

GANNETT

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Giuliano Bologna, *Compass Point*

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PRESENTATION

Matthew Esposito

Thank you. Good morning everyone, and thank you for joining our call today to discuss Gannett's first quarter 2025 financial results. Presenting on today's call will be:

- Mike Reed, Chairman and Chief Executive Officer
- Trisha Gosser, Chief Financial Officer, and
- Kristin Roberts, Chief Content Officer

If you navigate to the Gannett website, you will find that we have posted an earnings supplement in addition to our earlier press release. We will be referencing it today on the call, as it provides you with additional detail on this quarter's performance and our full year 2025 business outlook.

Before we begin, please let me remind you that this call is being recorded. In addition, certain statements made during this call are, or may be deemed to be, forward-looking statements as defined under the U.S. federal securities laws, including those with respect to future results and events, and are based upon

current expectations. These statements involve risks and uncertainties that may cause actual results and events to differ materially from those discussed today. We encourage you to read the cautionary statement regarding forward-looking statements in the earnings supplement as well as the risk factors described in Gannett's filings made with the Securities and Exchange Commission. Except as required by law, we undertake no obligation to publicly update or correct any of the forward-looking statements made during this call.

Please keep in mind all comparisons are on a year-over-year basis unless otherwise noted. In addition, we will be discussing non-GAAP financial information during the call, including same store revenues, free cash flow, Adjusted EBITDA, Adjusted EBITDA margin, and Adjusted Net Income attributable to Gannett. You can find reconciliations of our non-GAAP measures to the most comparable U.S. GAAP measures in the earnings supplement.

Lastly, I would like to remind you that nothing on this call constitutes an offer to sell, or solicitation of an offer to purchase, any Gannett securities. The webcast and audio cast are copyrighted material of Gannett and may not be duplicated, reproduced, or rebroadcasted without our prior written consent.

With that, I would like to turn the call over to Mike Reed, Gannett's Chairman and CEO.

Mike Reed

Thank you, Matt. Good morning and thanks for joining our first quarter earnings call.

In February, we outlined our full year outlook with the expectation that 2025 would unfold as a year of two halves. As you'll recall, we anticipated a progressive build in our performance. The first quarter results we are presenting today reflect our ability to deliver improvements in earnings and free cash flow, while navigating both a highly dynamic environment and the outsized impact of several items unique to the first quarter. With these items now behind us, we expect to drive a marked improvement in our top-line trends for the balance of the year, led by a reacceleration in our digital businesses. Additionally, we believe this perspective is supported by the fact that March marked our best performing month of the quarter for digital revenue and we are seeing improving revenue trends continue into Q2. We believe our financial objectives remain within reach, and as such, we are reaffirming our full year 2025 business outlook.

The path to growth is rarely linear, and while digital revenue in the first quarter was more challenged, we continue to have the largest digital media audience among content creators, and I am confident we have the right strategy with the right leaders driving our business forward. Despite an uncertain economic backdrop, our Q1 performance delivered clear proof points that validate our strategy and its potential to

drive meaningful growth. This includes significant bottom-line improvement, despite certain one-time items, solid free cash flow generation, and aggressive debt reduction of approximately \$75 million, which lowered our leverage and further strengthened our capital structure. The opportunities ahead are substantial, and we are taking swift, targeted action to accelerate the execution of the opportunities that will drive long-term value creation.

To that end, we recently announced a key leadership transition with the appointment of Trisha Gosser as our Chief Financial Officer. Trisha has more than 20 years of financial experience, including more than 15 years in the media industry. We are fortunate to have a leader with her deep institutional knowledge and operational experience to enable the organization to deliver excellence and value to our stakeholders. We also want to acknowledge the departure of Chris Cho from the Digital Marketing Solutions division. We remain more committed than ever to our strategy and our leadership changes better position us to strengthen our financial and operational performance.

Before we dive into first quarter results, I want to share three important takeaways that reinforce our optimism for 2025 and beyond:

First. We believe we have a substantial opportunity for long-term growth. Our industry-leading scale at a national and local level, diverse digital businesses, and our vast collection of content that audiences seek, serve as powerful engines for the growth we expect to capture over time. We are also continuously unlocking new monetization opportunities, which combined with ongoing investments in our digital initiatives, are expected to accelerate the speed of our transformation.

Second. We are reaffirming our full year 2025 business outlook. The fundamentals reflected in our Q1 results give us confidence in our ability to deliver on our 2025 outlook. We believe we are well-positioned to improve revenue trends, achieve a third consecutive year of Adjusted EBITDA and free cash flow growth, and drive improvement to net income compared to the prior year.

Last, but certainly not least. We believe we are entering a moment of real structural change in the digital advertising ecosystem - one that directly benefits Gannett and publishers like us. The federal court's recent ruling that Google illegally monopolized key segments of the digital advertising marketplace validates what we and others have argued for years: Google built a closed system that suppressed competition, channeled demand toward its own exchange, and diverted revenue away from content creators. This wasn't just a regulatory concern, it systematically eroded publisher revenue for years.

Now, that the liability phase of the trial has concluded, and the proceedings are moving to the damages phase, which may include potential divestiture of Google's ad exchange and ad server, we can now enter

a more open, transparent, and competitive marketplace. This shift is expected to unlock higher CPMs, stronger fill rates, and more equitable, and profitable participation in the ad value chain. With the largest digital audience among content creators, and over \$300 million in annual digital advertising revenue, Gannett is well-positioned to capture that upside. As broader structural improvements unfold, we are accelerating our efforts to expand first-party data, deepen direct advertising relationships, and develop the technology infrastructure needed to control how we manage and monetize our inventory. Furthermore, we view the recent DOJ ruling as a positive signal for the strength of our own case against Google as we continue to move forward.

Now with that, I would like to discuss the key operational highlights from the first quarter.

Our commitment to a diversified digital strategy is expected to provide a foundation for sustainable growth. We see our highly engaged digital audience as a powerful leading indicator of the revenue opportunities we are well-positioned to unlock. In Q1, we continued to attract a significant digital audience with 195 million average monthly unique visitors coming to our platform, growing over 4% compared to the prior year period. With our audience at scale, the next phase of our transformation prioritizes deeper engagement. There is significant potential to expand total digital revenues by delivering more personalized experiences across the consumer journey and increasing monetization of the audiences already engaging with our platform. Diversifying our monetization opportunities also remains a top priority, and the collaboration between our Content, Consumer and Product teams has already played a key role in advancing our progress.

With that, I'll now turn it over to Kristin to cover the monetization efforts around our growing audience.

Kristin,

Kristin Roberts

Thank you, Mike.

Gannett Media's ability to consistently inform, engage and entertain readers in the communities we serve is what makes us essential, and I am proud to say our Network did it in droves to start the year. For the second consecutive quarter, we were the leading news and information provider among content creators in America, as measured by Comscore. Our success demonstrates that embracing a unified content strategy and listening to our consumers by featuring a healthy mix of service journalism, trending news, and exceptional commentary and storytelling can deliver solid results. It also reinforces our ability to create content that is trusted and relevant, including being a leading sports content organization.

As I shared in February, our goal is clear: to become the leading sports media business in America, and we believe we are on the verge of making that happen through OneTeam Sports. The journey of OneTeam Sports began a year ago when the Network's standout March Madness coverage sparked an extraordinary 12 months of pageview growth.

One of the driving forces behind that growth has been the exponential rise in interest in women's sports. But women's sports coverage is nothing new across our Network, especially at USA TODAY. Our Company set itself apart as a pioneer in this space decades ago, and we are still setting ourselves apart with the official launch of USA TODAY's new sports vertical, Studio IX. This centralized platform highlights our extensive coverage of women's sports, which reaches more than 40 million fans, through in-depth and unique storytelling, dynamic events and expanded multimedia content. Since last month's launch with the reigning WNBA champions, the New York Liberty, Studio IX has already gained meaningful traction, evidenced by strong fan engagement and growing advertiser interest. Early results include audience growth, affiliate revenue from ticket and merchandise sales, and the addition of new sponsorships. We are optimistic about the long-term potential of Studio IX, and importantly, it is a perfect example of our flywheel in action.

In just two years, we have built the largest digital audience of any news organization in the country, with 195 million average monthly unique visitors, as measured by Comscore and Adobe Analytics. As our audience continues to grow, we have accelerated total consumer monetization through a diverse and expanding portfolio of new and enhanced content destinations. We are giving our consumers more reasons to come to us, more reasons to stay, more reasons to engage with our partners, and more reasons to subscribe. As a result, the door is now open for real innovation to fully unlock the value of our audience and new audiences who seek our valued content.

For the first time, data, automation, and AI are not only accessible and cost-effective, but they are deployable at scale. These capabilities are powering new tools and strategies that optimize pricing, enhance personalization, streamline workflows, and strengthen analysis, making every part of the business smarter and more efficient. Data serves as the fuel for the flywheel, with every improvement generating richer insights and greater profitability over time. As momentum builds, the flywheel accelerates through product diversification and the creation of new revenue streams.

On that note, in Q1 we made some organizational changes to more closely align our Consumer, Content and Product teams to better position the Company to maximize the value of our growing digital audience and core products. As part of this shift, we are prioritizing the acquisition of highly engaged, long-term, and more profitable local subscribers. Our product development and marketing efforts are focused on the

local consumer, including creating more personalized and relevant experiences. As we grow our local subscriber base and build new subscription products, we continue to expect solid full year growth in both digital-only paid subscriptions and digital-only subscription revenue, driven by our now unified Content, Consumer and Product teams.

This strategic alignment is expected to accelerate the growth in our core local businesses and presents a powerful opportunity to build new subscriptions and products that leverage the content we already produce. Our focus will be on brands with strong recognition and name awareness. From there, we will tap into our extensive content collection to develop a range of products that deliver meaningful value to subscribers. This strategy will be key to driving the expected success of Studio IX, along with other highly engaging verticals such as pets and entertainment.

Before closing, I want to extend my gratitude to the Content, Consumer and Product teams for being relentless in their work, diligence, and prioritization to deliver experiences our readers need. The path ahead is full of opportunities, and I am excited for what the future holds as we work together.

Back to you, Mike.

Mike Reed

Thank you, Kristin. I am excited by the recent launch of Studio IX, which will unlock new revenue opportunities in the year ahead. It is also encouraging to see how our scale, reach, and commitment to innovation continue to attract larger and more diverse audiences. Studio IX is a great example of how we create new revenue streams around the great content we already produce and the type of content our strategic partners are seeking.

In the first quarter, we continued to innovate in response to the impact of Google's manual actions. While Google's actions have delayed the pace of growth we originally anticipated with the launch of our various partnerships, we continue to create solutions that benefit our audiences and our partners, which is expected to reaccelerate that pace of growth moving forward. In addition, our focus has been on unlocking immediate monetization from our existing content through syndication, strategic partnerships, AI-driven platforms, and the expansion of our e-commerce business. We believe the value of real-time, authentic and trusted content at scale has never been higher, and our recent collaborations with Dow Jones, Microsoft, and our Q1 announcement of Amazon's Alexa Plus underscore that growing demand. We expect to continue stacking more of these high-margin deals given the rich and diverse nature of our content, as well as our proactiveness over the past year to build out AI capabilities in house. We expect to expand these revenue streams as we continue to engage with foundational partners to position Gannett as a premier content partner.

Now turning to our DMS business. Despite recent challenges, we view this year as an opportunity to strengthen our foundation and solidify our role as an indispensable digital partner. We are executing on a well-defined action plan that is supported by strategic investments and substantial upgrades to our product suite. Some of these include:

Rolling out new CRM integrations, which are expected to deliver more targeted, personalized campaigns and generate stronger insights for our customers. As a result, we expect to drive higher customer retention over time.

Separately, we are strengthening our search optimization capabilities to align with evolving customer search behavior. This will enable us to generate more qualified leads while minimizing cost per lead for our customers.

Next, we are building on the strong momentum of our AI powered solution, DASH, with new features and functionalities designed to further optimize campaigns and drive stronger commercial outcomes. Importantly, early data indicates that Dash positively impacts new client retention, reinforcing its value in strengthening long-term customer relationships.

As another example, we remain keenly focused on pursuing the right customer profile. These customers tend to be lower ARPU and higher margin, with search representing a smaller percentage of total revenue. We saw success with this in Q1, and while these actions will take time to build toward overall revenue growth, they have higher retention and are expected to strategically reduce our reliance on search.

Overall, we remain fully committed to enhancing the customer experience across our product suite. The early success of these initiatives reinforces our confidence in returning our DMS revenue performance to near flat in the second quarter.

With that, I would like to turn the call over to Trisha to provide additional detail and color around our first quarter financial results.

Trisha,

Trisha Gosser

Thank you, Mike, and good morning, everyone. I'm pleased to be here with you today.

Please keep in mind all comparisons are on a year-over-year basis unless otherwise noted.

As expected, Q1 presented some unique challenges. However, we are confident in the strategic plans we have in place to achieve our financial objectives for the full year. With continued focus on our strategy, efficiency initiatives, and disciplined operational execution, we are well-positioned to drive a stronger performance as we enter the second quarter.

For Q1, total operating revenues were \$571.6 million, a decrease of 10.1%, or 7.7% on a same-store basis. The spread between reported and same store revenues grew in the quarter due to the sale of the Austin-American Statesman. Revenue from exited operations totaled \$16 million in Q1, and we expect that figure to increase in the second quarter. In addition, our total digital revenues also reflected larger than normal customer revenue reversals and this level of activity is not expected to continue. Q1 performance was also comparatively challenged by Leap Day. All of these items had an impact to overall revenue and Adjusted EBITDA as compared to the prior year. As we move past these headwinds, we expect same-store revenue to improve, with stronger performance compared to the trends we saw in 2024. We remain confident in our ability to drive meaningful improvement in our top-line trends and overall same store revenue growth.

Adjusted EBITDA totaled \$50.5 million in the first quarter, representing a margin of 8.8%. The year-over-year decline was in line with our expectations, largely driven by the items I just referenced. We expect higher Adjusted EBITDA in the second quarter, although similar year-over-year performance, with a return to growth in the second half of the year, driven by improving revenue trends and disciplined cost management.

Expense management remains a critical priority, and in Q1, operating expenses decreased 18.1%, in part due to the impact of exited operations. Our expenses have remained largely unaffected by the current tariff policy, though we continue to closely monitor the situation. Over the past three months, we have made several changes to streamline our executive leadership team, resulting in a more cohesive and agile structure. We have benefitted from a smooth transition across the organization along with significant cost savings. We also continue to demonstrate our ability to modulate our expense base in response to economic conditions while also enabling investments in our growth drivers. We remain intensely focused on executing transformative cost reductions to create a more flexible cost structure and position us to achieve our financial objectives for the year.

On the bottom line, we reported a net loss of \$7 million in the first quarter, representing an improvement of approximately \$77.0 million. This includes the impact of cycling the \$46 million impairment charge

related to the exit of our leased facility in McLean, Virginia in the first quarter of last year. Our results also improved on an adjusted basis, with adjusted net loss of \$13 million, improving approximately \$23 million.

Total digital revenues in Q1 were \$250.4 million, down 6.4%, or 3.8% on a same-store basis, and represented approximately 44% of total revenues. We view the first quarter as an anomaly with the declines driven by softer trends in our Newsquest and DMS segments, along with increased revenue reversals that more acutely affected our digital-other and digital-only subscription businesses. With these impacts now behind us, along with improving fundamentals across our digital businesses, we anticipate total digital revenue performance to stabilize, with potential for flat to modest growth in Q2, and more substantial growth in the latter part of the year.

In Q1, digital-only subscription revenues exceeded \$43.0 million, reflecting minor same store growth. Volumes in the quarter were impacted by the sale of Austin as well as elevated customer churn. A deeper focus on maximizing the value of our local subscription products, along with shorter introductory offer periods, will likely take time to scale, but are essential to building a sustainable and highly profitable digital-only paid subscription base.

Shifting to print, our efforts to enhance the subscriber experience continued to deliver positive results, marked by a second consecutive quarter of sequential improvement in print and commercial revenue trends. Our refined pricing strategy has driven meaningful progress in retention, resulting in a more stable and loyal subscriber base which should, in turn, unlock additional advertising opportunities in the quarters ahead. Our print business continues to have a long tail and remains a strong source of cash flow. This cash flow is expected to strengthen our balance sheet through debt repayment, while also supporting continued investment in our digital growth opportunities. We remain committed to managing the tail in print as effectively as possible as we further intensify our efforts to reduce churn among our print subscribers through product, pricing, and service enhancements.

Looking at the Domestic Gannett Media segment. Revenue trends in Q1 on a reported basis continued to reflect the sale and shutdown of various non-strategic businesses in 2024, as well as the divestiture of Austin in the first quarter of 2025. In Q1, Adjusted EBITDA in the segment was \$33.2 million.

Turning to Newsquest, our top-line performance in Q1 was influenced by a slowdown in digital advertising trends, reflective of the local economy in the U.K. For Q1, Adjusted EBITDA in the segment was \$13.9 million.

In our Digital Marketing Solutions business, total core platform revenue in the quarter was \$108.2 million. Adjusted EBITDA for the segment totaled \$8.5 million. We had approximately 13,400 core platform

customers, with core platform ARPU reaching approximately \$2,700. As we manage the ongoing impact of last year's churn, I am encouraged by the team's direction and their heightened emphasis on acquiring customers that fit our ideal profile. As a result, we saw a modest sequential improvement to budget retention in the quarter, which we view as a positive indicator for the second quarter. As Mike emphasized, our strategic plan prioritizes enhancements to the overall product portfolio as part of a broader commitment to improve retention and optimize account performance.

Let's now shift to the balance sheet.

At the end of the first quarter, our cash balance stood at approximately \$86.0 million, and our outstanding net debt was approximately \$951.0 million. Free cash flow in Q1 totaled \$10.2 million, growing 7.6%. We expect free cash flow generation to be similar in Q2 to Q1, with more substantial free cash flow in the second half of the year.

We ended Q1 with approximately \$1.0 billion of total debt, reflecting approximately \$75.0 million of total debt paydown for the quarter. Subsequent to quarter-end, we executed an agreement to repurchase \$14.0 million of our 2027 convertible notes at 105% of par value by utilizing \$15 million from our delayed draw facility. This transaction reduces the impact of future dilution and was at a discount to the terms offered in the exchanges completed in 2024. We are confident in our ability to further improve our capital structure in 2025, and as a result, we expect to repay over \$125 million in debt through amortization, asset sales, and free cash flow generation. As we couple our aggressive debt paydown strategy, with our expected full year growth in Adjusted EBITDA, we expect to achieve a first lien net leverage approaching 2.0x by the end of the year.

We remain immensely confident in our operational and financial plans for 2025. The meaningful progress we have already achieved on our long-term digital growth strategy underscores the value of the audiences we have curated, validates the strength of our monetization plans and marks only the beginning of the value we expect to unlock over time. I remain optimistic and believe we are on a strong path forward.

I will now hand it back to the operator for questions and then we will go back to Mike for some closing thoughts.

Operator

Thank you. At this time, we will be conducting a question-and-answer session. Your first question for today is from Giuliano Bologna with Compass Point.

Giuliano Bologna

Hi. Good morning, and congratulations on your continued execution around the business. One thing I'd be curious about asking you is, with the recent loss by Google in the anti-case, specifically, in the DOJ case. Can you talk about how this may impact your business and if it creates any opportunities?

Mike Reed

Yeah. Hey, Giuliano. Thanks. Yeah, a couple ways it impacts us. First of all, on the operating side, the business side, we think it absolutely sets the stage for a more fair and favorable ad marketplace for Gannett and really for all publishers. The DOJ's win is really a meaningful step to rebalancing that whole digital advertising ecosystem, which is so needed. Assuming proper remedies are put in place, it'll lead to greater transparency in the ecosystem and higher revenue shares for publishers, including us. We think we're well-positioned, obviously, because of our size and scale.

If the structural changes that are required to be made by Google's ad tech stack, it should really benefit publishers as I said. So, we should gain more control over our inventory. We should have a higher share of price flow back to us. And over time as these pricing dynamics shift, the end result is we have a much bigger opportunity to monetize our own advertising inventory on our own platform, which we're excited about.

I think it's also worth noting, the other side is just our case. It's worth noting that the ruling, that Google violated antitrust laws in the ad tech marketplace really sets precedent that supports many of our claims in our ongoing lawsuit against them. So, we feel much even stronger about our case as that moves forward.

Beyond that, just with regard to digital advertising, let me just take a moment to reiterate something we said on the call. We do see fundamentals in the business improving. We saw that in March and we've seen that in early April. Our audience is continuing to grow and we're leveraging the tools and technologies that we have in new ways to engage with consumers on a more personalized level.

So, regardless of what happens with the Google remedies, we still see an improving marketplace. Importantly, we saw stronger performance at the end of the quarter than we saw earlier in the quarter. We continue to add monetization opportunities to our platform from AI licensing deals, subscription products and syndication to our platform. And so, we remain really bullish and optimistic on the digital advertising opportunity for us, but the DOJ's case definitely gives us a much bigger opportunity over the long run.

Giuliano Bologna

That's very helpful. And then maybe if you can address that with the manual changes Google's made kind of how are you adopting affiliate revenue business and what are your expectations for growth there?

Mike Reed

Yeah. The manual changes Google made, we're very unfortunate and there's no doubt that, they impacted the pace of growth that we had with our affiliate business. But we've worked really hard with each of our affiliate partners to kind of navigate to the best solution for each individual deal. In rare instances, that meant canceling a contract starting over and that impacted our Q1 revenue. That's part of what we mentioned as unique kind of onetime items. We also mentioned that's behind us now.

But in most cases with our affiliate partners, what it really meant Giuliano is leveraging our own content that we produce that our readers already engage with that does support the affiliate partnership to reenergize or reaccelerate the revenue growth that we're getting from those affiliate partners. So, like a gambling.com, for example. So we've had to lean further into our diversified monetization strategy too as a way to offset some of what Google did to us and utilizing content that we're already producing to unlock new highly accretive revenue opportunities is something we're doing. I mentioned that through a couple AI licensing deals, and we want to stack more of those syndication strategic partnerships.

So our niche content has really become a recent focus for us in some of our licensing deals. And we believe there are actually a variety of use cases that will require curated local and affinity content that we can offer a partner at scale, which nobody else can. So, a few of the recent deals that we've done are with Dow Jones, Microsoft, and Amazon. And, as I said, we'd like to stack more of these deals, so we see a lot of potential here. So the changes Google made were unfortunate and probably uncalled for, but we're adjusting and rebuilding.

Giuliano Bologna

And maybe a little bit of a one-off question, but the signal to Google-related topic for a second. Obviously, it's great to see the positive precedent in case law that the DOJ case sets. One thing I'd be curious about and I realize that, you can't necessarily talk about like specific expectations in terms of what you'd want the outcome to be in the end. But, I'm curious if there's any kind of rough ballpark of where you think your claim is from a quantitative perspective, against Google in this case? And even if it's a broad range, just be curious to see if there's any kind of sense of what your claim is. I was like, no, I think we all realize that

your claim is fine, not reflective of what interest damages or the settled outcome could look like. But just curious where do you think your claim is?

Mike Reed

Yeah. It's not public at this point, Giuliano, but it's very significant. I would say that that Google through this process, on an annual basis has made tens of billions of dollars, and we're one of the biggest publishers playing in this arena. So, our piece of that would probably be the biggest or one of the biggest. So, it's a substantial amount of money and we're anxious to kind of get moving or see our case continue to move.

Giuliano Bologna

That's helpful. I appreciate it. And maybe switching gears, obviously, I think, also in the commentary that you're reiterating guidance for 2025. And I'm curious, related to that, to reiterating 2025 guidance, I'm curious your confidence around that and kind of what the puts and takes are kind of, well, when you're considering the macro backdrop and some of the uncertainty that's out there.

Trisha Gosser

Yeah. Hey, good morning, Giuliano. This is Trisha. Yeah, we do feel really confident about our guidance. We entered this year, and we knew it was going to be a progressive build in our performance throughout the year. And we always expected the second half to deliver the most meaningful progress this year. So, the guidance that we are reaffirmed today, it reflects what we know today. It reflects what we're seeing in the marketplace right now.

We do have daily conversations with our advertisers, and through those conversations, we're not seeing a material shift in the demand or in any buying behavior. And, I think, even more importantly, we're starting to see improvements in the fundamentals of the business. We're seeing stronger retention. We're seeing a more diversified revenue base, and we are seeing the operational efficiencies take hold. And that gives us a lot of confidence in the assumptions and the trajectory that we're on.

So, if you look at the year, take a look at print, we've had a couple of quarters of sequential improvement in our trends based on the efforts we've put in to improve the subscriber experience. We expect that to continue for the rest of the year. And then certainly for Q1, we see our digital performance really as an outlier impacted by those items that we outlined on the call.

So, at the end of the day, our audience is growing. We're leveraging tools. We're leveraging technology, AI, and new ways to engage our readers to inform them and to really fully monetize our platform. And Mike mentioned this, we saw stronger performance at the end of the quarter than we did at the beginning of the quarter. We keep adding new monetization opportunities to our platform, AI licensing, syndication, new subscription products.

And then on the DMS front, we're really encouraged by the customer budget stabilization that we saw. We're encouraged by the product development that we're doing both for Dash and our core product suite. So the outlook that we gave today, it's grounded in the real time trends. It's grounded in our disciplined execution, and it's going to take a steady build each quarter as we take advantage of all these opportunities we've outlined today.

Giuliano Bologna

That sounds like you kind of led into other areas on the DMS side. But I'm curious, can you speak about what you're seeing and doing, because you talked about that DMS revenues will grow and thrive from here?

Mike Reed

Yeah, Giuliano, we actually expect pretty marked improvement from Q1 to Q2. Matter of fact, in my remarks, I said, I think the DMS revenue will be closer to flat in Q2 versus the decline we saw in Q1. We are starting to see evidence of improving fundamentals in the quarter.

The first indicator was really the uptick in our budget retention in Q1, which should impact positively revenues in Q2. We're also starting to see the benefits of our SaaS product Dash and the impact that that's having on customer retention. And while it's only on a small percentage of our customers today that are optimizing Dash, we do see the potential for greater penetration leading to better engagement and retention across our broader customer base.

And while Dash has been a product focus for the past year, we are really focused highly now on shoring up our investment in the core business, which does represent most of the revenue developments. We mentioned on the call today developments like integrating the CRMs onto our platform that provides a better benefit to the client, but also provides a stickier relationship.

We're also adding new search capabilities, which is still an important product in the market. You have to have that capability. And, frankly, it's a very intense and high focus area for us. And with the recent

management changes that we've made there, we do have very good sales velocity in shoring up our product suite, which work is already underway. It gives us a lot of confidence that we'll get close to flat in the second quarter and we'll actually return to growth over the back half of the year. So a lot to be optimistic about with the DMS business as this year goes on.

Giuliano Bologna

All right. Sounds good. As a final one, I'm curious how you expect to improve the digital revenue growth trends kind of going into the back half of the year.

Trisha Gosser

Yeah. Again, we certainly see our Q1 digital results as an outlier. The quarter had an unusual concentration of revenue reversals, both impacts from the manual actions that we mentioned to our partnership business and also the impacts to our digital subscription revenue. These are items and trends that we don't expect to repeat. And we also had a small calendar headwind this quarter as we cycle against leap day from last year. So none of those items are expected to repeat.

And then, I think, more importantly, all the items that we've mentioned, the fundamentals of the business are moving in the right direction. The DMS retention is improving as we improve that product suite. We've built a good infrastructure around our partnership revenue, and we expect that revenue to grow from where we are in Q1. We're adding new revenue streams from syndication and AI licensing, and those are starting to contribute.

And then Mike mentioned that broader industry shift in the advertising ecosystem, things like regulatory action, the DOJ's recent win, pushes for a more level playing field in digital monetization. And that may be longer term, but that could be a real tailwind for our business and really for publishers much more broadly. So, on its face value, Q1 isn't where we wanted it to be, but it's not reflective of the fundamentals of the business, and it's certainly not reflective of where we're headed. So, we've got a lot of confidence in the work that we're doing and the work that our teams are doing and our ability to return to revenue growth and digital revenue growth later in the year.

Giuliano Bologna

That's very helpful. I appreciate all the time questions, and I will jump back in the queue.

Mike Reed

Thanks, Giuliano.

Operator

Your next question for today is from Matt Condon with Citizens.

Matthew Condon

Thank you so much for taking my questions. My first one is just on the digital subscription revenue that fell year-over-year. I was wondering if you could give us any more color on a same-store basis, because I know that it's probably impacted by the Austin sale. And any help there just to understand the actual underlying trends in that segment of the business would be helpful.

Mike Reed

Yeah. Hey, Matt. Thank you. Kristen, do you want to take that one?

Kristin Roberts

Sure. I'd be happy to. Thanks for the question, Matt. So, you asked about the same-store basis. On a same-store basis, we saw some growth in our digital subscription business, but it was at lower levels than we've historically driven. I think the decline was driven by higher than normal volume of revenue reversals in the quarter. That's all of the implementation of several customer-friendly policies last year, but we don't see the activity in the quarter as an indication of any reduced demand or of any ongoing performance issues.

We remain confident in the growth potential of the digital subscription business this year and in the long-term. And what we see is, frankly, tremendous upside in bringing our content and consumer and product teams together. And so, when we think about this internally, we are looking at several initiatives that are going to help us reaccelerate, reaccelerate the growth in digital-only. And some of those are things like local engagement. It's reenergizing that local consumer engagement effort in our top 25 markets. It's also life cycle marketing. It's building more relevant campaigns that not only acquire digital subscribers, but acquire and then lead to activation and then lead to retention. And then, what that does is it turns high propensity readers and viewers into high value digital subscribers over a longer period of time.

One of the other things that we're doing is around adjacent opportunities, right? So, you heard some of that in the earnings call a few minutes ago around Studio IX, but there are other examples of that as well. And all of it reflects our commitment to leveraging what is a massive content collection to spin up segmented products and to drive subscription growth amongst a segmented user group to those segmented products. So think about things not only like Studio IX, but like Play and our new WITNESS product.

And then the other thing I would just draw your attention to there, Matt, is automation. We are speeding up the deployment of a number of tools that automate things such as paywall decisioning, stop saves, personalized content. All of this really helping us to build up what we see as compelling subscription products around high quality content that we're already producing. We're creating more value for our readers and our viewers and our listeners and unlocking all of these new monetization opportunities, and that's what's central to our strategy in delivering the most relevant content, maximizing the ways that we engage with our consumers, and then monetizing that audience multiple ways.

Matthew Condon

That's very helpful. Maybe just for my second one, I wanted to turn to the digital advertising business. And I understood that it appears trends are improving here, improved into March and then into April. But what within your control do you have that you can help aggregate budgets onto your platform? What are the tools or other things that you guys can do to just bring more and more budgets onto your platform?

Trisha Gosser

Yeah. There's a number of things that we can do. I think first is leveraging the relationships that we have with our advertisers and really being able to offer them a full product portfolio, a full funnel suite, pairing it with our DMS business. That's a unique value prop for us. First party data is also another place that we have the right to win. We've been building out first party data and first party data solutions for a number of years. Now, we're actively in market with them and have been in market with them for over a year. And that's a unique benefit to us given the size of our audience and the scale of our reach.

I think those are two really important pieces that we can use to drive up CPM. We're also very focused on video, video content and video monetization. The CPMs of video advertising is significantly higher than your standard display. And as we produce more video, more relevant video, we have an opportunity to really increase our advertising monetization there as well.

Matthew Condon

Great. And then, Trisha, just shifting gears maybe a little bit. I know that the last that we heard for real estate non-strategic asset sales was that we're getting to the end of that pipeline. Is that still the case today? Or is there any change there? Or just any commentary on where we are with that?

Trisha Gosser

Yeah, I think that's largely still the case. We had a small sale in Q1 in addition to Austin, and we do expect to have a few additional minor- to mid-sized sales throughout the year. But you're right, we've worked through the vast majority of our real estate portfolio at this point.

The good news is we do expect substantial free cash flow generation this year, so we don't feel the pressure to sell anything that's going to have a negative impact on our business. But Austin's a great example of the strength of our properties and our willingness to consider an inbound offer should it come at a highly accretive multiple to where we're trading at. So we're not actively marketing any of our strategic businesses. We're really happy with the size of our portfolio. And, we have a few small things left in our pipeline, but I think our real estate pipeline, we're largely through it at this point.

Mike Reed

And Matt, just to follow on to that. I think, Matt, one point Trisha made, I think that's really important and we forecasted this too, or we've previewed this with everybody, is we do expect a very high CAGR on free cash flow, substantial free cash flow growth this year, but for the next few years. So, there's substantial free cash flow generation in the company that will help us really continue to significantly reduce debt.

Matthew Condon

That's very helpful commentary. Thank you so much for taking the questions.

Operator

We have reached the end of the question-and-answer session, and I will now turn the call over to Mike for closing remarks.

Mike Reed - Chief Executive Officer, Gannett Co., Inc. Thank you. So thanks everybody for the time this morning. Let me leave you with a couple of thoughts. I think while the macro environment obviously

remains dynamic for everybody operating here in the U.S, the underlying fundamentals of what we see in our business as we move into Q2 really does reinforce our optimism for 2025.

As we look ahead, I want to highlight a few important proof points from Q1 that are fueling our confidence that we're carrying into the second quarter. Number one, we continue to have the largest digital media audience among content creators in the country, and we are deepening engagement across that base through a variety of tools and technologies. We continue to add monetization opportunities to our platforms, both our DMS platform and our Gannett Media segment. You heard a lot about those today.

We delivered a significant improvement to our bottom-line to net income this quarter. We generated solid year-over-year growth in free cash flow. We strengthened our capital structure by repaying approximately \$75 million of debt and reducing our first lien net leverage. Furthermore, in April, we reduced future dilution to shareholders by approximately 3 million shares through the repurchase of 14 million of our 2027 convertible notes.

And finally, the DOJ win against Google as we talked about in the ad tech case validates and strengthens our case. Our growth in our digital transformation strategy absolutely requires long-term thinking, even as we navigate short-term volatility. To that end, it's important to take a moment and really look at the progress we've made over the past 3 years. We have a slide in our supplement that you can look at to see that progress from 2022 to 2024. But, most importantly, the reason I bring it up is we do expect to continue to make progress across all those categories and metrics in 2025, really important.

Free cash flow is expanding, earnings are improving, debt and leverage are decreasing, and we believe we are approaching our revenue inflection point. All of this translates to a stronger balance sheet and a growing company providing a sustainable future for local journalism.

So, thanks for joining us today, and we look forward to updating you again on our progress at the end of the second quarter. Thanks, everyone.

Operator

This concludes today's conference, and you may disconnect your lines at this time. Thank you for your participation.