

# FP Newspapers Income Fund

September 2010

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**fp**  
NEWSPAPERS INCOME FUND

TSX: FP.UN

# Presentation Outline

- Fund facts
- Marketplace
- Operating businesses
- Going forward

# FP Newspapers Income Fund

## **FORWARD-LOOKING STATEMENTS:**

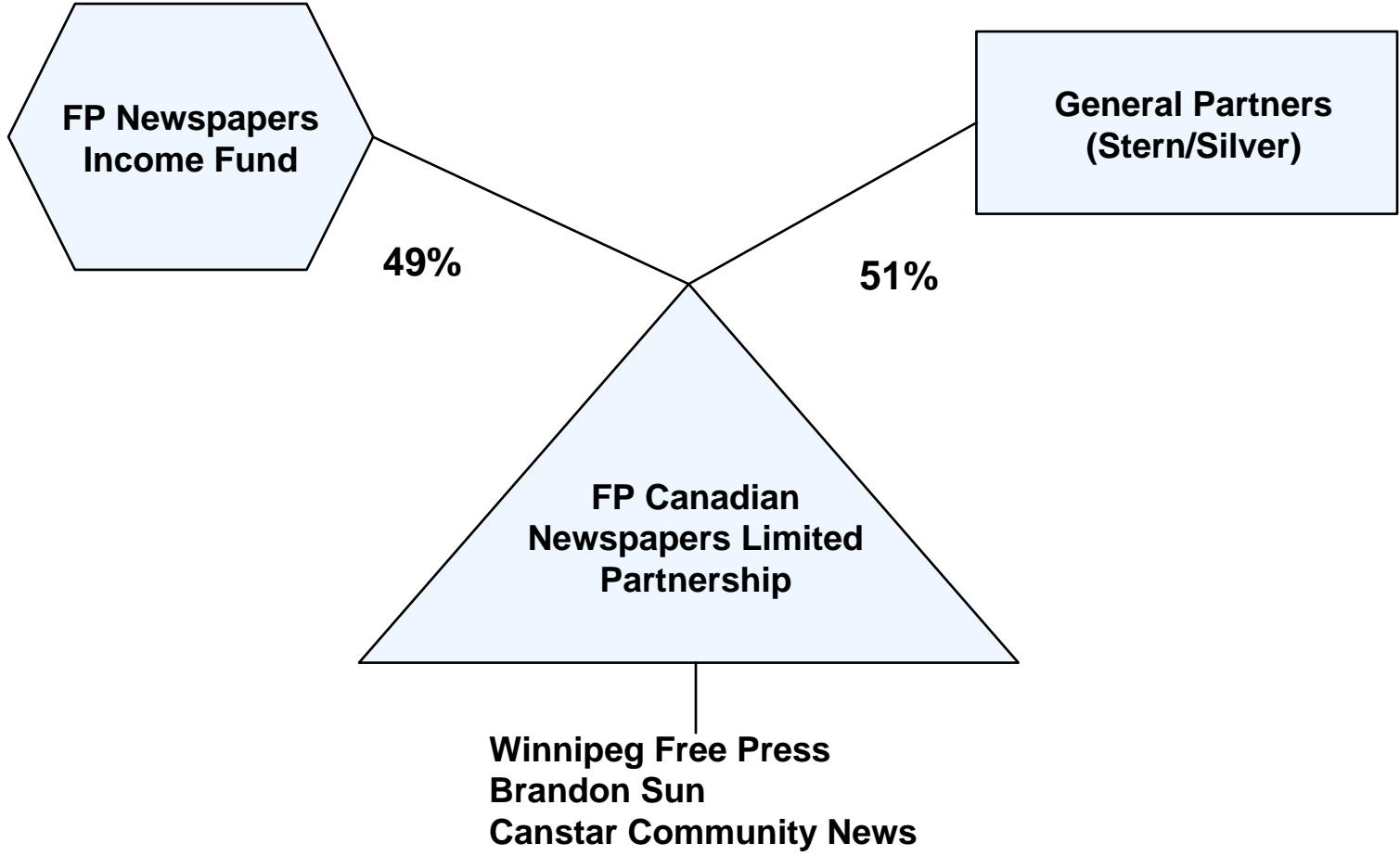
Certain statements in this presentation are “forward looking statements” which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Fund, FP Trust or FPLP to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These statements reflect current expectations regarding future events and operating performance and speak only as of the date of this presentation. These forward-looking statements involve a number of significant risks and uncertainties.



# Fund Facts

- IPO completed: May 28, 2002
- 49% interest in FP Canadian Newspapers LP
- 6.9 million units outstanding
- Corporate conversion approved effective December 31, 2010
- Cumulative distributions declared to September 2010 - \$10.04
- TSX: FP.UN

# Structure



# Fund Metrics

Current Price (Sept. 13, 2010)		\$4.80
Current Annualized Distribution		\$0.72
Yield		15%
	<u>High</u>	<u>Low</u>
52 Week Trading Range	\$6.99	\$4.50
Average Daily Unit Volume		10,000



# Fund Comparables

(Using LTM to June 30, 2010)

	Yield <sup>(1)</sup>	EV/EBITDA	EBITDA Margin %	Net Debt to EBITDA Ratio
<b>FP</b>	<b>15%</b>	<b>4.4x</b>	<b>22.4%</b>	<b>1.8:1</b>
<b>Torstar</b>	<b>2.9%</b>	<b>6.6x</b>	<b>15.3%</b>	<b>2.1:1</b>
<b>Glacier Venture</b>	<b>N/A</b>	<b>8.1x</b>	<b>16.2%</b>	<b>2.4:1</b>

(1) Per trading prices September 13, 2010

# Distribution Levels

<b>Effective Date</b>	<b>June 2002</b>	<b>Oct 2002</b>	<b>Nov 2003</b>	<b>Nov 2004</b>	<b>Oct 2008<sup>(1)</sup></b>	<b>Jan 2010<sup>(2)</sup></b>	<b>Jan 2011<sup>(3)</sup></b>
<b>Annualized Distribution level</b>	<b>\$1.35</b>	<b>\$1.20</b>	<b>\$1.26</b>	<b>\$1.29</b>	<b>\$1.14</b>	<b>\$0.72</b>	<b>TBD</b>

(1) Reduction following strike at Winnipeg operation and significant global economic contraction.

(2) Reduction following refinancing of long-term debt.

(3) Level subject to Board approval in coming months.



# Fund Opportunities

- History
  - Relatively stable cash flow and margins
- Industry leading properties
  - Winnipeg Free Press
  - Brandon Sun
  - Canstar Community Weeklies and special publications
- Strong Sponsorship
  - Sponsors own 65% of the overall business

# Industry Overview

- Well-established
- Trusted information source
- Integral part of the community
- Traditional and new media

# Industry Characteristics

- Advertising – major revenue source
- Readership
- Concentrated Ownership
- High Barriers to Entry
- Electronic Media

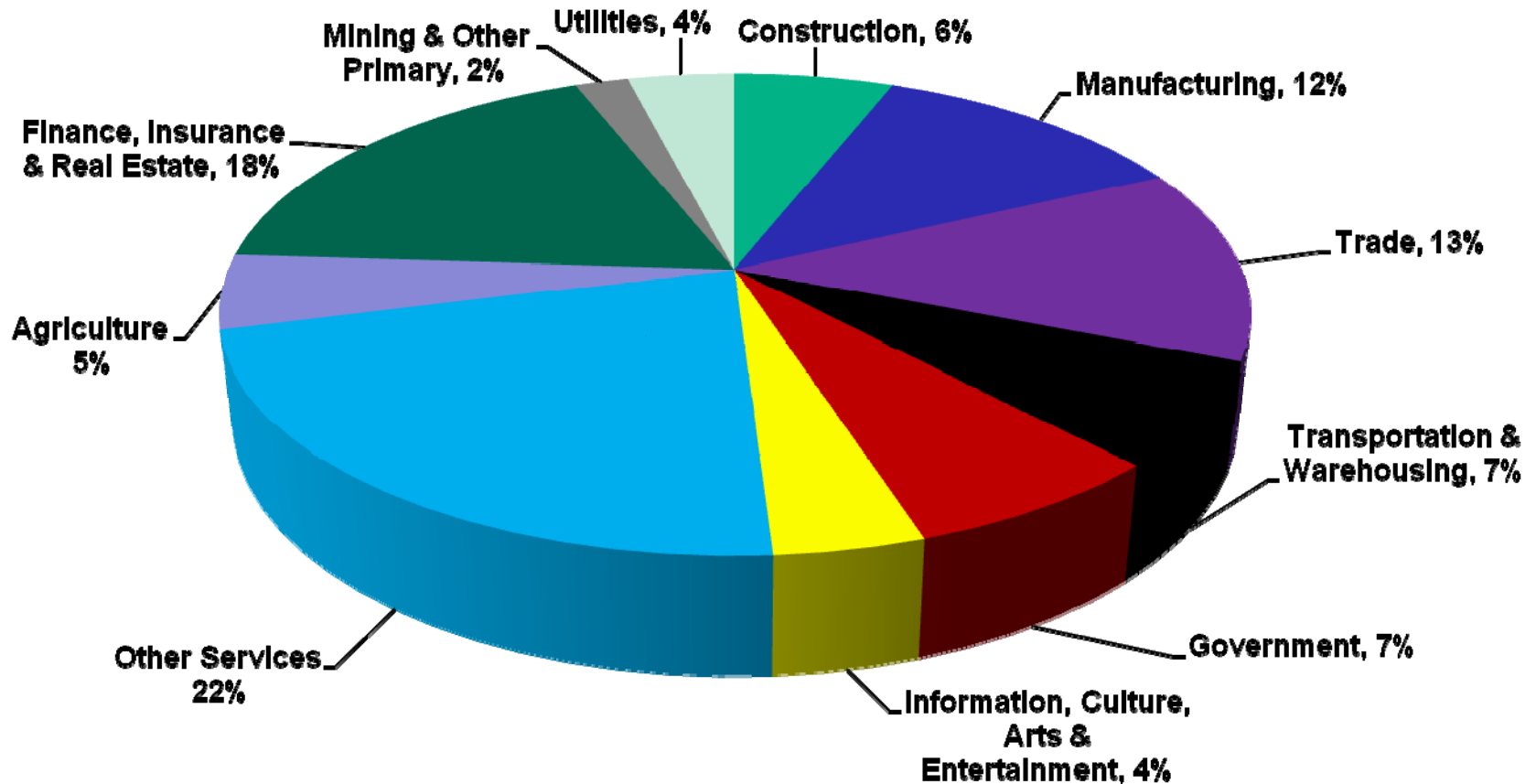
# Marketplace

# Manitoba Economy

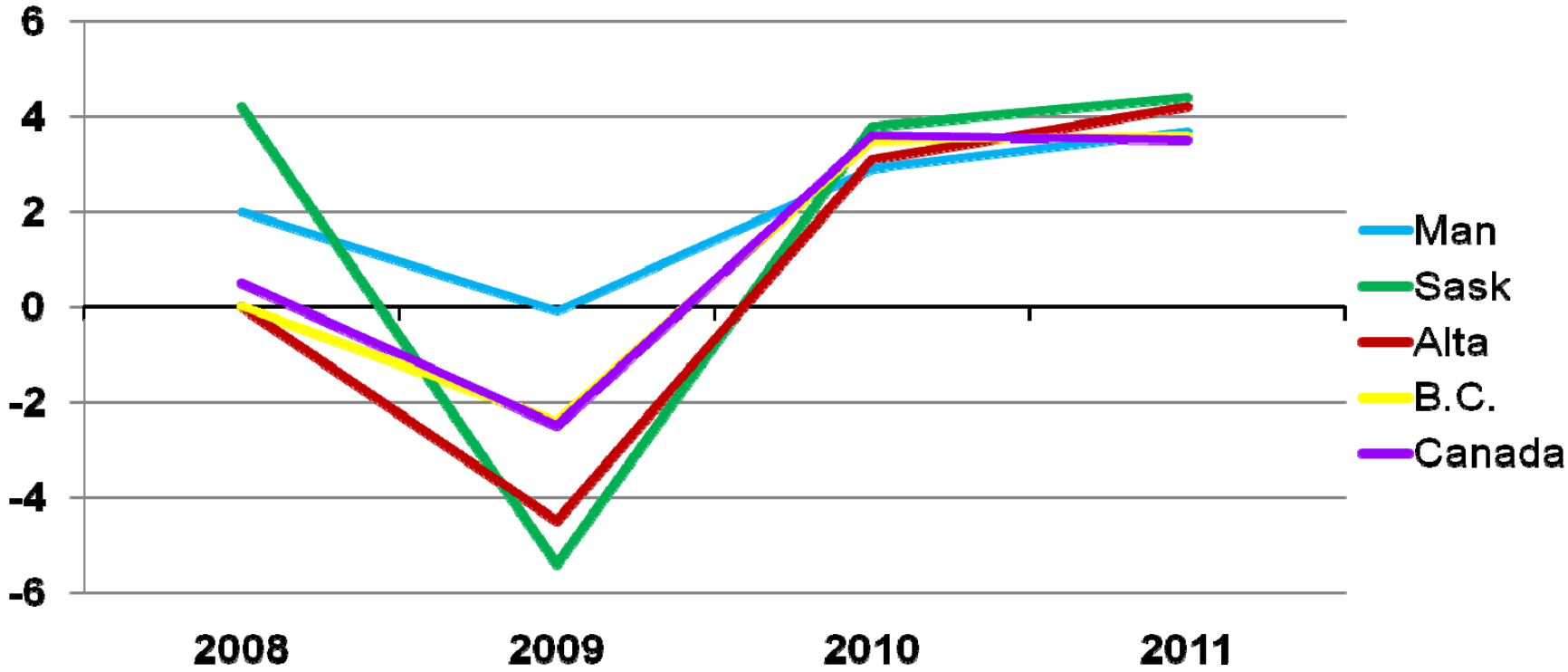
- Diversified and stable business environment.
- Manufacturing largest industry – approximately 12% of Provincial GDP.
- Large employers include Boeing, New Flyer, MTS, Great West Life, Investors Group.
- Agriculture and mining are important industries.

# Manitoba GDP by Industry

Source: Government of Manitoba – Manitoba Bureau of Statistics May 2009



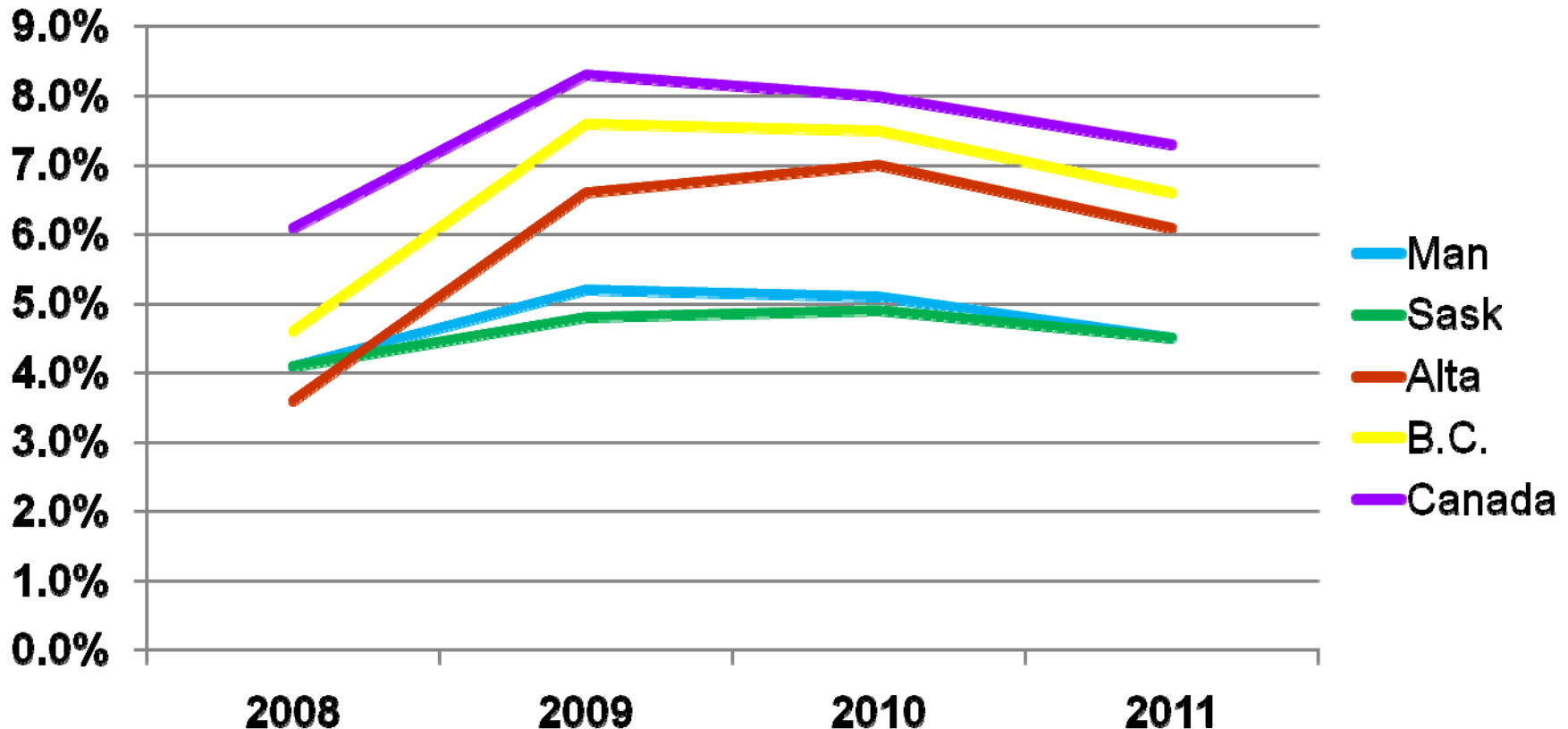
# Real GDP by Province



Source: Statistics Canada, RBC Economics Research Provincial Outlook June 2010

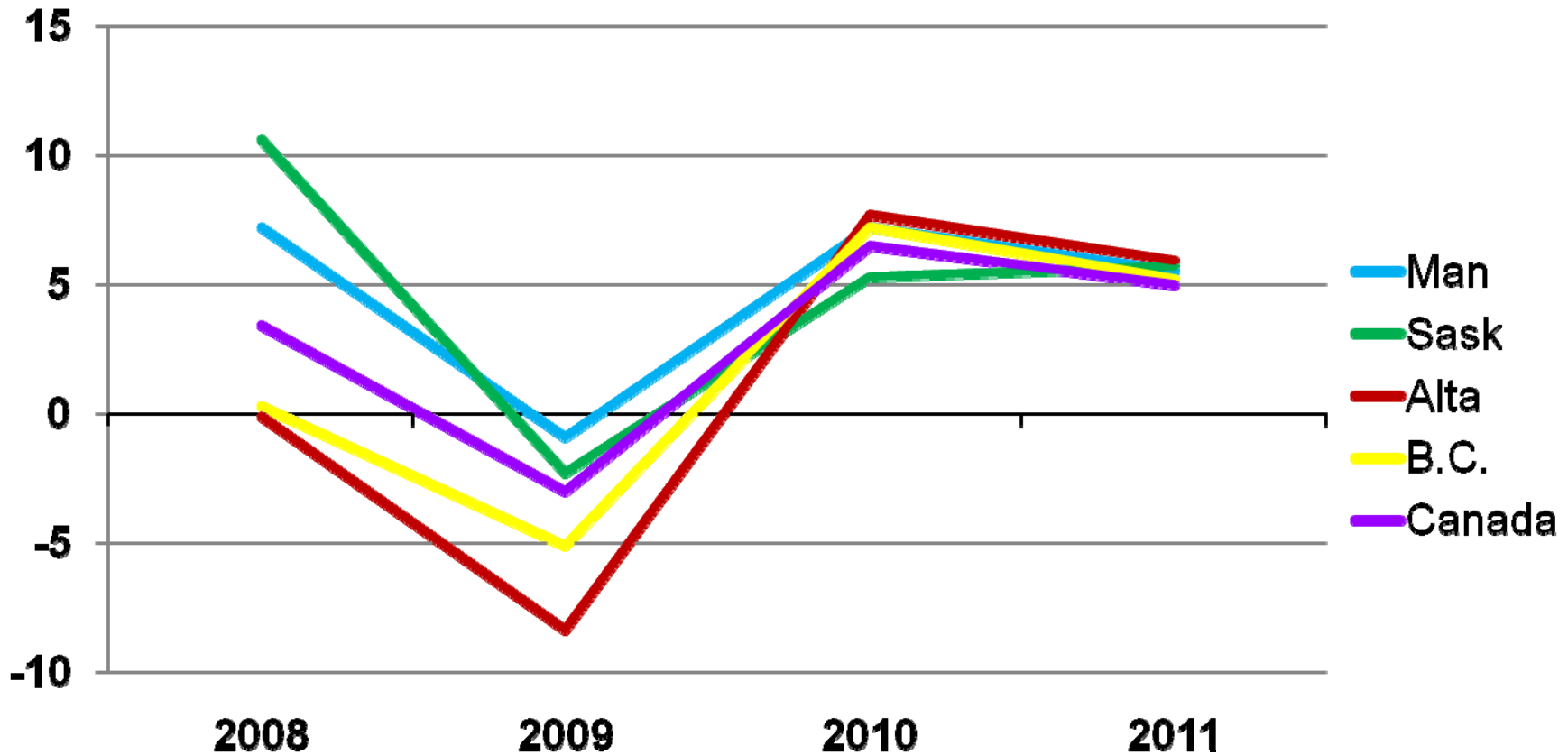
# Unemployment % by Province

Source: Statistics Canada, RBC Economics Research Provincial Outlook June 2010



# Retail Sales by Province

Source: Statistics Canada, RBC Economics Research Provincial Outlook June 2010



# Operating Business

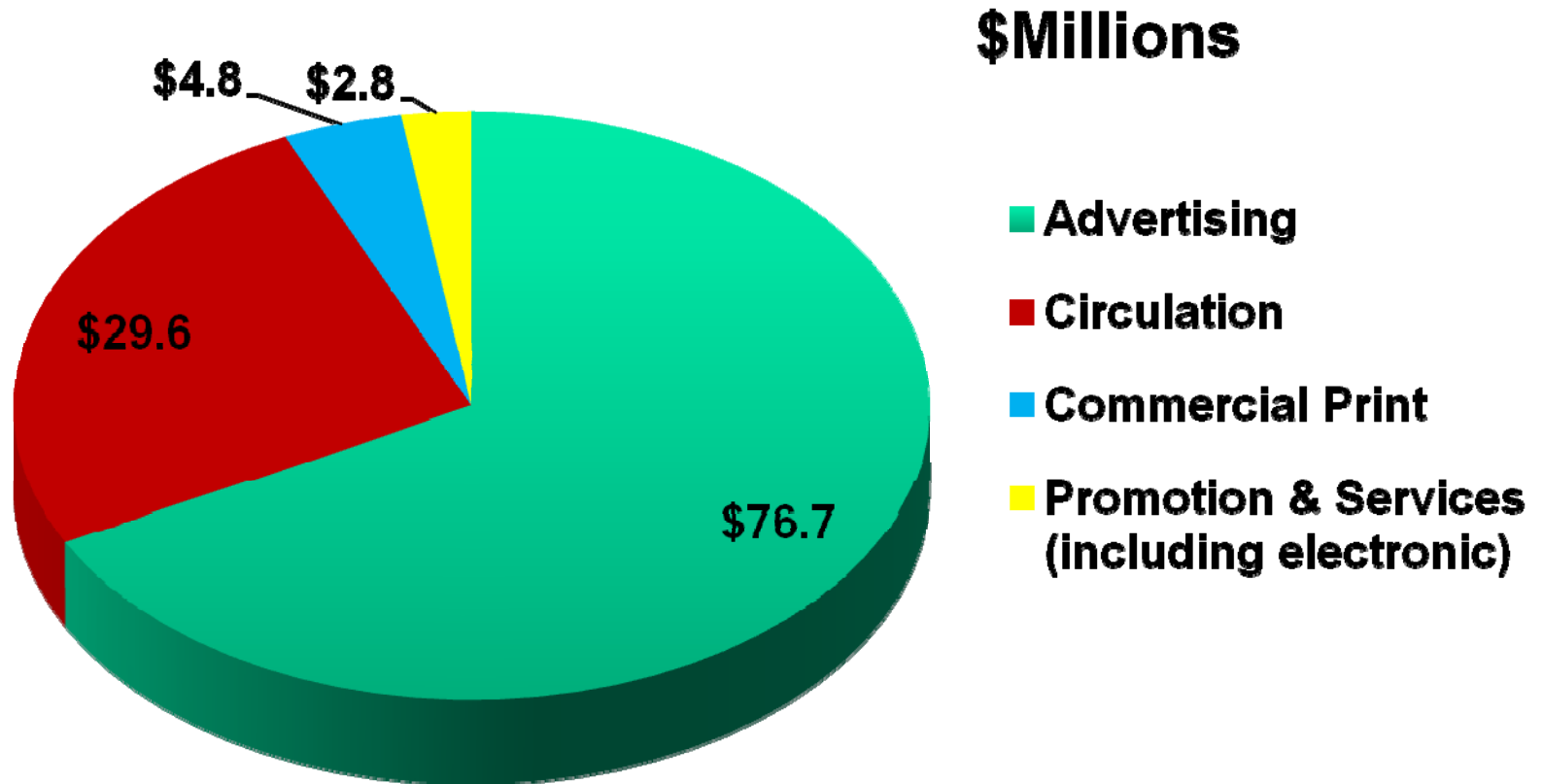
# Historical Operating Results

	2006	2007	2008 <sup>(1)</sup>	2009 <sup>(2)</sup>	LTM to June 30, 2010
Revenue (\$ millions)	\$122.2	\$125.9	\$121.1	\$113.9	\$112.7
EBITDA (\$ millions)	\$25.5	\$28.5	\$23.0	\$22.4	\$25.2
EBITDA %	20.8%	22.7%	19.0%	19.7%	22.4%

(1) Results impacted by missed publications due to strike at Winnipeg

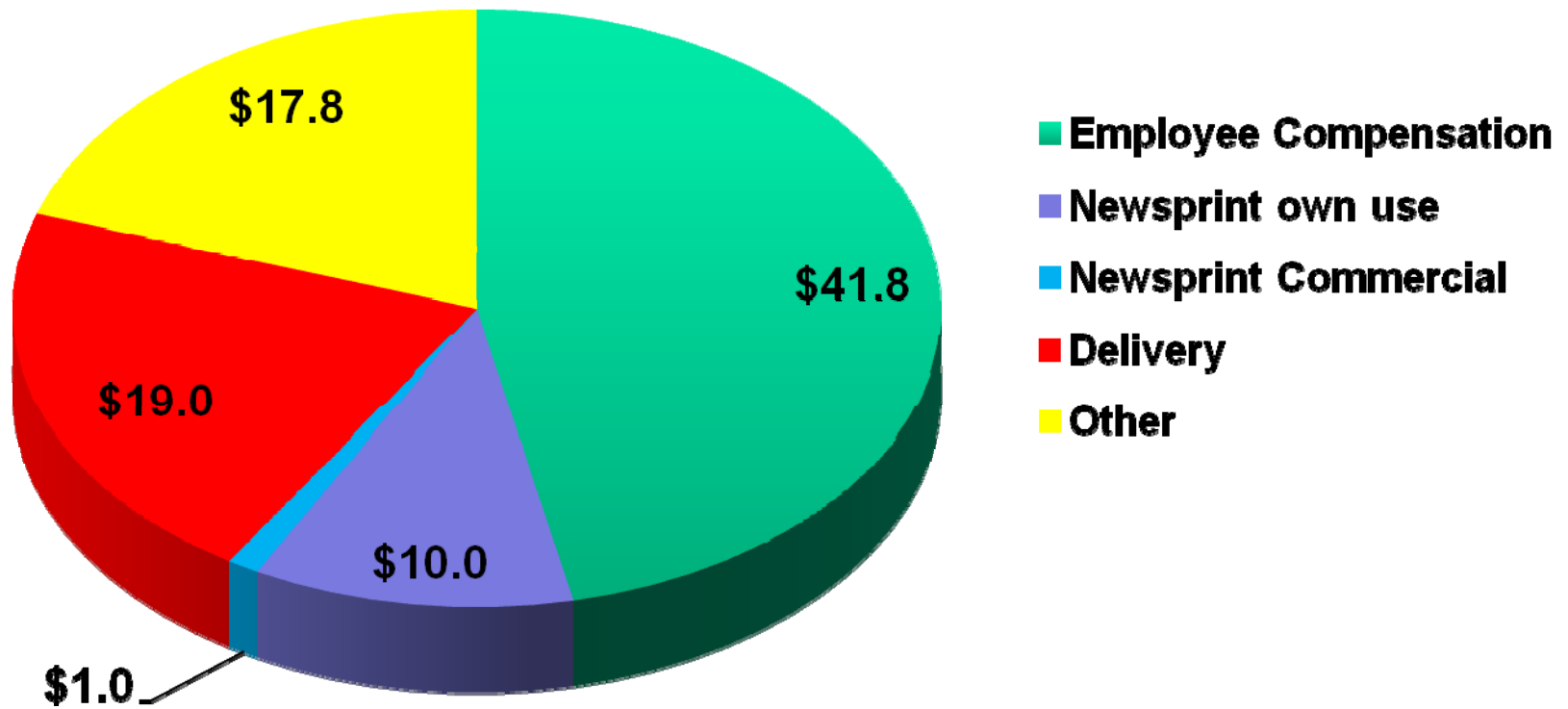
(2) Expenses include \$1.9 million of restructuring severance charges

# Revenues (2009)



# Expense (2009)

**\$Millions**



# Distributable Cash

<b>Distributable Cash</b> <b>\$000's</b> (except per unit information)	2009	LTM to June 30, 2010
EBITDA	\$22,398	\$25,244
Interest (net)	(\$3,080)	(\$2,729)
Principal Payments on HSBC Debt	0	(\$2,085)
Maintenance Capex	(\$679)	(\$844)
Proceeds on Disposal of PP&E	\$163	\$380
Cash Taxes	(\$4)	(\$13)
<b>FPLP Distributable Cash</b>	<b>\$18,798</b>	<b>\$19,953</b>
49% Attributable to the Fund	\$9,211	\$9,777
Fund Admin expenses	(\$267)	(\$489)
<b>Distributable Cash attributable to the Fund</b>	<b>\$8,944</b>	<b>\$9,288</b>
Per Unit	\$1.30	\$1.35
Distributions declared per Unit	\$1.14	\$0.93
<b>Payout ratio</b>	<b>88%</b>	<b>69%</b>

# Refinancing Long-term Debt

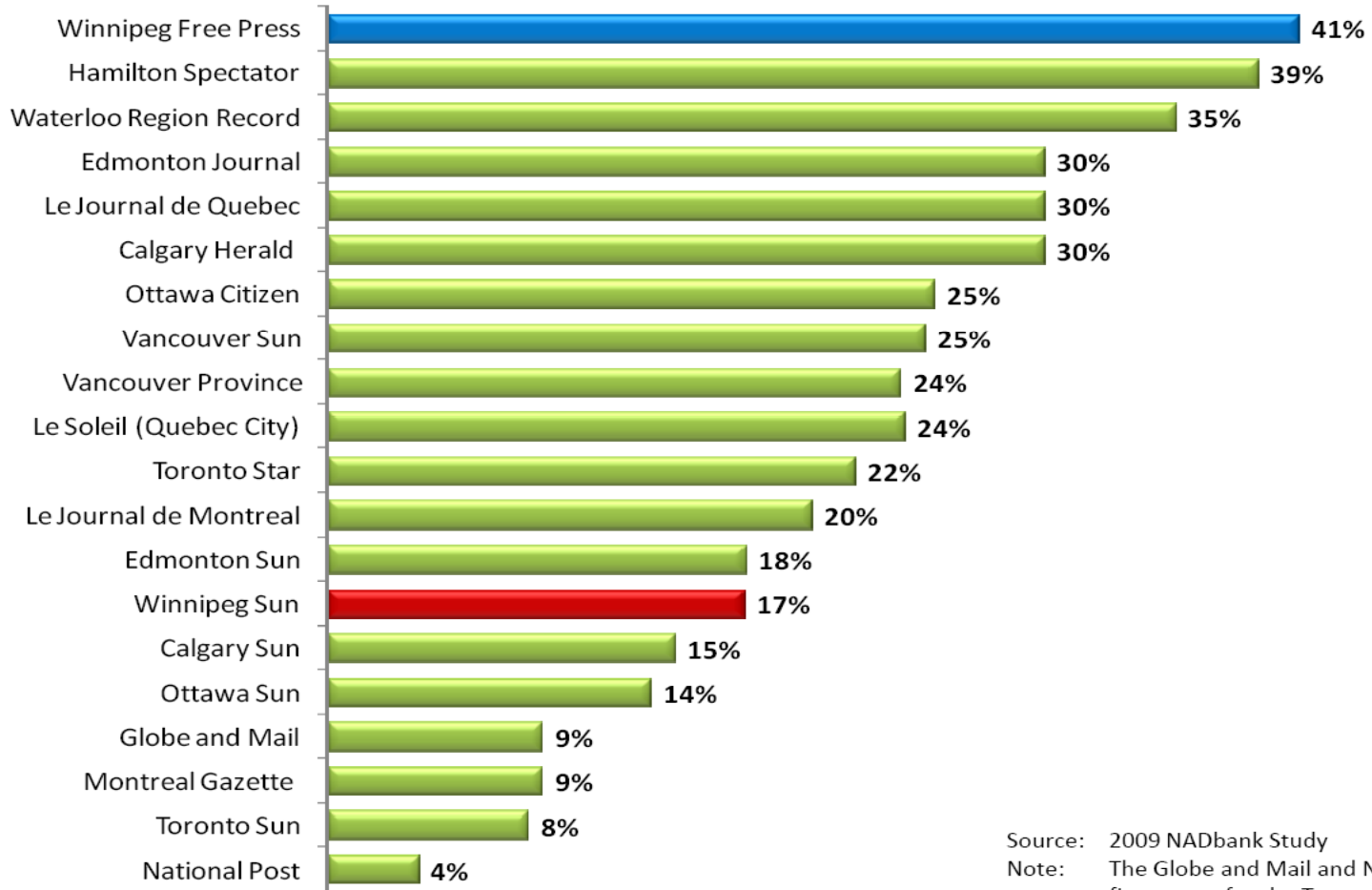
- Completed January 2010.
- 3 year term expiring January 2013.
- Annual \$5.0 million principle amortization.
- Current variable interest rate 4.13%.
- \$5.0 million guaranty provided by sponsors.

# Leverage Ratio

	<b>December 2008</b>	<b>2009</b>	<b>LTM to Jun 30, 2010</b>
<b>Net Debt (\$millions)</b>	<b>\$52.2</b>	<b>\$50.8</b>	<b>\$44.2</b>
<b>EBITDA (\$millions)</b>	<b>\$23.0</b>	<b>\$22.4</b>	<b>\$25.2</b>
<b>Debt: EBITDA Ratio</b>	<b>2.3:1</b>	<b>2.3:1</b>	<b>1.8:1</b>

# Weekday Readership of Daily Newspapers in the Top Ten Canadian Markets

The Winnipeg Free Press reaches 41% of Winnipeg adults every weekday.



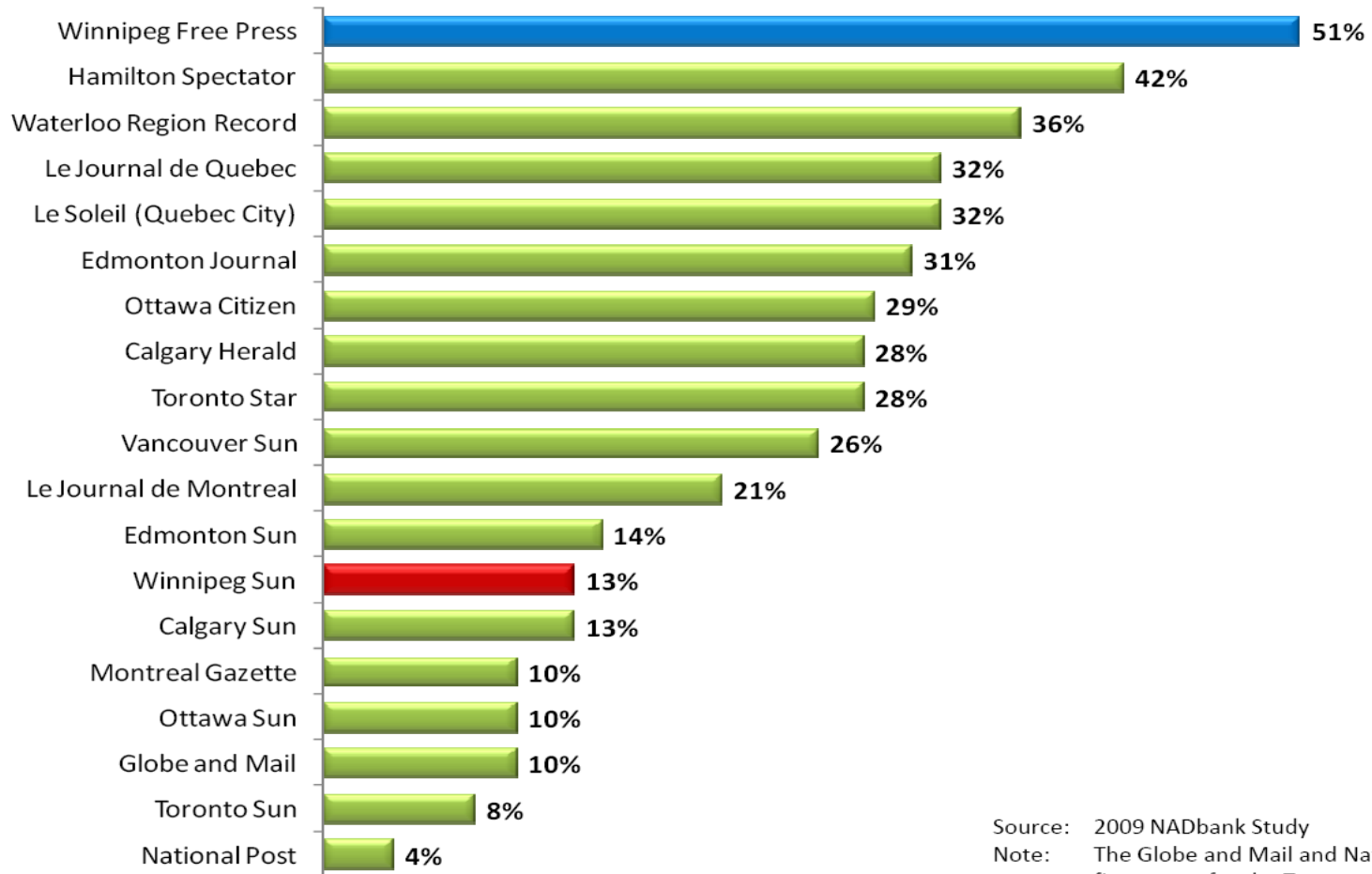
Source: 2009 NADbank Study

Note: The Globe and Mail and National Post figures are for the Toronto C.M.A.



# Saturday Readership of Daily Newspapers in the Top Ten Canadian Markets

The Winnipeg Free Press reaches 51% of Winnipeg adults every Saturday.



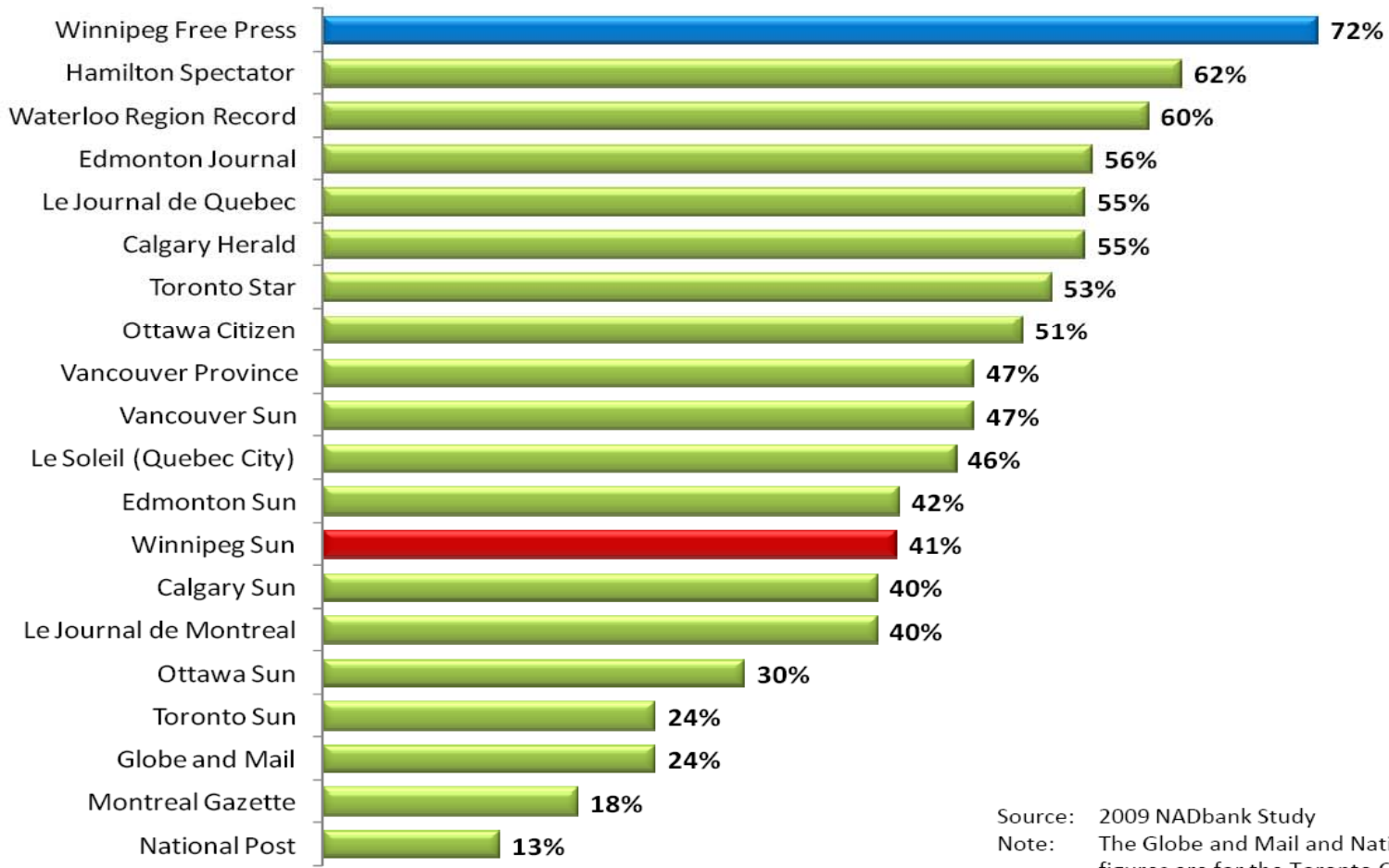
Source: 2009 NADbank Study

Note: The Globe and Mail and National Post figures are for the Toronto C.M.A.



# Total Weekly Readership of Daily Newspapers in the Top Ten Canadian Markets

The Winnipeg Free Press print and online newspaper reach 72% of Winnipeg adults each week.



Source: 2009 NADbank Study  
 Note: The Globe and Mail and National Post figures are for the Toronto C.M.A.

# Winnipeg Competitive Landscape

## Comparison of Key Readership Metrics

(Source – NADbank 2009 Survey)

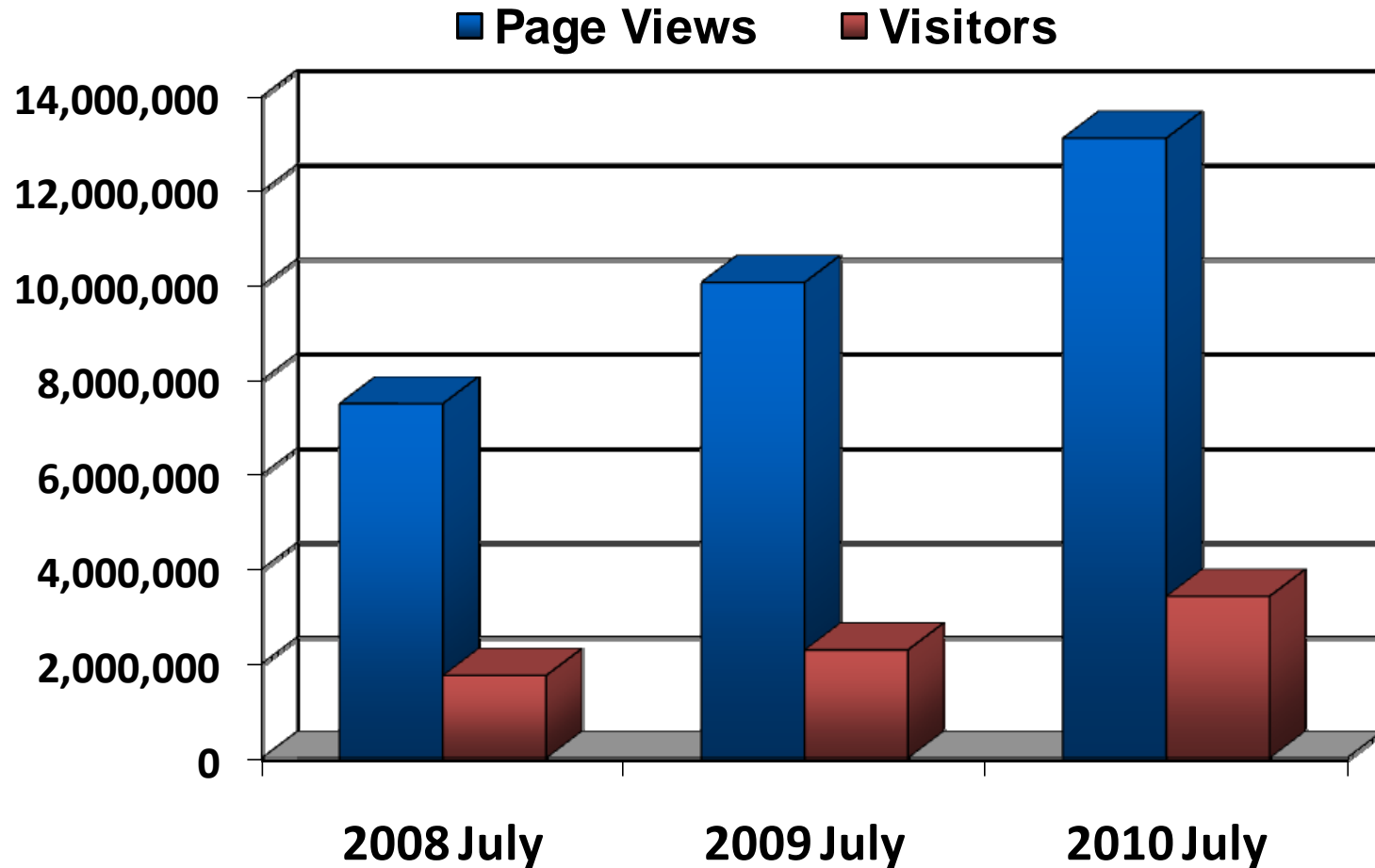
	Winnipeg Free Press	Winnipeg Sun
<b>Total adult 18+</b>	<b>72%</b>	<b>41%</b>
<b>University Graduates</b>	<b>77%</b>	<b>33%</b>
<b>Household Income &gt;100K</b>	<b>80%</b>	<b>44%</b>

# FP Canadian Newspapers LP

## 2009 Restructuring Major Initiatives

- 10% headcount reduction in Winnipeg.
- Eliminate Sunday home delivery of Winnipeg Free Press.
- Consolidate non-subscriber delivery days from 3 to 2.
- Various newsprint and other reduction actions.

# Internet Use



# Going Forward

# Revenue Outlook

- Advertising revenue uncertainty – tied to general economic activity.
- Circulation unit sales continue history of small annual declines with rate increases able to keep revenue flat.
- Globe and Mail commercial print contract ends October 1, 2010.
- Digital revenue growth from wider product range.

# Expense Outlook

- Contracted wage rate increases 2%, present contract expires June 30, 2013 (Winnipeg) December 31, 2013 (Brandon).
- Elimination of approximately 45 FTE's from consolidation of production in Winnipeg.
- Newsprint price increases likely to continue.
- Continued efforts to improve efficiencies and reduce costs.