

Half Year 20 Results 16

APN NEWS & MEDIA LIMITED
ABN 95 008 637 643



Agenda



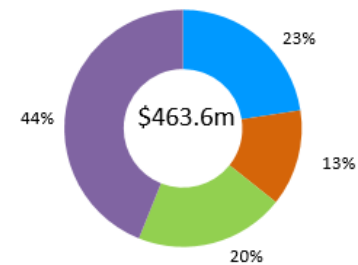
- H1 2016 operational and financial highlights
- Divisional performance
- H1 2016 Group financials
- Q&A

Operational highlights 2016 H1

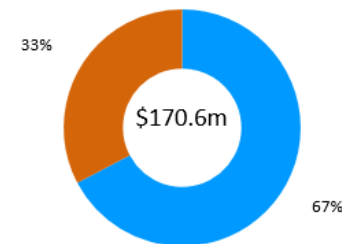
Transformation continues

- NZME demerged from APN, with Fairfax transaction opportunity
- Successfully completed accelerated renounceable entitlement offer, establishing post-demerger capital structures
- Settled with NZ Inland Revenue Department (IRD)
- ARM divestment progressing
- Continued growth at ARN
- Expanding Adshel LIVE digital network – investment driving solid revenue growth

**APN
HY15 Revenue ¹**



**APN
HY16 Revenue ^{1, 2}**



1 Includes Adshel revenue on a proportionate ownership basis

2 APN after demerger of NZME and proposed sale of ARM



APN STRATEGY



Australian-focused media and entertainment company

Grow
audience
base

Diversify
revenues

Expand
digital and
data
capabilities

Optimise
integration

Treatment of financials for H1 2016



- NZME demerger completed on 29 June 2016
- NZME results for the period prior to the demerger, plus impact of the demerger, have been presented as a discontinued operation
- Proposed sale of ARM to News Corp, subject to shareholder and regulatory approvals, announced 21 June 2016
- Results of ARM have accordingly been presented as a discontinued operation
- Remaining continuing operations – ARN, Adshel and Hong Kong Outdoor – will be the focus for today

Half Year Results

Financial highlights 2016 H1



6 months to 30 June (A\$ million)	2016	2015	% change
Revenue from continuing operations	129.1	129.4	(0%)
EBITDA	35.9	33.6	7%
EBIT	33.5	30.9	9%
Net profit after tax	10.1	1.3	690%
Profit/(loss) from discontinued operations	(249.3)	21.5	>(100%)
Net profit / (loss) after tax before exceptional items	(239.1)	22.8	>(100%)
Exceptional items from continuing operations	(17.8)	(15.3)	16%
Profit / (loss) attributable to shareholders	(256.9)	7.5	>(100%)

- Revenues from continuing operations stable at \$129.1m, EBITDA up 7% to \$35.9m
- Statutory net loss for the period \$256.9m
- Leverage reduced to 1.8 times; 2 times pro forma for ARM sale and NZ IRD settlement
- No dividend will be paid in H1 2016

Half Year Results

Business performance



A\$ million	2016 Business revenue	2015 Business revenue	YoY change	2016 Business EBITDA	2015 Business EBITDA	YoY change	2016 APN revenue	2015 APN revenue	2016 APN EBITDA	2015 APN EBITDA
Australian Radio Network	114.8	104.6	10%	40.2	36.6	10%	114.8	104.6	40.2	36.6
Adshel	82.8	72.2	15%	18.0	14.5	25%	-	-	3.8	3.3
Hong Kong Outdoor	14.4	24.8	(42%)	(0.5)	-	>(100%)	14.4	24.8	(0.5)	-

Corporate (7.6) (6.3)

APN result 129.1 129.4 35.9 33.6

- Presented on a continuing operations basis
- ARN includes interests in Emotive, Brisbane FM Radio, Canberra Radio and Nova Perth Radio
- Adshel is accounted for as an associate

ARN Group

(ARN, iHeartRadio & Emotive)

Half Year Results

Content investment to drive ratings

- Secured 5-year contract extension with Kyle & Jackie O
- Loss of revenue risk eliminated
- Strong ratings start to the year
- Survey 5 ratings improvement
 - 6% national share gain
 - KIIS 1065 ahead of 2015 performance
 - WSFM +1.4 share points
 - Equal #1FM station in Melbourne – GOLD 104.3
 - KIIS 101.1 good growth in Breakfast
 - Adelaide #1 station
 - Perth audience levels at pre-acquisition levels



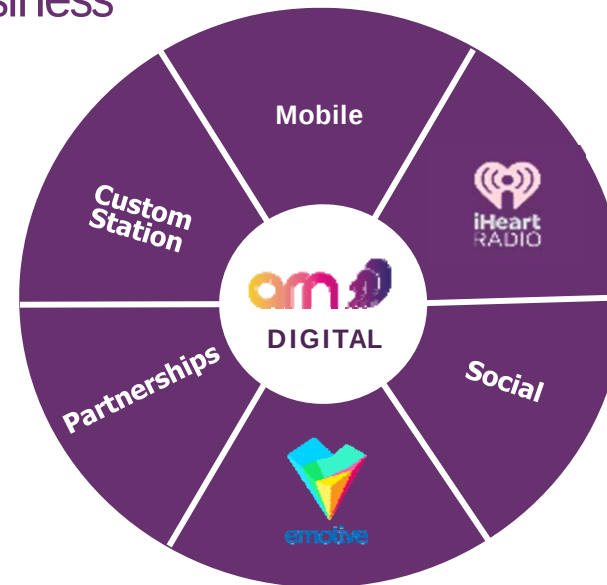
*Source: GfK Metro Survey 5, 2016. Overall Mon-Sun 05.30-12mn, 10+. Breakfast Mon-Fri 05.30-9am.

Half Year Results

Investment in digital growing the core business



- Mobile listening hours via iHeart up 53%; Revenues +36%
- iHeartRadio downloads 890,000 (+11%); 57% of new users under 34 years
- Commercial and content partnerships -
 - Optus
 - The Loop
 - ABC
 - SBS
- Delivering over 50 new custom stations
- Emotive – growing client base
- 9m minutes of content; social reach over 40m



Consolidating core revenues



Financial update

- Australian radio market grew 7.2%
- Broadcast advertising, Emotive and other activities grew overall revenue by 10%
- 5 capital city offering attributing to agency revenue growth
- Majority of cost growth related to revenue; remaining cost growth around 3-4%
- Margin maintenance a key focus

A\$ million	2016	2015	% change
Revenue	114.8	104.6	10%
Costs	(74.6)	(68.0)	10%
EBITDA	40.2	36.6	10 %
D&A	(2.1)	(2.3)	(7%)
EBIT	38.1	34.3	11%
EBITDA Margin	35%	35%	

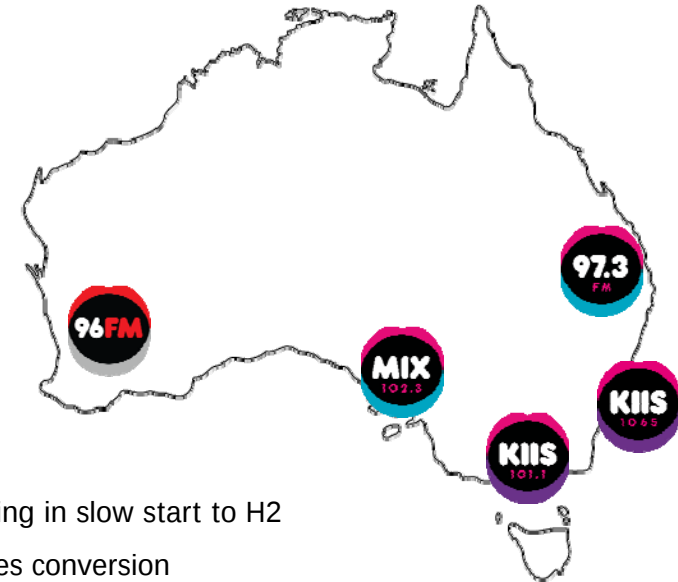
Half Year Results

Looking ahead

- Melbourne & Perth – key market focus
- Digital content improvements
- Integration opportunities – Adshel & Emotive
- Terms of revised 5-year ATN deal agreed, will grow revenue

Trading Update

- Soft market in July & August and weaker ratings in surveys 3 & 4 resulting in slow start to H2
- However ratings improvement in survey 5 having positive impact on sales conversion
- Briefing activity improving for September
- Cost actions taken to maintain earnings





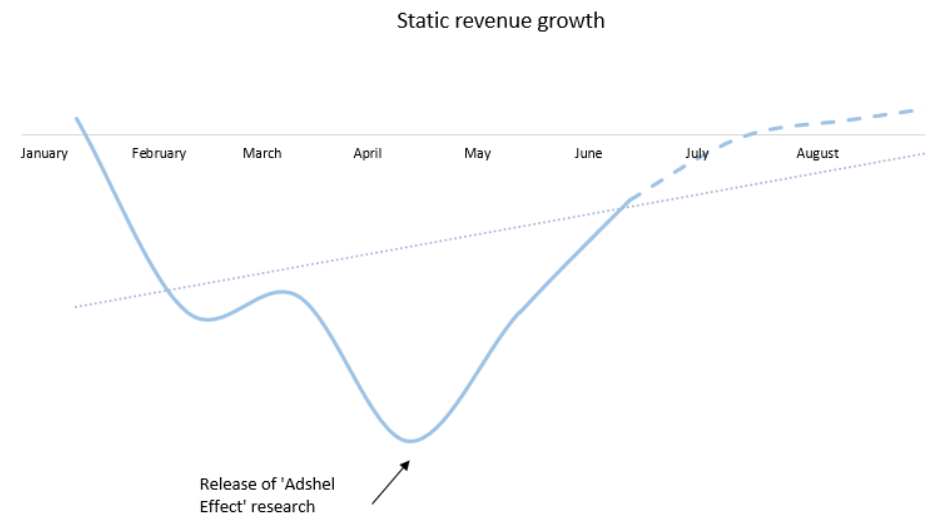
Adshel

Half Year Results

Solid growth for Adshel driven by digital



- Expansion of Adshel LIVE network
- Digital panels driving share growth in Roadside-Other segment
- Sydney Trains digital revenue up 23%
- Static declines moderating
 - Major research underpinning medium effectiveness
 - Q3 pacing up
 - Innovative pricing and packaging initiatives



Adshel financial update



Financial update

- Adshel digital investment delivering on-market performance
- Solid revenue and EBITDA growth of 15% and 25%
- Growth of 17% (AU) and 13% (NZ, local currency) in H1
- Revenue-related costs represent the majority of cost growth
- Digital driving margin expansion

A\$ million	2016	2015	% change
Revenue	82.8	72.2	15%
Costs	(64.8)	(57.7)	12%
EBITDA	18.0	14.5	25 %
D&A	(7.0)	(5.2)	33%
EBIT	11.1	9.2	20%
EBITDA Margin	22%	20%	
Net (debt) /cash	(6.6)	5.2	

Half Year Results

Looking ahead

- Expanding digital assets and reach – AU Adshel LIVE phase 2 launch Q4
- Extending data capture and insights offering
- Better targeting of ads
- Strengthening Direct sales capability

Trading Update

- Market remains buoyant; buying activity changing
- Good visibility into September and October
- Underlying earnings growth continues
- H2 15 benefits (~\$3.5m) unlikely to be repeated in 2016



Hong Kong Outdoor

Half Year Results

Rebuilding Cody



Financial update

- Weak economic conditions significantly impacting total advertising market
- Cost out programme partially offsetting revenue loss
- Buzplay onerous contract provision increased by A\$2.3m following deterioration in revenue forecasts to contract end in June 2017
- Strategic contract renewals, including Western and Eastern Harbour Tunnels

A\$ million	2016	2015	% change	Local currency % change
Cody	12.4	8.1	53%	44%
busbody	0.0	12.9	(100%)	(100%)
Buzplay	1.9	3.8	(50%)	(53%)
Total revenue	14.4	24.8	(42%)	(46%)
Costs	(14.8)	(24.8)	(40%)	(44%)
EBITDA	(0.5)	0.0	> (100%)	> (100%)
D&A	(0.1)	(0.2)	(35%)	(39%)
EBIT	(0.6)	(0.2)	187%	170%

Australian Regional Media

Half Year Results

Proposed ARM sale



Financial update

- Local revenues remained resilient, declining 1%
- National revenues challenged, declining 12%
- Overall EBITDA down 42%
- Total audience growing

A\$ million	2016	2015	% change
Revenue	89.0	94.5	(6%)
Costs	(84.3)	(86.3)	(2%)
EBITDA	4.7	8.2	(42 %)
D&A	(3.7)	(4.4)	(15%)
EBIT	1.0	3.8	(73%)
EBITDA Margin	5%	9%	

Vote in favour of the resolution

- Robust sale process
- News Corp bid (\$36.6m) offers superior combination of price; ability to execute share sale agreement in timely & efficient manner; certainty of funding
- Independent Expert concluded Proposed Transaction is fair and reasonable to Shareholders not associated with News Limited
- General Meeting Friday 16 September – APN Board unanimously recommends shareholders vote in favour

Group Financials

Half Year Results

Reconciliation of segment result to statutory result



A\$ million	Segment result		Exceptional items		Statutory result	
	H1 2016	H1 2015	H1 2016	H1 2015	H1 2016	H1 2015
Revenue before finance income	129.1	129.4	-	-	129.1	129.4
Other income	2.3	4.1	0.4	-	2.8	4.1
Share of associate profits	5.2	4.5	-	-	5.2	4.5
Costs	(100.8)	(104.5)	(2.7)	(15.3)	(103.6)	(119.7)
EBITDA	35.9	33.6	(2.3)	(15.3)	33.6	18.3
Depreciation and amortisation	(2.4)	(2.7)	-	-	(2.4)	(2.7)
EBIT	33.5	30.9	(2.3)	(15.3)	31.2	15.6
Net interest	(12.1)	(16.6)	-	(3.3)	(12.1)	(20.0)
Tax	(8.0)	(10.5)	(15.5)	3.3	(23.5)	(7.3)
Profit / (loss) from continuing operations	13.4	3.7	(17.8)	(15.3)	(4.4)	(11.6)
NZME Profit / (loss) after tax	17.3	18.2	(243.1)	(1.6)	(225.8)	16.6
ARM Profit / (loss) after tax	0.7	5.6	(24.2)	(0.7)	(23.5)	4.9
Profit / (loss) from discontinued operations	18.0	23.9	(267.2)	(2.3)	(249.3)	21.5
Net profit / (loss) after tax	31.4	27.6	(285.0)	(17.7)	(253.6)	9.9
Profit/(loss) attributable to owners of the parent entity	28.1	25.1	(285.0)	(17.7)	(256.9)	7.5
Non-controlling interest	3.3	2.5	-	-	3.3	2.5
	31.4	27.6	(285.0)	(17.7)	(253.6)	9.9

Half Year Results

Exceptional items from continuing operations



A\$ million	H1 2016	H1 2015
Net finance costs	-	(3.3)
Net gain on disposal of properties and businesses	0.4	-
Onerous contract and other costs	(2.7)	(12.8)
Asset write downs and business closures	-	(1.1)
Acquisition costs	-	(1.4)
	(2.3)	(18.6)
Income tax credit	0.5	3.3
IRD settlement – APN allocation (NZ\$16.95m)	(15.7)	-
Write-off of tax losses	(0.4)	-
Exceptional items, net of tax	(17.8)	(15.3)

NZME discontinued operation



- Refer NZME Limited's results release
- Loss on demerger calculated based on the average price of NZME shares over the first 5 days of trading post demerger; loss based on yesterday's close ~AU\$110m
- Historical foreign currency translation amounts transferred to income statement
- Tax expense includes the write-off of historical tax losses (A\$58m) and NZME share of NZ IRD tax settlement (A\$15.7m), offset by a write-back of deferred tax on intangibles (A\$11.7m) and other demerger related adjustments

A\$ million	H1 2016	H1 2015
Revenue and other income	182.9	204.1
Expenses	(153.9)	(174.6)
EBITDA	29.1	29.5
Depreciation and amortisation	(11.3)	(11.4)
<i>Exceptional items</i>		
Loss on demerger	(125.7)	-
Reclassification of foreign currency to income statement	(47.3)	-
Foreign currency loss	(2.5)	-
Transaction costs	(8.2)	-
Net gain on disposal of properties and businesses	1.3	0.4
Net finance costs	(3.0)	-
Redundancies and associated costs	(2.8)	(0.3)
Asset write downs and business closures	-	(1.5)
Costs in relation to one off projects	(0.5)	(0.7)
Income tax (expense)/benefit	(54.8)	0.5
Profit/(loss) from discontinued operations	(225.8)	16.6

Half Year Results

ARM discontinued operation



- Write-down of assets to fair value less transaction costs following divestiture announcement on 21 June 2016 (subject to various approvals)
- Tax expense includes the write-off of deferred tax balances in accordance with accounting standards

A\$ million	H1 2016	H1 2015
Revenue and other income	89.0	94.6
Expenses	(84.3)	(86.4)
EBITDA	4.7	8.2
Depreciation and amortisation	(3.7)	(4.4)
<i>Exceptional items</i>		
Write-down of assets to fair value less costs to sell	(15.5)	-
Redundancies and associated costs	(2.5)	(1.0)
Onerous contract costs	(0.3)	-
Income tax (expense)/benefit	(6.1)	2.2
Profit/(loss) from discontinued operations	(23.5)	4.9

Half Year Results

Cash flow

A\$ million	H1 2016	H1 2015
Operating cash flow (before exceptional items)	58.5	62.1
Net payments related to exceptional items	(7.3)	(7.6)
Net interest paid and refinancing	(17.4)	(14.7)
HK Outdoor onerous lease costs	(3.6)	-
Demerger costs	(5.9)	-
Net tax paid	(3.6)	(1.4)
Capital expenditure	(7.2)	(13.2)
Cash received from associates	1.3	5.0
Payments to non-controlling interests	(2.8)	(2.8)
Other	2.1	2.3
Net cash flow before investing activities	14.1	29.6
Proceeds from sale of business and properties	2.8	0.8
Net payments / receipts for investments / divestments	(3.8)	(80.2)
Net debt transferred on demerger	93.7	-
Net proceeds from issue of shares	176.7	-
Foreign exchange impact on debt and cash	(3.5)	16.2
Net cash flow	280.0	(33.6)

Includes cash flows from continuing and discontinued operations



Half Year Results

Net debt



A\$ million	Jun 2016	Pro forma 2016	Dec 2015
Gross debt	185.6	167.2	477.2
Less: Cash	(10.1)	(7.6)	(21.7)
Net debt	175.5	159.6	455.5

- Reduction in limits from A\$655m to A\$360m (inclusive of HK\$50m) following demerger. All NZD borrowings repaid on demerger
- Reduction in leverage (net debt / EBITDA) from 2.74 times to 1.8 times, compared to covenant of 3.5 times
- EBITDA / interest of 6.4 times compared to covenant of 3.25 times
- Debt facility matures July 2019
- All in cost of finance on drawn debt ~5.5% for H1; consistent going forward
- Pro forma net debt of \$159.6m, assuming the ARM sale (\$36.6m sale price, less transaction costs and debt like items) and NZ IRD settlement (NZ\$16.95m) occurred as at 30 June 2016
- Target cash level circa A\$10m for working capital

Summary



Half Year Results

In summary



- Improved portfolio; balance sheet
- ARM sale completion – shareholder vote 16 September
- Search for right fit acquisitions
- Digital momentum continues in radio and outdoor
- Revenue and cost synergies from group integration

Questions?



Appendices



CURRENCY



	AUD / NZD		AUD / HKD	
	2016	2015	2016	2015
June half average	1.084	1.055	5.704	6.066
Full year average		1.076		5.832
Period end rate	1.044	1.068	5.783	5.650

DISCLAIMER



APN News & Media Limited (APN) does not accept any liability to any person, organisation or company for any loss or damage suffered as a result of reliance on this document. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements, and are subject to variation. All forward-looking statements in this document reflect the current expectations of APN concerning future results and events.

Any forward-looking statements contained or implied, either within this document or verbally, involve known and unknown risks, uncertainties and other factors (including economic and market conditions, changes in operating conditions, currency fluctuations, political events, labour relations, availability and cost of labour, material and equipment) that may cause APN's actual results, performance or achievements to differ materially from the anticipated results, performance or achievements, expressed, projected or implied by any forward-looking statements.

APN uses certain measures to manage and report on its business that are not recognised under Australian Accounting Standards. These measures are collectively referred to as "non-IFRS financial measures" and include EBITDA before exceptional items and net profit before exceptional items.

Figures, amounts, percentages, prices, estimates, calculations of value and fractions in this presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this presentation.

Thank you

