

INVESTOR PRESENTATION

# MORGAN STANLEY ASIA PACIFIC SUMMIT

GREG HYWOOD, CEO  
DAVID HOUSEGO, CFO

SINGAPORE, 16-18 NOVEMBER 2016



# AGENDA

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<b>BUSINESS &amp; STRATEGY OVERVIEW .....</b>	<b>3-20</b>
<b>BUSINESS OVERVIEW</b>	
<b>DELIVERING OUR THREE STRATEGIC PRIORITIES</b>	
• GROW DOMAIN	
• TRANSFORM PUBLISHING	
• CREATE NEW REVENUE STREAMS	

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<b>TRADING UPDATE (AS AT 3 NOVEMBER 2016) .....</b>	<b>21-22</b>
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<b>APPENDICES – 2016 FULL YEAR RESULTS SUMMARY .....</b>	<b>23-25</b>
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# LEADING NETWORK OF INFORMATION, MARKETPLACES AND ENTERTAINMENT BRANDS



## INFORMATION

NEWS, BUSINESS,  
SPORT, LIFESTYLE,  
CONTENT MARKETING

- Australia's #1 masthead across all platforms *The Sydney Morning Herald*
- NZ's #1 local website Stuff.co.nz
- National portfolio of rural and regional newspapers and websites

INCLUDES:



## MARKETPLACES

REAL ESTATE LISTINGS AND  
SERVICES, CARS, JOBS, DATING  
AND TRANSACTIONS

- Australia's fastest growing online real estate business Domain Group
- Platform to create Australia's premium destination for new car buyers
- Australia's #1 dating site RSVP

INCLUDES:



## ENTERTAINMENT

SUBSCRIPTION VIDEO ON DEMAND,  
RUNNING, SWIMMING, FOOD, WINE,  
LIFESTYLE, THE ARTS, MUSIC, RADIO

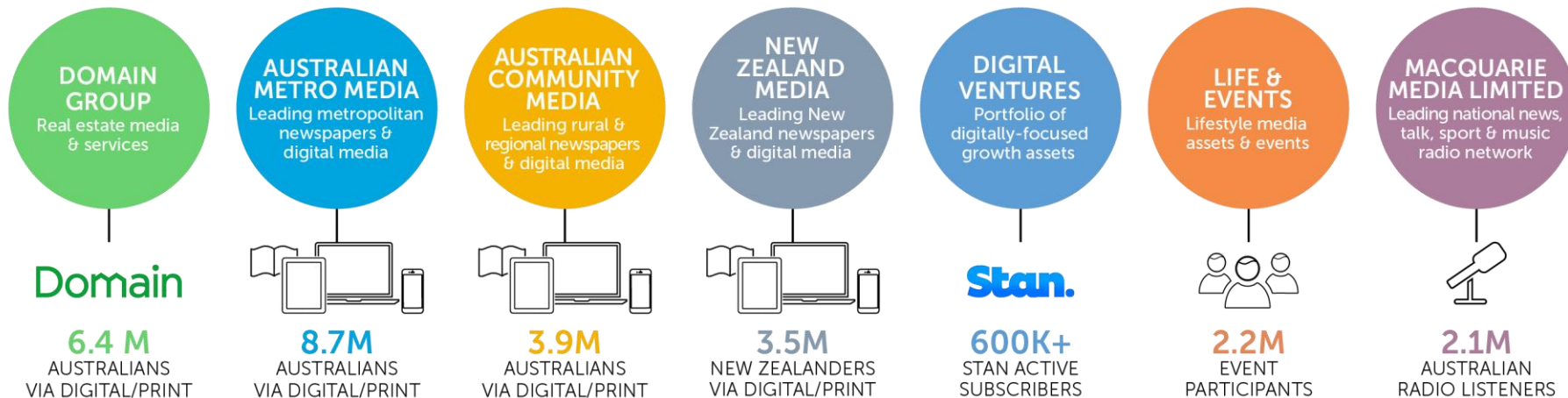
- Australia's leading local SVOD platform Stan
- #1 radio stations in Sydney and Melbourne
- Portfolio of ~50 lifestyle events

INCLUDES:



# STRONG DIVERSIFIED PORTFOLIO OF SEVEN DIFFERENT BUSINESS GROUPS

CONNECTING WITH 70% OF AUSTRALIANS AND 90% OF NEW ZEALANDERS



# DELIVERING OUR THREE STRATEGIC PRIORITIES

CREATING SHAREHOLDER VALUE BY DEVELOPING AND BUILDING ON CORE STRENGTHS, DELIVERING PUBLISHING TRANSFORMATION, AND INVESTING TO BUILD-OUT NEW REVENUE STREAMS



## GROW DOMAIN

- Maintaining effective full market penetration
- Driving depth revenue growth
- Growing high-quality national audience
- Growing and extending property product suite



## TRANSFORM PUBLISHING

- Developing digital capability and products
- Building roadmap to sustainable digital publishing business
- Continuing cost focus
- Managing decline in print revenue



## CREATE NEW REVENUE STREAMS

- Building scalable digital businesses
- Diversifying revenue streams
- Utilising partnerships and JVs for increased capability



# GROW DOMAIN

Positioning Domain Group as a strong platform at the centre of the real estate ecosystem to grow new revenue

Domain

# KEY FY16 ACHIEVEMENTS

Domain

AUSTRALIA'S  
FASTEST  
GROWING  
PROPERTY  
PLATFORM

50% digital EBITDA growth

82% increase in total average monthly visits for the year

131% increase in mobile average monthly visits for the year

90%+ national agent and listings penetration

Establishing strong position in real-estate ecosystem through acquisition of strategic stakes in Homepass, Beevo, Oneflare and Compare & Connect

Domain

# DOMAIN GROUP

DIGITAL INCLUDES DOMAIN ONLINE, PRICEFINDER, MYDESKTOP, COMMERCIAL REAL ESTATE, ALLHOMES AND REGIONAL. PRINT INCLUDES THE SYDNEY MORNING HERALD, THE AGE, THE CANBERRA TIMES AND MMP

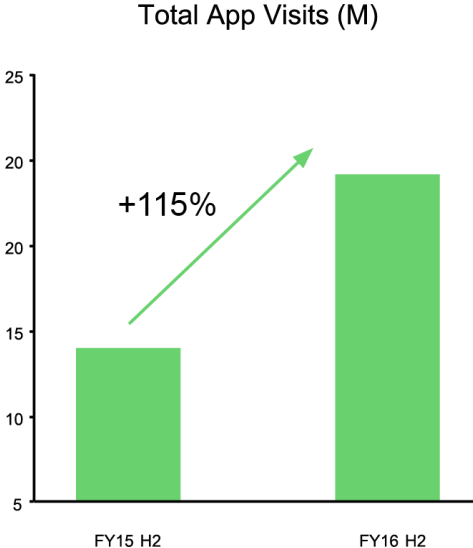
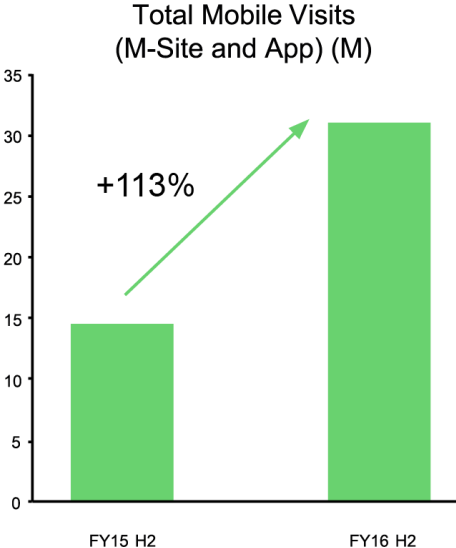
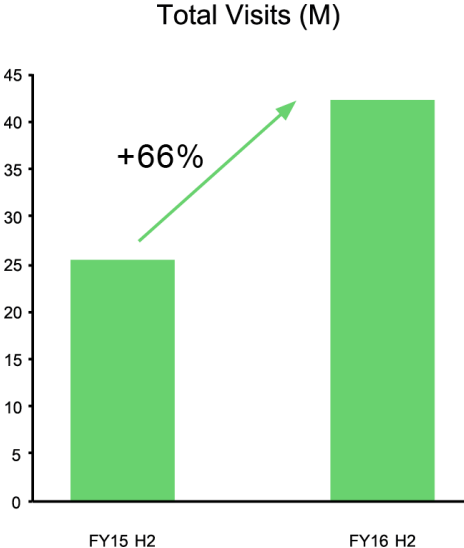
- 27% digital revenue growth.
- Domain.com.au revenue growth of 28%. Depth revenue growth of 40% (76:24 depth/subscriber revenue split for FY16).
- Continued investment in sales, product development and marketing. Excluding one-off costs in the prior period, underlying digital costs increased 27%.
- Digital EBITDA growth of 50% reflected strong revenue growth and investment in acquisitions.
- Metro print revenue decline of 10%.
- FY15 associate profit reflects MMP for 7 months.

	FY16	FY15	%
	A\$m	A\$m	change
Advertising - Print	101.0	69.1	46.2%
Advertising - Digital	195.3	154.1	26.8%
Total Revenue	296.3	223.2	32.7%
Associate profit (loss)	(0.6)	3.1	(120.5%)
Expenses	(175.7)	(140.3)	(25.2%)
EBITDA	120.0	85.9	39.7%
EBITDA - Print	28.3	24.9	13.6%
EBITDA - Digital	91.7	61.0	50.3%
Margin - Total	40.5%	38.5%	
Margin - Print	28.0%	36.0%	
Margin - Digital	47.0%	39.6%	



# DOMAIN GROUP

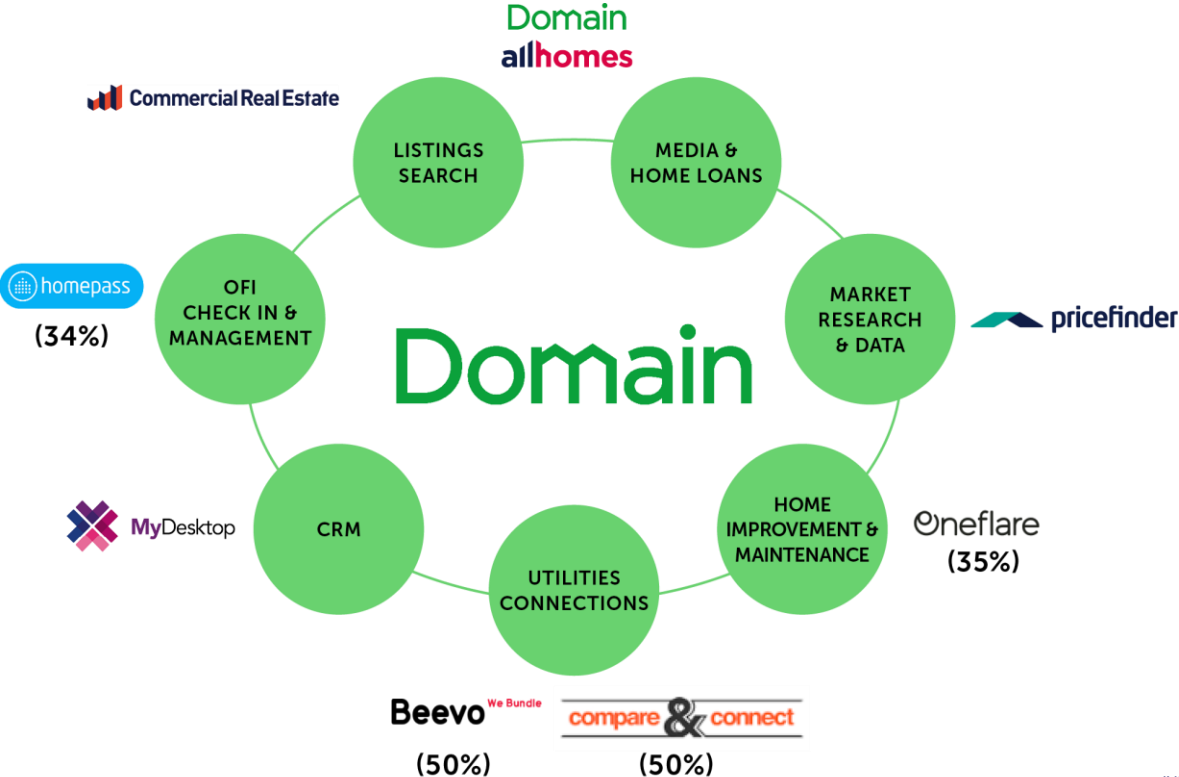
DOMAIN IS SUBSTANTIALLY GROWING VISITS, PARTICULARLY IN MOBILE



Source: Main site and mobile site visits - Nielsen Market Intelligence (Home & Fashion Suite); Mobile app visits for Domain/Allhomes - Google Analytics.

# DOMAIN GROUP

DOMAIN AT THE CENTRE OF A REAL-ESTATE ECOSYSTEM



# TRANSFORM PUBLISHING

## **AUSTRALIAN METRO MEDIA**

Developing future model with enhanced digital and targeted and differentiated print propositions

## **AUSTRALIAN COMMUNITY MEDIA**

Maintaining cost efficiency while maximising returns, driving digital growth and exploring other opportunities

## **NEW ZEALAND MEDIA**

Fast-tracking digital product development and monetisation, optimising print, while pursuing merger with NZME



# KEY FY16 ACHIEVEMENTS

smh.com.au  
The Sydney Morning Herald

\$60M

stuff.co.nz

#1  
MASTHEAD  
ACROSS  
ALL  
PLATFORMS

ANNUALISED  
SAVINGS  
ACHIEVED

#1  
LOCAL NZ  
DIGITAL  
BRAND

## AUSTRALIAN METRO MEDIA

17% growth in digital  
subscription revenue

209k paid digital subscribers  
(SMH/Age/Financial Review)

4% publishing cost  
improvement

## AUSTRALIAN COMMUNITY MEDIA

12% cost improvement  
H2 EBITDA growth of 2%  
\$60m annualised cost  
reduction achieved

## NEW ZEALAND MEDIA

36% digital revenue growth  
11% growth in Stuff.co.nz  
audience to 2m  
8% cost improvement  
Agreed merger with NZME  
subject to approvals



# AUSTRALIAN METRO MEDIA

INCLUDES THE AUSTRALIAN FINANCIAL REVIEW, THE SYDNEY MORNING HERALD, THE AGE, DIGITAL VENTURES, LIFE & EVENTS

- Metro publishing advertising revenue decline of 15%, impacted by declines in retail, communications and finance.
- Growth in digital subscriptions of 17% largely offset declines in print circulation revenue.
- 209k paid digital subscribers (SMH/Age/Financial Review). Financial Review subscribers included in subscriber number for first time.
- Digital Ventures revenue growth of 21%.
- Events revenue growth of 33%.
- Flat costs reflect investment in Digital Ventures and Events:
  - Reduction in Metro publishing costs of 4%.

	FY16	FY15	%
	A\$m	A\$m	change
Advertising	269.5	309.3	(12.9%)
Circulation	227.7	230.2	(1.1%)
Other	76.9	67.2	14.3%
<b>Total Revenue</b>	<b>574.1</b>	606.7	(5.4%)
Associate profit (loss)	0.4	(0.5)	177.9%
Expenses	(535.6)	(535.4)	(0.0%)
<b>EBITDA</b>	<b>39.0</b>	70.8	(44.9%)
<b>EBIT</b>	<b>13.8</b>	30.5	(54.7%)
<b>EBITDA Margin</b>	<b>6.8%</b>	11.7%	

Note: Printing contribution nets off in costs.



# AUSTRALIAN COMMUNITY MEDIA

AUSTRALIAN REGIONAL, COMMUNITIES, AGRICULTURAL AND ACT PUBLISHING

\$60M

ANNUALISED  
SAVINGS  
ACHIEVED

- Revenue impacted by transformation program with exits and frequency changes across titles.
- Advertising revenue impacted by decline in supermarket-related print advertising, partially offset by print real estate.
  - Excluding transformation impact, underlying advertising revenues down 9%.
- Circulation revenues declined reflecting lower retail volumes.
- Cost improvement of 12% with the benefit of the transformation initiatives.
- H2 EBITDA above last year by 2%.
- Transformation program achieved annualised cost reduction target of \$60m.

	FY16	FY15	%
	A\$m	A\$m	change
Advertising	325.3	371.4	(12.4%)
Circulation	89.8	98.0	(8.4%)
Other	17.9	19.1	(6.6%)
Total Revenue	433.0	488.6	(11.4%)
Associate profit (loss)	1.7	2.1	(19.1%)
Expenses	(344.4)	(389.9)	11.7%
EBITDA	90.4	100.9	(10.4%)
EBIT	74.4	77.4	(4.0%)
EBITDA Margin	20.9%	20.6%	

Note:  
Printing contribution nets off in costs.

# NEW ZEALAND MEDIA

## NEWSPAPERS AND WEBSITES

- In \$AU, revenue is down 10% and EBITDA is down 16% from FY15.
- Digital revenue growth of 36% driven largely from mobile, video and native advertising, outpacing the market.
- Advertising revenue impacted by retail, entertainment and employment advertising declines offset by strong performance in real estate and House & Home.
  - Growth in advertising market share in difficult market.
- Circulation revenue declined 6% with stable subscription revenue offset by continued pressure on retail sales.
- Strong cost management with 10% reduction in publishing cost prior to reinvestment in digital, IT and property.
- Merger with NZME currently being considered by NZ Commerce Commission.

Note:  
Printing contribution nets off in costs.

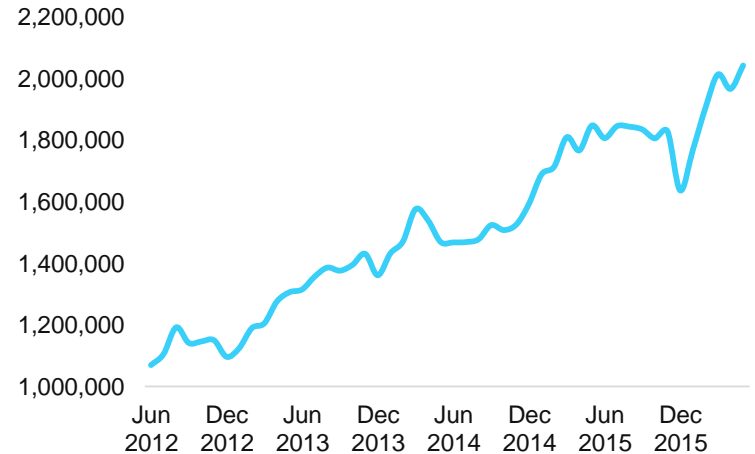
	FY16	FY15	%
	NZ\$m	NZ\$m	change
Advertising	224.4	252.4	(11.1%)
Circulation	107.3	114.2	(6.1%)
Other	18.7	17.3	7.6%
Total Revenue	350.3	384.0	(8.8%)
Associate Profits (Loss)	(1.3)	(0.8)	(57.9%)
Expenses	(288.9)	(312.9)	7.7%
EBITDA	60.2	70.3	(14.4%)
EBIT	47.3	58.4	(19.1%)
EBITDA Margin	17.2%	18.3%	

# NEW ZEALAND MEDIA

## BUILDING AUDIENCE AND DIVERSIFYING REVENUE

- Stuff maintained position as #1 domestic website with 2m New Zealanders in May.
- Audience growth with 3.5m New Zealanders consuming Fairfax brands every month.
- 330,000 Neighbourly members, accelerating with 28% growth in H2 versus H1. 700,000 total members across Neighbourly and Stuff.
- Events revenue growth of 30% year-on-year with new events launched.
- Launched new internet service provider Stuff Fibre on August 8.

Stuff.co.nz Audience Growth



**stuff** fibre

**Neighbourly**

**stuff**

# CREATE NEW REVENUE STREAMS

## DIGITAL VENTURES

Creating value through investment in high-growth digital opportunities

## LIFE & EVENTS

Leveraging Fairfax's lifestyle brands and audiences for events and to create new scalable digital businesses

## MACQUARIE MEDIA LIMITED

Maximising opportunity of No. 1 stations in Sydney and Melbourne and national radio network strength



# KEY FY16 ACHIEVEMENTS



## DIGITAL VENTURES

600k+ active Stan subscribers

Strong digital publishing revenue growth

35% Weatherzone revenue growth

## LIFE & EVENTS

33% Events revenue growth

OpenAir Cinema acquisition

Drive.com.au JV with 112 Pty Ltd

## MACQUARIE MEDIA LIMITED

Achieved high-end of targeted EBITDA range of \$25m

EBITDA margin increased to 18% from 13%





# DIGITAL VENTURES

STAN, WEATHERZONE, HUFFPOST AUSTRALIA, ALLURE MEDIA, RSVP/OASIS, TENDERLINK, ADZUNA AUSTRALIA, HEALTHSHARE, SKOOLBO, OVER60

- Digital Ventures continues to execute its strategy of value creation through investment in digital opportunities and managing a portfolio of digitally-focused assets.
- Improved EBITDA margin of 24%.
- Allure Media delivered strong revenue growth with POPSUGAR and Business Insider:
  - Continued investment in new brands.
- Weatherzone revenue growth of 35% with strong growth in B2C advertising revenue.
- In Associate profits / (loss), RSVP/Oasis Active has seen an improvement in EBITDA through new subscription products and cost synergies.

	FY16	FY15	%
	A\$m	A\$m	change
Advertising	17.1	12.6	36.0%
Other	17.5	16.0	8.9%
Total Revenue	34.6	28.6	20.8%
Associate profit (loss)	0.8	(0.5)	268.8%
Expenses	(26.9)	(22.7)	(18.4%)
EBITDA	8.4	5.4	55.3%
EBIT	7.7	4.8	59.1%
EBITDA Margin	24.4%	19.0%	

**A** FY15 \$1.6m moved from Other Revenue to Advertising Revenue.

Note:  
Digital Ventures businesses are reported as part of the Australian Metro Media segment.

# MACQUARIE MEDIA LIMITED

METROPOLITAN RADIO BUSINESS 54.5% OWNED BY FAIRFAX

**2GB**  
87.5AM

**3AW** 693  
NEWS TALK

#1

RADIO  
STATION IN  
SYDNEY

#1

RADIO  
STATION IN  
MELBOURNE

- Fairfax Radio Network merged with Macquarie Radio Network on 31 March 2015.
- FY15 reported results reflects 9 months of Fairfax Radio Network (FRN) including six months of 96FM and three months of the combined Macquarie Media.
- Cost and operational synergies have been implemented.
- Total metro market industry growth of 5.9% for the year to June 2016.

	FY16	FY15	%
	A\$m	A\$m	change
Advertising	131.8	104.4	26.2%
Other	6.8	4.3	58.0%
Total Revenue	138.6	108.7	27.5%
Expenses	(113.6)	(94.8)	(19.8%)
EBITDA	25.0	13.9	80.2%
EBIT	22.4	11.1	101.7%
EBITDA Margin	18.0%	12.8%	



**MACQUARIE**  
MEDIA LIMITED

# CURRENT TRADING ENVIRONMENT & OUTLOOK

# CURRENT TRADING ENVIRONMENT & OUTLOOK

- FY17 year-to-date overall group revenues for continuing businesses are 6% to 7% below last year, a slight improvement on our last trading update provided in our FY16 results.  
Across our revenue reporting segments:
  - Domain’s overall revenue is up 2% with its total digital business up 11%:
    - New real estate listings in higher value markets in Sydney and Melbourne have seen modest improvement in recent months following an unusually weak July. New listings volumes to the end of October are down 18% in Sydney and 5% in Melbourne. The comparative period to October 2015 saw very strong new listings growth (when Domain’s digital revenue increased 43%). Domain continues to deliver strong audience and yield growth.
    - Domain’s H1 EBITDA is likely to be slightly below the prior corresponding period due to listings softness and continuing investment in the business. We remain confident in the outlook for Domain.
  - Metro Media is down around 8%;
  - Australian Community Media is down around 10%;
  - New Zealand Media is down around 4% including currency impact;
  - Macquarie Media is down around 1%.
- Cost savings initiatives are ongoing across the Fairfax Group.

# APPENDICES



# GROUP TRADING PERFORMANCE

	Reported 4E FY16	Less Significant items	Trading Performance excluding significant items	Less Operations Closed / Disposals	Trading Performance for continuing businesses	Trading Performance for continuing businesses*
26 June 2016	\$m	\$m	\$m	\$m	FY16 \$m	FY15 \$m
Total revenue	1,830.5	-	1,830.5		1,830.5	1,840.8
Associate profits	1.6	-	1.6		1.6	0.3
Expenses	(2,661.2)	1,112.5	(1,548.8)		(1,548.8)	(1,553.7)
Operating EBITDA	(829.2)	1,112.5	283.3		283.3	287.4
Depreciation and amortisation	(70.1)	-	(70.1)		(70.1)	(64.8)
EBIT	(899.3)	1,112.5	213.2		213.2	222.6
Net finance costs	(11.1)	-	(11.1)		(11.1)	(16.3)
Net (loss)/profit before tax	(910.4)	1,112.5	202.1		202.1	206.3
Tax benefit/(expense)	27.2	(86.4)	(59.2)		(59.2)	(58.4)
Net (loss)/profit after tax	(883.2)	1,026.1	142.9		142.9	147.9
Net (profit)/loss attributable to non-controlling interest	(10.3)	(0.2)	(10.4)		(10.4)	(4.6)
Net (loss)/profit attributable to members of the Company	(893.5)	1,026.0	132.5		132.5	143.4
Earnings per share	(38.5)		5.7		5.7	6.0

\* FY15 excludes the disposal of 96FM and the closure costs of Chullora and Tullamarine.

# SEGMENT RESULTS OVERVIEW

## EXCLUDING SIGNIFICANT ITEMS

	Revenue			EBITDA		
	FY16	FY15	%	FY16	FY15	%
	A\$m	A\$m	change	A\$m	A\$m	change
Domain Group	296.3	223.2	32.7%	120.0	85.9	39.7%
Australian Metro Media	574.1	606.7	(5.4%)	39.0	70.8	(44.9%)
Australian Community Media*	485.1	539.1	(10.0%)	90.4	100.9	(10.4%)
New Zealand Media*	322.6	358.6	(10.0%)	55.2	65.3	(15.5%)
Macquarie Media Limited	138.6	108.7	27.5%	25.0	13.9	80.2%
Corporate and Other	13.8	16.9	(18.0%)	(46.2)	(47.3)	2.3%
<b>Total</b>	<b>1,830.5</b>	<b>1,853.1</b>	<b>(1.2%)</b>	<b>283.3</b>	<b>289.4</b>	<b>(2.1%)</b>
New Zealand Media* \$NZD	352.2	385.7	(8.7%)	60.2	70.3	(14.4%)

- Reported group revenue decrease of 1.2%, and 0.6% on a continuing business basis:
  - Domain revenue up 32.7% with digital revenue up 26.8%.
  - Metropolitan Media revenues down 5.4%.
  - Australian Community Media revenues down 10.0% (11.4% excluding external print revenue).
  - New Zealand (\$NZ) revenues down 8.7%.
- Radio revenues up 27.5% (FY15 includes MRN from April and includes six months of 96FM).
- Reported group EBITDA decrease of 2.1%, and 1.4% on a continuing business basis.
- Trading in the first five weeks of FY17 H1 saw revenues 8% to 9% below last year.

Note: \* Australian Community Media and New Zealand Media – Revenue includes external printing revenue (only included in the segment slide).

THANK YOU



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