



**APN News & Media Limited Annual General Meeting  
SYDNEY, 8 May 2014**

**Chief Executive Officer's Address to Shareholders**

Good morning. It gives me great pleasure to be addressing you for the first time as APN's Chief Executive Officer.

Today I'm going to talk about the important progress the Company has made over the past 12 months, including the major actions that we have undertaken since the end of 2013 in resetting the Company. I will then discuss media integration and the opportunities it provides, a key focus area for APN in which we have taken some recent significant steps. My presentation will conclude with a brief overview of APN's results for 2013 and then an update on current trading conditions.

But first, I would like to start by thanking the Board for putting its faith in me to be APN's Chief Executive Officer. APN is a great company, which I am very proud to be a part of. Amongst my reasons for joining APN in June of last year was attraction to the Company's diverse spread of media assets and the strength of its brands, most of which lead in their respective markets. Having now spent a considerable amount of time within the business, my experience has confirmed these initial impressions and it has also revealed one of the greatest strengths of this Company – its people.

APN has strong management teams across each of its businesses, these executives are leading a diverse group of forward-thinking, dedicated and hard-working individuals. The quality of APN's people is reflected in our pleasing 2013 financial results; it was their efforts that enabled APN to achieve this outcome in what was a challenging year for the Company.

I would also like to thank you, our shareholders, for your ongoing support. APN is certainly turning a corner, but there is much more to come. As a management team, we are committed to delivering the best possible outcomes for our shareholders, our audiences, our media clients and the many communities that we serve.

## Strategic update

One of APN's primary objectives over the last year has been to wholly-own more of our growth assets. At the start of 2013, seven of our 10 businesses were part owned or operated as joint ventures. Today, we wholly own six out of eight businesses. The remaining two, Adshel and Hong Kong Outdoor, are joint ventures with Clear Channel, our partner of 15 years who has extensive outdoor assets around the world. These are businesses that we are committed to.

Over the last 12 months, we have sold our remaining interests in both APN Outdoor and brandsExclusive, as well as several New Zealand newspaper and magazine titles. We have also acquired the remaining 50% interest in Australian Radio Network (ARN), The Radio Network (TRN) and the minority interest in iNC Digital Media that we did not already own.

As a result of these transactions, this is APN today. The Company's earnings have been re-balanced towards growth assets, with over 55% of our earnings expected to derive from radio, outdoor and digital.

Radio is a key strategic asset for APN. We have furthered our investment in ARN and TRN because we are confident that radio will continue to grow as a medium and that ARN and TRN will continue to grow market share.

Increased operating cash flows as a result of the transaction will also better position APN financially. We remain committed to targeting operating cash inflows of \$60 million to \$70 million for FY2014.

We also remain committed to improving our balance sheet flexibility so that we have the option to invest for growth in a changing media landscape, pay down more debt or resume future dividend payments.

Our confidence in radio was affirmed by the recent radio ratings for 2014 in both Australia and New Zealand. In Australia, ARN now holds the number one FM position in all of its markets. This is a result that the Company has never previously achieved. KIIS 1065 is the number one FM station in the key Sydney market, a position that it achieved in its first survey result as a rebranded station, and it then extended this lead in the second survey. KIIS 1065's Kyle & Jackie O show is the clear number one FM breakfast show in Sydney, with Jonesy & Amanda on ARN's WFSM 101.7 close behind at number two. Further, Gold 104.3 is the number one FM station in Melbourne for the first time in eight years.

Gold 104.3 and WSFM 101.7 have recently been rebranded and are now marketed as the 'Classic Hits Pure Gold Network'.

In New Zealand, TRN has increased its overall share of radio listening in the key Auckland and Wellington markets. These results included the continued dominance of NewstalkZB as the number one national network, with Mike Hoskings again being the number one national breakfast show. Positive content, talent and branding changes have occurred at TRN over the past 12 months.

These changes have continued into 2014, most recently with the launch of The Polly & Grant Breakfast Show on refreshed station 'The Hits' (previously Classic Hits) and Fletch, Vaughan & Megan's new breakfast show on ZM.

As part of the radio transaction with Clear Channel, APN has secured an exclusive ten year licence to operate and broadcast the iHeartRadio digital radio platform in Australia and New Zealand. In addition, APN is also the exclusive partner to implement iHeartRadio in a number of Asian markets, an exciting future prospect. For those of you that are not familiar with iHeartRadio, I encourage you to download the app and try it for yourselves. iHeartRadio is the only free digital music service that allows you to customise your own radio stations, across any genre, as well as stream live radio from the more than 1,000 radio stations across all ARN, TRN and Clear Channel US networks.

iHeartRadio provides additional commercial opportunities for our current network of radio stations and also gives us access to an expanded, younger audience. This slide provides you with an overview of the iHeartRadio ecosystem as it currently operates in the US. As you can see, iHeartRadio provides multiple channels of engagement, which tens of millions of people utilise every month. And the momentum worldwide continues to grow.

In the lead up to its launch by ARN and TRN in Australia and New Zealand last year, Ciaran Davis, the Chief Executive Officer of ARN, played an introductory video on iHeartRadio at last year's Annual General Meeting. I would now like to play a video that shows the adoption of iHeartRadio in the region since its launch in August and captures the success of some of the high-profile iHeartRadio live music initiatives that have taken place, particularly in New Zealand.

Another highlight for APN is Adshel's five year contract with Sydney Trains, which was secured at the end of last year. This involves the largest deployment of digital outdoor infrastructure in Sydney, with 186 digital screens being installed at premium concourses in CBD railway stations and across the breadth of the suburban network. These panels provide advertisers with the option of running

large broadcast campaigns through to highly engaging touch screen one-on-one interactions. Advertisers can also select the time periods that are most relevant to their products and services.

As you walked in, you would have seen an Adshel digital screen displaying current campaigns on a real time basis. Channel 7 has taken advantage of the screens' ability to easily change messages with specific advertising based on location and time of day. Master Card has utilised content and WSFM has integrated with social media by including a continually updating Instagram video with large format LED content. Previously, Air Asia has utilised the network's ability to offer dynamic pricing based on ticket demand or location.

I would now like to play a video that shows the diversity and extent of content and creative options on offer. The Sydney Trains contract and the opportunities that it entails will be a major boost to Adshel's share of the outdoor market and APN's digital presence.

## **Publishing**

As Peter has already mentioned, publishing remains an important part of APN's offering. There continues to be a large audience demand for regional and community newspapers and we are proud of the important role that they play in supporting the communities we serve. Regional audiences rely on our publications, as often they are the only local news content, and the source of important community conversations.

Australian Regional Media (ARM) connects with more than 1.3 million consumers each week via print desktop and mobile. This equates to 76% of people living within its publishing footprint, which spans from Coffs Harbour to Airlie Beach on the east coast of Australia. New Zealand Media (NZM) connects with over 2.1 million consumers every week. The New Zealand Herald's total audience continues to grow and now reaches more than 1.4 million people. NZM's publications are consistently recognised as the country's leading news source, and The New Zealand Herald's 150th anniversary last year demonstrated its longevity and brand value.

As the dominant news sources in our regions, our newspapers have a considerable responsibility to our readers and to our clients to exercise good leadership and sound judgment, and to provide a fair voice for their communities. In smaller regions and communities this responsibility is even greater and the business benefits even more tangible.

In an ever changing media landscape we are adapting the way we operate to become more efficient and respond to changes in consumer behavior, particularly advertising behavior and to develop new

revenue streams. Between ARM and NZM in 2013 we made a number of operational changes that delivered cost savings of more than \$40 million.

We are now in positive discussions regarding collaboration and partnerships with other leading publishing businesses to further reduce costs and improve the collective offering that newspapers can provide to advertisers. We view such discussions as essential for not only driving the viability, but also the growth of the category, and I encourage other publishing companies to join us in exploring ways to address common issues and ensure the long term preservation of the region's newspapers.

In New Zealand, we have been very focused on developing new revenue generating opportunities. We have already undertaken a number of initiatives such as the introduction of the compact format and morning delivery across our newspaper portfolio. This has given us further confidence to introduce new products. We are committed to implementing a world-class digital subscription model for The New Zealand Herald. From our close watch of international markets, we are encouraged by recent US results, which have shown that the newspaper industry there has had two years of growth in newspaper circulation revenues. As the owner of New Zealand's leading newspaper, radio, outdoor and digital media brands we have the confidence to continue innovating and to lead the way in which the industry engages with advertisers and consumers.

### **Closer collaboration**

The way in which this engagement occurs is changing. Consumers are demanding up to date content that is accessible where and when they want it. Media agencies have progressed to a way of working that meets these changes, they are focused on value for money and demand quick and flexible solutions with measurable outcomes across multiple channels.

As a result, many of our fellow media companies are aggregating, increasing their collective size and assets and making it more challenging for APN to compete with such scale. While most of our businesses outperformed their markets in 2013, we have identified opportunities for them to work more closely together, particularly in New Zealand, and be open to greater collaboration with other media companies in order to provide a wider range of options to our clients and to win a larger share of the advertising market.

To make the most of these opportunities, this week we appointed Jane Hastings to the newly created role of Chief Executive Officer of APN New Zealand. Jane has extensive leadership experience and a thorough understanding of the media and marketing industries. She already works

closely with APN's New Zealand businesses through her role as Chief Executive Officer of TRN, which she has been in since September 2012.

Jane will be responsible for our publishing, radio and digital businesses across the country. This is in order for us to offer integrated, unique and bundled solutions to major advertisers in New Zealand, enable the greater cross-promotion of our assets, reduce costs and grow our revenue base. This collaborative approach is central to how APN has evolved over the last 12 months and is indicative of where we are headed.

## **Results**

As Peter has outlined, the results for 2013 were very pleasing and represented a return to growth for APN. As I have previously stated, this is testament to the strength of our businesses and our people. NZM delivered full year earnings that were ahead of 2012, a result that few major publishing companies worldwide have been able to achieve. I would like to thank Martin Simons, who will be stepping down from his role as Chief Executive Officer of NZM this month, for his over 40 years of service to APN in both Australia and New Zealand and for his instrumental role in achieving this impressive result. ARM produced a better than expected full year result, with EBITDA only down 3% in the second half. In radio, both ARN and TRN outperformed their markets, with ARN delivering revenue growth of 6% compared to overall Australian radio market growth of 2% and TRN's revenues up 9% compared to overall New Zealand radio market growth of 7.7%.

Adshel delivered a record result in 2013, further consolidating its strong performance from the previous year. Media revenue was up 8% compared to 7% growth in the Australian outdoor market. Hong Kong Outdoor and iNC Digital Media delivered disappointing results, but with major contract wins towards the end of the year for Hong Kong Outdoor and the refocusing of iNC Digital Media to offer a wider range of targeted performance media services, the outlook for 2014 is more positive. GrabOne's result was affected by the rapid growth in mobile traffic combined with costs associated with the launch of travel and adventure platform GoBook. The business, however, maintained its 80% share of New Zealand's group buying market and has started on new verticals to broaden its revenue base.

## **Trading update**

In terms of trading, as of today Group EBITDA is slightly behind where we were at this time last year. As an advertising industry, agency expenditure in both Australia and New Zealand has been flat and

as a result our agency revenues have been below expectations, especially in publishing. This has been partially offset by stronger direct and local advertising revenues, as well as improving circulation trends. The Company is on track to achieve our target of \$20 million in publishing cost savings for the year. Significant investments in both Adshel and radio have been made for long term growth opportunities. Following the recent launch of Sydney Trains and the radio survey results, we have subsequently started to see the benefits of these initiatives.

## **Conclusion**

APN is on a journey. The considerable progress that we have already made and the initiatives that I have outlined today are indicative of the direction we are heading as a business. We are change positive, we are well positioned and we are focused. We are operating in a constantly changing environment, but with change comes opportunity and the opportunity for APN is now.

While we are planning for the future, we are focused on getting results today. Whether it is through taking market share, growing our audiences, expanding into new territories, collaborating more both internally and externally or boosting our digital presence, there are a plethora of opportunities available now, which are ours for the taking in order to deliver the best outcomes for you, our shareholders. And I have every confidence in our ability to do so.

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