FAIRFAX MEDIA LIMITED
FY16 H1 RESULTS ANNOUNCEMENT

SYDNEY, 19 February 2016: Fairfax Media Limited [ASX:FXJ] today announced its results for the half-year to December 2015.

Statutory Results Summary

- Revenue of $958.1 million, up 1.6% from the prior corresponding period.
- EBITDA of $98.6 million, up 15.5% from $85.3 million in the prior corresponding period.
- Significant items totalling $52.4 million loss after tax compared with a loss after tax of $56.7 million in the prior corresponding period.
- Net profit after tax of $27.4 million.
- Earnings per share of 1.2¢.

Underlying results for continuing businesses excluding significant items

- Revenue of $958.1 million increased 2.8%.
- EBITDA of $161.1 million increased 2.0%.
- EBIT of $126.4 million increased 1.6%.
- Net profit after tax of $79.8 million down 2.2%.
- Earnings per share of 3.4¢, down 2.0%.

Capital management

- Net cash of $6.2 million following completion of $111.8 million share buyback.
- Interim dividend of 2¢ per share (50% franked), a payout ratio of 59%.

Chief Executive and Managing Director Greg Hywood said: “Today’s solid results are a testament to the unrelenting efforts by everyone in the company to drive the performance of the business.

“Our strategy of confronting the change occurring in the media industry head on underpins this result.

“Our diversified portfolio of businesses delivered a pleasing 2.8% increase in Group revenue to $958 million for continuing operations. We are very encouraged with the 20% growth in Group digital revenue.

“Domain’s outstanding 74% increase in EBITDA (up 46% excluding the impact of one-off costs in the prior period) contributed to an improved Group operating EBITDA of $161 million.

“The Domain businesses saw digital advertising revenue growth of 37%, and Domain.com.au revenue grew by 38%, an acceleration from 30% in FY15.

“Our strategy to accelerate our growth businesses through operational investment and acquisitions lifted Group expenses by 3.2%. This included investment in Domain Group, Life Media & Events, and the merger of our radio assets to form the enlarged Macquarie Media.

“Our continued focus on cost reduction and efficiency in our publishing businesses drove Group publishing costs down by 6% – that’s $38 million.

“Net profit of $79.8 million is down 2.2%, with earnings per share of 3.4 cents.”

Metropolitan Media

“Our Metropolitan Media segment – which includes our Domain, Digital Ventures and Life Media & Events businesses – grew revenue almost 10%,” Mr Hywood said.

“Contributing to this result is the very strong momentum in Domain, consolidation of MMP following the move to full ownership, growth in digital subscription revenue, and higher revenues from Digital Ventures. Consistent with recent trends, Metro publishing experienced a decline in print advertising.

“Overall costs in the segment increased almost 8% reflecting the consolidation of MMP costs and the ongoing operational investment in Domain.

“EBITDA for the Metro division increased almost 15%.”

Domain Group

“Domain delivered a standout performance, with total digital revenue growth of 37%,” Mr Hywood said.

“Premium depth revenue remained very strong with 57% year-on-year growth and now represents 75% of Domain.com.au’s revenue base.

“Print advertising growth of 148% benefited from the full consolidation of MMP, acquired in January 2015.

“Our investment in sales capability, product development and acquisitions is driving our impressive overall revenue growth of 63% year-on-year.

“Operating costs increased 47% reflecting our investment in the aggressive expansion of Domain together with the impact of acquisitions. Excluding one-off costs in the prior period, underlying digital costs were up by 30%.

“EBITDA grew 74%, with Digital EBITDA growth of 98%. Adjusting for the impact of one-off costs in the prior period, EBITDA grew 46% and Digital EBITDA grew 45%.

“Over the course of 2015, Domain has narrowed the gap in visits versus its main competitor. Domain’s visits grew from 18.1 million in January 2015 to 39.9 million in November 2015, almost halving the gap in just 10 months.”

Publishing

Mr Hywood said: “For the half, Metro publishing costs were down 4%, bringing the reduction in our cost base to 34% over the last four financial years. FY15 saw the full-year benefit of the closure of Tullamarine and Chullora print sites. Cost initiatives are ongoing.

“Print circulation revenue declined modestly; print advertising was 14% lower; while digital subscription revenue increased by 14%.

“We have made it clear many times that we are managing a structural shift in publishing from print to digital. We continue to adapt our business model to this reality, which involves an intense focus on cost reduction and the creation of new revenue opportunities. We have managed this well over recent years and have absolute confidence we will continue to manage it in the future. This will inevitably mean an even stronger emphasis on digital publishing. We are ready to meet this significant opportunity as consumer preferences demand.”

Life Media & Events

Mr Hywood said: "Life Media and Events revenues grew by 16% with the benefit of operational investment and acquisitions. The formation of a joint venture between Drive and 112, owners of themotorreport, leverages a differentiated strategy to drive lead generation for new cars. We have new car dealers signed up in every State. Acquisition activity included Openair Cinemas and fitness membership business Bodypass."

Digital Ventures

Mr Hywood said: "The Digital Ventures portfolio achieved pleasing momentum, with total revenue up 22% and EBITDA up almost 80%, notwithstanding continued investment. EBITDA margins expanded from 18% to 26%.

"Our investment in Stan puts us at the heart of a new era of entertainment. Stan has cemented its position as Australia's leading local subscription video-on-demand provider. Fairfax and Nine are wielding the power of their deep marketing inventory behind this business, driving strong growth.

"We are confident Stan will deliver long-term value for shareholders. The recent exclusive multi-year deal with CBS's SHOWTIME makes Stan the official home of SHOWTIME in Australia and underpins confidence in this business. Make no mistake, this was a game changer. The Stan deal was part of SHOWTIME's global distribution strategy and recognises Stan's strong competitive position in this emerging market. Only a year old, Stan has established itself and met its business targets, with more than 700,000 households signing up to the service. It is approaching 400,000 active subscribers. Stan has rolled out applications on every major streaming device."

Australian Community Media

Mr Hywood said: "In our Australian Community Media business, total revenue declined 11%, with revenue from advertising down 12% in the half. Difficult conditions prevail in regional and agricultural markets.

"Progress of ACM's transformation program can be seen in the 9% cost reduction delivered for the half. Closure of some loss-making titles has had some negative impact on revenue.

"EBITDA of around $45 million was 20% lower.

"As previously indicated, the $60 million run-rate of cost benefits of the ACM transformation are on track to be delivered by the end of FY16."

New Zealand Media

"Our New Zealand business saw advertising revenue down 9% in local currency terms," Mr Hywood said.

"Digital revenue growth of 43% reflected the continued strong momentum at Stuff.co.nz. Stuff.co.nz continues to be the number one domestic website in New Zealand, increasing its unique audience 5% year-on-year.

"The cost decline of 7% reflects strong cost management whilst continuing to invest in the digital business.

"EBITDA declined 12% to NZ$30 million."

Radio

"Macquarie Media's pleasing performance is the result of the merger between Fairfax Radio Network and MRN in March 2015," Mr Hywood said.

"Cost and operational synergies have been implemented.

"As Macquarie Media indicated earlier this week, it expects FY16 EBITDA will be in the range of $20 million to $25 million."

Balance Sheet

"Our balance sheet is in great shape with $6.2 million of net cash following the completion of our $112 million share buy-back," Mr Hywood said.

Dividend

An interim dividend of 2¢ per share (50% franked) will be paid on 18 March 2016 to shareholders registered on 3 March 2016, a payout ratio of 59% of reported net profit for continuing businesses excluding significant items.

Current Trading Environment

Trading in the first seven weeks of FY16 H2 saw revenues 1% to 2% below last year, a solid performance in the context of continued weak print trends.

In the same period, Domain.com.au continued to perform strongly with organic revenue growth of 25%.

Our focus in the second half is on continuing Domain's strong growth, driving our emerging businesses, and delivering on our cost reduction programs.

– ENDS –

An investor briefing (teleconference and webcast) on these results will be held today at 10:30am (AEDT). Media can listen to teleconference but not ask questions during the call.

- **Teleconference** Please quote conference ID 644853#
  Australia – Toll Free 1800 558 698 or 1800 809 971
  New Zealand – Toll Free 0800 453 055

- **Webcast:** Go to www.fairfaxmedia.com.au/investors/webcasts

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