ASX RELEASE

Fairfax Media

Fairfax Media Limited
2018 Half-Year Results Announcement

Sydney, 21 February 2018: Fairfax Media Limited [ASX:FXJ] ("**Fairfax**" or "**Company**") today announced its results for the half-year to December 2017.

Statutory Results
- Revenue of $877.1 million, down 3.9% from the prior corresponding period.
- Net profit after tax of $38.5 million, compared with $83.7 million in the prior corresponding period.
- Significant items after tax totalling $38.7 million loss.

Underlying Results (excluding significant items)
- EBITDA of $146.9 million up 1.3%.
- EBIT of $119.8 million down 5.5%.
- Net profit after tax of $76.3 million down 9.9%.
- Earnings per share of 3.3¢.

Capital Management
- Net debt of $155.9 million with Fairfax 100%-owned entities' net cash of $6.8 million.
- Interim Dividend of 1.1¢ per share (100% franked), a payout ratio of 35%.

Chief Executive and Managing Director Greg Hywood said: "This is a good result we are presenting to the market today. It shows the solid performances of our businesses – virtually across the board – and demonstrates the strength of the Fairfax Media portfolio.

"Fairfax is strongly positioned due to the success of growth and transformation initiatives we have implemented over the past five years. Domain's digital growth is continuing; Metro publishing has delivered increased earnings; the Radio business is showing the benefits of the merger; and Stan is going from strength to strength.

"For the half-year, the Fairfax Group delivered operating EBITDA of $146.9 million, an increase on the prior year. This reflected the strong performance of Domain and Macquarie Media, and extremely good cost outcomes in Australian Metro Media.

"Group revenue of $873 million was a modest 3% lower than the prior year.

"Our ongoing cost and efficiency focus delivered a 4% reduction in expenses, notwithstanding continued investment in growth initiatives at Domain and Stuff.

"Net profit of $76.3 million was down 10%, with earnings per share of 3.3 cents. This result reflects the increase in minority interests associated with the separation of Domain from 22 November 2017 and the improved Macquarie Media results.

"We will pay an interim dividend of 1.1 cents per share, 100% franked. We note Domain declared a 4 cents per share dividend for the half.

"Our balance sheet is strong with a net cash position for Fairfax's 100%-owned entities.

"We will take advantage of opportunities arising from media consolidation as and when it occurs. Any decisions we take will be in the best interests of our shareholders."

Domain Group

Mr Hywood said: "Domain's first half result demonstrates its strong platform for growth. It is underpinned by a first-class management team, currently led by Executive Chairman Nick Falloon. Domain's strategy is well established and its implementation continues apace, building on the achievement of breadth and scale.

"Domain delivered 22% digital revenue growth. This was supported by residential depth revenue growing 24% and strong performance from developers, commercial and transactions. Print revenue declined 12% reflecting the transition to a digital business.

"Reported expenses increased 18% reflecting investment in the business and the impact of separation costs included for the first time. Underlying costs on DHG's reported pro forma basis increased 14% as a result of continued investment in staff, workspace and new transactions businesses, offset by a reduction in print expenses of 6%.

"The EBITDA increase of 2.2% to $58.6 million was achieved notwithstanding the impact of separation costs. Core Digital margins increased to 43.4% reflecting 20% growth in Core Digital EBITDA.

"Our 60% stake in Domain remains a key strategic asset and its strong fundamentals underpin our great confidence."

Group Publishing

"We are pleased with what the Group Publishing businesses are achieving," Mr Hywood said.

"Our three publishing businesses are profitable and generating valuable cash flows. Each has benefited from an ongoing emphasis on digital publishing; a continuing focus on cost and efficiency; maximisation of print earnings; and development of new revenue opportunities. We expect greater industry cooperation will deliver significant benefits.

"We have progressed our recent positive discussions with News Corp Australia to seek industry-wide efficiencies in printing and distribution. We have had successful collaborations around shared trucking and printing titles for News in Queensland. Building on this collaboration we have jointly appointed advisers to pursue deeper strategic opportunities."

Australian Metro Media

"Metros are in good shape – the best they've been in recent history. And there's more to come. Initiatives to deliver rapid innovation across consumer products and advertising are well underway – and we haven't let up on driving cost efficiency.

"Metro's impressive 11% decline in costs – largely from savings in staff, technology and print production – more than offset the decline in revenue of 9%. Publishing advertising revenue declined 15%.

"Overall circulation revenue was modestly lower, benefiting from strong growth in paid digital subscriptions and increases in cover prices, offset by declines in print circulation volumes.

"Net paid digital subscriptions for *The Sydney Morning Herald*, *The Age* and *The Australian Financial Review* recorded their strongest reported uplift in four years, increasing by almost 50,000 from August 2017 to more than 283,000. We are encouraged by positive trends in consumers' willingness to pay for trusted and quality content, as evidenced by strong trends in

Australia and overseas markets. All three titles delivered growth, with the *Financial Review* delivering a particularly strong B2B uplift.

“Metro’s next-generation publishing model is delivering a step-change for consumers with the launch of new websites and apps to grow engagement and drive subscriptions and revenue. Strong foundations for advertising growth have been established including via a world-first sales and technology partnership with Google to meet the growing demand for premium programmatic inventory. Print earnings are being maximised.

“Other revenues declined 11% reflecting the sale of Tenderlink and some Events portfolio consolidation. We have combined our Events business with the recently acquired Sports Media and Entertainment (SME 360) business and its management, led by Martin Jolly, to drive value across the combined portfolio.”

Australian Community Media

“ACM’s total revenue declined 9%, with stable contribution from agricultural-related advertising, offset by weakness in local and real estate revenue,” Mr Hywood said.

“Digital revenue increased 20%. Circulation revenue declines reflected lower retail volumes. Other revenue increased 11%, benefiting from a strong performance from Fairfax Marketing Services which delivers full digital marketing solutions to regional clients.

“ACM is well managed with operating costs improving by 7%, building on the 9% reduction in FY17. During the half, six community titles and one speciality magazine were closed, with positive EBITDA contribution to be reflected in the second half.”

Stuff

Mr Hywood said: “The recent renaming of the New Zealand business as Stuff recognises the tremendous power of the Stuff brand; the increasing role it plays in everyday Kiwi life; and its position as the centrepiece of a significant digital growth opportunity. Stuff.co.nz is the country’s leading local website, reaching a monthly audience of around two million.

“Digital revenue growth of 33% benefited from strong growth from Stuff Fibre and Neighbourly, offset by lower print advertising. Total revenue declined around 5% in local currency terms. Digital and non-print revenue now represents 17% of Stuff’s total revenue.

“Reported operating expenses were 1% lower. Excluding one-time items and investment in Stuff Fibre, underlying costs improved 5%. EBITDA declined 24%, or 15% excluding the impact of the one-time items and investment in Stuff Fibre.

“We have enormous confidence that Stuff is heading towards sustained growth as its digital business continues its strong momentum. We have acted decisively to bring this forward, and are announcing today a plan to exit around 35% of our NZ print publications through sale or closure. The rationalisation of these smaller community titles and free inserts will deliver additional EBITDA contribution over a full year – and bring forward the time when increases in digital revenue outweigh declines in print.”

Investments

“Investments include our stakes in Stan and Macquarie Media – and as you can see in the results today – both are delivering strong performance and driving value,” Mr Hywood said.

Stan

Mr Hywood said: "Stan's strong active subscriber momentum continued and delivered a subscriber base of impressive scale at around 930,000. This is a credit to Stan's increasing brand resonance as Australia's leading local SVOD platform, combined with the depth and breadth of its world-class content.

"Stan's subscriber growth, combined with the first price increases since launch three years ago, underpinned 83% growth in subscription revenue. The strength of the operating model is reflected in revenue growth far outpacing the increase in operating costs.

Stan's subscriber growth is fuelled by its compelling content, which includes exclusive rights to CBS's SHOWTIME content in Australia, a range of exclusive content rights to other studios, as well as original local productions. Stan has an exceptionally strong line-up kick-starting calendar 2018, including *Romper Stomper* and new seasons of *Unreal, Billions*, *Better Call Saul* and *Younger*."

Macquarie Media

"Macquarie Media's reported revenue was down 1%, and up 2% excluding disposals," Mr Hywood said.

"Expenses improved by 7% and include a reduction in ACMA fees. EBITDA increased by 23% with the EBITDA margin expanding from 19% to 24%."

Corporate

"First-half Corporate overheads reduced 40% reflecting the accelerated accounting treatment of lease incentives, transfer of costs to operating groups including Domain and Metro, and savings in underlying corporate costs," Mr Hywood said.

"We have provided greater prominence to reporting of Corporate overheads, which reflects our strategic intention to both reduce overall costs and ensure appropriate allocation to respective portfolio businesses. Our intention is to achieve an annualised run-rate of around $20 million in Corporate overheads for FY19."

Dividend

An interim dividend of 1.1¢ per share (100% franked) will be paid on 14 March 2018 to shareholders registered on 28 February 2018.

Current Trading Environment & Outlook

Trading in the first seven weeks of FY18 H2 saw revenues around 4% to 5% below last year.

Domain's digital revenue growth was 21% and total revenue growth was 11%.

Publishing trends were broadly consistent with FY18 H1.

For FY18, Domain's costs (on a Fairfax reported basis) are expected to increase around 17% to 18% from FY17's reported costs of $206 million. Domain's pro forma costs (on a DHG reported basis) are expected to increase around 12% to 13% from FY17's pro forma costs of $216 million.

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

Investor Briefing

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

Webcast:	Go to www.fairfaxmedia.com.au/investors/webcasts
Teleconference:	Please quote conference ID 791867# Toll Free 1800 558 698 or +612 9007 3187

Ends

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