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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to Gannett's Fourth Quarter 2011 Earnings conference call. Please note that today's call is being recorded. (Operator Instructions) Our speakers for today will be Gracia Martore, President and CEO, and Paul Saleh, Chief Financial Officer.

At this time, I'd like to turn the conference over to Jeff Heinz. Jeff, please go ahead.

Jeff Heinz - *Gannett Co Inc - Director, IR*

Thanks, Sarah. Good morning, and welcome to our conference call and webcast to review Gannett's fourth quarter 2011 results. Hopefully you have had the opportunity to review this morning's press release. You can also find it at www.gannett.com.

Before we get started, however, I need to remind you that this conference call and webcast include forward-looking statements. Our actual results may differ. Factors that might cause them to differ are outlined in our SEC filings. This presentation also includes certain non-GAAP financial measures. We have provided reconciliations of those measures to the most directly comparable GAAP measures in the press release, and on the Investor Relations portion of our website.

With that, let me turn the call over to Gracia.

Gracia Martore - ***Gannett Co Inc - President, CEO***

Thanks, Jeff, and hello, everyone. Given our recent update at the UBS conference, and as you may know, with our Investor Day just three weeks away, we're going to keep our comments brief this morning as we will be providing a comprehensive look at our businesses, opportunities, and related financial policies that day.

This morning, I'm going to provide an update on a few of our strategic opportunities, and review our results for the quarter. Our Chief Financial Officer, Paul Saleh, will then provide a more detailed discussion of our quarterly results and some balance sheet items, and then, of course, we'll open it for questions.

Each of our business segments, as always, was solidly profitable in the quarter and for the full year during a period in which the economy showed modest but uneven growth. Our confidence in the ability of our businesses to continue to consistently deliver substantial free cash flow, several hundred million dollars this year despite the economic and secular headwinds, enables us to continue to fund a range of projects important to our future, return capital to shareholders, and pay down debt.

Now that we are finished with 2011, and are looking towards 2012, we are well on our way to becoming a leading global media and marketing solutions company. Our powerful 100-plus local markets, combined with our iconic national brands, puts us in a great position to provide the most engaging and high-quality content for our audiences, and impactful solutions for advertisers and marketers.

Our goal at Gannett is to position our company for future growth and continue to expand our revenue opportunities in the face of modest economic growth and secular change. We also are reshaping our local news organizations by enhancing our content to meet increasing and changing media consumption habits across all platforms -- online, tablet, mobile, broadcast and print -- and adapting our subscription model to the new media landscape. And, we are building businesses that will maximize those strategies, extending the reach and enhancing the strengths of our rich and recognizable brands. In addition, we are making smart investments for the future, as well as increasing the efficiency of our operations.

Already underway are several key actions that will help us achieve our vision, which is to be the place consumers turn for trusted news and information and the partner advertisers choose to reach and engage consumers -- particularly in the local markets we serve.

Let me start by telling you how we are reshaping local news. To achieve this, our content, as always, is key. We are focused on providing trusted, relevant, uniquely tailored content that has a high value in the communities we serve. And, we are expanding and maximizing our ability to offer that content via our multi-platform distribution channels -- meaning, we are meeting our consumers wherever and whenever they want. To that end, we have relaunched 100 mobile websites across our local publishing and broadcasting markets that generate 40 million mobile page views per month. In the fourth quarter, we launched iPhone news apps in 15 TV markets that have been downloaded by 260,000 users, and generate 1.5 million page views per month in those markets.

Currently, we are piloting a new subscription model in six markets that builds on the tests we did in three markets we have previously mentioned and builds on a better understanding of consumers' needs and preferences. All subscriptions in these markets will include full web, mobile, e-editions and tablet access, as well as the readers' choice of frequency of print edition home delivery. Digital access for non-subscribers will be limited to a small number of free articles per month. This new subscription model appropriately values the unique, local, engaging content being produced by our journalists and noted experts in every community we serve.

The ability to engage consumers across multiple platforms provides greater value to our business customers, enhancing the ways they reach and connect with local consumers and prospects. We are also investing in the technology that will ensure an excellent user experience across each platform. This effort is not about the delivery of our content solely. It is about immediacy and a shift to digital-first publishing, and deeper coverage on the topics that matter most to our customers. We believe that investing in news gathering on the most important topics for our audiences in each market is critical.

In addition to enhancing our content, we are also developing applications for the platforms that consumers are accessing in growing numbers. Because the potential growth on those devices is significant, we are aggressively developing the next generation of mobile, tablet, desktop, and browser products at our local media properties and at USA TODAY. Our products will interface with all operating systems -- Apple, Android, Kindle Fire, and Windows 8. A great example is the level of downloads of the USA TODAY app we've experienced. At this point, there have been 11.4 million downloads across multiple devices and platforms. We are the number one free news app on the Windows phone and the Kindle Fire.

And, it is not just the user-facing applications. A huge challenge in the digital environment is designing content that works effectively for each platform and then, monetizing those digital products. As part of that effort, we are integrating all the systems that complete the chain, which include editorial, publishing and ad platforms. We want to be able to manage, report, monitor and sell our digital media through as streamlined a process as possible. We have the expertise to get that done, and that will greatly enhance our ability to deliver digital content and solutions for advertisers.

As I noted earlier, we are building businesses that extend our strong and recognizable brands. A great example of this is the USA TODAY Sports Media Group, which leverages the combined strength of our unparalleled local content with USA TODAY's powerful national reach. Building on a great sports portfolio, they are on the right trajectory to become a sports powerhouse.

Through our local and national assets, the USA TODAY Sports Media Group currently has a total digital reach of nearly 16 million unique monthly viewers, and is consistently a top-10 sports digital property according to comScore, which we expect to increase significantly with our just-completed acquisition of Fantasy Sports Ventures' Big League Sports, the leading independent sports digital site. When all Fantasy Sports Ventures' assets are ultimately combined with the other properties within the USA TODAY Sports Group, we will be catapulted into one of the top five sports sites on the web. With the added scale, we will greatly increase our ability to deliver our engaging content to a wider array of sports fans in a much more meaningful way, which is a huge draw for sports marketers and advertisers. In sum, great scale for a very modest investment.

One of the primary goals of the USA TODAY Sports Media Group is to take the traditional sports page experience and recreate it into a multi-dimensional experience for consumers through marketing partnerships with marquee sports organizations. In addition to our acquisitions of US PRESSWIRE, MMAJunkie.com and Fantasy Sports over the past few months, we have also entered into an important sports marketing agreement with the PGA Tour and have been designated as an official directed media partner of NASCAR.

We will continue to build out our sports content across all platforms with a particularly strong focus on digital and mobile. This will be one of the most vital parts of our efforts to grow the Sports Group's business and brand going forward.

Now let me tell you about our efforts to maximize efficiency. Leveraging our skills to seek new revenue streams was a critical factor in the consolidation of all of our domestic printing and productions operations into a single entity, Gannett Publishing Services. GPS, as we call it, is responsible for all facets of printing domestically and also our production operations -- imaging, ad design, printing and packaging, distribution, customer acquisition and retention, and direct marketing. We now have the opportunity to even more effectively market our expertise and our scale to third parties. There are a number of revenue opportunities we are currently discussing with potential partners across both printing and distribution. We also expect to create efficiencies as we standardize business practices and eliminate redundancies. The impact of this to the bottom line is expected be in the $40 million range in 2012 and growing thereafter.

In fact, an important first step for GPS was the completion of the agreement to outsource the printing and packaging of the Cincinnati Enquirer and the Kentucky Enquirer to a Columbus, Ohio printing facility that we announced in December. As you saw this morning, we took some special charges associated with that move this quarter which Paul will cover in more detail in a few moments. But most importantly, excluding the accrual for multi-employer pension liability, which we will have no matter whether we continue printing in Cincinnati or not, the expected payback is less than two years.

Now, let me quickly turn to a review of the quarter. Our results this quarter reflect the uneven and tepid economic recovery and consumer confidence, as well as particularly uneven consumer spending during the holiday season. The positive impact of our strategic effort, both on the digital front and our efficiency efforts, contributed to our results in the quarter. As expected, our success in achieving over $52 million in political advertising in the fourth quarter of 2010 made comparisons extremely difficult this quarter. Even with those headwinds, earnings per share in the quarter, when adjusted for special items, totaled $0.72. Total revenue across the company was approximately 5 percent lower, and total expenses, excluding special items, were down roughly 2 percent, resulting in operating income of $291 million and operating cash flow of $339 million.

Digital segment revenue growth of over 9 percent was driven primarily by strong revenue results at CareerBuilder. Total revenue at CareerBuilder was up about 15 percent in the quarter, as they continue to increase their market leadership position in North America and their international expansion overseas. And, the prospects for continued market share gains in 2012 at CareerBuilder look very promising. In fact, CareerBuilder's December global invoicing was its highest December ever, up a double-digit percentage from December of last year.

As noted, our digital and cross-platform sales efforts drove increases in digital revenue at our publishing and television operations. Overall digital revenues company-wide were up almost 7 percent, and totaled over $290 million for the fourth quarter, and $1.1 billion for the year, approximately 21 percent of our revenue.

Now, to give you a little more detail on our total digital revenues, of that $290 million company-wide in the quarter, about $181 million, as you saw this morning, comes from the digital businesses in our Digital segment with CareerBuilder accounting for about 82 percent of the Digital segment revenues.

Our domestic publishing operations, and here I'm going to exclude operations like Clipper Magazine, Gannett Healthcare and Gannett Government Media, which are primarily print-centric operations, and focus more specifically on our U.S. Community Publishing sites plus USA TODAY and its digital brands. Those operations accounted for approximately 26 percent or $74 million of total digital advertising revenues in the quarter. In our U.S. Community Publishing operations, digital revenues were about 15 percent or so of their ad revenues and at USA TODAY about a quarter of their ad revenues across their brands were digital.

Turning to Broadcasting, as expected in an odd year, revenues were down about 14 percent, due primarily to the challenge of overcoming last year's successful effort in political advertising. Although we had almost $5 million of political spending in the fourth quarter, we achieved $52 million in political spending in the same quarter last year so television revenues net of that incremental impact of political spending were up about 11 percent as ad sales, retransmission revenue and online revenue were all up solidly in the quarter. Based on current trends, we expect the percentage increase in total television revenues in the first quarter this year to be up in the high-single digits compared to the first quarter last year.

Turning to Publishing, revenues there were approximately 5 percent lower while digital revenues in the segment were up almost 7 percent. Advertising comparisons quarter to quarter improved relative to the third quarter as national and classified advertising comparisons were better and retail was in line. The monthly retail advertising trends in the quarter in some ways mirrored retailer performance and holiday season spending.

We saw some apprehension among retailers regarding the 2011 holiday season and that resulted in a significant increase in discounting. This caused a surge in buying around Black Friday and Cyber Monday, making those some of the best in recent history. However, December spending softened, and retailers reported the largest post-Thanksgiving, pre-Christmas decrease in spending in some time. The soft close in retailing to December was exacerbated by Christmas Day falling on Sunday which was also the last day of our fiscal year. And, we believe that negatively impacted advertising sales across some retail categories, particularly pre-print revenue. Driven by the retail and national categories, November was the best month in the quarter in terms of total advertising in the Publishing segment, followed by December. Although Newsquest results continue to be impacted by the soft UK economy, comparisons in the quarter were the best of the year due in large part to classified advertising.

In summary, each of our business segments remained very profitable for the quarter and as a result, we continue to consistently generate substantial free cash flow. In 2012, we'll continue to leverage our strong local media franchises and iconic national brands and deliver our valued content to customers across multiple platforms, while providing innovative solutions for our advertisers.

Through new subscription models being introduced this year, a comprehensive suite of delivery platforms, investment into adjacent businesses and a continued focus on operational efficiencies, we are positioning Gannett for continued success as the media landscape evolves.

As I mentioned, we intend to discuss key initiatives, as well as our capital allocation plans at Gannett's Investor Day on Wednesday, February 22 at our offices in New York. Invitations will be sent out in a few days and Jeff Heinz has reminded me to tell you to please RSVP as seating will be limited. And, with that, I'm going to turn the call over to Paul.

Paul Saleh *- Gannett Co Inc - CFO*

Thank you, Gracia. I'll cover our quarterly results in more detail -- particularly each of our business segments and then I'll comment on some balance sheet items. As Gracia noted, we generated approximately $1.4 billion in revenues in the quarter. Total expenses, excluding special items, were $1.1 billion, a decline of 2 percent year-over-year. Operating cash flow totaled $339 million, as shown on Table 7 of our earnings release. As importantly, we generated free cash flow of $203 million and that's shown on Table 10.

For the full year, total revenues were $5.2 billion, and operating cash flow, excluding special items, totaled $1.1 billion, in line with the guidance we provided to you in December. We, again, generated substantial free cash flow of $775 million in 2011 despite the soft economic environment in the US and the UK and the relative absence of incremental, even-year political and Olympic advertising that benefited our results in 2010.

Turning back to the quarter, earnings per diluted share on a GAAP basis were $0.49. Earnings per diluted share, excluding special items, were $0.72.

In the fourth quarter, we recorded several special items that totaled about $107 million pretax or $0.23 per share, and those are detailed on Table 5 of our earnings release. Let me review these items in more detail.

First, we had a pretax charge of approximately $64 million for workforce restructuring and facility consolidations. This includes a charge associated with a transfer of production activities for the Cincinnati Enquirer to a third-party printer in Columbus, Ohio, as previously disclosed. The majority of the charge from the move to Columbus relates to the recognition of withdrawal liabilities for multi-employer union pension plans and the balance relates to severance and benefit costs.

Second, during the quarter, we reported special charges of $14.7 million for the disability-related retirement of our former Chairman and CEO.

Third, we recognized special non-cash charges affecting non-operating income which totaled $28 million pre-tax, or $0.07 per share related to minority investments. Finally, our results included a special tax benefit of $11 million, or $0.04 per share, relating to an impairment that was taken previously but not recognized until now for tax purposes.

Turning to our segment results, total Publishing segment revenues were 5 percent lower in the quarter. Advertising revenue was 7 percent lower. However, year-over-year advertising revenue comparisons improved sequentially. Gracia has already discussed retail trends in the quarter so I'll comment on the other advertising categories.

National advertising was down approximately 9 percent in the quarter, but up more than 6 percentage points from third-quarter comparisons. At USA TODAY, we experienced strength in several categories, particularly telecommunications, credit cards, and automotive which helped to partially offset declines in travel, entertainment and technology categories. At Newsquest, national advertising was up 7 percent in local currency, consistent with the trend we saw in the third quarter.

Classified advertising for the Publishing segment was down 8.4 percent but up slightly sequentially. In the US, classified advertising was down but we saw sequential improvement in all categories, excluding employment, which was relatively flat. But, in December, employment advertising was up year over year. Real estate classified advertising declined in the quarter, reflecting continued weakness in the housing market. However, year-over-year comparisons improved about 5 percentage points relative to third quarter. And, the trends in the real estate category improved over the course of the fourth quarter.

In California, Florida, Arizona, and Nevada, which were the states most impacted by the real estate crisis, real estate advertising trends were in line with other regions of the country. On the other hand, employment advertising and auto advertising trends were still better at our properties outside of these states. Classified category comparisons at Newsquest, in pounds, were better this quarter relative to the third quarter, as all category comparisons improved, excluding auto. Employment advertising comparison improved 7 percentage points from third-quarter comparisons.

Gracia gave you the major components of digital advertising for the Publishing segment. Successful cross-platform and marketing solution efforts contributed to a 7 percent increase in digital Publishing revenue for the quarter. The increase was due to a 6 percent gain in digital revenue in U.S. Community Publishing. Auto, employment and local digital revenue, the largest categories, all contributed to the gain.

Digital revenue was a bright spot at Newsquest as well, up about 11 percent in local currency.

Expenses, excluding special items in the Publishing segment, were down 3 percent year over year as we continue to extract cost efficiencies. Newsprint expense was down 8 percent in the quarter as an increase of almost 2 percent in newsprint usage prices was more than offset by a consumption decline of approximately 10 percent. Focusing on newsprint prices for just a moment, North American newsprint prices were relatively unchanged throughout 2011. Market conditions supported a stable environment. Capacity rationalization is taking place in the market but offshore demand is softening. As a result, we anticipate that prices will remain stable, and possibly decline, if offshore trends continue to weaken. Operating income in the Publishing segment, excluding special items, was $176 million while operating cash flow totaled $205 million. And, those figures are found in Table 7 of our Earnings results.

Turning to the Broadcasting segment, excluding incremental political revenues generated last year, total television revenues were up 11 percent in the quarter which was at the high end of the range we provided in December. We saw 9 percent growth in time sales, excluding political, as spending in several of the most important TV ad categories was up solidly in the quarter. The auto category was particularly strong as both foreign and domestic manufacturers increased their spending in the quarter compared with the fourth quarter of last year.

Digital advertising solutions at our TV stations continue to draw customers, resulting in a 19 percent increase in digital revenues. Higher retransmission revenues, which grew 30 percent to $21 million, also contributed to the revenue results. Excluding special items, Broadcasting segment expenses were down about 6 percent this quarter. Operating income totaled approximately $90 million in the quarter and operating cash flow was $97 million -- just $27 million lower compared with the prior year despite the net decline of $47 million in political spending. All these figures can be found on Table 7 of our Earnings release.

As detailed earlier, we had strong performance in our Digital segment revenues. Digital segment expenses were up 11 percent, reflecting significantly higher sales incentive and bonus cost associated with higher revenue levels at CareerBuilder and incremental investments in product development at PointRoll and ShopLocal.

As Gracia noted, CareerBuilder had record levels of invoicing in December and very good revenue growth. As a result, a significant number of sales representatives exceeded their sales quota very late in the quarter, and as a result, we recorded incremental commissions and bonuses in the quarter. In total, the incremental costs at CareerBuilder, PointRoll and ShopLocal were roughly $9 million in the fourth quarter.

Turning to the balance sheet and capital allocation, we generated free cash flow of $203 million this quarter and $775 million for the full year. At the end of the year, we had approximately $1.76 billion of debt outstanding, a reduction of $158 million during the quarter, and $592 million for the full year. Our debt to EBITDA ratio, as measured for the covenant test in our credit facilities, was slightly below 1.7 times at the end of the quarter. Interest expense in the quarter was 12 percent lower than the fourth quarter last year, reflecting lower average debt balances. At this point, our all-in cost of debt is approximately 7 and a quarter percent.

During the quarter, we repurchased approximately 2.3 million shares at a cost of $25 million. Since we reactivated our share repurchase program in late July, through year-end, we repurchased 4.9 million shares at a cost of $53 million. Cash at quarter end was $167 million. Lastly, capital expenditures in the fourth quarter totaled about $26 million and were $72 million for the full year.

With that, I'll open it up for questions.

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions) We'll go first to Alexia Quadrani from JPMorgan.

Alexia Quadrani ***- JPMorgan Chase & Co. - Analyst***

Thank you. Can you just give us a bit of color, if you can, on how we should be viewing newspaper publishing expenses for 2012? And then with your debt so low, your leverage ratio so low, really if you could review your priorities for cash this year?

Gracia Martore ***- Gannett Co Inc - President, CEO***

Thanks for the question, Alexia. As we indicated at UBS, we provided some assumptions with regard to expenses across our various segments. I'd say that starting off the year, it's very early in the year, but frankly I think we've gotten off to a very solid start across all of our business segments, including Publishing. We'll provide some additional color since we'll be a little further along in the quarter at our Investor Day on February 22.

The second part of your question, related to the fact that we generate an enormous amount of free cash flow on a very consistent basis, we've talked about in the past. We want to make sure that we have the flexibility to invest in those products and investments that make sense to the future growth of our company. We have focused, certainly in the past year, on returning additional capital to shareholders. For those of you who don't follow us as closely as other folks, in July we doubled our dividend and we reinstituted our share buyback program, and said we would buy back about $100 million of shares over the next 12 months. However, when we announced those actions, we did remind people that was just merely a first step. And frankly, a good first step, given the very difficult economic backdrop we saw during the course of the summer.

We also reminded everyone that the Board will continually reassess these actions, depending on economic and market conditions. So, we're going to evaluate -- we're going to continue to evaluate our capital allocation in that context of delivering increasing value to shareholders while preserving our financial flexibility. And, we'll look forward to providing greater detail on our capital allocation plans on the 22nd.

Alexia Quadrani ***- JPMorgan Chase & Co. - Analyst***

Thank you.

Operator

Next we'll go to Craig Huber with Huber Research Partners.

Craig Huber ***- Huber Research Partners - Analyst***

Can you give us a little sense on how December went for the newspapers? If I recall correctly, I think at your December Media Conference you said October, November were down a combined 5.5 percent. What was December like? Could you also speak a little bit further about January, if you would, please. Thank you.

Gracia Martore *- Gannett Co Inc - President, CEO*

I'll take the latter part of it first while Paul is looking at the monthly numbers. We are getting off to a very solid start in the first quarter. We're anticipating some good feedback in the broadcast side of the business where we have the Super Bowl on our NBC affiliates. We've also enjoyed some political spending from the primaries that have already taken place in South Carolina, and that is going to take place in Florida, I guess tomorrow. So, we're nicely on track from that perspective.

With regard to specifics on the quarter, November was the best month of the quarter. As we shared at UBS, a month does not a trend make. We've seen some volatility. December, on a retail basis, was impacted by the fact that consumer spending around the holidays seemed to slow after the initial excitement around the Black Friday/Cyber Monday activities. We also were impacted by the fact that Christmas fell on that last Sunday and that had an impact on pre-print. I'd say that December was stronger than certainly third quarter and earlier in the fourth quarter but not quite as strong as the November comparisons.

Next question?

Operator

Next we'll hear from Doug Arthur, Evercore.

Doug Arthur *- Evercore Partners - Analyst*

Yes, Gracia, can you make any forward comments on retransmission revenue growth prospects in 2012? And then, just as a follow-up, a small item, but it looks like Captivate had a pretty tough quarter. Can you comment?

Gracia Martore *- Gannett Co Inc - President, CEO*

Sure, let me start with retrans. We indicated at UBS that we are looking at about $90 million of retrans revenues for 2012. We didn't have any major agreements that came up this year. We are looking at a couple of large deals that will come up at the end of 2012. And so, that $90 million or so is about a 13 percent increase over what we achieved in 2011. We expect that retrans is going to continue to grow because, frankly, our percentage of subscribers' fees is still well below what we believe is our percentage of the audience on the cable and satellite systems. We think the pie's going to continue to grow and we're going to be the beneficiary of that in a meaningful way.

As for Captivate, you're right on track. Captivate did not have the kind of quarter in the fourth quarter that we had hoped they would. They had some personnel changes and, in the out-of-home space there was a little bit of a pullback with Captivate part of that space. But we anticipate that for the full year of 2012 that we are going to see some good, solid improvement on the Captivate front.

Doug Arthur *- Evercore Partners - Analyst*

Great. Thank you.

Operator

Next we'll move on to John Janedis with UBS.

John Janedis *- UBS - Analyst*

Gracia, you talked about your TV outlook, and obviously there's some benefit from the Super Bowl. Would it be possible to talk maybe about the pacings from January to February? And then, separately on CareerBuilder? I know you mentioned the global growth, the revenue up 15 percent. Can you break out the North America-only growth? And on the December global invoicing, do you have maybe a pro forma number excluding some of those non-US acquisitions you made?

Gracia Martore *- Gannett Co Inc - President, CEO*

That's a number of questions. And I hope that Paul, you've jotted them all down. I think we ought to start with the TV outlook pacings. January is going to be a little bit less than clearly February when we have the benefit of the Super Bowl on all of our NBC affiliates. So, pacings are up very nicely -- double digits in February, and certainly stronger even in March. So, we're very pleased at the follow-through there. Auto has been a very strong category as it was in the fourth quarter and it continues to have good traction into the first quarter. So, we're very pleased with that.

It would be tough for us to break out all of those components on CareerBuilder but what we can tell you is that in North America, revenues were up in the low teens -- that 12 percent, 13 percent range. Internationally, I think we said revenues were up 40 percent-plus. I'd say that excluding acquisitions -- we had the Singapore acquisition -- it still would have been a mid single-digit increase. But I know that Jeff will calculate that number and come back to you.

John Janedis *- UBS - Analyst*

Thank you. Can I squeeze in maybe one quick one also on Newsquest?

Gracia Martore *- Gannett Co Inc - President, CEO*

Sure.

John Janedis *- UBS - Analyst*

I was a little bit surprised to see the out-performance there versus the US print business across, I guess, pretty much all the segments. Do you still view that business as core to the long-term operations?

Gracia Martore *- Gannett Co Inc - President, CEO*

I'd start by saying that the management team, led by Paul Davidson at Newsquest, has done just a terrific job in dealing with a very difficult economy there. In the fourth quarter, the UK economy actually contracted slightly which is a very difficult economic backdrop to have to be dealing with. But, they came through in a very meaningful way. They had the benefit of very strong national revenues in the fourth quarter -- in part, as a result of some digital transition for TV. And so, they were the beneficiary of that, as well as a lot of initiatives that have been going on throughout the business there. So, we were extremely pleased with their results in the quarter.

And as always, they have a wonderful local franchise. We are very focused on local. They have a wonderful local footprint -- just as we do here in the States. So, it's a terrific business. But as we've always said about all of our businesses, if someone comes along and is looking at the businesses and offer us something that makes more sense from a shareholder value perspective, we will take it to the Board. But the Newsquest folks have done a terrific job in 2011, dealing with the economic environment.

John Janedis *- UBS - Analyst*

Thank you very much.

Operator

Next we'll hear from Jim Goss with Barrington Research.

Jim Goss *- Barrington Research Associates, Inc. - Analyst*

A couple of questions, Gracia. One, with regard to your aspiration to be viewed as a global media and marketing solutions company. While a lot of that is UK right now, is there a global opportunity you perceive for some of your digitally-delivered content -- for example, USA TODAY, supported by global advertisers in international markets, that might want a window on the US? And then, I have a couple of things on the broadcast side.

Gracia Martore *- Gannett Co Inc - President, CEO*

Sure. We'll start with that question. In a digital world there are no boundaries or barriers to your content and your distribution. And, as you say, we have some terrific content certainly at USA TODAY. We're already in some countries -- in South America and in some other places -- sharing USA TODAY content in a licensing kind of model. So, certainly we think that there are opportunities along that front to do things.

CareerBuilder clearly is an international company with operations in over 20 countries at this point. We continue to see opportunities for them to expand their reach internationally and continue to see great opportunities there with the exclusive that we have on the MSN traffic overseas. So, we see lots of opportunities for us, in a digital world, to expand our footprint.

Jim Goss *- Barrington Research Associates, Inc. - Analyst*

Okay. Thanks. And on the broadcast area, have you noticed a trend that you tend to track in terms of the relationship of broadcast cost and expense levels vis-à-vis the swings introduced by political and Olympic revenues? Has there been some sort of ratio you've tended to notice or anything of that nature? Because I think they do sort of track up and down together. And also, internationally, with the Olympics coming up, does your UK presence for the London Olympics give you any added benefit that you'd like to talk about?

Gracia Martore *- Gannett Co Inc - President, CEO*

Let me address the first part of that question first. Dave Lougee, who runs our broadcast stations, always does a terrific job. And, there are just natural factors on the expense side. When you have $47 million of incremental political spending and you have a lot of coverage, you have sales commissions and other pieces associated with that. You also have additional coverage that you clearly are doing at times, and additional expenses when you're covering political and you're covering Olympics -- particularly when it's overseas and the like. And so, in an even year, you expect to see expenses rise. I don't think we have any particular formula other than that we look, as we're budgeting for the next year, at commissions and travel and those pieces that relate on a variable basis to those kinds of events. And then in a year like 2011, when those special events are missing, then we would expect expenses to reflect that.

We have a terrific opportunity vis-à-vis the Olympics with USA TODAY, with our 13 NBC affiliates. And the fact that our Newsquest properties are on the ground there in the UK -- sharing of content resources, sharing of video resources and a variety of those kinds of factors that we believe are going to be very helpful to us, as we provide some very, very strong coverage of what we think is going to be a very interesting Olympics in London.

Jim Goss ***- Barrington Research Associates, Inc. - Analyst***

All right. Thanks very much.

Operator

Next we'll hear from Bill Bird with Lazard.

Bill Bird ***- Lazard Capital Markets - Analyst***

Two questions. One: could you talk about how you think about dividends versus buybacks? And then two: could you just talk about how Q1 publishing advertising is trending versus Q4? Thank you.

Gracia Martore ***- Gannett Co Inc - President, CEO***

Let me start with the capital allocation question, and then Paul, why don't you jump in on trending? Dividends versus buyback? There's all the academic work that's been done around them -- about the consistency of cash flow that dividends sometimes project on share repurchases. There are benefits to that. We listen to our owners and potential owners and get their feedback on it. And then, we are in the process of sharing all of that with our Board. we will look to providing what I think is a good balance between the two that makes the most sense for us -- again, to provide flexibility for us, to make investments while at the same time returning incremental cash flow to our shareholders.

Paul…

Paul Saleh ***- Gannett Co Inc - CFO***

Yes, Bill, first quarter Publishing advertising: It would probably be too early to tell how the whole quarter will pan out. January was picking up where December was. But I will say it's still too early to tell how the whole quarter will end.

Bill Bird ***- Lazard Capital Markets - Analyst***

Great. Thank you.

Operator

From Nobel Financial, Michael Kupinski has the next question.

Michael Kupinski *- Noble Financial Group - Analyst*

Thank you. I want to drill down a little bit more in the broadcasting area, in terms of your thoughts about pacings. Can you give us an idea of what you're assuming for political in the quarter? I know that you kind of shied away from that in the past, but I'm just wondering if you're just trying to be a little conservative with the guidance in broadcasting, particularly as it relates -- you mentioned Florida. And if I recall, the last cycle, you didn't really get a lot of political in Florida because of the way that I guess the primaries were set up. But this time it seems like you're spending a lot -- both candidates, Romney and Gingrich, are spending a lot of money in Florida. Was just wondering if you could give me your thoughts on that? And then also any color on the key advertising categories that -- maybe the core advertising growth rate that you're assuming in the first quarter?

Gracia Martore *- Gannett Co Inc - President, CEO*

Let me try to answer all of those, Mike. And Paul, please jump in to add anything. On the political front, we will get more than our fair share of the political dollars that are spent -- that were spent in South Carolina, as well as are being spent in Florida. We are right on track. But the first quarter, even in a strong political year like 2008 or even 2010, they tend to be in the single millions of dollars. And in fact, if you look at our political spending in 2008 and 2010, what you'd see is that in the second half of the year, that's primarily when we generate the vast majority of our spending. Something like 80 percent-plus of all of the political we receive, we received in 2010 and 2008 is in the back half of the year with, October, November being the particularly large months.

But during the course of the year, we'll benefit from whatever happens. We have, from a footprint perspective, 13 US Senate and three Governors' races in our markets which is about the same number as 2008, although we're going to have to see how competitive each one of those races ultimately is. In 2010, which was not a presidential election year, but there were, I think, 16 Senate and 18 Governors' races in our markets. But overall, I'd say Mike, that we would expect that this will be a very robust presidential year with direct spending and all the PAC money we've all been hearing about being deployed. We look forward to a strong year on the political front.

Michael Kupinski *- Noble Financial Group - Analyst*

Have core advertising kind of weakened -- the rates weakened a little bit in the first quarter then from -- it seems like it's like pacing below in terms of the core advertising a little bit?

Gracia Martore *- Gannett Co Inc - President, CEO*

We had indicated in the fourth quarter that we saw that pure time sales, excluding political, were up about 9 percent?

Michael Kupinski *- Noble Financial Group - Analyst*

Right.

Gracia Martore *- Gannett Co Inc - President, CEO*

In the first quarter, at this point, we've given guidance that revenues would be up in the high-single digits. It's incredibly early in the quarter, frankly. So, I think we're right on track to achieve what we expect to achieve, but we'll continue to update everyone as the quarter unfolds. We always tend to be careful early in the quarter, and then hope to come in at the high end of expectations. As you know, in the fourth quarter, we had indicated 8 percent to 9 percent and then raised that up to the 11-percent range. We'll just have to see how the quarter unfolds. I will say that from a category standpoint, auto continues to be quite strong -- particularly in February and March and some other key categories, like telecom and a few others, are very strong. So, we think that we'll have a good year on the Broadcasting side.

Michael Kupinski *- Noble Financial Group - Analyst*

Okay. Great. Thanks, Gracia.

Operator

Next we'll hear from Leo Kulp with Citi.

Leo Kulp *- Citigroup - Analyst*

Hi. Thanks for taking the question. Two quick ones. First, can you talk about your outlook for investments in the Digital segment? And then second, can you talk about the potential impact on newsprint usage from the three-around formats that you're rolling out? And what sort of impact that's having on the increasing capex for next year?

Gracia Martore *- Gannett Co Inc - President, CEO*

Sure. Let me start with digital acquisition opportunities. We are always looking at opportunities to acquire capabilities or technologies in core and adjacent areas but nothing dramatic. We are disciplined investors, as always, and we'll evaluate each opportunity in the context of our strategy and as it arises. We are very pleased with some of the small acquisitions that we've recently done. Last week, we announced the acquisition of Fantasy Sports and Big League Sports -- paid a small price to provide us with a substantial increase in our footprint. So, always looking at opportunities, but we'll continue to be quite financially disciplined.

Paul, do you want to talk a little bit about newsprint and the three-around?

Paul Saleh *- Gannett Co Inc - CFO*

Actually, the capital spending is relatively minimal for that. In cases where we have actually tested the format, our customers really have liked the new format. It's very appealing. And I would say that usage will be lower in a sense from a design perspective, but it also depends on some of the actions that we're going to take in the coming quarters -- in terms of the new introduction of digital and print subscriber packages. And so, from a usage perspective, it all depends on the ultimate subscriber base that we have.

Gracia Martore *- Gannett Co Inc - President, CEO*

Yes. And, I'd add that capital spending, which was about I think $72 million this year, we have a budget that is in the $90 million to $95 million range. Most of what's driven the increase in the budget, and frankly, it's a very modest increase, relates to some of our digital activities and digital footprint. We include 100 percent of CareerBuilder’s capex in our capex number, although they fund their own capex. Their number is up a bit, so it's a variety of those things. There's just a small impact from the new format.

Leo Kulp *- Citigroup - Analyst*

Thank you.

Operator

Next from Benchmark, we'll move on to Edward Atorino.

Edward Atorino *- The Benchmark Company - Analyst*

Got three questions. One, can you talk a little bit about circulation? Seems to be hanging in there. And your pricing strategy for 2011, and maybe you could separate out the US, UK, and the domestic? Second, your payroll strategy, you've launched a few, I think -- what the current number is, and how you see the year unfolding? And lastly, have you seen any Olympic commitments yet, given the fact that stuff usually sells out pretty fast?

Gracia Martore *- Gannett Co Inc - President, CEO*

Let me start with the subscription strategy that we highlighted in our opening remarks. And then Paul, if you could pull out some circulation numbers, that would be great. We have benefited from the learnings from the first three tests that we mentioned to all of you -- in Greenville, St. George and Tallahassee. Also, as we've indicated, we've done a pretty significant amount of work around consumer preferences and their thoughts around paying for content, including in-depth research actually in a number of our own specific markets. We're not going to take a cookie-cutter approach to this as each one of our markets is somewhat different, and the areas of content that readers and viewers and users are passionate about, vary by community.

We've just now rolled out six markets where we're going to get additional feedback. So far, and I'm literally talking about in the last few days, we've had some very encouraging feedback. But, that's a place where we're going to have to give you additional insights in late February, and then report to you each quarter on how we are progressing as we roll the markets out. But we are in agreement with Warren Buffet's comments that our content, which we believe is engaging, relevant and differentiated in those local communities, has value and shouldn't be given away free. And so, we are going to talk a lot about that at our meeting in February.

Edward Atorino *- The Benchmark Company - Analyst*

Gracia, are current subscribers going to pay for the paywall? Or won't you talk about that?

Gracia Martore *- Gannett Co Inc - President, CEO*

It will be a different kind of subscription model. It will vary market-to-market, but we'll go into greater detail in February.

Edward Atorino *- The Benchmark Company - Analyst*

Okay. Thank you.

Gracia Martore *- Gannett Co Inc - President, CEO*

Paul, do you want to comment on the circulation numbers and I'll finish up with the Olympics?

Paul Saleh - ***Gannett Co Inc - CFO***

Circulation numbers in the quarter were better than they were in the third quarter. They were down less than 5 percent. And then, the Sunday circulation has been also a good story throughout the year for us. It was down 0 to 2 percent.

Edward Atorino - ***The Benchmark Company - Analyst***

Pricing? Pricing strategy for 2012?

Gracia Martore - ***Gannett Co Inc - President, CEO***

He's giving you volume.

Paul Saleh - ***Gannett Co Inc - CFO***

I am giving you circulation.

Gracia Martore - ***Gannett Co Inc - President, CEO***

He was giving you volume. One thing I would add to that -- we've mentioned the importance of Sunday circulation, the fact that about 45 percent of our ad revenues in, for instance, U.S. Community Publishing, occur on Sunday. And in the fourth quarter, I believe Bob Dickey shared with me that we had 18 of our top newspapers that had total Sunday circulation increases year-over-year. So, that's been a real area of focus for us. And, that continues to pay good dividends for us and is an important part of our focus on the ad model and Sunday circulation.

On Olympics, we are working diligently on commitments. I know that Dave Lougee has some folks very much focused on Olympics. We've gotten commitments in hand from some local sponsors, regional sponsors, but he'll be doing a lot more work in that area as the months progress. We feel very good about our ability to have a strong Olympic showing this go-round on our 12 NBC affiliates.

Edward Atorino - ***The Benchmark Company - Analyst***

Could you remind me what you did in 2008? Was it $18 million?

Gracia Martore - ***Gannett Co Inc - President, CEO***

In 2010, it was about $18 million or $19 million -- that was the Winter Olympics. In 2008, which I believe was a Summer Olympics in Beijing -- I think we achieved in the low $20s million on Olympic revenues.

Edward Atorino - ***The Benchmark Company - Analyst***

Okay. Thanks.

Gracia Martore ***- Gannett Co Inc - President, CEO***

Thank you, Ed. I think we have time for just one more question.

Operator

Thank you. That will be Avi Steiner from JPMorgan.

Avi Steiner ***- JPMorgan - Analyst***

I appreciate the time. Let me be the one debt guy here, if you don't mind. With whatever capital allocation decisions you ultimately unveil in February, will absolute debt repayment still be front-of-mind? Is there a particular leverage level you want to get to? And are ratings at all a consideration in your decision? Thank you.

Gracia Martore ***- Gannett Co Inc - President, CEO***

We are blessed with, as we said today, an enormous amount of free cash flow. Over these last four years, despite incredible economic headwinds, we have consistently generated several hundred million dollars of free cash flow. We will be very focused on debt repayment, as well as returning increased levels of capital to our shareholders. We can do that from free cash flow, as well as continue to have an absolute debt level that will be very satisfactory. We always look at our ratings. We're always mindful of that.

Right now, we have a real fortress balance sheet. We have our maturities well extended. So, we take all of those things into consideration. As you know, we've paid down a lot of debt over these last several years. Our balance sheet is in great shape, and we have the opportunity with the enormous amount of free cash flow that we generate, to return additional capital to shareholders. At the same time, focusing on investing in our businesses and continuing to manage our balance sheet in a very prudent way. So, we're very fortunate on all those fronts.

Avi Steiner ***- JPMorgan - Analyst***

Fair enough. Thank you.

Gracia Martore ***- Gannett Co Inc - President, CEO***

Thank you. We appreciate all of you joining us this morning. If you have any specific questions we didn't have a chance to answer this morning, I know that Jeff Heinz will be happy to take them. He can be reached at 703-854-6917. Have a wonderful day.

Operator

Ladies and gentlemen, that does conclude today's conference. Thank you for joining.