur.

Our potential inability to successfully execute cost control measures could result in greater than expected total operating costs.

We have implemented general cost control measures, and we expect to continue such cost control efforts in the future. If we do not achieve expected savings as a result of such measures or if our operating costs increase as a result of our growth strategy, our total operating costs may be greater than expected. In addition, reductions in staff and employee benefits could affect our ability to attract and retain key employees.

We rely on revenue from the printing of publications for third parties that may be subject to many of the same business and industry risks that we are.

In 2018, we generated approximately 7.2% of our revenue from printing third-party publications, and our relationships with these third parties are generally pursuant to short-term contracts. As a result, if the macroeconomic and industry trends described herein such as the sensitivity to perceived economic weakness of discretionary spending available to advertisers and subscribers, circulation declines, shifts in consumer habits and the increasing popularity of digital media affect those third parties, we may lose, in whole or in part, a substantial source of revenue.

A decision by any of the three largest national publications or the major local publications to cease publishing in those markets, or seek alternatives to their current business practice of partnering with us, could materially impact our profitability.

Our possession and use of personal information and the use of payment cards by our customers present risks and expenses that could harm our business. Unauthorized access to or disclosure or manipulation of such data, whether through breach of our network security or otherwise, could expose us to liabilities and costly litigation and damage our reputation.

Our online systems store and process confidential subscriber and other sensitive data, such as names, email addresses, addresses, and other personal information. Therefore, maintaining our network security is critical. Additionally, we depend on the security of our third-party service providers. Unauthorized use of or inappropriate access to our, or our third-party service providers' networks, computer systems and services could potentially jeopardize the security of confidential information, including payment card (credit or debit) information, of our customers. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and often are not recognized until launched against a target, we or our third-party service providers may be unable to anticipate these techniques or to implement adequate preventative measures. Non-technical means, for example, actions by an employee, can also result in a data breach. A party that is able to circumvent our security measures could misappropriate our proprietary information or the information of our customers or users, cause interruption in our operations, or damage our computers or those of our customers or users. As a result of any such breaches, customers or users may assert claims of liability against us and these activities may subject us to legal claims, adversely impact our reputation, and interfere with our ability to provide our products and services, all of which may have an adverse effect on our business, financial condition and results of operations. The coverage and limits of our insurance policies may not be adequate to reimburse us for losses caused by security breaches.

A significant number of our customers authorize us to bill their payment card accounts directly for all amounts charged by us. These customers provide payment card information and other personally identifiable information which, depending on the particular payment plan, may be maintained to facilitate future payment card transactions. Under payment card rules and our contracts with our card processors, if there is a breach of payment card information that we store, we could be liable to the banks that issue the payment cards for their related expenses and penalties. In addition, if we fail to follow payment card industry data security standards, even if there is no compromise of customer information, we could incur significant fines or lose our ability to give our customers the option of using payment cards. If we were unable to accept payment cards, our business would be seriously harmed.

There can be no assurance that any security measures we, or our third-party service providers, take will be effective in preventing a data breach. We may need to expend significant resources to protect against security breaches or to

address problems caused by breaches. If an actual or perceived breach of our security occurs, the perception of the effectiveness of our security measures could be harmed and we could lose customers or users. Failure to protect confidential customer data or to provide customers with adequate notice of our privacy policies could also subject us to liabilities imposed by United States federal and state regulatory agencies or courts. We could also be subject to evolving state laws that impose data breach notification requirements, specific data security obligations, or other consumer privacy-related requirements. Our failure to

comply with any of these laws or regulations may have an adverse effect on our business, financial condition and results of operations.

Risks Related to Our Manager

We are dependent on our Manager and may not find a suitable replacement if our Manager terminates the Management Agreement and the inability of our Manager to retain or obtain key personnel could delay or hinder implementation of our investment strategies, which could impair our ability to make distributions and could reduce the value of your investment.

Some of our officers and other individuals who perform services for us are employees of our Manager. We are reliant on our Manager, which has significant discretion as to the implementation of our operating policies and strategies, to conduct our business. We are subject to the risk that our Manager will terminate the Management Agreement and that we will not be able to find a suitable replacement for our Manager in a timely manner, at a reasonable cost or at all. Furthermore, we are dependent on the services of certain key employees of our Manager whose compensation may be partially or entirely dependent upon the amount of incentive or management compensation earned by our Manager and whose continued service is not guaranteed, and the loss of such services could adversely affect our operations. If any of these people were to cease their affiliation with us or our Manager, either we or our Manager may be unable to find suitable replacements, and our operating results could suffer. We believe that our future success depends, in large part, upon our Manager's ability to hire and retain highly skilled personnel. Competition for highly skilled personnel is intense, and our Manager may be unsuccessful in attracting and retaining such skilled personnel. If we lose or are unable to obtain the services of highly skilled personnel, our ability to implement our investment strategies could be delayed or hindered and this could materially adversely affect our business, results of operations, financial condition and ability to make distributions to our stockholders.

There are conflicts of interest in our relationship with our Manager.

Our Management Agreement with our Manager was not negotiated between unaffiliated parties, and its terms, including fees payable, may not be as favorable to us as if they had been negotiated with an unaffiliated third party. There are conflicts of interest inherent in our relationship with our Manager insofar as our Manager and its affiliates-including investment funds, private investment funds, or businesses managed by our Manager-invest in media assets and whose investment objectives may overlap with our investment objectives. Certain investments appropriate for us may also be appropriate for one or more of these other investment vehicles. Certain members of our Board of Directors and employees of our Manager who may be officers also serve as officers and/or directors of these other entities. Although we have the same Manager, we may compete with entities affiliated with our Manager or Fortress for certain target assets. From time to time, affiliates of Fortress may focus on investments in assets with a similar profile as our target assets that we may seek to acquire. These affiliates may have meaningful purchasing capacity, which may change over time depending upon a variety of factors, including, but not limited to, available equity capital and debt financing, market conditions and cash on hand. In addition, with respect to Fortress funds in the process of selling investments, our Manager may be incentivized to regard the sale of such assets to us positively, particularly if a sale to an unrelated third party would result in a loss of fees to our Manager.

Our Management Agreement with our Manager does not prevent our Manager or any of its affiliates, or any of their officers and employees, from engaging in other businesses or from rendering services of any kind to any other person or entity, including investment in, or advisory service to others investing in, any type of media or media related investment, including investments which meet our principal investment objectives. Our Manager may engage in additional investment opportunities related to media assets in the future, which may cause our Manager to compete with us for investments or result in a change in our current investment strategy. In addition, our certificate of incorporation provides that if Fortress or an affiliate or any of their officers, directors or employees acquire knowledge of a potential transaction or matter that may be a corporate opportunity, they have no duty, to the fullest extent permitted by law, to offer such corporate opportunity to us, our stockholders or our affiliates. In the event that any of our directors and officers who is also a director, officer or employee of Fortress or its affiliates acquires knowledge of a corporate opportunity or is offered a corporate opportunity, provided that this knowledge was not acquired solely in such person's capacity as a director or officer of ours and such person acts in good faith, then to the fullest extent permitted by law such person is deemed to have fully satisfied such person's fiduciary duties owed to us and is not

liable to us if Fortress or its affiliates pursues or acquires the corporate opportunity or if such person did not present the corporate opportunity to us.

The ability of our Manager and its officers and employees to engage in other business activities, subject to the terms of our Management Agreement with our Manager, may reduce the amount of time our Manager, its officers or other employees spend managing us. In addition, we may engage in material transactions with our Manager or another entity managed by our

Manager or one of its affiliates, which may present an actual, potential or perceived conflict of interest. It is possible that actual, potential or perceived conflicts could give rise to investor dissatisfaction, litigation or regulatory enforcement actions. Appropriately dealing with conflicts of interest is complex and difficult, and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with one or more potential, actual or perceived conflicts of interest. Regulatory scrutiny of, or litigation in connection with, conflicts of interest could have a material adverse effect on our reputation, which could materially adversely affect our business in a number of ways, including causing an inability to raise additional funds, a reluctance of counterparties to do business with us, a decrease in the prices of our equity securities and a resulting increased risk of litigation and regulatory enforcement actions.

The management compensation structure that we have agreed to with our Manager, as well as compensation arrangements that we may enter into with our Manager in the future (in connection with new lines of business or other activities), may incentivize our Manager to invest in high risk investments. In addition to its management fee, our Manager is currently entitled to receive incentive compensation. In evaluating investments and other management strategies, the opportunity to earn incentive compensation may lead our Manager to place undue emphasis on the maximization of such measures at the expense of other criteria, such as preservation of capital, in order to achieve higher incentive compensation. Investments with higher yield potential are generally riskier or more speculative than lower-yielding investments. Moreover, because our Manager receives compensation in the form of options in connection with the completion of our equity offerings, our Manager may be incentivized to cause us to issue additional stock, which could be dilutive to existing stockholders.

It would be difficult and costly to terminate our Management Agreement with our Manager.

It would be difficult and costly for us to terminate our Management Agreement with our Manager. After its initial three-year term, the Management Agreement is automatically renewed for one-year terms unless (i) a majority consisting of at least two-thirds of our independent directors, or a simple majority of the holders of outstanding shares of our common stock, reasonably agree that there has been unsatisfactory performance by our Manager that is materially detrimental to us or (ii) a simple majority of our independent directors agree that the management fee payable to our Manager is unfair, subject to our Manager's right to prevent such a termination by agreeing to continue to provide the services under the Management Agreement at a fee that our independent directors have determined to be fair. If we elect not to renew the Management Agreement, our Manager will be provided not less than 60 days' prior written notice. In the event we terminate the Management Agreement, our Manager will be paid a termination fee equal to the amount of the management fee earned by the Manager during the 12-month period immediately preceding such termination. In addition, following any termination of the Management Agreement, our Manager may require us to purchase its right to receive incentive compensation at a price determined as if our assets were sold for their then current fair market value or otherwise we may continue to pay the incentive compensation to our Manager. These provisions may increase the effective cost to us of terminating the Management Agreement, thereby adversely affecting our ability to terminate our Manager without cause.

Our Board of Directors does not approve each investment decision made by our Manager. In addition, we may change our investment strategy without a stockholder vote, which may result in our making investments that are different, riskier or less profitable than our current investments.

Our Manager has great latitude in determining the types and categories of assets it may decide are proper investments for us, including the latitude to invest in types and categories of assets that may differ from those in which we currently invest. Our Board of Directors periodically reviews our investment portfolio. However, our Board of Directors does not review or pre-approve each proposed investment or our related financing arrangements. In addition, in conducting periodic reviews, our Board of Directors relies primarily on information provided to them by our Manager. Furthermore, transactions entered into by our Manager may be difficult or impossible to unwind by the time they are reviewed by our Board of Directors even if the transactions contravene the terms of the Management Agreement. In addition, we may change our investment strategy, including our target asset classes, without a stockholder vote.

Our investment strategy may evolve in light of existing market conditions and investment opportunities, and this evolution may involve additional risks depending upon the nature of the assets in which we invest and our ability to finance such assets on a short- or long-term basis. Investment opportunities that present unattractive risk-return

profiles relative to other available investment opportunities under particular market conditions may become relatively attractive under changed market conditions, and changes in market conditions may therefore result in changes in the investments we target. Decisions to make investments in new asset categories present risks that may be difficult for us to adequately assess and could therefore reduce our ability to pay dividends on our common stock or have adverse effects on our liquidity or financial condition. A change in our investment strategy may also increase our exposure to interest rate, real estate market or credit market fluctuations. In addition,

a change in our investment strategy may increase the guarantee obligations we agree to incur or increase the number of transactions we enter into with affiliates. Our failure to accurately assess the risks inherent in new asset categories or the financing risks associated with such assets could adversely affect our results of operations and our financial condition.

Our Manager will not be liable to us for any acts or omissions performed in accordance with the Management Agreement, including with respect to the performance of our investments.

Pursuant to our Management Agreement, our Manager assumes no responsibility other than to render the services called for thereunder in good faith and shall not be responsible for any action of our Board of Directors in following or declining to follow its advice or recommendations. Our Manager, its members, managers, officers and employees will not be liable to us or any of our subsidiaries, to our Board of Directors, or our or any subsidiary's stockholders or partners for any acts or omissions by our Manager, its members, managers, officers or employees, except by reason of acts constituting bad faith, willful misconduct, gross negligence or reckless disregard of our Manager's duties under our Management Agreement. We shall, to the full extent lawful, reimburse, indemnify and hold our Manager, its members, managers, officers and employees, and each other person, if any, controlling our Manager, harmless of and from any and all expenses, losses, damages, liabilities, demands, charges and claims of any nature whatsoever (including attorneys' fees) in respect of or arising from any acts or omissions of an indemnified party made in good faith in the performance of our Manager's duties under our Management Agreement and not constituting such indemnified party's bad faith, willful misconduct, gross negligence or reckless disregard of our Manager's duties under our Management Agreement.

Our Manager's due diligence of investment opportunities or other transactions may not identify all pertinent risks, which could materially affect our business, financial condition, liquidity and results of operations.

Our Manager intends to conduct due diligence with respect to each investment opportunity or other transaction it pursues. It is possible, however, that our Manager's due diligence processes will not uncover all relevant facts, particularly with respect to any assets we acquire from third parties. In these cases, our Manager may be given limited access to information about the investment and will rely on information provided by the target of the investment. In addition, if investment opportunities are scarce, the process for selecting bidders is competitive, or the timeframe in which we are required to complete diligence is short, our ability to conduct a due diligence investigation may be limited, and we would be required to make investment decisions based upon a less thorough diligence process than would otherwise be the case. Accordingly, investments and other transactions that initially appear to be viable may prove not to be over time, due to the limitations of the due diligence process or other factors.

Because we are dependent upon our Manager and its affiliates to conduct our operations, any adverse changes in the financial health of our Manager or its affiliates or our relationship with them could hinder our Manager's ability to successfully manage our operations.

We are dependent on our Manager and its affiliates to manage our operations and acquire and manage our investments. Under the direction of our Board of Directors, our Manager makes all decisions with respect to the management of our company. To conduct its operations, our Manager depends upon the fees and other compensation that it receives from us in connection with managing our company and from other entities and investors with respect to investment management services it provides. Any adverse changes in the financial condition of our Manager or its affiliates, or our relationship with our Manager, could hinder our Manager's ability to successfully manage our operations, which would materially adversely affect our business, results of operations, financial condition and ability to make distributions to our stockholders. For example, adverse changes in the financial condition of our Manager could limit its ability to attract key personnel.

Risks Related to our Common Stock

There can be no assurance that the market for our stock will provide you with adequate liquidity.

The market price of our common stock may fluctuate widely, depending upon many factors, some of which may be beyond our control. These factors include, without limitation:

- our business profile and market capitalization may not fit the investment objectives of any stockholder;
- a shift in our investor base;

our quarterly or annual earnings, or those of other comparable companies;

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- actual or anticipated fluctuations in our operating results;
- changes in accounting standards, policies, guidance, interpretations or principles;
- announcements by us or our competitors of significant investments, acquisitions or dispositions;
- the failure of securities analysts to cover our Common Stock;
- changes in earnings estimates by securities analysts or our ability to meet those estimates;
- the operating and stock price performance of other comparable companies;
- negative public perception of us, our competitors, or industry;
- overall market fluctuations; and
- general economic conditions.

Stock markets in general and recently have experienced volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations may adversely affect the trading price of our Common Stock. Additionally, these and other external factors have caused and may continue to cause the market price and demand for our Common Stock to fluctuate, which may limit or prevent investors from readily selling their shares of Common Stock, and may otherwise negatively affect the liquidity of our common stock.

Sales or issuances of shares of our common stock could adversely affect the market price of our Common Stock.

Sales or issuances of substantial amounts of shares of our Common Stock in the public market, or the perception that such sales or issuances might occur, could adversely affect the market price of our Common Stock. The issuance of our common stock in connection with property, portfolio or business acquisitions or the settlement of awards that may be granted under our Incentive Plan (as defined below) or otherwise could also have an adverse effect on the market price of our Common Stock.

Failure to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and stock price.

As a public company, we are required to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. We continue to seek acquisition opportunities, and such potential acquisitions may result in a change to our internal control over financial reporting that may materially affect our internal control over financial reporting. Internal control over financial reporting is complex and may be revised over time to adapt to changes in our business, or changes in applicable accounting rules. We cannot assure you that our internal control over financial reporting will be effective in the future or that a material weakness will not be discovered with respect to a prior period for which we had previously believed that internal controls were effective. If we are not able to maintain or document effective internal control over financial reporting, our management and our independent registered public accounting firm will not be able to certify as to the effectiveness of our internal control over financial reporting. Matters impacting our internal controls may cause us to be unable to report our financial information on a timely basis, or may cause us to restate previously issued financial information, and thereby subject us to adverse regulatory consequences, including sanctions or investigations by the SEC, or violations of applicable stock exchange listing rules. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. Confidence in the reliability of our financial statements is also likely to suffer if we or our independent registered public accounting firm reports a material weakness in our internal control over financial reporting. This could materially adversely affect us by, for example, a decline in our share price and impairing our ability to raise capital, if and when desirable.

The percentage ownership of existing shareholders in New Media may be diluted in the future.

We have issued and may continue to issue equity in order to raise capital or in connection with future acquisitions and strategic investments, which would dilute investors' percentage ownership in New Media. In addition, your percentage ownership may be diluted if we issue equity instruments such as debt and equity financing.

The percentage ownership of existing shareholders in New Media may also be diluted in the future as result of the issuance of ordinary shares in New Media upon the exercise of 10-year warrants (the "New Media Warrants"). The New Media Warrants collectively represent the right to acquire New Media Common Stock, which in the aggregate are equal to 5% of New Media Common Stock outstanding as of November 26, 2013 (calculated prior to dilution from shares of New Media Common Stock issued pursuant to Drive Shack Inc.'s (formerly known as Newcastle Investment Corp.) contribution of Local Media

Group Holdings LLC and assignment of related stock purchase agreement to New Media (the "Local Media Contribution") at a strike price of \$46.35 calculated based on a total equity value of New Media prior to the Local Media Contribution of \$1.2 billion as of November 26, 2013. As a result, New Media Common Stock may be subject to dilution upon the exercise of such New Media Warrants. As of December 30, 2018, the New Media Warrants are equal to 2% of New Media Common Stock outstanding as of December 30, 2018 at a strike price of \$46.35.

Furthermore, the percentage ownership in New Media may be diluted in the future because of additional equity awards that we expect will be granted to our Manager pursuant to our Management Agreement. Upon the successful completion of an offering of shares of our Common Stock or any shares of preferred stock, we shall pay and issue to our Manager options to purchase our Common Stock equal to 10% of the number of shares sold in the offering, with an exercise price equal to the offering price per share paid by the public or other ultimate purchaser in the offering. As of December 30, 2018, there are 2,904,811 options outstanding at a weighted average exercise price of \$15.31.

On February 3, 2014, the Board of Directors adopted the New Media Investment Group Inc. Nonqualified Stock Option and Incentive Award Plan (the "Incentive Plan"), which provides for the grant of equity and equity-based awards, including restricted stock, stock options, stock appreciation rights, performance awards, tandem awards and other equity-based and non-equity based awards, in each case to our Manager, to the directors, officers, employees, service providers, consultants and advisors of our Manager who perform services for us, and to our directors, officers, employees, service providers, consultants and advisors. Any future grant would cause further dilution. We initially reserved 15 million shares of our Common Stock for issuance under the Incentive Plan; on the first day of each fiscal year beginning during the ten-year term of the Incentive Plan in and after calendar year 2015, that number will be increased by a number of shares of our Common Stock equal to 10% of the number of shares of our Common Stock newly issued by us during the immediately preceding fiscal year (and, in the case of fiscal year 2014, after the effective date of the Incentive Plan). In January 2019 and 2018, the number of shares reserved for issuance under the Incentive Plan was increased by 93,040 and 20,276, respectively, representing 10% of the shares of Common Stock newly issued in fiscal year 2018 and 2017, respectively.

Provisions in our amended and restated certificate of incorporation and amended and restated bylaws and of Delaware law may prevent or delay an acquisition of our company, which could decrease the trading price of our Common Stock.

Our amended and restated certificate of incorporation, amended and restated bylaws and Delaware law contain provisions that are intended to deter coercive takeover practices and inadequate takeover bids by making such practices or bids unacceptably expensive to the raider and to encourage prospective acquirers to negotiate with our Board rather than to attempt a hostile takeover. These provisions provide for:

- amendment of provisions in our amended and restated certificate of incorporation and amended and restated bylaws regarding the election of directors, classes of directors, the term of office of directors, the filling of director vacancies and the resignation and removal of directors only upon the affirmative vote of at least 80% of the then issued and outstanding shares of our capital stock entitled to vote thereon;

- amendment of provisions in our amended and restated certificate of incorporation regarding corporate opportunity only upon the affirmative vote of at least 80% of the then issued and outstanding shares of our capital stock entitled to vote thereon;

- removal of directors only for cause and only with the affirmative vote of at least 80% of the voting interest of stockholders entitled to vote in the election of directors;

- our Board to determine the powers, preferences and rights of our preferred stock and to issue such preferred stock without stockholder approval;

- provisions in our amended and restated certificate of incorporation and amended and restated bylaws prevent stockholders from calling special meetings of our stockholders;

- advance notice requirements applicable to stockholders for director nominations and actions to be taken at annual meetings;

- a prohibition, in our amended and restated certificate of incorporation, stating that no holder of shares of our Common Stock will have cumulative voting rights in the election of directors, which means that the holders of majority of the issued and outstanding shares of our Common Stock can elect all the directors standing for election; and

action by our stockholders outside a meeting, in our amended and restated certificate of incorporation and our amended and restated bylaws, only by unanimous written consent.

Public stockholders who might desire to participate in these types of transactions may not have an opportunity to do so, even if the transaction is considered favorable to stockholders. These anti-takeover provisions could substantially impede the ability of public stockholders to benefit from a change in control or a change in our management and Board and, as a result, may adversely affect the market price of our Common Stock and your ability to realize any potential change of control premium.

We are not required to repurchase our common stock, and any such repurchases may not result in effects we anticipated.

We have authorization from our Board of Directors to repurchase up to \$100 million of the Company's common stock through May 18, 2019. We are not obligated to repurchase any specific amount of shares. The timing and amount of repurchases, if any, depends on several factors, including market and business conditions, the market price of shares of our common stock and our overall capital structure and liquidity position, including the nature of other potential uses of cash, not limited to investments in growth. There can be no assurance that any repurchases will have the effects we anticipated, and our repurchases will utilize cash that we will not be able to use in other ways, whether to grow the business or otherwise.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Weighted-Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan or Programs	Approximate Number of Shares that May Yet Be Purchased Under the Plan or Programs
December 31, 2018 through February 3, 2019	—	\$ —	—	\$9,230,194
February 4, 2019 through March 3, 2019	51,222	⁽¹⁾ \$ 13.8	—	9,230,194
March 4, 2019 through March 31, 2019	544	⁽¹⁾ \$ 11.88	—	\$9,230,194
Total	51,766		—	

Pursuant to the "withhold to cover" method for collecting and paying withholding taxes for our employees upon the vesting of restricted securities, we withheld from certain employees the shares noted in the table above to cover ⁽¹⁾such statutory minimum tax withholdings. These transactions took place outside of a publicly-announced repurchase plan. The weighted-average price per share listed in the above table is the weighted-average of the fair market prices at which we calculated the number of shares withheld to cover tax withholdings for the employees. The Board of Directors authorized an extension of the Company's previously announced authorization to repurchase up to \$100 million of the Company's common stock (the "Share Repurchase Program") through May 18, 2019. Under the Share Repurchase Program, the Company may purchase its shares from time to time in the open market or in privately negotiated transactions.

Item 3. Defaults Upon Senior Securities

Not applicable

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

Not applicable

Item 6. Exhibits

See Index to Exhibits on page 49 of this Quarterly Report on Form 10-Q.

<u>Exhibit No.</u>	<u>Description</u>
* <u>31.1</u>	<u>Rule 13a-14(a)/15d-14(d) Certification of Principal Executive Officer under the Securities Exchange Act of 1934 (included herewith).</u>
* <u>31.2</u>	<u>Rule 13a-14(a)/15d-14(d) Certification of Principal Financial Officer under the Securities Exchange Act of 1934 (included herewith).</u>
* <u>32.1</u>	<u>Section 1350 Certifications (included herewith).</u>
* 101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
* 101.SCH	XBRL Taxonomy Extension Schema
* 101.CAL	XBRL Taxonomy Extension Calculation Linkbase
* 101.DEF	XBRL Taxonomy Extension Definition Linkbase
* 101.LAB	XBRL Taxonomy Extension Label Linkbase
* 101.PRE	XBRL Taxonomy Extension Presentation Linkbase
*	Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NEW MEDIA INVESTMENT GROUP INC.

Date: May 2, 2019 /s/ Michael E. Reed

Michael E. Reed

Chief Executive Officer

(Principal Executive Officer)