



## MARKET ANNOUNCEMENT

### 2013 Full year results: Return to growth

- Net profit after tax before exceptional items up 10% to \$59.5m
- EBITDA from continuing operations and before exceptional items up 8% to \$162.8m
- Statutory net profit after tax of \$2.6m compared to a loss of \$507.4m in 2012
- Improved H2 publishing result and full year cost savings of more than \$40m, ahead of target
- Strong market share gains and earnings growth in radio
- Record result at Adshel and significant contract win
- Net cash inflow of \$63m exceeds target of \$40m-\$50m
- Acquisition of 100% of radio businesses positions APN for future growth
- Streamlined portfolio with majority of businesses wholly owned and operated

**SYDNEY, 19 February 2014** – APN News & Media Limited [ASX, NZX: APN] today released its results for the twelve months ended 31 December 2013. Net profit after tax (NPAT) before exceptional items was \$59.5m, up 10% on the prior corresponding period. Earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations and before exceptional items was up 8% to \$162.8m, with revenue from continuing operations down \$5.8m to \$817.2m.

APN Chief Executive Officer, Michael Miller said: “These are APN’s best results in a number of years with NPAT and EBITDA growth at their highest level since 2007 and 2005 respectively. The results reflect strong earnings growth in our radio businesses as they increased market share, a record result at Adshel, an improved second half performance from our publishing businesses as cost saving benefits start to flow through and the impact of the sale of a number of non-core businesses.”

APN’s ongoing focus on cost reductions and generating cash, as well as the contribution from a number of small asset sales, resulted in \$63m in net cash inflows during the period. This cash inflow was considerably ahead of the \$40m to \$50m target set at the beginning of the year. Overall net debt as at 31 December 2013 was \$436.9m.

12 months to 31 December (AUD million)	2013	2012**
Revenue from continuing operations	817.2	823.0
EBITDA*	162.8	151.4
EBIT*	129.8	120.7
Net profit after tax*	59.3	49.6
Profit/loss from discontinued operations	0.3	4.7
Net profit after tax before exceptional items	59.5	54.3
Exceptional items	(56.9)	(561.7)
Statutory net profit/(loss) after tax	2.6	(507.4)

\*From continuing operations and before exceptional items

\*\*2012 exceptional items and statutory net loss restated for error in relation to impairment charge

APN has made considerable progress in its efforts to streamline operations and position the Company for future growth. The sale of APN Outdoor to Quadrant Private Equity for \$69m and the sale of e-commerce business brands Exclusive for \$2m in cash and 8% of the equity in buyer Aussie Commerce Group completed in January and February of this year. The sale of APN's wholly-owned New Zealand magazine titles to Bauer Media Group has received clearance from the New Zealand Commerce Commission and is expected to complete in March. During the first half of 2013, the Company sold its Wellington, Christchurch and Oamaru newspapers in line with its focus on North Island publications. APN also moved to full ownership of performance marketing business iNC Digital Media in October.

Most significantly, APN today announced the acquisition of the remaining 50% of Australian Radio Network (ARN) and The Radio Network (TRN) from its US joint venture partner Clear Channel Communications Inc (Clear Channel). This reflects APN's confidence in radio as a growth medium and the ability of ARN and TRN to continue growing their share of the Australian and New Zealand markets. It also gives APN greater control of cash flows, which will be used to strengthen the Company's balance sheet.

Michael Miller said:

"This was a very satisfying result, which saw APN return to growth and has positioned the Company for further improvement.

"The acquisition of our Australian and New Zealand radio businesses is part of our efforts to streamline APN's operating structure. We have reduced the number of part-owned businesses from seven to two. We now receive the full benefit from businesses that remain central to our growth ambitions.

"Our New Zealand Media business had a stronger finish to 2013, resulting in EBITDA growth for the year. This is a result that few major publishing companies worldwide have been able to achieve. Our radio businesses delivered impressive results with increased earnings and revenues ahead of their respective markets. ARN has continued to outperform the Australian market and TRN claimed back market share in New Zealand after a major reorganisation.

"We are confident that radio will continue to grow as a medium and that ARN and TRN will continue to capture a greater share of the market. Both have strong leadership teams and clear growth strategies, which we fully support.

"Meanwhile, we remain committed to improving our balance sheet flexibility so that we have the option to invest for growth, pay down debt or resume future dividend payments."

The Board decided not to pay a final dividend for the 2013 financial year.

## APN SEGMENT RESULT 2013

AUD million (YoY change %)	Revenue			EBITDA		
	2013	Local currency	As reported	2013	Local currency	As reported
Australian Regional Media	217.0	(13%)	(13%)	29.7	(23%)	(23%)
New Zealand Media	282.6	(9%)	(2%)	53.0	2%	11%
Australian Radio Network	148.9	6%	6%	58.0	14%	14%
The Radio Network	102.3	9%	18%	20.0	22%	32%
Outdoor Group	44.1	5%	13%	12.3	(4%)	(3%)
Digital Group	22.4	-	6%	5.3	166%	221%
Corporate	-	-	-	(15.4)	(2%)	(2%)
<b>Total</b>	<b>817.2</b>	<b>(5%)</b>	<b>(1%)</b>	<b>162.8</b>	<b>3%</b>	<b>8%</b>

Segment result is from continuing operations and before exceptional items

### Publishing

APN's publishing businesses had an improved H2, with a moderation in revenue conditions and the benefits of cost saving programs being realised. Across both businesses, cost savings were in excess of \$40m, considerably ahead of the Company's \$25m to \$35m target.

In Australian Regional Media (ARM), EBITDA was down 23% to \$29.7m, with revenue down 13% to \$217.0m. EBITDA in H2 was down just 2% compared to the corresponding period in 2012. ARM performed well in the Australian regional newspaper category for both national revenue share and circulation results.

Following the appointment of Chief Executive Officer Neil Monaghan in April 2013, the ARM management team was restructured with a view to stabilising the business. A number of cost saving initiatives were introduced including the rationalisation and outsourcing of support functions and continued print plant optimisation. ARM's focus on cost savings will continue in 2014.

In November, ARM implemented modular advertising across its 12 regional daily newspapers, reducing the number of standard ad shapes from over 270 to 18. The move to modular makes planning a campaign with ARM simpler and more efficient.

ARM's increased focus on its digital network offering resulted in its online audience across both mobile and web platforms doubling to approximately two million and one million unique browsers respectively. ARM has also launched a bundled print and digital sales strategy to leverage larger audience numbers and is looking to develop synergy partnerships with other industry players.

As previously stated, New Zealand Media (NZM) had a better finish to 2013, delivering EBITDA growth of 2% to \$53.0m on a local currency basis. Revenue for the year was down 7% (after adjusting for the impact of the sale of the South Island and Wellington newspaper titles) with H2 revenue declines in line with H1.

NZM achieved cost reductions of more than \$20m during 2013 via initiatives including outsourced printing, a franchised newspaper delivery network, centralised sales functions and the introduction of offshore advertising production. Cost savings will continue to be a focus area for 2014.

In November, the New Zealand Herald celebrated its 150<sup>th</sup> anniversary. This was an opportunity to not only reflect on the Herald's vibrant past, but also to look forward with confidence as it evolves in the new digital world. Digital advertising revenues grew by 16% in 2013 due to a strong uplift in mobile and video audiences. Introduction of digital subscriptions for nzherald.co.nz is on track for H2 2014.

NZM appointed David Hoath as its new Group Advertising Director in November 2013. David will drive the development of NZM's integrated sales approach with The Radio Network and Adshel in New Zealand. NZM will also look to develop new e-commerce transactional verticals in food, travel and fashion through partnering with GrabOne.

## **Radio**

APN's radio businesses in both Australia and New Zealand delivered impressive results for 2013.

ARN continued to outperform the market, with revenue growth of 6% to \$148.9m, compared to overall radio market growth of 2%. EBITDA was up 14% to \$58.0m.

ARN is now the only Australian network to record three consecutive years of 10+ ratings growth. Our goal is for ARN to be the number one FM network in Australia.

The signing of Kyle Sandilands and Jackie O (Henderson) to recently launched Sydney station KIIS 1065 demonstrates how central key talent is to ARN's ambitions. Kylie and Jackie O are a welcome addition to ARN's team of leading talent in each of its markets, including Jonesy and Amanda in Sydney and Chrissie and Jane in Melbourne, as well as the teams at ARN's number one stations in Adelaide and Brisbane.

ARN continues to develop its digital offering. During the year, ARN's number of digital page views increased by 111% compared to 2012 and its Facebook audience doubled. ARN's digital presence was also significantly bolstered by the launch of the free digital radio platform iHeartRadio in August last year.

Across Australia and New Zealand, iHeartRadio has already secured more than 270,000 registered users and over 11 million page impressions per month. iHeartRadio is complementary to traditional radio, offering advertisers greater audience reach, especially in the youth segment, and new digital advertising opportunities.

In New Zealand, TRN delivered strong growth in revenues, up 9% to \$102.3m on a local currency basis. This compared to overall radio market growth of 7.7%. EBITDA was \$20.0m, up 22% on a local currency basis.

Newstalk ZB remains the number one 10+ radio and talk station nationally, with more than double the share of any other station in the 30+ Breakfast audience. Coast is the number one 10+ music station and Radio Sport the number one 10+ sport and number two 10+ talk station nationally.

The securing of new talent such as Fletch & Vaughan and Rachel Smalley, new programming such as the 'Crowd Goes Wild' breakfast show on Radio Sport with Sky Television, refreshed brands and the addition of iHeartRadio are all central elements of TRN's strategy, particularly its focus on growing both its younger and digital audiences. This focus has resulted in positive trends so far, including 42% 10+ audience growth for TRN's youth station Flava and overall digital revenue growth up 81%.

In 2014, TRN will launch more new programming and look to further leverage partnerships to grow its audience base. It is also advanced in exploring opportunities for closer collaboration with APN's other New Zealand businesses to improve efficiencies and drive revenue growth.

## **Outdoor**

Adshel delivered a record result in 2013, with EBITDA growth of 14% to \$40.2m, further consolidating its strong performance in 2012. Revenues were up 5% to \$149.3m.

Adshel's media revenue was up 8%, compared to the Australian outdoor market, which grew by 7%. Within the market, small format was up 9%, evidencing a continued trend in its favour. The New Zealand outdoor market grew by 13%, with Adshel's market share stable at 28%.

Adshel, which traditionally operates in the street furniture segment in Australia and New Zealand, now has the opportunity to become a full-service outdoor advertising provider. Adshel's Sydney Trains contract win, announced in December, is a significant first step, with the biggest digital roll-out in the Sydney outdoor market planned for 2014. This is a five year contract with full revenue benefits due to flow through from 2015.

Adshel is also focused on continuing to increase its digital revenues beyond Sydney Trains and will explore strategic opportunities to expand its asset base in 2014.

Hong Kong Outdoor, which operates in the transit and billboard segments, produced a disappointing result. Revenue was up 5% to \$44.1m and EBITDA of \$1.8m was down 55% on a local currency basis, primarily due to the full year impact of the BuzPlay contract. Bus exterior revenues grew by 11%, however billboard revenues were down due to the loss of a key contract in 2012.

With the Buzplay contract currently being renegotiated and two significant billboard contracts secured in January this year, management is confident of an improved performance in 2014.

## **Digital**

In New Zealand, GrabOne delivered revenues of \$18.2m, up 13% on a local currency basis and flat EBITDA of \$4.8m. GrabOne maintained the 80% market share that it reached in H1.

The business achieved further growth in several of its key metrics, including a 7% increase in average transaction value, 35% increase in number of merchants and a 2.5% increase in average commission rate. Growth in mobile usage was 83%, with mobile now making up 20% of all GrabOne transactions.

GoBook, GrabOne's transactional website that enables consumers to browse for and book travel and other activities directly with operators, launched in October 2013. Over 6,000 transactions have taken place on GoBook since launch.

Other new verticals, such as GoStyle, will launch during 2014. GrabOne is also focused on data analytics and personalisation of user experience both online and on mobiles. In addition, it is partnering with APN's other New Zealand businesses as part of their digital expansion plans.

For iNC Digital Media (iNC), 2013 was a transitional year. Revenue was \$4.1m, down \$1.1m and EBITDA was \$0.5m, down \$1.0m.

iNC's core catalogue revenue was impacted by the difficult trading conditions experienced by several key retail clients, predominantly in H1.

Following APN's acquisition of the remaining share in iNC and the appointment of its new Chief Executive Officer Lee O'Mahony in October, iNC has broadened its product range and capabilities, with new products now accounting for over 25% of revenues.

Major client wins in H2 have provided iNC with positive momentum into 2014, with management focused on introducing new verticals in areas such as finance and travel and integrating with other APN businesses.

### **Trading Update**

It has been a challenging start to the year, due partly to softer agency conditions. Publishing revenue declines have been consistent with H2 2013, while radio and outdoor revenues are in line with the prior year. We are continuing to invest in our growth businesses, with the additional costs being offset by ongoing publishing cost savings. Overall, total costs are down year on year.

Michael Miller said:

"The APN of today is in a far better position than it was a year ago. Looking ahead, we are firmly focused on growing revenues across our divisions.

"The majority of our portfolio is now in assets that are growing and have further upside potential and the majority of our businesses are now wholly-owned. Half of APN's divisional managers have been in their roles for less than 18 months and we will continue to benefit from the changes they are implementing.

"The progress that we have made to date is encouraging and we now have a more focused, stronger base on which to build on."

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