

Torstar Financial Summary

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At a glance

All figures as of year end Dec 31, 2019, unless otherwise stated

- Operating revenue: \$478,975,000
- Salaries and Benefits: (\$179,607,000)
 - Community papers: (\$93,679,000)
 - Daily papers: (\$75,676,000)
 - Corporate and other: (\$10,252)
- Other Operating Costs: (\$270,220,000)
- Operating Loss: (\$64,232,000)
- \$42.2 million of cash and cash equivalents on hand, \$8.2 million of restricted cash, and no bank indebtedness.
- Book value of property, plant and equipment: \$113,290,000
- Book value of intangibles: \$136,667,000
- Investment in joint ventures and associated businesses: \$120,610,000

NOTE: The information in this report is based on a close but unofficial reading of Torstar's financials. This report is not financial advice, and should not be treated as such. Consult a financial professional before making major investment decisions.

Income Statement

	2019	2018
OPERATING RESULTS (\$000)		
Operating revenue	\$478,975	\$543,391
Adjusted EBITDA ¹	29,274	34,793
Operating profit (loss) ¹	(64,232)	(9,876)
Net loss	(51,920)	(31,570)
Cash provided by (used in) operating activities	(9,916)	14,444
PER CLASS A AND CLASS B SHARES		
Net loss	(\$0.64)	(\$0.39)
Dividends	\$0.07	\$0.10
Price range (high/low)	\$1.06/\$0.39	\$1.92/\$0.57
FINANCIAL POSITION (\$000)		
Cash and cash equivalents and restricted cash	\$50,402	\$75,402
Equity	\$185,501	\$229,447

OPERATING REVENUE (\$MILLIONS)



OPERATING PROFIT (LOSS) (\$MILLIONS) ¹



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Revenue Segments

Year ended December 31, 2019	Communities	Dailies	Digital Ventures	Corporate	Total	Adjustments and Eliminations ¹	Per Consolidated Statement of Loss
Operating revenue	\$226,777	\$259,272	\$53,944		\$539,993	(\$61,018)	\$478,975
Salaries and benefits	(94,172)	(83,095)	(19,290)	(\$5,364)	(201,921)	22,314	(179,607)
Other operating costs	(102,285)	(166,850)	(15,707)	(4,006)	(288,848)	18,628	(270,220)
Amortization and depreciation	(14,388)	(10,719)	(36,825)	(9)	(61,941)	33,811	(28,130)
Restructuring and other charges	(10,261)	(25,760)	(312)	41	(36,292)	769	(35,523)
Impairment of assets	(21,540)	(8,187)			(29,727)		(29,727)
Reportable segment operating profit (loss)	(\$15,869)	(\$35,339)	(\$18,190)	(\$9,338)	(\$78,736)	\$14,504	(\$64,232)

1. Community Brands (42% of Operating Revenues; 60.2% of Adj EBITDA)

A collection of more than 70 community newspapers (all or nearly all in Ontario), digital community operations, flyer distribution network, magazines and consumer shows. Digital properties include digital properties, including homefinder.ca, save.ca, travelalerts.ca, and regional online sites, such as durhamregion.com.

2. Daily Brands (48% of Operating Revenues; 18.4% of Adj EBITDA)

Properties include Toronto Star, The Hamilton Spectator, Waterloo Region Record, St. Catharines Standard, Niagara Falls Review, Welland Tribune and Peterborough Examiner daily newspapers as well as each of their respective websites, as well as The Kit and other digital properties. The Dailies also include the Chinese-language Sing Tao Daily's publications in Toronto, Vancouver and Calgary, as well as wheels.ca and other specialty publications and magazines and distribution services.

3. Digital Ventures (10% of Operating Revenues; 41.8% of Adj EBITDA)

Digital Ventures includes a 56% interest in VerticalScope Holdings Inc., and includes eyeReturn Marketing Inc. Earnings for VerticalScope are reported under the Digital Ventures segment, however the business is an associated business of Toronto Star, and more detail is provided in the Subsidiaries section.

4. Corporate and Other (-20.4% of Adj. EBTIDA)

Includes allocation of Corporate and other expenditures. Corporate costs are unallocated administration and management costs.

(000's)	Communities	Dailies	Digital Ventures	Corporate And Other	Total
Operating Revenue**	\$226,777	\$259,272	\$53,944		\$478,975*
Adj Earnings Before Interest Taxes, Depreciation and Amortization (EBITDA)	\$30,269	\$9,265	\$21,021	-\$10,260	\$50,295

* Total Revenues adjusted for proportionate share of joint ventures and VerticalScope

**See next table for previous years comparison

Segments Revenue 2016 to 2019

	YoY Growth 2019					YoY Growth 2018				
	2019	Communities	Dailies	Corp & Other	Total	2018	Communities	Dailies	Corp & Other	Total
Print Advertising	-21.31%	\$80,964	\$74,100		\$155,064	-27.13%	\$99,375	\$97,671		\$197,046
Digital Advertising	-8.16%	\$24,949	\$25,199	\$10,175	\$60,323	-48.89%	\$25,084	\$25,848	\$14,748	\$65,680
Flyer Distribution	-11.55%	\$84,406	\$19,174		\$103,580	-9.85%	\$95,531	\$21,573		\$117,104
Print and digital subscriber	1.02%	\$434	\$119,243		\$119,677	3.01%	\$460	\$118,004		\$118,464
Other	-10.57%	\$34,785	\$5,546		\$40,331	-5.65%	\$36,565	\$8,532		\$45,097
Total	-11.85%	\$225,538	\$243,262	\$10,175	\$478,975	-21.43%	\$257,015	\$271,628	\$14,748	\$543,391
	YoY Growth 2017					YoY Growth 2016				
	2017	Communities	Dailies	Corp & Other	Total	2016	Communities	Dailies	Corp & Other	Total
Print Advertising	-16.16%	\$125,500	\$144,900		\$270,400	-	\$145,800	\$176,700		\$322,500
Digital Advertising	-3.53%	\$30,700	\$25,500	\$72,300	\$128,500	-	\$31,900	\$27,300	\$74,000	\$133,200
Flyer Distribution	-6.61%	\$110,900	\$19,000		\$129,900	-	\$117,100	\$22,000		\$139,100
Print and digital subscriber	-4.25%	\$700	\$114,300		\$115,000	-	\$900	\$119,200		\$120,100
Other	2.14%	\$36,400	\$11,400		\$47,800	-	\$36,600	\$10,200		\$46,800
Total	-9.20%	\$304,200	\$315,100	\$72,300	\$691,600		\$332,300	\$355,400	\$74,000	\$761,700

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Assets

Cash

The year ended with \$42.2 million of cash and cash equivalents, \$8.2 million of restricted cash, and no bank indebtedness. Cash used in operating activities was \$9.9 million in 2019 compared to cash generated by operating activities in 2018 of \$14.4 million. Cash balance does not include the receipts of approximately \$20 million in digital media tax credits and approximately \$25 million from the sale of The Hamilton Spectator building, which both occurred after the year-end, and will be counted in the 2020 cashflow.

Tangible and intangible assets

- **Property Plant and Equipment \$22,248,000 (note 10)**
 - Value at December 31, 2019:
 - Land \$530,000;
 - Buildings and leasehold improvements \$37,431,000;
 - machinery and equipment, \$97,577,000
 - Total before depreciation, etc: \$135,538,000
 - Total depreciation and impairment on building and leasehold improvements at December 31, 2019: \$113,290,000
 - Net book value: \$22,248,000

- **Intangibles \$12,598,000**
 - Cost at December 31, 2019:
 - Software, \$77,890,000;
 - Other, \$58,777,000.
 - Total before amortization, etc: \$136,667,000
 - Total amortization and impairment: \$124,069,000
 - Net book value: \$12,598,000

- **Subsidiaries**

- **Investments in joint ventures \$12,248,000 (note 8)**
 - Approximately 50% share in the Sing Tao Daily (Canadian distribution), a major Chinese language newspaper
- **Investments in associated businesses \$108,362,000 (note 9)**
 - 19.4% equity interest in Black Press Ltd.
 - 15.4% equity investment in Blue Ant Media Inc.
 - 33.3% equity interest in Canadian Press Enterprises Inc.
 - 56.4% equity investment in VerticalScope
 - 21.8% interest in Nest Wealth Asset Management Inc.

1. Black Press: Black Press is a privately held company that publishes more than 150 titles in print and online in Canada and the U.S. and has operations in British Columbia, Alberta, the Yukon, Saskatchewan, Manitoba, Washington, California, Hawaii and Alaska.

2. Blue Ant: Blue Ant is a privately held, international content producer, distributor and channel operator founded in 2011. Blue Ant creates content for multiple genres including factual, factual entertainment, short-form digital series and kids programming.

3. Canadian Press: Canadian Press operates The Canadian Press news agency, regularly used as a wire service for all major media in Canada.

4. Nest Wealth: Nest Wealth is an online investment portfolio manager, or "robo-advisor" in the financial technology sector.

5. VerticalScope: VerticalScope operates more than 1,500 user forums and premium content sites across North America in verticals such as automotive, power sports, outdoors, home and health.

	Net income (loss)		OCI	
	2019	2018	2019	2018
VerticalScope	(\$14,964)	(\$20,701)	(\$4,224)	\$8,136
Black Press	977	2,294	(2,089)	552
Blue Ant	(1,575)	(1,349)	(391)	153
Nest Wealth	(588)	(638)		
Total	(\$16,150)	(\$20,394)	(\$6,704)	\$8,841

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Canadian Press: For the year ended December 31, 2019, the Company would have reported net income of \$3.5 million

Pension Liabilities

A financially beneficial step for Torstar in 2019 was the completion of the merger of the eight Torstar defined benefit pensions plans with the Colleges of Applied Arts & Technology (CAAT) Pension Plan, reducing the risk associated with our exposure to defined benefit pension liabilities. Also, as part of the merger, Torstar replaced most of its defined contribution and Group RRSP plans with the CAAT defined benefit plan for eligible employees. The merger with the CAAT pension plan also replaces uncertain and more volatile funding of the defined benefit pension plans with a much more predictable monthly expense. As of December 31, 2019, the CAAT plan had \$13.5 billion in net assets.

Joining the CAAT plan has had a significant positive impact on the operations of Torstar. From 2018 to 2019, the pension's future benefit obligation fell \$40,630,00 from \$94,569,000 to \$53,939,000. Although most staff have moved to the CAAT plan, Torstar still has an unregistered, unfunded defined pension plan for eligible senior management executives of Torstar. The operating expense for serving the pension fell accordingly in 2019 to \$1,376,000 from \$9,613,000 in 2018. The total net benefit expense for 2019 was \$4,961,000 compared to \$13,163,000.

Dividends

In recent years, Torstar was paying \$8 million annually to shareholders. The dividend was suspended in fall 2019 in anticipation of losses, which dividend payments would exacerbate.

Conclusion

While seeing its revenues decrease, Torstar continues to be the second-largest distribution newspaper chain in the country, and its subscription revenue has been stable, and even slowly growing in recent years.

The Daily papers, including the Hamilton Spectator, flagship Toronto Star and others, are trusted, influential, and have potential to grow their subscription levels. Ad revenues have been in steep decline and may continue their downward trend, though there are signs the pace of the decline is slowing.

The company has a strong cash position, and with the recent building sales in 2020 will have significant free cash to continue operations. The current ratio (current assets divided by current liabilities) at Dec 31, 2019 showed there are \$2 of current liquid assets for every \$1 of current liabilities. This is a good position for a company to be in and shows prudent management.

The Toronto Star and its holdings have not been immune to the rapid changes in the media landscape, yet after two decades since the internet changed the game, Torstar still brings in hundreds of millions of dollars in annual revenues, and modest cost-cutting paired with growth in subscriptions could keep the operation financially viable.

Prepared by David Gray-Donald, July 7, 2020

Torstar Corporation		
Consolidated Statement of Financial Position		
<i>(Thousands of Canadian Dollars)</i>		
	As at December 31, 2019	As at December 31, 2018
Assets		
Current:		
Cash and cash equivalents	\$42,177	\$68,227
Restricted cash (note 8)	8,225	7,175
Receivables (note 18)	120,924	105,143
Inventories (note 7)	2,709	3,918
Assets held for sale (note 10)	6,021	
Prepaid expenses	5,141	5,152
Prepaid and recoverable income taxes		332
Total current assets	185,197	189,947
Investments in joint ventures (note 8)	12,248	12,682
Investments in associated businesses (note 9)	108,362	131,218
Property, plant and equipment (note 10)	22,248	49,205
Right-of-use assets (note 11)	13,508	
Intangible assets (note 12)	12,598	32,582
Other assets (note 14)	6,948	11,140
Total assets	\$361,109	\$428,792
Liabilities and Equity		
Current:		
Accounts payable and accrued liabilities (16)	\$58,453	\$61,814
Deferred revenue (note 4)	12,691	13,844
Lease liabilities (note 11)	4,096	
Derivative financial instruments (note 16)	16	2,843
Provisions (note 18)	24,253	13,247
Income taxes payable	107	515
Total current liabilities	99,616	92,283
Lease liabilities (note 11)	11,675	
Provisions (note 18)	6,491	5,343
Other liabilities (note 19)	3,887	5,170
Employee benefits (note 20)	53,939	94,560
Equity:		
Share capital (note 21)	403,630	403,437
Contributed surplus	22,336	21,928
Accumulated deficit	(241,225)	(198,384)
Other components of equity (note 23)	1,202	2,657
Total equity attributable to equity shareholders	185,943	229,638
Minority interests	(442)	(191)
Total equity	185,501	229,447
Total liabilities and equity	\$361,109	\$428,792

(see accompanying notes)
ON BEHALF OF THE BOARD



John Honderich
Director



Dan Jauernig
Director

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Torstar Corporation		
Consolidated Statement of Loss		
<i>(Thousands of Canadian Dollars except per share amounts)</i>		
	Year ended December 31	
	2019	2018
Operating revenue (note 4)	\$478,975	\$543,391
Salaries and benefits	(179,607)	(219,296)
Other operating costs	(270,220)	(289,497)
Amortization and depreciation (notes 10,11 and 12)	(28,130)	(26,949)
Restructuring and other charges (note 18)	(35,523)	(17,525)
Impairment of assets (note 13)	(29,727)	
Operating loss	(64,232)	(9,876)
Interest and financing costs (note 16)	(1,385)	(1,332)
Foreign exchange	1,073	(1,414)
Loss from joint ventures (note 8)	(194)	(5,414)
Loss from associated businesses (note 9)	(16,150)	(20,394)
Other income (note 24)	28,618	303
Loss before taxes from continuing operations	(52,270)	(38,127)
Income and other taxes recovery (note 15)	350	82
Net loss from continuing operations	(51,920)	(38,045)
Income from discontinued operations (note 25)		6,475
Net loss	(\$51,920)	(\$31,570)
Attributable to:		
Equity shareholders	(\$51,669)	(\$31,524)
Minority interests	(\$251)	(\$46)
Net income (loss) attributable to equity shareholders per Class A (voting) and Class B (non-voting) share (note 21(c)):		
Basic and Diluted:		
From continuing operations	(\$0.64)	(\$0.47)
From discontinued operations		\$0.08
	(\$0.64)	(\$0.39)

(see accompanying notes)

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