



HD APN News & Media Limited; Market Announcement - 2014 Interim Results

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2014 Interim results

- Statutory net profit after tax up 77% to \$22.6m - Revenue from continuing operations up 3% to \$405.9m; down 4% on a constant currency basis - EBITDA from continuing operations and before exceptional items up 1% to \$70.7m; down 6% on a constant currency basis - ARN Australia's #1 FM radio network, with increased audience and revenue share; TRN held revenue share in a strong market - On track to deliver full year publishing cost savings of \$20m - Acquisition of the remaining 50% of radio businesses and Hong Kong Outdoor; several asset sales - Refinanced until 2018; new debt facilities of \$630m over-subscribed

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SYDNEY, 20 August 2014 - APN News & Media Limited [ASX, NZX: APN] today released its results for the six months ended 30 June 2014. Statutory net profit after tax was up 77% to \$22.6m. APN's acquisition of the remaining 50% of Australian Radio Network (ARN) and The Radio Network (TRN) in February contributed significantly to this profit growth. Revenue from continuing operations was up 3% to \$405.9m (down 4% on a constant currency basis), with earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations and before exceptional items up 1% to \$70.7m (down 6% on a constant currency basis).

The results are reflective of the solid performances of several of APN's businesses in relatively weak advertising markets. In particular, ARN delivered strong revenue growth in Q2 following significant audience gains, which were largely attributable to major investments in the KIIS 1065 station and the Classic Hits Pure Gold network. TRN also produced a strong revenue result and held share, with direct revenue a key driver. Adshel saw an improvement in bookings over the last four weeks of the period, following completion of phase one of the deployment of its Sydney Trains digital assets.

APN's publishing divisions have both seen revenue declines continue to moderate, largely as a result of improving trends in local retail revenues. SMI data indicates that the total agency advertising market in Australia was down 1% in H1, while in New Zealand the total agency market was down more than 7%. Following cost savings of more than \$40m achieved in FY2013, APN's publishing businesses are on track to deliver the previously flagged cost savings of \$20m in FY2014.

As reported in March, APN raised \$132m via an entitlement offer, which was strongly supported by shareholders. This was used to partly fund the acquisition of ARN and TRN from Clear Channel. As a part of that transaction, APN secured an exclusive ten year arrangement to operate and broadcast the iHeartRadio digital platform in Australia and New Zealand. APN concluded several asset sales during the period and in July announced the acquisition of the remaining 50% of the Hong Kong Outdoor businesses, Buspak and Cody, from Clear Channel for \$14m.

In May, APN announced the appointment of Jane Hastings to the newly created role of Chief Executive Officer of APN New Zealand, with responsibility for the Company's New Zealand publishing, radio and digital businesses. Jane recently announced an integrated group management structure and has led a number of initiatives to drive improvements across the businesses.

APN today announced that it has successfully refinanced its debt facilities with a syndicate of domestic and international banks. The new facility of \$630m was scaled back after being over-subscribed. APN's next significant debt maturity does not arise until January 2018.

APN Chairman, Peter Cosgrove, said: "We have a **Board** that agrees on strategy and priorities and a management team which executes it well. Through both the results and the refinancing, Michael Miller and his team have delivered a good outcome for our shareholders and positioned us well for the future." The **Board** has decided not to pay an interim dividend. FINANCIAL RESULT See attached

APN Chief Executive Officer, Michael Miller said: "Although advertising markets remain challenging, APN's second quarter performed better than the first. This gives us great confidence in our strategy of investing in talent, brands, digital infrastructure and a more integrated approach.

"APN's New Zealand businesses continue to undergo significant and positive change under the leadership of Jane Hastings. The establishment of integrated sales offering APN Collaborative Media Solutions is one of the many ways in which our New Zealand businesses are working closely together to offer the best solutions to our clients and make the most of our assets.

"Radio continues to grow as a medium in both countries. TRN held revenue share in a strong market and for the first time ever, ARN is the leading FM network in Australia. These results are ahead of our expectations, affirming that our decision to back these businesses, and radio as a segment, was the right one.

"iHeartRadio has been well-received, with over 650,000 app downloads and 480,000 registered users across Australia and New Zealand. Exclusive live events hosted in both countries have helped to grow user registrations and expand the platform to new audiences. There are more of these to come in the second half.

"Adshel's EBITDA was down on the prior year due to the investment and rent associated with its key Sydney Trains contract. However, this has resulted in good digital revenue growth; with strong advertising spending towards the end of the half." SEGMENT RESULTS

NEW ZEALAND New Zealand Media

The New Zealand media market was subdued in H1. New Zealand Media (NZM) revenue was \$135.6m, down 13% on a local currency basis with EBITDA \$22.7m, also down 13% on a local currency basis. These results included the impact of the **sale** of the South **Island** and Wellington newspapers in April 2013 and the **sale** of several magazine titles to Bauer in February 2014. On a like for like basis, adjusting for these titles, revenue was down 6%.

Consistent with the market, agency revenues were challenging during H1. However, local retail advertising showed improvement and **commercial** demand for features and newspaper inserted magazine content was particularly strong.

APN Collaborative Media Solutions (CMS) was established to offer clients advertising packages incorporating APN's suite of New Zealand assets including newspapers, magazines, radio and digital. CMS is a key component of the growth strategy for the New Zealand businesses and is already generating positive traction with advertisers. APN and Fairfax recently announced that they have entered into an arrangement under which NZM will provide printing services to Fairfax for several newspapers at its Ellerslie facility in Auckland.

Earlier this month, NZM launched digital real **estate** offering 'True **Commercial**', which provides extensive business-for-**sale** and **commercial property** listings and information. Other H2 initiatives include launching a new digital trading platform to improve inventory sell-through rates; and the unveiling of fashion **transaction** vertical 'ShopViva' with GrabOne, an extension of the popular newspaper inserted magazine.

The Radio Network TRN experienced growth in line with the New Zealand radio market, with revenue up 6% on a local currency basis to \$56.9m. The revenue growth was primarily from direct sales, with agency revenue relatively soft, consistent with the broader advertising market. EBITDA was up 2% on a local currency basis to \$10.1m. Audience was a major focus for TRN throughout H1. Significant changes were made to two key stations, The Hits (previously Classic Hits) and ZM, targeting audience growth in the key 18-39 and 25-54 demographics. The ZM brand has been extended to television, with a daily show on Sky TV's Juice channel. TRN expects to see ratings growth at both stations from 2015. TRN's other major focus for H1 was on digital products and iHeartRadio. Total digital audience across station websites is up 71% and ZM is now the number one radio brand online in New Zealand. iHeartRadio is performing particularly well in New Zealand and now has almost 250,000 app downloads and over 210,000 registered users. Exclusive live music events have helped to drive downloads and registrations and iHeartRadio will be launching in-store radio opportunities in H2.

GrabOne GrabOne's H1 results were disappointing, with revenue of \$9.0m, down 3% on a local currency basis and EBITDA of \$1.8m, down 16% on a local currency basis. This result is reflective of the

challenges facing GrabOne and other eCommerce businesses, with declining email open rates and the accelerating migration from desktop to mobile impacting **purchase** and conversion rates. However, GrabOne remains well above the 13% industry average for email open rates and has increased its mobile footprint via 53% growth in app downloads.

Category pages have been introduced to capitalise on the volume and quality of GrabOne deals and projects to improve **purchase** conversion have been undertaken, including improved **site** navigation, email formats and mobile customer experience. 'Free Coupons' were launched in H1, broadening GrabOne's merchant base and expanding its offering to give consumers the ability to **purchase** products at a discount from both New Zealand and international retailers. The 'GrabOne 2.0' platform will be rolled-out in H2 to deliver a large variety of customer experience benefits and the consumer initiative 'Facevalue' will be launched. Facevalue is designed to increase **purchase** frequency by allowing consumers to use the **purchase** value of a voucher once its validity period has expired.

AUSTRALIA Australian Radio Network ARN is now the number one FM radio network in Australia, a position that it has held for all four surveys in 2014. Revenue was up 8% to \$81.2m, compared to overall radio market growth of 0.6%. EBITDA was up 6% to \$29.0m. For segment reporting purposes, the H1 results of iNC Digital Media, which is now 100% owned by APN, have been consolidated with ARN. ARN's investment in talent, content and marketing has driven its four years of continual growth and recent ratings success. The business has consolidated its position in all markets and taken share from its competitors. While the launch of station KIIS 1065 and the rebrand of the Classic Hits Pure **Gold** network have been standout successes, all stations across ARN's markets have contributed to overall ratings growth. As a result, ARN currently has the #1 FM and #2 FM stations in Sydney, the equal #1 FM station in Melbourne and the #1 stations overall in Brisbane and Adelaide. iHeartRadio continues to gain momentum in Australia. The platform has now secured over 400,000 app downloads and around 270,000 registered users. As in New Zealand, exclusive live events, such as performances by Kylie Minogue, Lily Allen and Ed Sheeran, have helped to drive registrations and downloads. In H2, further live events and initiatives associated with the iHeartRadio Festival in the USA will be undertaken to boost consumer and advertiser interest. ARN is looking to continue growing market share in H2 as a result of its improved ratings and agency offering, especially in Sydney and Melbourne. The business will also make investments in integration, digital and content marketing capabilities.

Australian Regional Media Resilient local trading conditions assisted by a strong real **estate** pillar helped Australian Regional Media (ARM) to deliver an improved year on year performance for the half. Revenue was down 8% to \$99.0m, with EBITDA down 17% to \$10.5m. Consistent with the broader publishing industry, ARM experienced tough **conditions** in the major retail agency market. ARM's weekly aggregate audience has grown by 8% to 1.4 **million** people. While print readership has remained steady, ARM's digital audience has grown, largely due to the strong uplift in its mobile platforms. ARM's bundling of print and digital products leverages this large audience and has the added benefit of simplifying the sales task. ARM's focus on digital revenues and new products delivered digital revenue growth of 34%. Programmatic trading of ARM's online inventory commenced in June. H2 will see ARM continue to develop this offering, including the launch of programmatic trading of mobile and video inventory.

AdshelAdshel's revenue for H1 was down 5% to \$66.5m, with EBITDA down 19% to \$13.5m. When adjusted for the **sale** of Adshel Infrastructure and Town & **Park** in December 2013, revenue was up 1% on a like for like basis. The EBITDA decline is partly due to the Sydney Trains contract, with rental payments commencing a number of months prior to the roll-out of phase one of the new digital inventory. Consistent improvements in bookings since the launch of the network have generated positive momentum into H2. The underperformance of Adshel's NSW sales team during H1 also impacted its results. Earlier this month, Clear Channel's former International Sales Director David Roddick was appointed Chief Revenue Officer. David will commence in mid-September and join Adshel's restructured senior management team. In H2, Adshel will complete phase two of its Sydney Trains roll-out, progress key development projects in areas including Marrickville, Ashfield and Canada Bay, launch trials of new out-of-home technologies and move to the next stage of its programmatic sales program.

Hong Kong For H1, revenue was up 12% on a local currency basis to \$24.1m and EBITDA was up 86% on a local currency basis to \$1.6m. Improved earnings were due to strong growth in large format billboards, the securing of two significant billboard contracts in January and the renegotiated Buzplay contract. Buspak will launch 30 additional Signature Buses in H2, taking its total fleet to 60. Signature Buses enable clients to create customised applications across all of Buspak's offerings (interior and exterior) in order to maximise campaign awareness and drive passenger engagement.

Trading Update Advertising markets remain short and volatile, and agency revenues have been soft in early H2. Publishing revenue trends are largely consistent with H1, while radio and outdoor are tracking in line with the run rates seen towards the end of the first half. **Group** EBITDA is slightly ahead of where we were for the same period in H2 2013. Michael Miller said: "Much of the positive revenue momentum that we have seen towards the end of the half and in more recent months is due to investments that we have

made across APN's businesses. This gives us confidence that we are on the right track. "Our focus remains on growing share in our respective markets, being more efficient and increasing our value through closer collaboration. With our strengthened balance sheet we have the flexibility to pursue further growth opportunities, which gives me great confidence in APN's future."

ENDS

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