

## FAIRFAX MEDIA LIMITED

### 2017 HALF-YEAR RESULTS ANNOUNCEMENT

**SYDNEY, 22 February 2017:** Fairfax Media Limited [ASX:FXJ] today announced its results for the half-year to December 2016.

#### **Statutory Results Summary**

- Revenue of \$913 million, down 4.7% from the prior corresponding period.
- Net profit after tax of \$83.7 million, compared with \$27.4 million in the prior corresponding period.
- Significant items after tax totalling \$1 million loss.

#### **Underlying results excluding significant items**

- Revenue of \$902.9 million down 5.8%.
- EBITDA of \$145.1 million down 9.9%.
- EBIT of \$126.8 million up 0.3%.
- Net profit after tax of \$84.7 million up 6.1%.
- Earnings per share of 3.7¢ up 8.8%.

#### **Capital management**

- Net debt of \$111.9 million.
- Dividend of 2¢ per share (70% franked), a payout ratio of 54%.

Chief Executive and Managing Director Greg Hywood said: “For the half, the Fairfax Group delivered net profit of \$84.7 million, up 6% compared to the prior year. Earnings per share growth of 9% benefited from the share buy-back program.

“Group Operating EBITDA of \$145 million was achieved from revenue of \$903 million.

“Domain Group delivered strong digital advertising growth of 15%, notwithstanding a challenging listings environment.

“Our cost reduction programs underpinned a 5% decline in operating expenses, notwithstanding continued investment in our growth businesses.

“Our three publishing businesses maintained an intense focus on cost reduction, a stronger emphasis on digital publishing, and made progress in building new revenue opportunities.

“We are pleased with the continued profitability of our publishing businesses in the face of the largest structural change in the industry’s history. This is a remarkable performance which few publishers globally have matched.

“We will pay an interim dividend of 2 cents per share, 70% franked.”

#### **Domain Group**

“Today we announced that we are conducting a strategic review of the Domain Group in preparation for Domain’s potential separation into a new Fairfax controlled ASX-listed entity,” Mr Hywood said.

“The time is right for Domain to consider taking this next step. It has achieved the scale in revenue, earnings and audience needed to operate as a standalone listed entity. Domain Group CEO Antony Catalano will continue to lead the exceptionally talented management team which is driving the strong performance of the business.

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“The separation of Domain would further reshape the Fairfax portfolio by adopting a more flexible corporate structure to maximise shareholder value.

“Fairfax would continue to own a controlling majority of Domain (between 60% and 70%), while issuing shares in Domain to Fairfax shareholders at the time the separation is implemented. The current intention is that no new capital will be raised.

“The decision to proceed with the Domain separation will be subject to a number of conditions including satisfactory outcome of engagement with the Australian Taxation Office and a Fairfax shareholder vote. We will provide further updates on timing and structure.

“Domain is well placed as it continues to strengthen its platform and position itself at the centre of the real-estate ecosystem. By building on its core strength as a listings business, Domain is capturing new revenues from all aspects of people’s involvement with property.

“Domain delivered 15% growth in digital revenue, supported by further depth penetration, yield increases and strong growth in Media, Developers & Commercial. Depth revenue growth was 12%. Domain is also seeing very pleasing growth coming out of utilities connections.

“Print advertising was constrained by the listings environment, with revenue down 11%.

“Operating expenses increased 19%, with digital expenses up 44% reflecting ongoing investment in product, sales, technology, marketing and acquisitions, as the business structures itself for medium to longer term growth.

“Excluding one offs and costs associated with our early stage utilities connections businesses, digital expenses increased 27%.

“Print expenses declined 11% as a result of the implementation of efficiencies across the Group.

“The EBITDA decline of 13% reflects the impact of our strategic decision to continue to invest in Domain through the current listings cycle.

“FY17 H2 total expense growth is expected to moderate to around 13% year on year, reflecting the higher expense base already in place in the prior corresponding period.

“Domain has continued to grow its audience, with total visits up 13% in the six months to December. Total mobile visits increased an impressive 27%, with total app visits up 23%.

“Mobile app downloads now exceed 5.3 million with strong audience engagement supporting record digital display advertising revenue.

“Domain has a strong competitive position in mobile which generates 70% of its leads.”

### **Australian Metro Media**

“In our Australian Metro Media segment – which includes *The Sydney Morning Herald*, *The Age*, *The Australian Financial Review*, Digital Ventures and Life and Events businesses – revenue declined 8% and EBITDA was down 12%,” Mr Hywood said.

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### *Publishing*

“Metro publishing advertising revenue declined 16%, impacted by weakness in retail and motoring categories,” Mr Hywood said.

“Overall circulation revenue increased 1%, benefiting from the strong growth in paid digital subscriptions. Declines in print circulation volumes were partially offset by cover price increases.

“Metro digital subscription revenue of \$22 million was up 22%. This was supported by a digital subscriber base of 226,000 across the SMH, *The Age* and *The Australian Financial Review*. All three titles delivered year-on-year growth, particularly the *Financial Review*.

“Metro publishing costs improved 9%. We expect to maintain a similar run-rate in the second half.

“Last week we announced a new management structure for the Metro publishing business, with the appointment of Chris Janz as Managing Director of Australian Metro Publishing. Chris joined Fairfax in August last year and is overseeing the impressive product and technology development work that will be the centrepiece of Metro’s next generation publishing model.

“This involves an even greater primacy of our digital publishing focus, delivering unrivalled news and information products to our customers, and sustaining a commercially successful print proposition.

“While we have considered many options, the model we have developed involves continuing to print our publications daily for some years yet. This is the best commercial outcome for shareholders based on current advertising and subscription trends.

“Allen Williams has become Managing Director, Publishing Transition. He will continue overseeing cost transformation and remains responsible for Australian Community Media and Printing & Distribution.”

### *Life and Events*

“Results reflect a moderation in the revenue growth rate and a focus on profitability in Events after three years of rapid expansion,” Mr Hywood said.

### *Digital Ventures*

Mr Hywood said: “Results from our Digital Ventures portfolio reflect the sale of Tenderlink in October 2016.

“EBITDA reflected solid results from Weatherzone and improved net profit contribution from RSVP/Oasis, which is included at the Associate line.

“The gain on sale of Tenderlink of \$6.1 million is included in our significant items. This gain, together with dividends received from the business, delivered a 2.4 times return on our original investment.

“In just two short years, Stan has delivered exceptional performance. It is the leading local market SVOD service. The business is on a clear path to profitability and expects to reach cashflow breakeven during FY18.

“At our Investor Briefing on Stan held in October, CEO Mike Sneesby outlined his expectations for improving momentum in subscriber sign-ups based on an outstanding programming line-up. That performance has been exceeded and culminated in January delivering Stan’s biggest ever month in subscriber sign-ups.

“As at 13 February, Stan has more than 700,000 active subscribers.”

### **Australian Community Media**

Mr Hywood said: “ACM’s total revenue declined 10%. The 4% growth in agriculture-related advertising partially offset weakness in classified advertising. Circulation revenue declined, reflecting lower retail volumes.

“The benefits of the ACM transformation program saw operating costs down 12%, underpinning an EBITDA margin improvement for the half. The rate of cost improvement is expected to moderate in the second half following the significant cost reduction benefits already realised.”

### **New Zealand Media**

Mr Hywood said: “Our NZ business saw total revenue down 9% in local currency terms. Excluding magazine disposals, revenue was down 6%.

“Weakness in print advertising revenue was partially offset by strong digital growth of 21% and significant expansion in the contribution of Events. Circulation revenue declined 8% with volume declines offsetting improvements in yield.

“Cost management continued, with an 8% reduction in operating costs, notwithstanding a continued investment in digital and events.

“We expect the NZ Commerce Commission to make its determination on the proposed merger of Fairfax NZ with NZME by mid-March.”

### **Macquarie Media Limited**

Mr Hywood said: “Macquarie Media delivered 1% revenue growth for the half, in line with broader radio market trends. Revenue momentum improved over the course of the six months, with revenue growth of 3% in the second quarter, compared with the decline of 1% in the first quarter.

“Cost and operational synergies underpinned an improvement in EBITDA margin from 17% to 19%.

“The business is implementing programming and sales changes which are expected to drive performance in the second half.”

### **Dividend**

An interim dividend of 2¢ per share (70% franked) will be paid on 22 March 2017 to shareholders registered on 7 March 2017.

## Current Trading Environment

Trading in the first two weeks of February saw revenues around 6% below last year.

Trading in January saw revenues around 10% below last year in a slower than usual start across the media industry.

New real estate listings have seen some early signs of improvement in February following the weak FY17 H1 performance.

Across the Fairfax Group we continue to implement cost savings measures.

– ENDS –

An investor briefing (teleconference and webcast) on these results will be held today at 10:30am (AEDT).

- **Webcast:** Go to [www.fairfaxmedia.com.au/investors/webcasts](http://www.fairfaxmedia.com.au/investors/webcasts)
- **Teleconference:** Please quote conference ID 831499#  
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