Gannett Co., Inc.
Form 10-Q
August 03, 2017

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

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 25, 2017
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission file number 1-36874

GANNETT CO., INC.
(Exact name of registrant as specified in its charter)

Delaware	47-2390983
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
7950 Jones Branch Drive, McLean, Virginia	22107-0910
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (703) 854-6000.
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 ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý 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 ý	Accelerated Filer	¨
Non-Accelerated Filer ¨	Smaller Reporting Company ¨	
(Do not check if a smaller reporting company)	Emerging Growth 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 ý

As of July 28, 2017, the total number of shares of the registrant's Common Stock, $0.01 par value, outstanding was 113,695,608.

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEETS
Gannett Co., Inc. and Subsidiaries
Unaudited; in thousands, except share data

	Jun. 25, 2017 (Unaudited)	Dec. 25, 2016
ASSETS		
Current assets		
Cash and cash equivalents	$126,940	$114,324
Accounts receivable, net of allowance for doubtful accounts of $9,371 and $10,317	317,843	358,041
Other current assets	142,758	131,141
Total current assets	587,541	603,506
Property, plant and equipment, at cost net of accumulated depreciation of $1,457,313 and $1,481,897	981,891	1,087,701
Goodwill	726,424	698,288
Intangible assets, net	157,653	154,644
Deferred income taxes	196,345	218,232
Investments and other assets	70,261	82,310
Total assets	$2,720,115	$2,844,681
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$377,637	$438,724
Deferred income	137,351	133,263
Total current liabilities	514,988	571,987
Income taxes	15,790	25,467
Postretirement medical and life insurance liabilities	83,224	90,134
Pension liabilities	710,201	739,262
Long-term portion of revolving credit facility	385,000	400,000
Other noncurrent liabilities	160,422	161,070
Total liabilities	1,869,625	1,987,920
Equity		
Preferred stock of $0.01 par value per share, 5,000,000 shares authorized, none issued	—	—
Common stock of $0.01 par value per share, 500,000,000 shares authorized, 117,417,393 shares issued at Jun. 25, 2017 and 116,624,726 shares issued at Dec. 25, 2016	1,174	1,166
Treasury stock at cost, 3,750,000 shares	(32,667)	(32,667)
Additional paid-in capital	1,776,970	1,769,905
Retained earnings (deficit)	(37,661)	1,269
Accumulated other comprehensive loss	(857,326)	(882,912)
Total equity	850,490	856,761
Total liabilities and equity	$2,720,115	$2,844,681

The accompanying notes are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)
Gannett Co., Inc. and Subsidiaries
Unaudited; in thousands, except share data

	Three months ended		Six months ended	
	Jun. 25, 2017	Jun. 26, 2016	Jun. 25, 2017	Jun. 26, 2016
Operating revenues:				
Advertising	$445,214	$409,834	$880,729	$761,055
Circulation	273,676	287,586	556,962	550,289
Other	55,617	51,371	110,273	96,815
Total operating revenues	774,507	748,791	1,547,964	1,408,159
Operating expenses:				
Cost of sales and operating expenses	485,609	484,824	994,032	902,780
Selling, general and administrative expenses	210,413	203,103	423,118	368,491
Depreciation	43,681	29,292	83,132	53,251
Amortization	8,169	1,640	15,535	2,958
Facility consolidation and asset impairment charges	16,131	3,943	20,610	4,487
Total operating expenses	764,003	722,802	1,536,427	1,331,967
Operating income	10,504	25,989	11,537	76,192
Non-operating expenses:				
Interest expense	(3,454)	(3,001)	(7,709)	(4,857)
Other non-operating items, net (see Note 1)	(5,301)	(1,908)	(9,188)	(5,878)
Total non-operating expenses	(8,755)	(4,909)	(16,897)	(10,735)
Income (loss) before income taxes	1,749	21,080	(5,360)	65,457
Provision (benefit) for income taxes	2,236	8,599	(2,794)	13,380
Net income (loss)	$(487)	$12,481	$(2,566)	$52,077
Earnings (loss) per share – basic	$(0.00)	$0.11	$(0.02)	$0.45
Earnings (loss) per share – diluted	$(0.00)	$0.10	$(0.02)	$0.44

The accompanying notes are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Gannett Co., Inc. and Subsidiaries
Unaudited; in thousands

	Three months ended		Six months ended	
	Jun. 25, 2017	Jun. 26, 2016	Jun. 25, 2017	Jun. 26, 2016
Net income (loss)	$(487)	$12,481	$(2,566)	$52,077
Other comprehensive income, before tax:				
Foreign currency translation adjustments	8,129	(16,024)	13,957	(39,073)
Pension and other postretirement benefit items:				
Amortization of prior service credit, net	759	675	1,511	1,069
Amortization of actuarial loss	18,478	15,775	36,223	31,187
Other	(9,077)	9,215	(15,725)	30,523
Pension and other postretirement benefit items	10,160	25,665	22,009	62,779
Other comprehensive income, before tax	18,289	9,641	35,966	23,706
Income tax effect related to components of other comprehensive income	(5,044)	(7,081)	(10,380)	(16,972)
Other comprehensive income, net of tax	13,245	2,560	25,586	6,734
Comprehensive income	$12,758	$15,041	$23,020	$58,811

The accompanying notes are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Gannett Co., Inc. and Subsidiaries
Unaudited; in thousands

	Six months ended	
	Jun. 25, 2017	Jun. 26, 2016
Operating activities:		
Net income (loss)	$(2,566)	$52,077
Adjustments to reconcile net income to net cash flow from operating activities:		
Depreciation and amortization	98,667	56,209
Facility consolidation and asset impairment charges	20,610	4,487
Pension and other postretirement expenses, net of contributions	(7,082)	(40,548)
Equity (income) loss in unconsolidated investees, net	863	(1,610)
Stock-based compensation	10,059	10,071
Change in other assets and liabilities, net	8,993	12,655
Net cash provided by operating activities	129,544	93,341
Investing activities:		
Capital expenditures	(29,831)	(26,136)
Payments for acquisitions, net of cash acquired	(31,459)	(260,529)
Payments for investments	(2,414)	(8,652)
Proceeds from sale of certain assets	3,200	10,418
Changes in other investing activities	52	—
Net cash used for investing activities	(60,452)	(284,899)
Financing activities:		
Dividends paid	(36,364)	(55,784)
Proceeds from issuance of common stock upon settlement of stock awards	560	404
Payments for employee taxes withheld from stock awards	(3,607)	(3,328)
Proceeds from borrowings under revolving credit agreement	35,000	250,000
Repayments of borrowings under revolving credit agreement	(50,000)	(50,000)
Changes in other financing activities	(395)	—
Net cash (used for) provided by financing activities	(54,806)	141,292
Effect of currency exchange rates change on cash	(1,670)	(2,304)
Increase (decrease) in cash and cash equivalents	12,616	(52,570)
Balance of cash and cash equivalents at beginning of period	114,324	196,696
Balance of cash and cash equivalents at end of period	$126,940	$144,126
Supplemental cash flow information:		
Cash paid for taxes, net of refunds	$(16,518)	$22,809
Cash paid for interest	$9,204	$4,242
Non-cash investing and financing activities:		
Accrued capital expenditures	$1,907	$7,141

The accompanying notes are an integral part of these condensed consolidated financial statements.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — Basis of presentation and summary of significant accounting policies

Description of business: Gannett Co., Inc. (Gannett, our, us, and we) is a next-generation media company that empowers communities to connect, act, and thrive. Gannett owns ReachLocal, Inc. (an international digital marketing solutions company that recently acquired SweetIQ Analytics Corp. (SweetIQ)), the USA TODAY NETWORK (made up of USA TODAY (USAT) and 109 local media organizations in 34 states in the U.S. and Guam), and Newsquest (a wholly owned subsidiary with more than 160 local media brands in the U.K.). Gannett delivers high-quality, trusted content where and when consumers want to engage with it on virtually any device or platform, and helps clients connect with the consumers they seek to help grow their businesses.

Basis of presentation: Our condensed consolidated financial statements are unaudited; however, in the opinion of management, they contain all of the adjustments (consisting of those of a normal recurring nature) considered necessary to present fairly the financial position, results of operations and cash flows for the periods presented in conformity with U.S. generally accepted accounting principles (U.S. GAAP) applicable to interim periods. All intercompany accounts have been eliminated in consolidation. The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 25, 2016 (2016 Form 10-K).

Use of estimates: The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates, judgments, and assumptions that affect the amounts reported in the unaudited condensed consolidated financial statements and footnotes thereto. Actual results could differ from those estimates. Significant estimates and judgments inherent in the preparation of financial statements include accounting amounts for income taxes, pension and other post-employment benefits, allowances for doubtful accounts, equity-based compensation, depreciation and amortization, business combinations, litigation matters, contingencies and the valuation of long-lived and intangible assets.

New accounting pronouncements adopted: The following are new accounting pronouncements that we adopted in the first six months of 2017:

Inventory: We adopted Financial Accounting Standards Board (FASB) guidance that requires entities using the first-in, first-out inventory costing method to subsequently value inventory at the lower of cost or net realizable value. Net realizable value is defined as the estimated selling price in the ordinary course of business, less reasonably predictable costs of
completion, disposal, and transportation. The impact of adopting this guidance was not material to our consolidated financial
results.

Compensation—Retirement Benefits: We early adopted FASB guidance requiring changes to the presentation of net periodic pension and other postretirement benefit costs. Specifically, this guidance requires entities to classify the service cost component of the net benefit cost in the same income statement line item as other employee compensation costs while all other components of net benefit cost must be presented as non-operating items. The guidance further requires such classification changes to be retrospectively applied beginning in the interim period in which the guidance is adopted.

As a result of adopting this guidance, total operating expenses decreased $5.7 million and $10.5 million for the three and six months ended June 25, 2017, respectively. For the three and six months ended June 26, 2016, total operating expenses decreased $2.0 million and $4.7 million, respectively. Cost of sales decreased $3.1 million and $6.0 million for the three and six months ended June 25, 2017, respectively, while selling, general, and administrative expenses decreased $2.6 million and $4.5 million, respectively. For the three and six months ended June 26, 2016, cost of sales decreased $1.7 million and $3.4 million, respectively, while selling, general, and administrative expenses decreased $0.3 million and $1.3 million, respectively. Net income, retained earnings, and earnings per share for both years remained unchanged.

New accounting pronouncements not yet adopted: The following are new accounting pronouncements that we are evaluating for future impacts on our financial position:

Revenue from Contracts with Customers: In August 2014, the FASB issued a new revenue standard, "Revenue from Contracts with Customers," which prescribes a single comprehensive model for entities to use in the accounting of revenue arising from contracts with customers. The new guidance will supersede virtually all existing revenue guidance under U.S. GAAP and is effective for fiscal years beginning after December 31, 2017. The core principle contemplated by this new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount reflecting the consideration to which the entity expects to be entitled in exchange for those goods or services. New disclosures about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers are also required.

In April and May 2016, the FASB also issued clarifying updates to the new standard specifically to address certain core principles including the identification of performance obligations, licensing guidance, the assessment of the collectability criterion, the presentation of taxes collected from customers, non-cash considerations, contract modifications, and completed contracts at transition.

We currently anticipate adopting the new revenue recognition standard using the modified retrospective approach in the fiscal year beginning January 1, 2018. This approach consists of recognizing the cumulative effect of initially applying the standard as an adjustment to opening retained earnings. As part of the modified retrospective approach, we will also amend our disclosures to reflect results under "legacy GAAP" for the initial year of adoption.

To date, we have made progress in our assessment of the impact of adopting this new guidance, and initial steps towards implementation have been taken. Our approach to implementation has consisted of (1) performing a bottoms-up analysis of the impact of the standard on our portfolio of contracts, (2) reviewing our current accounting policies and practices to identify potential differences that would result from applying the requirements of the new standard to our existing revenue contracts, and (3) meeting with key stakeholders across the organization to discuss the impact of the standard on our existing contracts. We expect material impacts to the content and structure of our financial statements in the form of enhanced disclosures. Our preliminary evaluation and conclusions are subject to change as our assessment continues to progress as well as in the event additional updates to the standards are promulgated. Our full evaluation is expected to be completed and finalized during the fourth quarter of 2017.

Leases: In February 2016, the FASB issued updated guidance modifying lease accounting for both lessees and lessors to increase transparency and comparability by recognizing lease assets and lease liabilities by lessees for those leases classified as operating leases under previous accounting standards and disclosing key information about leasing arrangements. This guidance is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. We are currently evaluating the provisions of the updated guidance and assessing the impact on our consolidated financial statements.

Cash and Cash Equivalents, including Statement of Cash Flows and Restricted Cash: In November 2016, the FASB issued updated guidance requiring entities to explain, in their statements of cash flows, the change during the period in the total of cash, cash equivalents, and amounts generally described as "restricted cash" or "restricted cash equivalents." As a result, restricted cash and restricted cash equivalents must now be included within the total of cash and cash equivalents when reconciling the beginning and end of period totals shown on the statement of cash flows. This guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2017, with early adoption permitted. We are currently evaluating the provisions of this update and assessing the impact on our consolidated financial statements.

Intangibles—Goodwill and Other: In January 2017, the FASB issued new guidance which simplifies the subsequent measurement of goodwill. The guidance permits an entity to perform its goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognizing an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value, with such losses not exceeding the total amount of goodwill allocated to that reporting unit. This guidance is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. We are currently evaluating the provisions of the updated guidance and assessing the impact on our consolidated financial statements.

NOTE 2 — Acquisitions

SweetIQ: In April 2017, our ReachLocal subsidiary completed the acquisition of SweetIQ for approximately $31.6 million, net of cash acquired. SweetIQ has a platform that provides services which enable customers to launch and execute marketing campaigns to convert online searches to in-store foot traffic. SweetIQ's customers include businesses with multi location brands and agencies that target local marketing.

The allocation of the purchase price is preliminary pending the finalization of the fair value of the acquired net assets and liabilities assumed as well as the acquired deferred income tax assets and liabilities and assumed income and non-income based tax liabilities. As of the acquisition date, the purchase price was assigned to the acquired assets and assumed liabilities as follows: goodwill of $20.5 million, intangible assets of $15.2 million, noncurrent assets of $0.6 million, noncurrent liabilities of $3.5 million, and positive net working capital of $0.3 million. We do not expect the purchase price allocated to goodwill and intangibles to be deductible for tax purposes. Goodwill associated with the acquisition of SweetIQ is allocated entirely to the ReachLocal segment.

ReachLocal: In August 2016, we completed the acquisition of 100% of the outstanding common stock of ReachLocal for approximately $162.5 million, net of cash acquired. We financed the transaction by borrowing $175.0 million under our credit facility as well as with available cash.

ReachLocal offers online marketing, digital advertising, software-as-a-service, and web presence products and solutions to local businesses. It delivers its suite of products and solutions to local businesses through a combination of its proprietary technology platform, its direct inside and outside sales force, and select third-party agencies and resellers.

The purchase price, based on management's preliminary estimates, was allocated to the tangible assets and identified intangible assets acquired and liabilities assumed based on their estimated fair values. The allocation of the purchase price is preliminary pending the finalization of the fair value of the acquired net assets and liabilities assumed as well as the acquired deferred income tax assets and liabilities and assumed income and non-income based tax liabilities. Measurement-period adjustments of $1.2 million were recognized during the period primarily related to deferred income taxes. As of the acquisition date, the purchase price assigned to the acquired assets and assumed liabilities is summarized as follows:

In thousands	
Cash acquired	$13,195
Other current assets	15,058
Property, plant and equipment	13,486
Intangible assets	88,500
Goodwill	120,716
Other noncurrent assets	9,852
Total assets acquired	260,807
Current liabilities	63,005
Noncurrent liabilities	22,059
Total liabilities assumed	85,064
Net assets acquired	$175,743

Acquired property, plant, and equipment is depreciated on a straight-line basis over the assets' respective estimated remaining useful lives. Goodwill is calculated as the excess of the consideration transferred over the fair value of the identifiable net assets acquired and represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, including assembled workforce and non-contractual relationships as well as expected future synergies. Goodwill associated with the acquisition of ReachLocal is allocated entirely to the ReachLocal segment. We do not expect the purchase price allocated to goodwill and trade names to be deductible for tax purposes.

ReachLocal, including SweetIQ, is a separate segment, and its results of operations are provided in Note 11 — Segment reporting.

Assets of North Jersey Media Group: In July 2016, we completed the acquisition of certain assets of North Jersey Media Group, Inc. (NJMG) for approximately $39.3 million. NJMG is a media company with print and digital publishing operations serving primarily the northern New Jersey market. Its brands include such established names as The Record (Bergen County) and The Herald.

The purchase price, based on management's preliminary estimates, was allocated to the tangible assets and identified intangible assets acquired and liabilities assumed based on their estimated fair values. As of the acquisition date, the purchase price was assigned to the acquired assets and assumed liabilities as follows: property, plant, and equipment of $26.0 million, goodwill of $8.1 million, intangible assets of $7.2 million, noncurrent assets of $1.0 million, noncurrent liabilities of $0.3 million, and negative net working capital of $2.7 million. Any goodwill recognized related to the acquisition of NJMG is allocated to the publishing segment.

Journal Media Group: In April 2016, we completed the acquisition of 100% of the outstanding common stock of Journal Media Group, Inc. (JMG) for approximately $260.6 million, net of cash acquired. Further, approximately $2.3 million of the purchase price paid was treated as post-acquisition expense for accounting purposes. We financed the transaction by borrowing $250.0 million under our credit facility as well as with available cash.

JMG is a media company with print and digital publishing operations serving 15 U.S. markets in nine states, including the Milwaukee Journal Sentinel, the Knoxville News Sentinel, and The Commercial Appeal in Memphis. The acquisition expanded our print and digital publishing operations domestically.

The allocation of the purchase price was based upon estimated fair values. The determination of the fair value of the assets acquired and liabilities assumed has been completed and the final allocation of the purchase price is as follows:

In thousands	
Cash acquired	$36,825
Other current assets	54,571
Property, plant and equipment	264,357
Intangible assets	42,880
Goodwill	25,258
Other noncurrent assets	3,825
Total assets acquired	427,716
Current liabilities	71,519
Noncurrent liabilities	61,151
Total liabilities assumed	132,670
Net assets acquired	$295,046

Acquired property, plant, and equipment is depreciated on a straight-line basis over the assets' respective estimated remaining useful lives. Goodwill is calculated as the excess of the consideration transferred over the fair value of the identifiable net assets acquired and represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, including assembled workforce and non-contractual relationships as well as expected future synergies. Any goodwill recognized related to the acquisition of JMG was allocated to the publishing segment. The purchase price allocated to goodwill and mastheads was not deductible for tax purposes.

JMG revenues were $94.8 million and $196.7 million for the three and six months ended June 25, 2017, respectively. JMG was integrated into our publishing segment and, as a result, it is not practicable to determine standalone earnings for 2017.

Pro forma information: The following table sets forth unaudited pro forma results of operations assuming the ReachLocal, NJMG, and JMG acquisitions, along with transactions necessary to finance the acquisitions, occurred at the beginning of 2016:

In thousands; unaudited	Six months ended Jun. 26, 2016
Total revenues	$1,737,315
Net income	$29,412
Earnings per share - diluted	$0.25

This pro forma financial information is based on historical results of operations, adjusted for the allocation of the purchase price and other acquisition accounting adjustments, and is not necessarily indicative of what our results would have been had we operated the businesses from the beginning of the periods presented. The pro forma adjustments reflect depreciation expense and amortization of intangibles related to the fair value adjustments of the assets acquired, additional interest expense related to the financing of the transactions, the elimination of acquisition-related costs, and the related tax effects of the adjustments.

NOTE 3 — Restructuring activities and asset impairment charges

Over the past several years, we have engaged in a series of individual restructuring programs designed to right size our employee base, consolidate facilities, and improve operations, including those of recently acquired entities.

Severance-related expenses: We recorded severance-related expenses of $4.7 million in costs of sales and operating expenses and $3.7 million in selling, general, and administrative expenses for the three months ended June 25, 2017. Of these expenses, $5.3 million related to the publishing segment and $2.8 million related to corporate and other. The remainder is captured within our ReachLocal segment.

We recorded severance-related expenses of $15.0 million in costs of sales and operating expenses and $3.0 million in selling, general, and administrative expenses during the three months ended June 26, 2016. These expenses all related to the publishing segment.

We recorded severance-related expenses of $13.4 million in costs of sales and operating expenses and $6.9 million in selling, general, and administrative expenses for the six months ended June 25, 2017. Of these expenses, $15.8 million related to the publishing segment and $4.2 million related to corporate and other. The remainder is captured within our ReachLocal segment.

We recorded severance-related expenses of $18.0 million in costs of sales and operating expenses and $3.7 million in selling, general, and administrative expenses during the six months ended June 26, 2016. These expenses all related to the publishing segment.

The activity and balance of the severance-related liabilities are as follows:

In thousands	Severance Activities
Balance at Dec. 25, 2016	$ 18,651
Expense	20,265
Payments	(28,476)
Balance at Jun. 25, 2017	$ 10,440

Facility consolidation and impairment charges: Facility consolidation and other cost savings plans led us to recognize asset impairment charges, shutdown costs, and charges associated with revising the useful lives of certain assets over a shortened period. As part of our plans, we are selling certain assets which we have classified as held-for-sale and reduced the carrying values to equal the fair values less costs to dispose.

We recorded pre-tax charges for facility consolidations and asset impairments of $16.1 million and $3.9 million for the three months ended June 25, 2017 and June 26, 2016, respectively. In addition, we incurred accelerated depreciation of $13.8 million for the three months ended June 25, 2017, which is included in depreciation expense. No accelerated deprecation was incurred for the three months ended June 26, 2016. These expenses all related to the publishing segment.

We recorded pre-tax charges for facility consolidations and asset impairments of $20.6 million and $4.5 million for the six months ended June 25, 2017 and June 26, 2016, respectively. In addition, we incurred accelerated depreciation of $23.6 million for the six months ended June 25, 2017, which is included in depreciation expense. No accelerated deprecation was incurred for the six months ended June 26, 2016. These expenses all related to the publishing segment.

NOTE 4 — Revolving credit facility

We maintain a secured revolving credit facility pursuant to which we may borrow from time to time up to an aggregate principal amount of $500 million (Credit Facility). Under the Credit Facility, we may borrow at an applicable margin above the Eurodollar base rate (LIBOR loan) or the higher of the Prime Rate, the Federal Funds Effective Rate plus 0.50%, or the one month LIBOR rate plus 1.00% (ABR loan). The applicable margin is determined based on our total leverage ratio but differs between LIBOR loans and ABR loans. For LIBOR-based borrowing, the margin varies from 2.00% to 2.50%. For ABR-based borrowing, the margin varies from 1.00% to

1.50%. Up to $50 million of the Credit Facility is available for issuance of letters of credit. The Credit Facility matures on June 29, 2020.

Customary fees are payable related to the Credit Facility, including commitment fees on the undrawn commitments of between 0.30% and 0.40% per annum, payable quarterly in arrears, based on our total leverage ratio. Borrowings under the Credit Facility are guaranteed by our wholly-owned material domestic subsidiaries. All obligations of Gannett and each subsidiary guarantor under the Credit Facility are or will be secured by first priority security interests in our equipment, inventory, accounts receivable, fixtures, general intangibles and other personal property, mortgages on certain material real property, and pledges of the capital stock of each subsidiary guarantor.

Under the Credit Facility, our consolidated interest coverage ratio cannot be less than 3.00:1.00, and our total leverage ratio cannot exceed 3.00:1.00, in each case as of the last day of the test period consisting of the last four consecutive fiscal quarters. We were in compliance with all financial covenants under the Credit Facility as of June 25, 2017.

The Credit Facility also contains a number of covenants that, among other things, limit or restrict our ability, subject to certain exceptions, to: (i) permit certain liens on current or future assets, (ii) enter into certain corporate transactions, (iii) incur additional indebtedness, (iv) make certain payments or declare certain dividends or distributions, (v) dispose of certain property, (vi) make certain investments, (vii) prepay or amend the terms of other indebtedness, or (viii) enter into certain transactions with our affiliates. We were in compliance with these covenants as of June 25, 2017.

As of June 25, 2017, we had $385.0 million in outstanding borrowings under the Credit Facility and $12.1 million of letters of credit outstanding, leaving $102.9 million of availability remaining.

NOTE 5 — Pensions and other postretirement benefit plans

We, along with our subsidiaries, have various defined benefit retirement plans, including plans established under collective bargaining agreements. Our retirement plans include the Gannett Retirement Plan (GRP), Newsquest and Romanes Pension Schemes in the U.K. (Newsquest Plans) and other defined benefit contribution plans. We also provide health care and life insurance benefits to certain retired employees who meet age and service requirements.

Retirement plan costs include the following components:

In thousands	Three months ended			
	Jun. 25, 2017		Jun. 26, 2016	
	Pension	Postretirement	Pension	Postretirement
Operating expenses:				
Service cost-benefits earned during the period	$400	$ 26	$727	$ 34
Non-operating expenses:				
Interest cost on benefit obligation	27,595	863	31,287	887
Expected return on plan assets	(41,961)	—	(46,668)	—
Amortization of prior service cost	1,675	(916)	1,685	(1,010)
Amortization of actuarial loss (gain)	18,551	(73)	15,961	(186)
Total non-operating expenses (credit)	5,860	(126)	2,265	(309)
Total expense for retirement plans	$6,260	$ (100)	$2,992	$ (275)

	Six months ended			
	Jun. 25, 2017		Jun. 26, 2016	
	Pension	Postretirement	Pension	Postretirement
Operating expenses:				
Service cost-benefits earned during the period	$1,220	$ 78	$1,628	$ 97
Non-operating expenses:				
Interest cost on benefit obligation	55,374	1,804	63,718	1,874
Expected return on plan assets	(84,378)	—	(93,148)	—
Amortization of prior service cost	3,335	(1,824)	3,329	(2,260)
Amortization of actuarial loss	36,171	52	31,123	64
Total non-operating expenses (credit)	10,502	32	5,022	(322)
Total expense for retirement plans	$11,722	$ 110	$6,650	$ (225)

Pursuant to our adoption of new guidance surrounding the presentation of net periodic benefit costs as discussed in Note 1 — Basis of presentation and summary of significant accounting policies, net periodic benefit costs other than service costs are now included in the Other non-operating items, net line in the unaudited Condensed Consolidated Statements of Income (Loss).

During the six months ended June 25, 2017, we contributed $14.1 million to our pension plans. We expect to contribute approximately $25.0 million to the GRP in each of the fiscal years 2017 through 2020 and $15.0 million in 2021. We also expect to contribute approximately £15.0 million per year to the Newsquest Pension Scheme from 2017 through 2022.

NOTE 6 — Income taxes

Our reported effective income tax rate on pre-tax income was 127.9% for the three months ended June 25, 2017, compared to 40.8% on pre-tax income for the three months ended June 26, 2016. The tax rate for the three months ended June 25, 2017 was attributable to both income mix changes and the inability to benefit from the tax losses being generated by ReachLocal's foreign operations.

Our reported effective income tax rate on pre-tax loss was 52.1% for the six months ended June 25, 2017, compared to 20.4% on pre-tax income for the six months ended June 26, 2016. The increase in our effective tax rate is primarily attributable to the swing from a pretax income position to a pretax loss position and a smaller benefit from share based compensation generated during the first six months of 2017 compared to the same period in 2016 and other 2017 non-recurring tax beneficial items.

Our quarterly effective rate is calculated in part based on the full year forecasted income, over 50% of which is expected to be generated in foreign jurisdictions where the income tax rate is lower than in the U.S. This is similar to full year 2016, where the ratio of income earned in foreign jurisdictions to domestic income was higher than in 2014 and 2015. The lower domestic income is attributable to higher expenses domestically for corporate expenses related to public company costs, restructuring charges and asset impairments as compared with foreign jurisdictions. The recent changes in the mix of income generated from lower tax rate foreign jurisdictions relative to U.S. domestic income have had the effect of decreasing our tax expense.

The total amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate was approximately $13.9 million as of June 25, 2017 and $17.3 million as of December 25, 2016. The amount of accrued interest and penalties payable related to unrecognized tax benefits was $0.9 million as of June 25, 2017 and $3.8 million as of December 25, 2016.

It is reasonably possible that the amount of unrecognized benefits with respect to certain of our unrecognized tax positions will increase or decrease within the next 12 months. These changes may be the result of settlement of ongoing audits, lapses of statutes of limitations, or other regulatory developments. At this time, we estimate the amount of gross unrecognized tax positions may be reduced by approximately $2.4 million within the next 12 months primarily due to lapses of statutes of limitations and settlements of ongoing audits in various jurisdictions.

NOTE 7 — Supplemental equity information

The following table summarizes equity account activity:

In thousands	Six months ended	
	Jun. 25, 2017	Jun. 26, 2016
Balance at beginning of period	$856,761	$1,058,576
Comprehensive income:		
Net income	(2,566)	52,077
Other comprehensive income	25,586	6,734
Total comprehensive income	23,020	58,811
Dividends declared	(36,364)	(37,283)
Stock-based compensation	10,059	10,071
Other activity	(2,986)	15,364
Balance at end of period	$850,490	$1,105,539

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The following table summarizes the components of, and the changes in, Accumulated other comprehensive loss (net of tax):

In thousands	Retirement Plans	Foreign Currency Translation	Total
Balance at Dec. 25, 2016	$(1,183,196)	$300,284	$(882,912)
Other comprehensive income (loss) before reclassifications	(12,639)	13,957	1,318
Amounts reclassified from accumulated other comprehensive income	24,268	—	24,268
Other comprehensive income	11,629	13,957	25,586
Balance at Jun. 25, 2017	$(1,171,567)	$314,241	$(857,326)
Balance at Dec. 27, 2015	$(1,058,234)	$384,810	$(673,424)
Other comprehensive income (loss) before reclassifications	25,057	(39,073)	(14,016)
Amounts reclassified from accumulated other comprehensive loss	20,750	—	20,750
Other comprehensive income (loss)	45,807	(39,073)	6,734
Balance at Jun. 26, 2016	$(1,012,427)	$345,737	$(666,690)

Accumulated other comprehensive loss components are included in computing net periodic postretirement costs as outlined in Note 5 — Pensions and other postretirement benefit plans. Reclassifications out of accumulated other comprehensive loss related to these postretirement plans include the following:

In thousands	Three months ended		Six months ended	
	Jun. 25, 2017	Jun. 26, 2016	Jun. 25, 2017	Jun. 26, 2016
Amortization of prior service credit, net	$759	$675	$1,511	$1,069
Amortization of actuarial loss	18,478	15,775	36,223	31,187
Total reclassifications, before tax	19,237	16,450	37,734	32,256
Income tax effect	(6,867)	(5,876)	(13,466)	(11,506)
Total reclassifications, net of tax	$12,370	$10,574	$24,268	$20,750

NOTE 8 — Fair value measurement

We measure and record certain assets and liabilities at fair value. A fair value measurement is determined based on market assumptions that a market participant would use in pricing an asset or liability. A three-tiered hierarchy draws distinctions between market participant assumptions based on (i) observable inputs such as quoted prices in active markets (Level 1), (ii) inputs other than quoted active markets that are observable either directly or indirectly (Level 2) and (iii) unobservable inputs that require use of our own estimates and assumptions through present value and other valuation techniques in determination of fair value (Level 3).

As of June 25, 2017 and December 25, 2016, assets and liabilities measured or disclosed at fair value on a recurring basis primarily consist of pension plan assets and our revolving credit facility. The carrying value of our revolving credit facility approximates the fair value and is classified as Level 3.

We also have certain assets requiring fair value measurement on a non-recurring basis. Our assets measured on a non-recurring basis are assets held for sale, which are classified as Level 3 assets and evaluated using executed purchase agreements or third party valuation experts when certain circumstances arise. Assets held for sale totaled $34.3 million as of June 25, 2017 and $4.5 million as of December 25, 2016.

NOTE 9 — Commitments, contingencies and other matters

Telephone Consumer Protection Act (TCPA) litigation: In January 2014, a class action lawsuit was filed against Gannett in the U.S. District Court for the District of New Jersey (Casagrand et al v. Gannett Co., Inc., et al). The suit claims various violations of the Telephone Consumer Protection Act (TCPA) arising from allegedly improper telemarketing calls made to consumers by one of our vendors. The plaintiffs sought to certify a class that would include all telemarketing calls made by the vendor or us. The TCPA provides for statutory damages of $500 per violation ($1,500 for willful violations). In April 2016, we agreed to settle all claims raised. The settlements are reflected in our financial statements as of June 25, 2017 and were not material to our results of operations, financial position, or cash flows.

Environmental contingency: In 2011, the Advertiser Company (Advertiser), a subsidiary that publishes the Montgomery Advertiser, was notified by the U.S. Environmental Protection Agency (EPA) that it had been identified as a potentially responsible party (PRP) for the investigation and remediation of groundwater contamination in downtown Montgomery, Alabama. The Advertiser is a member of the Downtown Environmental Alliance, which has agreed to jointly fund and conduct all required investigation and remediation. In 2015, the Advertiser and other members of the Downtown Environmental Alliance reached a settlement with the U.S. EPA regarding the costs the U.S. EPA spent to investigate the site. The U.S. EPA has transferred responsibility for oversight of the site to the Alabama Department of Environmental Management, which has approved the work plan for the additional site investigation that is currently underway. The Advertiser's final costs cannot be determined until the investigation is complete, a determination is made on whether any remediation is necessary, and contributions from other PRPs are finalized.

Other litigation: We are defendants in judicial and administrative proceedings involving matters incidental to our business. While the ultimate results of these proceedings cannot be predicted with certainty, we expect the ultimate resolution of all pending or threatened claims and litigation will not have a material effect on our consolidated results of operations, financial position, or cash flows.

NOTE 10 — Earnings (loss) per share

The following table is a reconciliation of weighted average number of shares outstanding used to compute basic and diluted earnings (loss) per share (EPS):

In thousands, except per share data	Three months ended		Six months ended	
	Jun. 25, 2017	Jun. 26, 2016	Jun. 25, 2017	Jun. 26, 2016
Net income (loss)	$(487)	$12,481	$(2,566)	$52,077
Weighted average number of shares outstanding - basic	113,652	116,516	113,574	116,414
Effect of dilutive securities				
Restricted stock units	—	1,642	—	1,536
Performance share units	—	954	—	991
Stock options	—	265	—	277
Weighted average number of shares outstanding - diluted	113,652	119,377	113,574	119,218
Earnings (loss) per share - basic	$(0.00)	$0.11	$(0.02)	$0.45
Earnings (loss) per share - diluted	$(0.00)	$0.10	$(0.02)	$0.44

For the three and six months ended June 25, 2017, all outstanding common stock equivalents were excluded from the computation of diluted loss per share because their effect would have been anti-dilutive due to the net loss for the periods. Approximately 252,000 and 188,000 shares were excluded from the computation of diluted EPS for the three and six months ended June 26, 2016 because their effect would have been anti-dilutive.

On May 10, 2017, we declared a dividend of $0.16 per share of common stock, which was paid on June 19, 2017, to shareholders of record as of the close of business on June 5, 2017. Furthermore, on July 20, 2017, we declared a second dividend of $0.16 per share of common stock, payable on September 18, 2017, to shareholders of record as of the close of business on September 1, 2017.

NOTE 11 — Segment reporting

We define our reportable segments based on the way the chief operating decision maker (CODM), currently the Chief Executive Officer, manages the operations for purposes of allocating resources and assessing performance. We classify our operations into two reportable segments as follows:

- Publishing, which consists of our portfolio of local, regional, national, and international newspaper publishers. The results of this segment include retail, classified, and national advertising revenues consisting of both print and digital advertising, circulation revenues from the distribution of our publications on our digital platforms, home delivery of our publications, and single copy sales, and other revenues from commercial printing and distribution arrangements. The publishing reportable segment is an aggregation of two operating segments: Domestic Publishing and the U.K.

- ReachLocal, which consists of our ReachLocal digital marketing solutions subsidiaries and SweetIQ. The results of this segment include advertising revenues from our search and display services and other revenues related to web presence and software solutions provided by ReachLocal.

In addition to the above operating segments, we have a corporate and other category that includes activities not directly attributable to a specific segment. This category primarily consists of broad corporate functions and includes legal, human resources, accounting, analytics, finance, and marketing as well as activities and costs not directly attributable to a particular segment such as tax settlements and other general business costs.

In the ordinary course of business, our reportable segments enter into transactions with one another. While intersegment transactions are treated like third-party transactions to determine segment performance, the revenues and expenses recognized by the segment that is the counterparty to the transaction are eliminated in consolidation and do not affect consolidated results.

The CODM uses adjusted EBITDA to evaluate the performance of the segments and allocate resources. Adjusted EBITDA is a non-GAAP financial performance measure we believe offers a useful view of the overall operation of our businesses. Adjusted EBITDA is defined as net income before (1) income taxes, (2) interest expense, (3) equity income, (4) other non-operating items, (5) severance-related charges, (6) acquisition-related expenses (including integration expenses), (7) facility consolidation and asset impairment charges, (8) other items (including certain business transformation costs, litigation expenses and multi-employer pension withdrawals), (9) depreciation, and (10) amortization. When adjusted EBITDA is discussed in this report, the most directly comparable GAAP financial measure is net income.

Management considers adjusted EBITDA to be the appropriate metric to evaluate and compare the ongoing operating performance of our segments on a consistent basis across reporting periods as it eliminates the effect of items which we do not believe are indicative of each segment's core operating performance. Adjusted EBITDA is considered a non-GAAP measure and may be different than similarly-titled non-GAAP financial measures used by other companies.

The following tables present our segment information:

In thousands	Publishing	ReachLocal	Corporate and Other	Intersegment Eliminations	Consolidated
Three months ended Jun. 25, 2017					
Advertising - external sales	$ 369,001	$ 76,213	$—	$ —	$ 445,214
Advertising - intersegment sales	3,959	—	—	(3,959)	—
Circulation	273,676	—	—	—	273,676
Other - external sales	44,863	9,713	1,041	—	55,617
Other - intersegment sales	681	—	—	(681)	—
Total revenues	$ 692,180	$ 85,926	$ 1,041	$ (4,640)	$ 774,507
Adjusted EBITDA	$ 104,120	$ 1,217	$ (21,683)	$ —	$ 83,654
Three months ended Jun. 26, 2016					
Advertising	$ 409,834	$ —	$—	$ —	$ 409,834

Circulation	287,586	—	—	—	287,586
Other	50,652	—	719	—	51,371
Total revenues	$ 748,072	$ —	$ 719	$ —	$ 748,791
Adjusted EBITDA	$ 114,269	$ —	$ (22,619)	$ —	$ 91,650

In thousands	Publishing	ReachLocal	Corporate and Other	Intersegment Eliminations	Consolidated
Six months ended Jun. 25, 2017					
Advertising - external sales	$734,086	$ 146,695	$(52)	$ —	$ 880,729
Advertising - intersegment sales	3,959	—	—	(3,959)	—
Circulation	556,962	—	—	—	556,962
Other - external sales	91,416	16,796	2,061	—	110,273
Other - intersegment sales	681	—	—	(681)	—
Total revenues	$1,387,104	$ 163,491	$2,009	$ (4,640)	$ 1,547,964
Adjusted EBITDA	$195,784	$ 4,363	$(46,812)	$ —	$ 153,335
Six months ended Jun. 26, 2016					
Advertising	$761,055	$ —	$—	$ —	$ 761,055
Circulation	550,289	—	—	—	550,289
Other	94,707	—	2,108	—	96,815
Total revenues	$1,406,051	$ —	$2,108	$ —	$ 1,408,159
Adjusted EBITDA	$211,790	$ —	$(39,769)	$ —	$ 172,021

Pursuant to our adoption of new guidance surrounding the presentation of net periodic benefit costs as discussed in Note 1 — Basis of presentation and summary of significant accounting policies, net periodic benefit costs other than service costs are now included in the "Other non-operating items, net" line in the unaudited Condensed Consolidated Statements of Income (Loss). As a result of adopting this guidance, second quarter 2017 adjusted EBITDA increased $5.7 million. Similarly, second quarter 2016 adjusted EBITDA increased $2.0 million. In addition, year-to-date 2017 adjusted EBITDA increased $10.5 million while year-to-date 2016 adjusted EBITDA increased $4.7 million.

We changed certain corporate allocations at the beginning of fiscal year 2017 and retrospectively applied that change.

The following table presents our reconciliation of adjusted EBITDA to net income:

In thousands	Three months ended		Six months ended	
	Jun. 25, 2017	Jun. 26, 2016	Jun. 25, 2017	Jun. 26, 2016
Net income (loss) (GAAP basis)	$(487)	$12,481	$(2,566)	$52,077
Provision (benefit) for income taxes	2,236	8,599	(2,794)	13,380
Interest expense	3,454	3,001	7,709	4,857
Other non-operating items, net	5,301	1,908	9,188	5,878
Operating income (GAAP basis)	10,504	25,989	11,537	76,192
Severance-related charges	8,415	17,998	20,265	21,694
Acquisition-related expenses	1,570	12,788	2,593	14,639
Facility consolidation and asset impairment charges	16,131	3,943	20,610	4,487
Other items	(4,816)	—	(337)	(1,200)
Depreciation	43,681	29,292	83,132	53,251
Amortization	8,169	1,640	15,535	2,958
Adjusted EBITDA (non-GAAP basis)	$83,654	$91,650	$153,335	$172,021

Asset information by segment is not a key measure of performance used by the CODM. Accordingly, we have not disclosed asset information by segment. Additionally, equity income in unconsolidated investees, net, interest expense, other non-operating items, net, and provision for income taxes, as reported in the condensed consolidated financial statements, are not part of operating income and are primarily recorded at the corporate level.

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

The following discussion and analysis of our financial condition and results of operations and quantitative and qualitative disclosures should be read in conjunction with our unaudited condensed consolidated financial statements and related notes. Management's Discussion and Analysis of Financial Condition and Results of Operations contains a number of forward-looking statements, all of which are based on our current expectations and could be affected by the uncertainties and other factors described under Cautionary Statement Regarding Forward-Looking Statements and throughout this Quarterly Report, as well as the factors described in our 2016 Annual Report on Form 10-K and subsequent periodic reports filed with the Securities and Exchange Commission, particularly under "Risk Factors."

Overview

Gannett Co., Inc. (Gannett, we, us, our, or the company) is a next-generation media company that empowers communities to connect, act, and thrive. Gannett owns ReachLocal (an international digital marketing solutions company that includes SweetIQ), the USA TODAY NETWORK (made up of USA TODAY (USAT), its digital sites and affiliates, and 109 local media organizations in 34 states in the U.S. and Guam), and Newsquest (a wholly owned subsidiary operating in the U.K. with more than 160 local media brands).

The USA TODAY NETWORK is the largest local to national media network in the U.S. The network is powered by an integrated and award-winning news organization comprised of more than 3,300 journalists with deep roots in 109 local communities, plus USA TODAY, and a combined reach of more than 109 million visitors monthly. There have been more than 24 million downloads of USA TODAY's award-winning app on mobile devices and 4 million downloads of apps associated with our local publications. In addition, Newsquest is a digital leader in the U.K. where its network of websites attracts over 26 million unique visitors monthly. With more than 120 markets in the U.S. and the U.K., Gannett is known for Pulitzer Prize-winning newsrooms, powerhouse brands such as USA TODAY, and specialized media properties.

Through the USA TODAY NETWORK and Newsquest, Gannett delivers high-quality, trusted content where and when consumers want to engage with it on virtually any device or platform. According to comScore, more people access our content than access content from Netflix, CBSnews.com, New York Times Digital, BuzzFeed.com, Huffington Post, or WashingtonPost.com. The company reports in two operating segments, Publishing and ReachLocal, as well as a corporate and other category.

ReachLocal provides and sells online marketing products to local businesses. ReachLocal offers search engine marketing and optimization, display and social advertising, listing management, software-as-a-service, and web presence, as well as other products and solutions.

Certain Matters Affecting Current and Future Operating Results

The following items affect period-over-period comparisons from 2016 and will continue to affect period-over-period comparisons for future results:

Acquisitions

- SweetIQ – In April 2017, we completed the acquisition of SweetIQ Analytics Corp. (SweetIQ) for approximately $31.6 million, net of cash acquired. SweetIQ has a platform that provides services which enable customers to launch and execute marketing campaigns to convert online searches to in-store foot traffic. SweetIQ's customers include businesses with multi location brands and agencies that target local marketing.

- ReachLocal – In August 2016, we completed the acquisition of 100% of the outstanding common stock of ReachLocal for approximately $162.5 million, net of cash acquired. ReachLocal offers online marketing, digital advertising, software-as-a-service, and web presence products and solutions to local businesses. In connection with the ReachLocal acquisition, we established a newly formed separate reportable segment that reflects its results since the acquisition date.

- Certain assets of North Jersey Media Group (NJMG) – In July 2016, we completed the acquisition of certain assets of NJMG for approximately $39.3 million. NJMG is a media company with print and digital publishing operations serving primarily the northern New Jersey market.

- Journal Media Group (JMG) – In April 2016, we completed the acquisition of 100% of the outstanding common stock of JMG for approximately $260.6 million, net of cash acquired. JMG is a media company with print and digital publishing operations serving 15 U.S. markets in 9 states.

In the Results of Operations discussion below within the publishing segment, JMG and NJMG are considered 2016 publishing acquisitions.

Restructuring

Over the past several years, we have engaged in a series of individual restructuring programs, designed to right size our employee base, consolidate facilities and improve operations, including those of recently acquired entities.

- Facility consolidation and asset impairment charges – Facility consolidation and other cost savings plans led us to recognize asset impairment charges, shutdown costs, and charges associated with revising the useful lives of certain assets over a shortened period. As part of our plans, we are selling certain assets which we have classified as held-for-sale and reduced the carrying values to equal the fair value less cost to dispose. We recorded pre-tax charges for facility consolidations and asset impairments of $16.1 million and $3.9 million for the second quarter of 2017 and the second quarter of 2016, respectively, and $20.6 million and $4.5 million year-to-date 2017 and 2016, respectively. In addition, we incurred accelerated depreciation of $13.8 million and $23.6 million for the three and six months ended June 25, 2017, respectively. No accelerated deprecation was incurred for the three and six months ended June 26, 2016.

- Severance-related expenses – During 2017 and 2016, we initiated various cost reducing actions associated with our facility consolidation and other cost efficiency efforts that are severance related, of which we incurred $8.4 million and $18.0 million for the second quarter of 2017 and 2016, respectively, and $20.3 million and $21.7 million year-to-date 2017 and 2016, respectively.

Other

- Foreign currency – Our earnings from operations in foreign regions are translated into U.S. dollars at average exchange rates prevailing during the period, and assets and liabilities are translated at exchange rates in effect at the balance sheet date. With respect to Newsquest, results for the second quarter of 2017 were translated from the British pound sterling to U.S. dollars at an average rate of 1.28 compared to 1.44 for the comparable period last year. This 11% decline in the exchange rate unfavorably impacted second quarter 2017 revenue comparisons by approximately $9.1 million. Newsquest results for the six months ended June 25, 2017 were translated from the British pound sterling to U.S. dollars at an average rate of 1.26 compared to 1.44 for the comparable period last year. Impacts stemming from foreign currency translation gains and losses for ReachLocal are immaterial to date.

Outlook for the remainder of 2017: We intend to continue to drive growth opportunities by capitalizing on our national brand equity to increase the integration of local and national content, enhance our position as a trusted provider of local news and information through expanded digital offerings, and leverage our expertise to provide integrated solutions to advertisers. While we expect traditional advertising and circulation revenues to remain challenged due to market pressures, we anticipate some of that decline will be offset by growth in digital marketing services and other digital revenues. We will continue to focus on maximizing the efficiency of our print, sales, administrative, and distribution functions to reduce costs and increase profitability.

Selective acquisitions or dispositions, leveraging our revenue opportunities, and digital innovation will supplement our operating results. Furthermore, total operating expenses excluding acquisitions and restructuring charges are expected to decrease in comparison to 2016 as a result of lower spending due to potential headcount and cost reductions and efficiency gains as well as lower newsprint expenses as consumption continues to decline.

Results of Operations

A summary of our segment results is presented below:

In thousands	Quarter-to-Date			Year-to-Date		
	2017	2016	Change	2017	2016	Change
Operating revenues:						
Publishing	$692,180	$748,072	(7 %)	$1,387,104	$1,406,051	(1 %)
ReachLocal	85,926	—	100 %	163,491	—	100 %
Corporate and Other	1,041	719	45 %	2,009	2,108	(5 %)
Intersegment eliminations	(4,640)	—	100 %	(4,640)	—	100 %
Total operating revenues	774,507	748,791	3 %	1,547,964	1,408,159	10 %
Operating expenses:						
Publishing	639,974	682,854	(6 %)	1,291,379	1,267,995	2 %
ReachLocal	93,815	—	100 %	176,152	—	100 %
Corporate and Other	34,854	39,948	(13 %)	73,536	63,972	15 %
Intersegment eliminations	(4,640)	—	100 %	(4,640)	—	100 %
Total operating expenses	764,003	722,802	6 %	1,536,427	1,331,967	15 %
Operating income	10,504	25,989	(60 %)	11,537	76,192	(85 %)
Non-operating expense	(8,755)					