MARKET ANNOUNCEMENT

2015 Half Year Results: Continued revenue and profit growth

- Revenue from continuing operations up five per cent to $427.6m
- Net profit after tax before exceptional items up three per cent to $25.1m
- EBITDA from continuing operations and before exceptional items up one per cent to $71.2m
- ARN remains the number one radio group in Australia by audience
- Adshel accelerates digitisation, driving revenue growth
- Strategically, operationally and commercially, NZME is on-track to achieve integration goals
- Digital publishing audiences continue to grow
- $25m of annualised cost savings to be implemented by the end of the year
- Ciaran Davis commences in his role as new APN CEO today

SYDNEY 20 August 2015 - APN News & Media Limited (ASX, NZX: APN) today released its results for the six months ending 30 June 2015. Revenue from continuing operations was up five per cent on the corresponding 2014 period to $427.6m. Net profit after tax (NPAT) before exceptional items was up three per cent to $25.1m, and earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations and before exceptional items was up one per cent to $71.2m.

APN Chairman Peter Cosgrove said: “APN has delivered a solid result in a competitive market with revenue and earnings growth in the first half. The Board is confident in the ability of APN’s management team to continue delivering results for advertisers and shareholders through growth and efficiency-enhancing initiatives planned for the rest of 2015.”

APN has extended its debt facilities to mature in 2019 with a syndicate of domestic and international banks. The facility is worth $655m.

Due to strong cashflows, APN’s leverage is back below 3 times after stretching from 2.8 at December to 3.1 for the acquisition of 96FM.

At APN’s AGM in May, it was outlined that the Company would seek to reinstate dividend payments when leverage is less than 2.5 times. Consequently, an interim dividend will not be paid at this time.

At APN’s 2014 Full Year Results presentation in February this year, APN indicated that there would be an increase in its tax rate. APN’s tax rate for FY2015 is forecast to be 24 per cent pre exceptionals, up from 13 per cent in 2014.

Investments in revenue growth strategies impacting profits in the first half will deliver benefits in H2. Additionally, APN is implementing a cost saving program by the end of the year that will deliver $25m in benefits over the next 12 to 18 months.

APN today announced a number of operational initiatives:

- Australian Regional Media (ARM) will be launching the first of a series of planned regional digital subscription packages in Australia at *The Chronicle* in Toowoomba on 25 August. Following agreements with News Corp Australia, *The Washington Post* and Presto, the subscription package will give readers unlimited access to the latest local, national and international news and entertainment, as well as a broad range of rewards and benefits
- NZME will be launching digital registrations for *The New Zealand Herald* before the end of the year
- NZME is collaborating with Fairfax Media in New Zealand on a newspaper distribution partnership in the North Island which is expected to deliver revenue benefits for NZME
- ARM has commenced a distribution partnership with News Corp Australia across its northern New South Wales titles with potential expansion across its regional Queensland newspapers in H2
- Adshel will be officially launching sales automation for advertisers across its Sydney Trains network digital screens
- Adshel's beacons are to be rolled out across 1000 New Zealand sites, and the Company intends to expand its network of digital screens in Auckland and across other cities throughout 2016
- $25m of cost savings being implemented with benefits being realised over 2015 and 2016

APN chief executive Ciaran Davis said: "These initiatives demonstrate APN's commitment to evolving its traditional media business models while investing in new revenue streams, maximising integration opportunities across the business, and being focused on growth. They ensure APN can continue to deliver value for advertisers and shareholders."

Group financials

6 months to 30 June (A$ million)	2015	2014
Revenue from continuing operations	427.6	405.9
EBITDA*	71.2	70.7
EBIT*	52.8	54.3
Net profit after tax	25.1	24.3
Profit/(loss) from discontinued operations	-	(0.5)
Net profit after tax before exceptional items	25.1	23.8
Exceptional items	(17.7)	(1.2)
Profit attributable to shareholders	7.5	22.6

* From continuing operations and before exceptional items

Mr Davis continued: "APN's 2015 first half results reflect a soft advertising market in Q2 and a company in an important transition phase. APN continues to generate strong cash flows and we have good balance sheet flexibility to invest in further growth opportunities.

"The Australian Radio Network (ARN) continues to have strong market leading positions in key metro markets across Sydney, Adelaide and Brisbane, and there are very encouraging signs from the launch of KIIS 101.1 in Melbourne and the investment in Perth's 96FM, which is integrating well into the KIIS network. A number of revenue growth strategies are in place to maintain ARN's positive momentum.

“Adshel is continuing to digitise its assets to drive revenue and market share growth. In addition, it is focused on delivering data solutions for advertisers through the launch and subsequent expansion of its beacons network in Australia and New Zealand.

“NZME revenues are tracking in line with the market forecast released in November 2014 and good strategic and operational progress has been made with the integration of the three New Zealand businesses in what has been a challenging advertising market and generally weak economy.

“ARM’s revenues reflect a soft Q2. The business continues to focus on costs with $10m of annualised cost saving initiatives being implemented across 2015 and 2016. The business has again seen record audience growth, driven by digital and mobile consumption and has a number of initiatives in place to monetise this growth, including the launch of digital subscriptions and new mobile and tablet apps.”

Divisional results

	Revenue			EBITDA		
A$ million	2015	Local currency	As reported	2015	Local currency	As reported
NZME Publishing	138.3	(0%)	2%	22.8	(2%)	0%
NZME Radio	57.2	(2%)	0%	10.2	(1%)	1%
NZME eCommerce	8.2	(11%)	(9%)	1.7	(11%)	(9%)
NZME Group	-	-	-	(4.0)	-	-
NZME Total	**203.7**	**(1%)**	**1%**	**30.7**	**(13%)**	**(11%)**
Australian Radio Network	104.6	29%	29%	36.6	26%	26%
Australian Regional Media	94.5	(5%)	(5%)	8.2	(22%)	(22%)
Outdoor	24.8	(12%)	3%	3.3	(32%)	(28%)
Unallocated	-	-	-	(7.5)	7%	7%
Total	**427.6**	**3%**	**5%**	**71.2**	**(1%)**	**1%**

Australian Radio Network

In the first half of 2015, ARN continued to build on the success it experienced in 2014 and maintained its position as Australia’s number one metropolitan radio network by audience.

In a robust radio market up five per cent, ARN grew its revenues 29 per cent due to revenue generating investments made in Perth, Melbourne and Drive. Agency revenues, which are up 45 per cent overall, continue to drive overall revenue growth. EBITDA grew 26 per cent while costs grew 30 per cent year on year.

The cost growth is due, in part, to the 96FM acquisition and integration which is well on track and beginning to deliver national benefits for ARN. Cost growth is also attributed to increased revenue related costs, content strategies and additional marketing. Fixed cost growth is expected to return to nominal levels in 2016.

From an audience perspective, ARN’s stations continued their leadership positions across Sydney, Brisbane and Adelaide throughout the day and in the commercially important breakfast slots.

In Melbourne, Gold 104.3 is now the number one FM radio station. Its relaunched KIIS 101.1 has experienced a rise in market share, increasing audience in the competitive breakfast segment from an average of 6.5 in 2014 to 7.1 in the latest survey.

The Hughesy and Kate Drive show, which launched at the beginning of the year and has already been syndicated into 96FM as part of the station's integration into the KIIS network, has quickly built a strong audience and is the leading FM Drive show in Melbourne and Adelaide and second in Sydney and Brisbane.

At 96FM in Perth, ARN is working hard to find the right balance between maintaining the station's historically strong local position and simultaneously integrating it into the KIIS network. In addition to the Hughesy and Kate Drive show, Kyle and Jackie O's 'Hour of Power' at 6pm is being broadcast into 96FM.

Emotive & iHeartRadio

Earlier this year, content marketing agency Emotive launched with APN as a founding investor and it has fast become one of the country's top content marketing agencies working with clients such as Woolworths, Optus, Flight Centre, Westpac and Subway. Revenue and EBITDA of the business is ahead of expectations.

Content marketing is a commercial area APN believes will experience strong growth over the coming years with 89 per cent of marketers now investing in the capability.

As part of the investment, Emotive is also working with iHeartRadio in Australia to accelerate the digital radio and events business' commercial content and brand opportunities, creating environments that attract advertiser and brand integration.

In 2015, iHeartRadio launched 12 new stations with specialised content opening up more advertiser and revenue opportunities. Consumer engagement levels with the platform are high with downloads up 19 per cent to 655,000 and mobile sessions up 31 per cent.

iHeartRadio in New Zealand continues to deliver new revenue opportunities. In the first half, it delivered three successful events and continues to play an important role in a broad range of advertising solutions. As a result, it now has 377,000 registered users and revenues have grown 17 per cent year to date.

NZME

Strategically, operationally and commercially, NZME is on-track to achieve its transformation goals outlined in the briefing provided to the market in late 2014.

NZME revenues were down one per cent to NZ$214.9m despite challenging market conditions in Q2.

Taking into account a new core Group segment relating specifically to new and transitioned integration-related roles, NZME costs increased one per cent.

Overall EBITDA was down 13 per cent.

As part of merging three businesses into one, integration and procurement cost savings of NZ$18m have been identified for implementation with benefits to be realised over the next 18 months.

2015 is a year of transformation for NZME with investments implemented from H1 to realise revenue and cost benefits from H2. These include investments in digital, content, sales capability and co-location across the country. Co-location in particular is anticipated to deliver a number of benefits including the creation of one newsroom, increased collaboration with one sales team and improved productivity from one NZME culture.

Following increased focus and investment, digital revenues grew 31 per cent year-on-year. New revenue streams including those from NZME Events and NZME Experiential are also starting to deliver incremental revenues.

NZME Publishing achieved revenue of NZ$145.9m which was up two per cent on a like for like basis. EBITDA was NZ$24.0m.

Revenue performance was driven, in part, by strong real estate and digital revenues as well as early success with integrated selling. Circulation revenue was stable with circulation declines offset by an improved subscriber yield program. The overall New Zealand advertising market was strong in Q1 but softened considerably in Q2. Despite this, advertising revenues were down only two per cent.

The New Zealand Herald continues to be the number one news media brand in the country by audience with the group enjoying strong digital growth across its sites. Today, APN is announcing *The New Zealand Herald's* first phase launch of its digital subscription strategy with digital registrations being implemented across the site before the end of 2015.

NZME Publishing is continuing to find ways to collaborate with Fairfax Media. Following the print agreement signed that is delivering revenue and cost efficiencies, the publishers have commenced a distribution agreement in the North Island which is expected to deliver incremental revenue and earnings growth.

In a challenging Q2 agency market, NZME Radio revenues for the half were down two per cent year on year to NZ$60.3m. EBITDA was NZ$10.8m.

Agency advertising revenues were down eight per cent on the prior year while direct revenues were up two per cent.

NZME remains the number one radio network across the key categories of news, sport and entertainment and following an increased focus on driving digital traffic to its sites, NZME Radio also has the number one and two radio websites in the country.

NZME eCommerce revenues were down 11 per cent and EBITDA was NZ$1.8m.

Revenue performance was significantly impacted by email deliverability issues following a change in provider. This is now being rectified with transition to the previous platform.

Deal quality continues to be strong with both conversion and average value per order ahead of the prior year. Deal localisation is underway with signs of early success. GrabOne continues to play an important role in NZME's integrated sales proposition as a white labelled solution for clients.

Australian Regional Media

ARM's revenues are down five per cent year on year while its EBITDA is down 22 per cent.

After a strong Q1 driven by increased government and real estate revenues, softer market conditions in Q2 affected overall revenue performance.

Local advertising revenues remained resilient, down just two per cent on the prior year while cover price increases have helped in slowing circulation revenue decline.

Digital revenues experienced a 40 per cent growth year on year on a like for like basis.

ARM's audience continues to grow with its titles reaching over 1.8 million people each month, the most in its history.

Growth is being driven by an increase in digital consumption particularly across mobile which now make up over half of ARM's digital audience consumption. Print audiences remain steady.

In monetising this digital audience, ARM's digital subscription roll out will commence with *The Chronicle* in Toowoomba from Tuesday 25 August. As part of agreements with News Corp Australia, *The Washington Post* and Presto, ARM subscribers will be able to receive unlimited access to the latest local, state and international news and entertainment as well as value-adding products and rewards through News' +Rewards program.

In line with the roll out of ARM's digital subscription offering, the business will be launching new mobile and tablet apps for its titles.

ARM continues to focus on costs with $10m of annualised cost saving initiatives being implemented by the end of the year that will deliver benefits over the next 12 to 18 months. These include the full closure of the Toowoomba printing facility and an editorial systems upgrade which will deliver production efficiencies.

ARM has entered into a distribution partnership with News Corp Australia which was successfully trialled in northern New South Wales. Expansion to ARM's Queensland titles is being considered. The partnership will deliver additional revenue benefits to the business.

Adshel

Adshel, which is part owned by iHeartMedia, experienced an eight per cent growth in revenues to $72.2m. EBITDA is up six per cent to $14.5m as full benefits of the Sydney Trains advertising network are realised and its street furniture network offering attracts high quality advertisers.

Initial results from the launch of Adshel's digital street furniture networks in Australia and New Zealand, as well as a range of investment programs, are expected to drive revenue benefits to the business.

In New Zealand, the Auckland digital screens network has been well received by advertisers with occupancy rates high. The business intends to expand the network nationally throughout 2016.

In October, Adshel will be launching the world's first national digital street furniture network across Australia with 270 screens. It is expected to deliver earnings benefits from 2016.

The beacons network in Australia, which connects mobile, real-time location based services with out-of-home which went live in April this year, is generating data that strongly supports the business' proximity campaign proposition. Adshel is also set to roll-out beacons across 1000 of its sites in New Zealand.

Adshel will be commencing its sales automation offering across the Sydney Trains network in October this year, creating an efficient data-rich network for OOH advertisers, and the total number of screens across the network has been expanded to 200.

Hong Kong Outdoor

APN's Hong Kong business experienced a very soft start to the year due to changes in the Chinese Government's New Year gifting policy and flow on effects from Occupy Central in Q4 2014. The transition out of the bus body contract started to impact bookings in May.

Following the loss of the bus body contract, a provision of $12.8m for the onerous elements of the in-bus multimedia Buzplay contract has been recognised as required by accounting standards.

The Hong Kong team has been reduced by 50 per cent with a new management team to be phased in effective 1 July. We are committed to re-building this business.

Commercially, Cody has recently been successful in securing a number of new billboard sites around Hong Kong including the Star Ferry Carpark - a high traffic location in Central.

Looking forward, it will be focused on business development, larger billboard tenders and digital out-of-home.

Trading Update

Following a positive Q1, the softer Q2 market conditions continued into July. On a like for like basis, July Group revenues were slightly below last year.

For all divisions trading conditions have improved in August.

Conclusion

Mr Davis concluded: "I am absolutely committed to APN's strategy for growth and am focused on working with each of the businesses on the delivery of the key initiatives that correspond with this strategy. I see a lot of opportunity to evolve APN's traditional businesses into multi-platform advertising solution providers and believe that in doing this, we will be able to deliver increased value for our audiences, advertisers and shareholders. There is a strong culture of innovation and ambition across the Group that needs to be fostered and I believe this will help drive our success."

Ends.

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