POSTMEDIA NETWORK CANADA CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023

Approved for issuance: April 11, 2024

APRIL 11, 2024

Additional IFRS Accounting Standards Measure

We continue to identify and undertake cost reduction and transformation

Circulation revenue was $32.9 million and $65.5 million for the three and six months ended February 29, 2024, representing 33.8% and 32.4%, respectively, of total revenue for such periods. Circulation revenue decreased $4.1 million, or 11.1% and $11.2 million, or 14.6%, in the three and six months ended February 29, 2024, respectively, as compared to the same periods in the prior year. The decrease is the result of declines in circulation volumes that have been experienced over the last few years and this trend continued in the three and six months ended February 29, 2024. We expect the current quarter circulation revenue

Revenue

Advertising

Advertising revenue decreased $11.3 million, or 20.8%, to $43.2 million for the three months ended February 29, 2024 as compared to the same period in prior year, which includes decreases from print advertising of 16.0% and digital advertising of 28.5%. The decrease in print advertising was primarily due to declines in run of paper advertising of 29.3%, partially offset by an increase in insert advertising of 10.7%. The decrease in digital advertising was primarily as a result of decreases in digital marketing services, and both programmatic and direct owned and operated digital advertising.

Circulation

Circulation revenue decreased $4.1 million, or 11.1%, to $32.9 million for the three months ended February 29, 2024 as compared to the same period in the prior year, as a result of decreases in circulation volumes, partially offset by price increases.

Parcel services

Parcel services revenue increased $2.4 million, or 20.5%, to $14.2 million for the three months ended February 29, 2024, as compared to the same period in the prior year, as a result of increases in parcel volumes.

Other

Other revenue decreased by $1.4 million to $7.2 million for the three months ended February 29, 2024, as compared to the same period in the prior year as a result of decreases related to commercial print revenues.

Expenses

Compensation

Compensation expenses decreased $6.3 million, or 15.4%, to $34.5 million for the three months ended February 29, 2024, as compared to the same period in the prior year. The decrease in compensation expense is primarily as a result of decreases in salary and benefits expense of $8.8 million due to reduced workforce, which includes a $1.0 million increase in government assistance. The increase in government assistance is comprised of increases in compensation recoveries related to journalism tax credits of $0.9 million as described earlier in “Recent Developments”. Excluding the impact of the journalism tax credits, compensation expenses decreased $5.3 million, or 12.6%, for the three months ended February 29, 2024 as compared to the same period in the prior year.

Newsprint

Net financing expense relating to employee benefit plans

Net financing expense relating to employee benefit plans decreased a nominal amount to $0.3 million for the three months ended February 29, 2024, as compared to the same period in the prior year.

Gain on disposal of property, plant and equipment, assets held-for-sale and other assets

During the three months ended February 29, 2024, we disposed of property, plant and equipment and realized a gain of $0.1 million. During the three months ended February 28, 2023, we disposed of assets held-for-sale and realized a gain of $1.6 million.

Gain

Expenses

Compensation

Compensation expenses decreased $15.1 million, or 17.8%, to $69.8 million for the six months ended February 29, 2024, as compared to the same period in the prior year. The decrease in compensation expense is primarily as a result of decreases in salary and benefits expense of $17.8 million due to reduced workforce, which includes a $0.8 million increase in government assistance. The increase in government assistance is comprised of increases in compensation recoveries related to journalism tax credits of $0.7 million as described earlier in “Recent Developments”. Excluding the impact of the journalism tax credits, compensation expenses decreased $14.4 million, or 16.3%, for the six months ended February 29, 2024 as compared to the same period in the prior year.

Newsprint

Newsprint expenses decreased $3.6 million, or 37.2%, to $6.1 million for the six months ended February 29, 2024 as compared to the same period in the prior year primarily as a result of a decrease in newsprint consumption of 33.6% due to lower newspaper page counts and circulation vreWx*se7*n-143(a)-1 n-wel a sum d dJETQq0.

Amortization

Amortization expense decreased $0.4 million to $4.2 million for the six months ended February 29, 2024 as compared to the same period in the prior year. The decrease is as a result of intangibles and right of use assets

Foreign currency exchange losses

Foreign currency exchange losses for the six months ended February 29, 2024 were $0.9 million as compared to $8.5 million in the same period in the prior year. Foreign currency exchange losses in the six months ended February 29, 2024 and February 28, 2023 were primarily due

Liquidity and capital resources

Our principal uses of funds are for working capital requirements, debt servicing and capital expenditures. Based on our current and anticipated level of operations, we believe that our cash on hand and cash flows from operations, which includes the receipt of the journalism tax credits as described earlier in “Recent Developments”, and available borrowings under our ABL Facility will enable us to meet our working capital, debt servicing, capital expenditure and other funding requirements for the next twelve months. However, our ability to fund our working capital needs, debt servicing and other funding requirements depends on our future operating performance and cash flows. There are a number of factors which may adversely affect our operating performance and our ability to meet these obligations as described earlier in “Key Factors Affecting

Cash flows from investing activities

For the three and six months ended February 29, 2024, our investing cash flows were inflows of $0.4 million and $2.3 million, respectively (2023 – $16.1 million and $20.6 million, respectively). The net cash inflows from investing activities during the three months ended February 29, 2024 include in

Indebtedness

As at February 29, 2024, we have US$14.7 million New First-Lien Notes outstanding, US$197.5 million Second-Lien Notes outstanding, $22.8 million Unsecured Promissory Notes and US$11.6 million drawn on the New ABL Facility

We previously had an ABL Facility and undrawn Unsecured Revolving Promissory Notes with associated companies of Chatham

Share Capital

As at April 9, 2024 we had the following number of shares and options outstanding:

Class C voting shares…………………………….	293,397
Class NC variable voting shares…………………	98,749,804
Total shares outstanding………………………….	99,043,201