FAIRFAX MEDIA LIMITED
FY15 H1 RESULTS ANNOUNCEMENT

SYDNEY, 19 February 2015: Fairfax Media Limited [ASX:FXJ] has reported a net profit after tax of $26.3 million for the half year to December 2014. Excluding significant items, the Company recorded a profit after tax of $86 million for continuing businesses, down 0.6% compared to $86.4 million in the same period last year. Significant items after tax included $38.3 million in restructuring and redundancy charges and asset impairment charges of $18.3 million.

The Company reported underlying earnings before interest, tax, depreciation and amortisation (EBITDA) for continuing businesses of $162.4 million, excluding significant items, down 8.7% on last year.

The Company today announced details of an on-market buyback of ordinary shares over the next 12 months of up to 121 million shares representing approximately 5% of the company's ordinary shares. The buyback is expected to commence on 23 March 2015. The buyback is being undertaken as part of the company's ongoing capital management strategy.

Statutory Results Summary

- Net profit after tax of $26.3 million.
- Earnings per share of 1.1¢.
- Revenue of $943.3 million, down 12.9% from the prior corresponding period.
- EBITDA of $85.3 million, down from $291.1 million in the prior corresponding period.
- Significant items totalling $56.7 million loss after tax.
- Net cash of $37 million, compared with net cash of $68 million at 30 June 2014.
- Interim dividend of 2¢ per share fully franked.

Underlying results for continuing businesses excluding significant items

- EBITDA of $162.4 million decreased 8.7%.
- Net profit after tax of $86 million decreased 0.6%.
- Earnings per share of 3.7¢, down 0.6%.

Chief Executive and Managing Director Greg Hywood said: "For the six months to December 2014, Fairfax Media reported EBITDA of $162.4 million for continuing businesses. This result is a solid outcome. It is the result that we had planned for. There are no surprises.

"During the half year we made substantial investments in our growth businesses including Domain and Events, with $25 million investment in additional operating expenses introduced into these businesses in the half year. Domain is continuing its strong growth with digital revenue up 37.8%, and revenues in our Events business were up 35% year-on-year.

"We have seen strong momentum in Domain, with agent subscribers up 20%, listings up 16% at the end of the half, and visits to our real estate sites up 19%.

"Despite substantial investment, we have continued to lower Group expenses. This reflects the continued successful transformation of our business and careful cost control.

"Fairfax's overall EBITDA performance excluding investment in growth businesses remained stable, in line with the previous corresponding period.

“We continue to work hard to realise the full potential of Fairfax’s publishing businesses. Our Metropolitan Media publishing business recorded a 20% increase in EBITDA for the half year. Metro publishing costs fell 8% during the period.

“We are well into the process of applying the same principles that transformed the operations and performance of our Metro business to our Australian Community Media division. We now expect to deliver annualised savings of up to $60 million in Australian Community Media by FY16 – our previous target was $40 million.

“We are mindful of the need to both maintain balance sheet strength and reward shareholders in an efficient fashion. Today we have announced details of an on-market buyback. We will also pay an interim dividend of 2 cents per share, fully franked, which is consistent with last year’s dividend.

“We retain considerable flexibility to continue to invest – both in our existing businesses and via acquisition – as we continue the transformation of the company.”

Metropolitan Media

“Profitability improvement continued in our Metropolitan Media division during the half year, with EBITDA including printing contribution up 4% on the prior corresponding period, notwithstanding the sale of Stayz,” Mr Hywood said.

“There was a meaningful reduction in the rate of revenue decline during the half, with total Metropolitan Media revenues down by 2.6%, notwithstanding the impact of the sale of Stayz and merger of RSVP with Oasis Active. This performance was underpinned by a lessening in the rate of print advertising revenue decline and benefits from our investment in Domain, Events, and Digital Subscriptions growth initiatives.”

Publishing

Mr Hywood said: “Our Metropolitan Media business is serviced by a flexible and fully utilised printing operation following the closure of Tullamarine and Chullora print sites in 2014. The re-scaling of our printing operations for efficiency – and the adoption of new ways of delivering our journalism and content – has helped sustain our publishing profitability.

“Although the market environment remains challenging, there was a moderation in the rate of decline in print advertising which decreased 10% in the half, against a 24% decline in FY14.

“Digital subscription revenue increased 61% during the half, with total circulation and subscription revenues up by 2.3%.”

Events

“Events revenue was up 35% year-on-year reflecting strong organic growth and the impact of acquisitions,” Mr Hywood said.

Domain

“Domain continues to power ahead in expanding its national footprint, having heavily invested in sales and product development and successfully integrated two acquired businesses, in addition to the recent move to full ownership of Metro Media Publishing Holdings (MMPH),” Mr Hywood said.

“Growth in the number of agents placing their inventory on Domain gained momentum in the half to total more than 9,650, representing 88% of the agent market. The rate of agent growth almost doubled compared to the preceding six months. Agent growth has supported a strong lift in listings, which were up 16% at the end of the half.

“Despite significant investment in the aggressive expansion of Domain and the impact of some one-time costs, EBITDA grew 21.7%. Digital advertising revenue for continuing operations grew 37.8%. Domain.com.au saw revenue growth of 26%.

“Premium depth products continue to be a driver of Domain’s digital growth and now represent 68% of the business’s digital revenue.

“The agent ownership model, successfully pioneered in Victoria by MMPH, continues to roll-out nationally and is expected to gain significant traction over the next 12 months as we deepen our relationships with agents around the country. The success of the Victorian model has been closely observed by agents nationally and many are keen to embrace this structure.”

Digital Ventures

Mr Hywood said: “Digital Ventures continues to execute its strategy of value creation through investment in digital opportunities and managing our portfolio of digitally-focused assets. During the half we added to our portfolio with investment in publishing and online community business Over 60, game-based learning business for children Skoolbo, beauty sample subscription business Bellabox, and lightning data network business Kattron.

“Stan, our Streaming Video On Demand (SVOD) joint venture with Nine Entertainment Co, launched in January and early adoption is exceeding expectations. Stan is tracking to have more than 100,000 sign-ups by mid-March.

“Earlier this month we announced a partnership with The Huffington Post to establish an Australian edition of the leading international news and opinion website.”

Australian Community Media

“We are progressing with transformational change in our Australian Community Media business. While we have seen some moderation in the rate of revenue decline in this business, adjusted EBITDA of $56.6 million was down 31.4% on the prior corresponding period,” Mr Hywood said.

“Total revenue for Australian Community Media declined 7.4%, with advertising revenue down 9%. Local and retail advertising revenues were in line with a year ago, and national advertising was only modestly lower, but employment, print real estate and automotive categories remained under pressure.

“We are well underway with the changes that this business requires and are confident in our ability to build a modern, stronger rural and regional media network. The plans we are implementing support an increased annualised savings target of up to $60 million, up from an earlier target of at least $40 million. The benefits from this program will start to fully ramp up from July this year.”

New Zealand Media

Mr Hywood said: “Our New Zealand business outperformed a weak local advertising environment, with advertising revenue down by 6.2% in local currency terms on the prior half. Weak retail and employment advertising more than offset a strong performance in real estate, motoring, and house and home categories.

"Digital momentum in the business was very pleasing, with digital revenue growth of 25% and Stuff.co.nz gaining 18% unique audience in January 2015 year-on-year.

"Investment in digital product development and marketing, as well as one-off printing transition expenses, resulted in constrained earnings with EBITDA down 18.8%."

Radio

Mr Hywood said: "Following completion of the Fairfax Radio Network and Macquarie Radio Network merger, expected in late March, Fairfax will own a 54.5% shareholding in an enlarged national radio network including the leading News, Talk and Sport stations in Sydney and Melbourne. The merger creates a genuine national Talk radio network that was not previously available to advertisers.

"Radio has stabilised its performance, with EBITDA down 4% compared to the prior corresponding period. The business will derive both cost and revenue synergies from the merger, with the enlarged entity well positioned in a radio advertising market which continued to gain momentum in the half."

Balance Sheet

"Fairfax's balance sheet remains in a strong position," Mr Hywood said. "The company finished the half with net cash of $37 million following significant investment and a number of strategic acquisitions in our Digital Ventures portfolio.

"In January 2015, total cash consideration of $18.5 million was paid to acquire the remaining 50% of MMPH. In the same month, cash proceeds of approximately $78 million were received from the sale of 96FM to APN News & Media."

Buyback

Fairfax announced today that it will undertake an on-market share buyback of up to 121 million shares (approximately 5% of issued capital) over the next 12 months. The buyback is expected to commence on 23 March 2015.

Fairfax of the Future

Mr Hywood said: "Our Fairfax of the Future cost savings program continues and has established a culture of efficiency and cost discipline across the business, while delivering on the program's objectives and targets. We continue to pursue and identify opportunities for additional operational cost savings."

Dividend

An interim fully franked dividend of 2¢ per share will be paid on 18 March 2015 to shareholders registered on 4 March 2015, a payout ratio of 57% of reported net profit excluding significant items. The franking balance will be exhausted after the dividend payment.

Current Trading Environment

Trading in the first seven weeks of FY15 H2 saw revenues 2% to 3% below last year.

Mr Hywood said: "This is a solid performance. Print advertising started slowly in January. Our focus in the second half is on continuing Domain's momentum, delivering growth options across the business, both organic and acquired, while delivering further sustained cost reduction."

– ENDS –

An investor briefing (teleconference and webcast) of these results will be held today at 11:00am (AEDT). Media can listen to teleconference but not ask questions during the call.

- **Teleconference** Please quote conference ID 791815#
  Australia – Toll Free 1800 558 698 or 1800 809 971
  New Zealand – Toll Free 0800 453 055

- **Webcast:** For webcast go to www.fairfaxmedia.com.au

Contacts:

Brad Hatch
Director of Communications
+61 2 9282 2168