MACQUARIE AUSTRALIA CONFERENCE PRESENTATION COMMENTARY

SYDNEY, 9 May, 2014: Fairfax Media Limited [ASX:FXJ] will today deliver a presentation at the Macquarie Australia Conference in Sydney. Comments accompanying the presentation are set out below.

Greg Hywood – Chief Executive Officer, Fairfax Media

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Good morning everyone.

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It's great to be here kicking off the final day of the Macquarie Australia Conference.

This morning you will hear from me about Fairfax Media's transformation and the road ahead.

Then you'll hear from two of the executives who are driving our new revenue growth: Antony Catalano and Andrew McEvoy.

Many of you would already be familiar with Antony, CEO of our re-branded Domain Property Group. It's an exciting time for Domain. You may have seen recent job advertisements which are part of our aggressive expansion in sales resources and our desire to rapidly expand this business.

Andrew, Managing Director of Fairfax Events, is the former head of Tourism Australia and is executing a strategy to significantly expand a business which currently generates around $30 million of revenue a year.

Our CFO David Housego will then briefly talk about the current trading environment.

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We've made great progress in stabilising the business – but it's really just the beginning of our transformation. We've moved from being an old newspaper business to a multi-platform media, marketing services and property services group.

Our reach of 10.2 million Australians aged 14+ each month drives our ability to provide our clients with extraordinary leverage in their marketing and property decisions.

We are becoming highly proficient at providing clients – who were once just advertisers – with a full suite of marketing services including content marketing, events and data.

We see enormous prospects in our ability to expand this side of our business through organic growth and acquisition.

Our transition has involved decisive action to reduce costs, create a more dynamic organisational structure, and invest in several new revenue growth areas which are strongly aligned to our core business.

Fairfax has been fearless in fundamentally reshaping our business amid a challenging environment. Investors have focused on our ability to get costs out of the business, which we have done. We are significantly exceeding our run-rate target of $311 million by fiscal 2015. This is a fundamental restructuring of our legacy business, not just blind cost cutting.

As we have announced this week, we are continuing our restructuring with a plan to outsource much of our metro photography and introduce further efficiencies in editorial production which will deliver additional savings. This is just another example of our commitment to improve the way we do business.

Meanwhile, we are investing in our growth businesses. You would have seen that Domain is employing 50 new sales and product staff.

What we've been doing in the past two years – predominantly in our metropolitan business – is dismantling a traditional, vertically-integrated structure and becoming a leaner, more agile organisation – from editorial production, advertising production, sales to contact centres.

Through this extraordinary transformation our people have maintained their professionalism and commitment.

We have not compromised the core of what we do. Our high-quality journalism and content is stronger than ever.

We run our news business on a 24/7 digital-first basis, where the production of a physical newspaper is just part of the process, not the entire process.

We have thrown out the old newspaper production systems. We produce our Australian metro content on Adobe CQ5, a web-based system, which delivers content across all platforms.

While we know the future is digital, newspapers continue to provide strong cash flows. We have made their production profoundly more efficient – increasing circulation yield; moving from broadsheet to compact; closing the big over-capitalised Tullamarine and Chullora print sites; while continuing to perform well in readership and revenue market share.

It is worth reiterating: the capital employed to produce our major metropolitan newspapers was $500 million across those two print sites. We've replaced this with an incremental $40 million.

The Age is now printed from our low-cost printing plant in Ballarat following the recent closure of Tullamarine. By June, *The Sydney Morning Herald* will be printed from North Richmond, where *The Australian Financial Review* is already being produced.

These newspapers are becoming more subscription-based businesses, supplemented by other revenue adjacencies. In the old newspaper-only days the proportion of metropolitan print advertising revenue used to be 85 per cent. In our first-half result it was 37 per cent.

Our first-half results show that our metro print and digital subscription revenues have increased around 10 per cent and are doing even better in the second half. The fact is this industry has traditionally under-priced newspapers. Digital subscriptions are running well ahead of our original estimates and are an important new contributor to our business.

Since introducing digital subscriptions for *The Age* and the SMH in July 2013, we have signed up around 130,000 paid digital subscribers. In addition, 100,000 existing print subscribers have activated their digital access. Our most popular package remains web-only. Our second most popular package is weekend print plus all-digital.

Our first-half result showed Metro Media earnings rose. The strategy is working and provides useful guidance to the review of our Australian Community Media division. We will have more to say about the results in August.

I will just make a few brief remarks about the speculated changes to Australian media laws. We believe the current laws are outdated and don't meet the needs of the industry and the community. They were enshrined in 1987 prior to the internet. Since then there has been massive fragmentation of the advertising market, particularly from online search. Media companies need to operate across all available media platforms. Clearly there are a multitude of possible scenarios and it's very early in the process – we don't even know if the legislation will change. But if it does change, we are in an extremely strong position to maximise value for our shareholders.

Before I introduce Antony and Andrew, I just want to underline the strength of the Fairfax management team. This is a group that has presided over one of the greatest transformations in Australian corporate history. We are a strong, resilient team. We are pleased Tom Armstrong has joined us from Viacom International Media Networks in the UK as Commercial Director of Australian Publishing Media.

I will now hand over to Antony.

Antony Catalano – Chief Executive Officer, Domain Property Group

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Good morning everyone.

Some of you might already be familiar with my background. I re-joined Fairfax in November last year, having been CEO of Metro Media Publishing (MMP) which merged with Fairfax Community Newspapers (Victoria) in July 2012 to run as a joint venture.

I started MMP from nothing four years ago – and it now has print and digital revenues headed towards $80 million. Real estate media and publishing has been my life for the past 30 years; it is my passion.

I re-joined Fairfax because it is a vastly different organisation from the one I left almost six years ago. The company is absolutely committed to growing this core asset and I am determined to realise the potential of the Domain Property Group.

We've hit the ground the running at Domain, introducing a number of changes to improve market focus and accelerate growth. During the past six months:

- We have restructured the business to focus on pursuing growth in five areas: residential, media and developers, commercial, property data and agent customer relationship management (CRM) solutions;
- We have strengthened the management team with a number of senior hires and you may have noticed that we're in the market for a CFO;
- We have started to scale our resources in key areas to consolidate our growing position; and
- We have completed the acquisition of Property Data Solutions and merged it with our existing data business Australian Property Monitors.

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Domain is currently a solid number two in the Australian real estate advertising and services market. In FY13 Fairfax assets generated in excess of $300 million of revenues from this category. Domain Property Group directly contributed $143 million of this revenue, with its MMP joint venture contributing a further $73 million. While Domain Property Group does not operationally control Fairfax's regional or community newspapers, they also carry the Domain brand in print.

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Domain Property Group consists of several, multi-platform real estate businesses that work together to provide a highly valuable mix of products and services to consumers and real estate professionals. Our belief is that Domain Property Group contains the most diverse portfolio of quality real estate assets in Australia.

The breadth of our offering includes digital advertising on Domain.com.au, which has seen strong growth in premium depth product revenues. In the Victorian market alone, the growth of our highest yielding Depth Product, known as Premium Plus, is up 138 per cent year on year and there is plenty of room for further growth in depth products, with penetration of total listings still at very low levels. We've also demonstrated in our key markets of Sydney and Melbourne – that not only can we keep pace with our main competitor – but across dozens of suburbs we can outsell our competitor in the industry's highest yielding depth product.

Domain continues to maintain a strong metropolitan print presence across *The Sydney Morning Herald*, *The Age* and *The Canberra Times*. Domain is also distributed in *The Australian Financial Review*. While a structural shift has been occurring from print to digital, we believe there is still a long-term role for print – particularly in affluent suburbs - and so too do our agent clients. Statistical evidence shows that properties advertised with a combination of print and digital advertising sell quicker and for more money than those with a digital only marketing campaign

We've seen pleasing growth from our 50 per cent interest in MMP and its unique agent equity model in the Melbourne market. The suburban print products under the Weekly Review brand are proving sustainable in medium to high-end areas where there is valuable vendor paid advertising. The joint venture has moved into the digital space, extending the equity model to include reviewproperty.com.au which is already generating multi-million dollar profits and helping to accelerate the growth of Domain in Victoria through the dual brand strategy.

Our position in property data via Australian Property Monitors was strengthened through the acquisition of Property Data Solutions for $30 million in December 2013. The businesses have successfully been integrated and rebranded as APM PriceFinder. Annualised cost synergies are running in excess of $1 million. Furthermore, we're very excited about the opportunity to grow real estate agent subscriptions and new revenues given the improved, combined data set the integration has provided.

Commerce Australia's My Desktop product is the leading web-based customer relationship management software for real estate agents serving more than 25 per cent of the agent market and growing. A number of major franchise groups use MyDesktop nationally. We see further growth opportunities from increasing penetration of the product among independent agencies, of which there are approximately 5,000 in Australia.

We've been heavily investing in our Media & Developers division, run by Simon Kent, which is focused on selling digital display to agencies and major corporate clients. With the additional focus of an in-house sales team combined with Domain's large and AB-skewed audience demographic, we believe there is significant upside in this part of the market where our competitors earn substantial revenues. We're getting good traction with display and lead-generation products for the financial services, utilities, lifestyle and real estate sectors. For example, developer revenue is up 54 per cent nationally.

We recently brought the Commercial Real Estate business under the control of the Domain Property Group. I believe we have the four best assets in the commercial real estate market: our commercialrealestate.com.au website is a digital brand with great potential; and in print we have exposure to the business sections across the SMH, *The Age* and the AFR. With additional investment in digital product there is a great opportunity to grow revenues in this category.

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There are five key drivers of Domain's growth opportunities:

1. Domain has a strong and growing position in Sydney and Melbourne, the nation's two most populous and wealthy capital cities.

2. Domain is building national coverage through agent market penetration. Acquiring agents gives us listings. Listings and a great product experience bring consumers. Once we have consumers we can compete more aggressively for revenue.

3. We are seeing increasing demand for depth products and this has been instrumental in driving recent digital growth. In some suburbs in Melbourne we are outselling our main competitor REA in the most expensive depth product by a factor of more than two to one.

4. Domain has had great success in developing mobile applications that are highly valued by consumers. In a market that is shifting from desktop to mobile, this is a competitive advantage for Domain.

5. Through our product and marketing investment, we are delivering increasing value for real estate agents through growth in buyer enquiries which we call leads.

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I said before that Domain is a solid number two, but that's the overall market nationally. Real estate is a local business. If you have high listings penetration in local areas and a great product, you can compete for audience and advertising revenue. As you can see in the past two years Domain has grown to match or have in excess of 100 per cent listings relative market share versus the market leader in many Sydney regions. It will no doubt surprise you that Domain has more agents on its site in New South Wales and the ACT than REA does.

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Here's the same slide for Melbourne. We're making very pleasing progress in this market, due to the strong performance of our joint venture partner MMP and with our agent partners.

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You might be wondering whether there is room for two strong players in the Australian real estate advertising market. Well, we think there is. In FY14 approximately 90 per cent of Domain's digital revenue will come from New South Wales and Victoria. We have demonstrated there is room for two players in these markets. Our opportunity is to replicate this success in other States, for example Queensland which is a large market where we currently have a small revenue base.

What's happening in overseas markets also shows us that there is room for more than one player in real estate advertising. In both the United States and the United Kingdom, market dynamics have given rise to strong number two players and Australia is no different.

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At the end of March Domain had just over 8,300 agent subscribers, which represents 79 per cent market penetration. Our strengthening position means that we are closing the gap on our competitors for agents and listings.

This is important: at October 2012 we had around 6,500 agents giving REA a distinct competitive advantage. In the last few days we reached 8,400 agents and as we rapidly move to 100 per cent penetration, REA's current competitive advantage will evaporate.

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Domain introduced new depth products in July 2012. This was a significant catalyst to growing digital revenues. Prior to July 2012 subscriptions had comprised the majority of revenues. Since these new depth products were launched, depth product revenues have exceeded subscription revenue.

There is still much upside for Domain in depth products. Penetration of the total listings base is still very low. The price of a depth product listing – only several hundred dollars at the high end – is small compared to the cost of advertising in other industries, and small as a proportion of the average house price in Australia.

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Mobile is one of Domain's biggest competitive strengths as the market migrates to mobile platforms. Over half of Domain's visits come from mobile and this is growing month on month. We recently reached 2.5 million app downloads. Our iPhone, iPad and Android apps have the highest consumer rating in the Australian real estate category.

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While we are focused on growing Domain's audience and number of visits to the site, our main priority is advertising effectiveness for our real estate clients. Domain's product and marketing initiatives are highly focused on growing enquiries for a property. Average leads per listing have grown by approximately 40 per cent in the past year, which is very pleasing. This is how we are judged by our clients.

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Here's a snapshot of our first half financial results, which you would already be familiar with. In the second half to the end of April, digital revenue growth was 44 per cent year on year including the first time contribution from the PDS acquisition. Excluding PDS, growth was 33 per cent. Digital listings revenue is growing faster at almost 40 per cent. The higher digital growth, combined with a moderating decline in print, has resulted in Domain's total revenue being up 22 per cent year on year.

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Just summing up, the key takeaway for you today is that we are very confident about the future of the Domain Property Group.

There are significant growth opportunities in the business:

- Growing depth product penetration and revenues.
- Consolidating Domain's position in New South Wales and Victoria and growing revenues from other States, including in regional areas.
- Growing digital revenues in media display and developers.
- Further penetration of our data and CRM products among real estate agents.
- Improving our position in commercial real estate.

We have made good progress in executing our growth strategy through investment – both acquisition and scaling up our resources – and we are now operating with a more appropriate structure as part of Fairfax.

We're focused on realising the full potential of Domain, which we think – and some of you have already realised – is quite significant.

I'll now hand over to Andrew.

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Andrew McEvoy – Managing Director, Fairfax Events

Good morning everyone.

Some of you may not be that familiar with the Fairfax Events business. This short presentation will hopefully give you insights into why I joined Fairfax and the huge growth opportunity.

I've spent the last 20 years in the tourism, marketing and events sector. The last four years running Australia's peak tourism body, Tourism Australia, overseeing a turnaround and growth in this country's $100 billion tourism sector by becoming more digitally focused and targeting Asia, especially China. I joined Fairfax because of its unique advantage as a multi-faceted media company with an events business. Not only can Fairfax stage the events, it can get the audience to participate.

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The event market in Australia is worth in excess of $1.6 billion; and Fairfax is targeting exposure to around $400 million of that market in the public, corporate and conference sectors.

It is a growing market in Australia and New Zealand. Since the major events focus, particularly by Melbourne under the Kennett regime in the 90s, it has also been well funded and embraced by consumers and businesses alike.

Australians and Kiwis are good at staging events and even better at turning up to them. And for sponsors and partners, it is a physical manifestation of their brands built on the passion points of customers.

Fairfax Media has become very strong in mass participation consumer events and also has strong brands in the business and corporate space.

While we have not traditionally been strong in conventions and exhibitions, it is certainly a market we could bring an audience to – particularly through our B2B connections. It is more likely that we would tackle this area through acquisition rather than start up - if we can see a significant revenue opportunity. We are exploring that now.

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Fairfax Events has grown organically since 1971 and now achieves around $30 million in revenue. So it’s a small but growing business.

Events is one of Fairfax’s growth initiatives, together with Data and Content Marketing. We are executing a strategy to aggressively grow Events revenue while maintaining our very strong 30 per cent margins. Fairfax owns the event from start to finish and can make great margins. Many of our competitors just run the event for lower margins.

Fairfax already has strength and credibility in mass participation consumer events including in the sport category (running, ocean swims) and food (Good Food Month and many others).

Accelerating the growth of Fairfax Events will mean expanding our programs (geographically, through new events or acquisition) as well as developing other areas of audience strength (travel; the arts; babies and kids; and business events aligned to strong mastheads such as *The Australian Financial Review*, *BRW*, *Smart Investor* and *Boss* magazine – we want to do more in that space).

We currently divide our Events business into Consumer, Business and Regional – and I’ll just take you through those briefly.

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The first City2Surf event, with participants making their way from the city to Bondi Beach, was held in 1971 when just a few thousand turned up to run the course. This year more than 85,000 people will participate in the event on August 10 – making it the largest “fun run” in the world.

Off the back of this, Fairfax has expanded its run series to Melbourne, Canberra, Brisbane and in July to Perth. There’s also the Round the Bays run in Auckland where almost 40,000 people take part. Beyond that we own the Canberra Marathon, *The Sydney Morning Herald* half marathon and we are joint venture partner for the famous Cole Classic swim in Manly, and many, many others. In total around 200,000 people will participate in Fairfax’s running and swimming events this year. We want to expand into the fast growing cycling market.

Fairfax also runs highly successful food events. Good Food Month has been operating for 15 years in Sydney and has recently expanded into Melbourne and Brisbane with plans for further geographic growth. Fairfax also operates the monthly Growers’ Market at Pyrmont and the NSW Food and Wine Festival including Sydney Cellar Door. All up, almost 2 million people will eat or drink at Fairfax’s Food events this year, such as our increasingly popular Night Noodle Markets. The Night Noodle Markets attract 300,000 people over 15 nights in Sydney and a similar number in Melbourne.

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Fairfax's ability to reach the massively influential C-Suite – chief executives and chairmen – provides us with significant opportunity to support our Business events. We are aiming to grow this category in both Australia and New Zealand by leveraging our mastheads' quality content and the audience of highly engaged CEOs, chairmen and other senior executives.

We have strong brands such as Westpac Women of Influence. In the Regional category, Fairfax operates several highly successful agricultural events, such as AgQuip. We are actively looking to expand this category off the back of our strong regional network. We have around 200 rural and regional titles including in major centres such as Wollongong, Newcastle, Bendigo and Ballarat.

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Our growth strategy is to aggressively expand Fairfax Events in areas where we have strong audience engagement.

The geographic expansion of our Sport and Food events is underway. The Swan River Run will be held in Perth in July; and we have a date in the calendar for an event in Adelaide. Good Food Month – which is well established in Sydney and Melbourne – will be held in Brisbane in July, with potential to expand to Canberra, Adelaide and Auckland. We are exploring start-ups and potential acquisition of existing events or event companies in the Sport and Food categories.

We are open to expanding in Sport and Food in markets beyond Australia and New Zealand and we have begun discussions with international media partners.

We will soon be announcing a landmark new Australian arts and cultural event aligned to our national weekend arts supplement Spectrum and backed by a major sponsor.

We are considering how we further engage our one million-strong Essential Baby & Kids audience. We are reviewing current expos in this space with a view for potential opportunities.

We are looking to build on our strength in Sport by developing new or acquiring existing cycling events.

We plan to grow our Business events footprint by building on the Westpac Women of Influence brand. There are also opportunities in areas such as Australia's engagement in Asia; personal finance, travel, luxury categories relating to the over 50s; technology; and other fast growth markets.

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So in summary, events is a growing industry and Fairfax has unique competitive advantages to access the $1.6 billion local industry. I look at Fairfax as a marketing services business, with an extensive marketing platform and strong masthead and brand connection with local communities. We are perfectly positioned to profitably expand and grow our portfolio.

We have plans to grow our existing events as well as create new events which play to the interests of Fairfax's 10 million-plus audience. We reach 58 per cent of Australians over the age of 14+ and 80 per cent of New Zealanders with a heavy AB skew. Our events are a way of driving engagement and monetising our audience.

There is no shortage of advertisers and event partners interested in being part of Fairfax Events. In some categories we actually have a shortage of inventory.

Our events business complements and supports the broader Fairfax business; is an essential element of Fairfax's marketing services capability; and is strongly aligned with other revenue initiatives including Content Marketing and Data. These are new ways for Fairfax to monetise its audience.

The events opportunity is material for Fairfax – and I am very confident we will see significant upside from our expansion plans.

I will now hand over to our CFO David Housego.

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David Housego – Chief Financial Officer, Fairfax Media

Thanks Andrew.

As is our usual practice when delivering a major investor presentation, we will provide an update on the trading environment for the second half to the end of April 2014.

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Consistent with the update given with our first-half results in February, trading in the January to March period saw overall Group revenue for continuing businesses down 3 per cent compared to the prior corresponding period. As expected, April was a difficult advertising revenue environment due to the extended Easter/ANZAC Day holiday period. This resulted in overall Group revenues for continuing businesses being down 4 per cent for the January to April 2014 period compared to the prior corresponding period.

Our Metro Media segment which includes Domain was down around 7 per cent. Domain's overall revenue was up 22 per cent which includes the contribution from the Property Data Solutions acquisition, moderating declines in print revenues and strong growth in digital listings. Domain digital revenue was up 44 per cent, with like for like growth of 33 per cent, while digital listings revenue was up by 40 per cent.

The Australian Community Media division was down around 10 per cent. New Zealand was up 6 per cent which includes the currency benefit, while Radio was 4 per cent below last year.

The guidance we have previously provided on costs is unchanged. We continue to expect to deliver costs below $1.6 billion for FY14.

We look forward to delivering our full-year results on 14 August 2014.

Thanks for your attention. I will now hand back to Greg for Q&A.

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– ENDS –

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