



NEWS & MEDIA

# 2012 interim report

APN NEWS & MEDIA LIMITED  
ABN 95 008 637 643



# from the CEO

Dear Shareholder,

**APN announced its interim results on 17 August 2012. Net Profit After Tax (pre-exceptionals) was \$19m and in line with guidance. This report provides you with a high level summary of those results.**

It has been a very tough advertising market in both Australia and New Zealand. The hardest hit have been our publishing divisions, particularly in New Zealand, which have produced disappointing results compared to previous years.

Nevertheless, our newspapers remain very profitable despite the difficult market conditions and structural headwinds. They provide strong cash flows and generated \$266m in revenue during H1. Importantly, our newspapers continue to set the local and national news agenda each day and with our digital platforms, our audience is greater than ever.

Our publishing divisions have undertaken substantial work to reduce our cost base and rejuvenate our products to meet audience and advertiser preferences. We have now accelerated these reforms.

The most significant transformation currently underway is The New Zealand Herald which will launch as a compact newspaper (Monday to Friday) on 10 September 2012.

Our other businesses delivered robust performances, with a couple achieving standout results.

The Australian Radio Network increased revenue well ahead of the market, gaining market share and achieving its best ratings in its target audience in more than five years. Adshel's revenue increased 22% while earnings jumped 42% as it made impressive share gains in both Australia and New Zealand.

APN has pursued an active strategic agenda completing two major transactions. We established APN Outdoor as a joint venture with Quadrant Private Equity to pursue growth initiatives, and acquired 82% of leading eCommerce business, brandsExclusive.

We have also significantly reduced net debt by \$168m.

As announced at our Annual General Meeting in May 2012, APN is undertaking a strategic review of our New Zealand assets. The review is being conducted by Deutsche Bank and is ongoing. We will update shareholders in respect of further progress at the appropriate time.

Most recently, the APN Board announced Peter Hunt as the new Chairman with effect from 3 September 2012. Peter is a highly regarded businessman and his commercial acumen and leadership will be of great benefit to APN.

I wish to thank the team at APN for their substantial contributions so far this year and you, our shareholders, for your ongoing support.



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**BRETT CHENOWETH**  
**Chief Executive Officer**

28 August 2012

# key financial results

## APN has reported its key financial results for the six months ending 30 June 2012.

Revenue was down 6% to \$477m and Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) was down 12% to \$75m. Net Profit After Tax (NPAT) before exceptional items was down \$3m to \$19m in line with guidance provided at the Annual General Meeting.

APN significantly reduced net debt by \$168m.

APN also announced a non-cash impairment charge of \$485m, associated with APN's New Zealand publishing assets. This accounting charge follows an extensive review of carrying values by the APN Board of Directors and reflects the impact of prevailing industry conditions. APN continues to make operational improvements within its publishing business in New Zealand and remains confident of its ongoing strong contribution to the Group.

Taking into account the publishing impairment charge and the gain on the formation of the APN Outdoor joint venture, the Company reported a Net Loss After Tax of \$319m.

The Company has announced an interim dividend of 1.5 cents, of which 0.5 cents is franked, payable 26 September 2012.

### KEY FINANCIAL RESULTS FOR HI 2012

AUD million	HI 2012	HI 2011
Revenue	477.1	508.1
EBITDA*	74.9	85.0
EBIT*	57.5	66.5
Net profit after tax pre-exceptionals	19.1	21.8
Exceptional items (including impairment)	(338.5)	(120.1)
<b>Statutory net loss after tax</b>	<b>(319.4)</b>	<b>(98.3)</b>

\* Before exceptional items based on segment reporting.

# australian regional media

**Australian Regional Media (ARM) revenue was \$125.2m, down 7% and EBITDA was \$21.2m, down 9% on the prior corresponding period.**

Core publishing was in line with H1 2011 due to strong cost management (7% below prior year) and improved sales performance in retail advertising. The earnings decline was due to the contraction in commercial printing and some incremental investment in the transition to digital.

A digital first approach in Coffs Harbour and Tweed has resulted in profit improvement with both sites trading ahead of last year. The combined EBITDA improvement for H1 is \$1m on a smaller revenue base.

The markets in which ARM operates have recently been impacted by the slowing resources sector and continuing weakness in tourism and real estate. As a result we have accelerated our reforms.

Our focus on strong cost management continues and we expect ARM's 2012 cost profile to be materially lower than the prior corresponding period. Publishing headcount has been reduced by approximately 5% in the six months to June - over and above the reductions made in 2011. Further savings will be made during the course of H2 and into 2013.

We will continue to pursue productivity gains through the centralisation of services, outsourcing non-core activities, better technology and smarter operating practices. Our sales transformation project will further improve sales effectiveness and commercial printing is being restructured to enhance contributions.

# new zealand media

**New Zealand Media (NZM) had a difficult start to the year as indicated at our Annual General Meeting. Although revenue declines moderated in Q2, revenue for the first half was \$141m and EBITDA was \$21.7m, down 6% and 23% respectively on a local currency basis, on the prior corresponding period.**

Our brand audiences continue to grow with The New Zealand Herald's daily brand audience up 7% on last year. The number of consumers connecting with The New Zealand Herald exclusively online is up by almost 40% on last year, while The New Zealand Herald's print audience of 566,000 consumers on a typical day remains unchanged.

NZM's strategy to stabilise earnings has two key components:

First, a major rejuvenation program is well underway, including:

- launch of The New Zealand Herald (Monday to Friday) in compact form on 10 September 2012, with a new approach in design and content as well as deeper digital integration;
- creation of a multi-media sales team with advertising solutions across print, online, radio, outdoor and magazines; and
- conversion of our regional titles to compact format and morning delivery.

Second, NZM continues to drive further efficiencies, including:

- strong cost management, including reducing headcount by an additional 100 in 2012, on top of the reduction of 400 made over the last three years;
- further refinement of our centralised and outsourced production models to lower costs; and
- continuing to pursue flexibility in our cost base.



**APN's Radio Group consists of a 50% interest in each of the Australian Radio Network (ARN) and The Radio Network (TRN) in New Zealand. Combined, these businesses had a strong start to the year with total H1 revenues of \$109.8m which grew 5% year on year.**

ARN strongly outperformed the market in H1 with revenue growth of 8% to \$68.1m compared to a market decline of 1%. ARN outperformed the market again in July. ARN's EBITDA increased by 11% to \$23.8m.

ARN gained share in all metropolitan markets in which it operates.

In early 2012, ARN launched three new breakfast shows and two locally focused drive shows. It also introduced top new talent - Chrissie Swan, Sami Lukis and Tim Ross (Rosso). Ratings continue to trend upwards with ARN achieving the largest audience in its target 25 to 54 demographic in over 5 years.

ARN has best in class margins and strong cash flows.

In New Zealand, both the market and TRN returned to growth in Q2 after a difficult first quarter. The market continued to grow in July. Overall for the half, total market revenue was up 1%. TRN revenue was \$41.7m and EBITDA was \$6.5m, down 1% and 10% respectively on a local currency basis, over the prior corresponding period.

TRN has made a number of key strategic changes so far this year.

Importantly, Jane Hastings has been appointed CEO of TRN, commencing in September 2012. Strengthening its leading position in talk radio, TRN commenced broadcasting Radio Sport on FM. It invested in high profile talent with Martin Devlin joining the Hauraki rock network and Jason Gunn joining the Classic Hits drive show.

In the first audience survey of the year, Newstalk ZB remained the number one 10+ station in all three of the main metropolitan markets, as well as the number one station nationally.

# outdoor

**APN has a large and successful position in Outdoor, with our 50% interest in each of APN Outdoor (APNO), Adshel and Hong Kong Outdoor. Combined, these businesses have total revenues of \$400m and over \$70m of EBITDA per annum.**

In H1, the Australian Outdoor market was up 3% and APN's Outdoor Group in aggregate outperformed the market with total revenue up 7% and total EBITDA up 7% on the prior corresponding period.

Adshel, which operates in the Street Furniture segment in Australia and New Zealand, delivered an outstanding result for the period, with revenue up 22% to \$67m and EBITDA up 42% to \$14.1m. It also made significant gains in market share, increasing 3.5 points in Australia and 4.5 points in New Zealand. Under new CEO Rob Atkinson, Adshel is maximising the benefits of the Yarra Trams win in H2 2011 and the strong performance of the Street Furniture segment.

APNO operates in the Transit and Billboard segments in Australia and New Zealand. This entity became a joint venture with the sale of 50% to Quadrant Private Equity in May 2012. Revenue for H1 was down 3% to \$96.5m and EBITDA was down 19% to \$10.6m driven primarily by the weak market in New Zealand. In Australia, APNO increased market share in June and July in a market which continues to grow.

APNO has reinforced its position as the leader in Transit advertising in Australia, renewing exclusive advertising contracts for bus fleets with the NSW State Transit Authority, the South Australian Government and the Brisbane City Council.

Hong Kong Outdoor, which operates in the Transit and Billboard segments, also produced strong results and new contract wins, with revenue of \$18.2m up 16% and EBITDA of \$2.3m up 3% on a local currency basis.



# digital

## **APN continues to execute its digital strategy of connecting audiences and advertisers in innovative ways.**

Our Digital portfolio positions APN for the shifts occurring by advertisers to data rich advertising and marketing solutions.

We now have a portfolio with significant digital audiences and growing profits which augment our traditional broadcast media properties. This will strengthen our existing brands, build powerful new digital brands and drive new revenue.

During H1, APN made substantial progress in executing its digital strategy.

APN strengthened its Digital portfolio by:

- acquiring 82% of leading eCommerce business brandsExclusive; and
- increasing ownership of GrabOne from 75% to 100%.

The acquisition prices for both investments includes earn out payments which will only be paid if strict earnings targets are achieved. These are our major digital plays for the year and our focus now is making them the best digital businesses in their respective markets. We do not anticipate any significant additional digital investments in the next 12 months.

APN continued to build digital capabilities across the Group focusing on mobile, social, data and video.

Revenue from our digital ventures is growing strongly, up 81% to \$11.4m.

Earnings for our digital ventures are also gaining momentum. GrabOne New Zealand EBITDA has increased substantially to \$1.2m and is expected to double in H2. CC Media EBITDA has doubled to \$1m and brandsExclusive is expected to drive further EBITDA growth in 2013.

# shareholder information

## **This is a high level summary of APN's results for H1 2012.**

The complete results, including the market announcement, presentation and the Half Year Report and Accounts are available under ASX Announcements in the Investor Relations section of our website [www.apn.com.au](http://www.apn.com.au)

### **Shareholder enquiries**

Link Market Services Limited

### **Mail**

Locked Bag A14 Sydney South NSW 1235 Australia

### **Telephone**

Australia            1300 553 550  
New Zealand        09 375 5998  
International        +61 2 8280 7142

### **Email**

[registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)

### **Website**

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

### **APN News & Media Limited**

ABN 95 008 637 643

### **Registered office**

Level 4, 100 William Street  
Sydney NSW 2011 Australia

Tel: +61 2 9333 4999

Fax: +61 2 9333 4900