

## Fairfax Media Limited 2017 Annual General Meeting Chairman and CEO's Addresses and Presentations

**Sydney, 2 November 2017:** Fairfax Media Limited [ASX:FXJ] ("**Fairfax**" or "**Company**") is today holding its Annual General Meeting (AGM) in Sydney. The meeting is being webcast at [www.fairfaxmedia.com.au/investors/webcasts](http://www.fairfaxmedia.com.au/investors/webcasts).

Accompanying commentary and the presentations from Fairfax Chairman Nick Falloon, and Chief Executive Officer and Managing Director Greg Hywood, are set out below.

### **Fairfax Media Chairman, Nick Falloon:**

#### Slide 1

Good morning Ladies and Gentlemen.

Thank you for joining us for Fairfax Media's 2017 Annual General Meeting.

For those of you who were not at the Scheme Meeting, I am Nick Falloon, Chairman of Fairfax Media.

I would now like to introduce the members of the Board of Directors and senior executives. Starting on my left – Todd Sampson, Mickie Rosen, Jack Cowin, Patrick Allaway, Gail Hambly our Group General Counsel and Company Secretary, Greg Hywood our Chief Executive Officer, David Housego our Chief Financial Officer, Linda Nicholls, James Millar and Sandra McPhee.

Shareholders were given the opportunity to ask questions in advance of this meeting. We have endeavoured to answer as many of those questions as possible in my and the CEO's addresses.

Before we move to the formal business, I will make some brief remarks about the Company and its performance over the last year. I will then invite CEO Greg Hywood to provide an overview of the business.

#### Slide 2

Just prior to this meeting, we held the Scheme Meeting relating to the Domain separation from Fairfax Media. I am pleased to report that the scheme resolution received overwhelming support from shareholders.

Subject to shareholder approval of the capital reduction at the meeting today, and court approval, we expect Domain to commence trading on the ASX on 16 November 2017 on a deferred settlement basis.

#### Slide 3

Fairfax's 60% shareholding in Domain remains the centrepiece of our marketplaces businesses.

Our information brands include Australia and New Zealand's leading mastheads – *The Sydney Morning Herald*, *The Age*, *The Australian Financial Review* and the *Stuff* brand in New Zealand. Together these are part of a network connecting 70% of Australians and 90% of New Zealanders.

Our entertainment assets include our joint venture in Australia's leading local streaming service Stan; and our majority shareholding in Macquarie Media which has number-one radio stations in Sydney and Melbourne.

Your Board and the Company's management have been unrelenting in their efforts to create and unlock shareholder value, drive efficiency and innovation, while maintaining the immense value at the core of Fairfax: a proud 186-year history of editorial independence and integrity.

Fairfax is at the forefront of modern media and is achieving our multi-year transformation.

## Slide 4

In the 2017 financial year, Fairfax delivered total Group revenue of \$1.73 billion, which was 5% lower than the prior year. This is the reflection of continued challenges in the print advertising environment, cyclical weakness in key metropolitan real estate listings for much of the year, somewhat offset by strong digital subscription growth and solid yield uplift from Domain Group.

Fairfax delivered underlying earnings of \$271 million which was 4% lower than the prior year.

Earnings per share of 6.2 cents increased 9% on last year. Dividends per share of 4 cents were consistent with the prior year.

After taking into account significant items, the Company reported a net profit after tax of \$83.9 million. The result includes a total significant item loss after tax of \$58.7 million. This includes non-cash impairments relating to publishing, as well as write-downs of other assets and restructuring and redundancy charges.

The Company maintained a solid balance sheet, finishing the year with net debt of \$118 million.

## Slide 5

During the year, your Company delivered against its strategic priorities and opportunities, driving shareholder value across the Fairfax portfolio.

Our objectives remain:

- Growing by building on core strengths and maximising opportunities;
- Transforming through cost efficiency and business model innovation; and
- Building value through strategic decision-making and portfolio management.

Today's vote on Domain will see it take the next step in its evolution as a separate ASX-listed company, led by Antony Catalano as CEO.

Fairfax has invested in and supported Domain, leveraging its core digital audience strength across a range of products and services spanning all facets of Australian property.

The separation of Domain reshapes the Fairfax portfolio by adopting a more flexible corporate structure to maximise shareholder value.

As you are aware, shareholders will retain their existing Fairfax shares and receive new Domain shares, allowing shareholders to own a direct interest in one of Australia's leading real estate media and services companies.

Our Australian Metro Media, Australian Community Media and Stuff (our renamed New Zealand business) have each made considerable progress in transforming to become modern, cost efficient and sustainable across digital and print in response to consumer trends in their respective markets.

In May 2017, the New Zealand Commerce Commission declined to authorise the proposed merger of Fairfax New Zealand with NZME. This decision was disappointing and is being appealed through the High Court.

In terms of our investments and joint ventures, we are pleased with the progress we have made during the year.

## Slide 6

You would be well aware that during the year the Company received separate indicative and non-binding proposals from funds affiliated with Hellman & Friedman and a consortium including TPG and Ontario Teachers' together with its affiliates.

The Board determined that it was in the best interests of shareholders to grant both parties access to confidential due diligence to explore whether a whole of company proposal, at a price and on terms that the Board would recommend, was available.

Following the conclusion of this process, the Board did not receive a binding offer from either party, and accordingly ceased discussions, and continued implementing our existing strategy.

Your Board believes that Fairfax is well positioned to continue to deliver solid returns to shareholders for the medium and long-term.

In September 2017, Fairfax welcomed the Federal Government's success in modernising media ownership law. Fairfax has long supported such efforts to reform media laws to better reflect the current media environment and create a competitive landscape for Australia's media sector. Your Company will act in the best interests of shareholders to take advantage of any opportunities created by the changes.

I would like to take this opportunity to thank each of my fellow Board members for the contributions they make to Fairfax, particularly at this important time for the Company and the industry.

I would like to acknowledge Sandra McPhee, who will be retiring from the Board at the conclusion of this meeting. We thank Sandra for the enormous contribution she has made as a member of the Board over the last seven years and especially for her Chairmanship of the People and Culture Committee of the Board since 2012.

We welcomed Mickie Rosen to the Board in March. Mickie is standing for election today.

Todd Sampson is also standing for re-election.

The Board has determined that it will not fill Board vacancies at this time and so the Board will, after this meeting, consist of seven non-executive directors plus the Managing Director, a reduction from the present nine.

Your Board recommends that shareholders vote in favour of each resolution at today's AGM and believes that your continuing support is well justified by the Company's results to date.

On behalf of the Board, I would like to acknowledge all the people who contribute to making Fairfax a great company.

Reshaping Fairfax from a traditional media company to a leader in the contemporary media environment is testament to the astute leadership of Greg Hywood; the smart, strategic decision-making culture he has fostered; and the impressive skills, passion and commitment of all our people who do the important work they do. The communities we serve are all the better for it.

I would now like to invite Greg to deliver his address.

## **Fairfax Media Chief Executive Officer, Greg Hywood:**

### Slide 7

Thank you Nick, and good morning Ladies and Gentlemen.

During the 2017 financial year, Fairfax delivered stable earnings. This was despite ongoing challenging conditions in the media.

Across the company we have worked to maximise the value of our extensive digital and print assets by driving innovation and cost efficiency.

Publishing cash flows have been successfully invested to de-risk the digital transition, create new growth businesses and continue the march of Domain.

As the Chairman has said, following the formal separation, Domain will remain a core and key strategic asset of Fairfax, along with the cash-generating publishing businesses, and value-creating investments.

The Company's underlying performance, combined with our strategic and valuable asset mix; and balance sheet strength – allows Fairfax to step into the future with great confidence.

I'll now provide some operational highlights across Domain, Publishing and Investments.

### Slide 8

During the year, Domain delivered a strong 19% uplift in digital revenue, despite a challenging environment for real estate listings in the first half. Print revenues were particularly affected. The very pleasing digital performance was underpinned by increased use of premium products, yield gains and strong growth in Developers and Commercial categories.

Domain's strong national market presence (with near full penetration of agents and listings) is a key driver of its performance, attracting a large high-quality national audience.

First-to-market innovation underpins Domain's superior user experience. This has driven mobile app downloads to almost six million.

With the majority of leads now delivered by mobile, Domain's mobile advantage is critical to driving commercial success. During the year, mobile leads increased by 18%.

Domain's EBITDA decline of 6% reflects the strategic decision to continue to invest in staff, technology and marketing, despite the constrained listings cycle in the first half. We deliberately focused on long-term growth opportunities rather than short-term return. As the listings cycle improved, second-half digital EBITDA increased 20%. For FY17, digital represented more than 82% of Domain's EBITDA. We expect this to continue to increase.

Domain is maximising the value of its core audience and extending its reach and revenue through new adjacencies – aiming to capture the significant opportunities in the broader property ecosystem.

We are confident in the outlook for Domain, which has the scale of audience, customers and earnings it needs to deliver future growth for both Fairfax and its new shareholders.

## Slide 9

Our publishing businesses have large-scale, high-quality audiences at their core. Each is shaping their futures in response to their own market environment.

During the year we announced the next step for Metro titles – *The Sydney Morning Herald*, *The Age* and *The Australian Financial Review* – to secure our journalism for the foreseeable future.

We are delivering a more efficient operating structure and cutting-edge product and technology.

Our new suite of digital products will deliver deeper, more engaging experiences.

I would like to reiterate, we are committed to producing our print products seven days a week for years to come.

Our editorial will focus on distinctive content to strengthen our audience and subscriber base.

The introduction of the new tech platform will drive the retirement of legacy systems and cost rebasing.

Cost discipline continued in 2017 for Metro with publishing costs down 12% supporting EBITDA growth of 26%.

The SMH, *The Age* and *Financial Review* have around 236,000 digital subscribers. This delivered 21% year-on-year digital subscription revenue growth.

Australian Community Media's cash-generating network of rural and regional mastheads continues to achieve high penetration of local communities and strong audience engagement. Continued cost efficiency saw expenses down 9% driven by the benefits of ongoing restructuring and consolidation.

Regional audiences of scale, together with a strong local salesforce, provide the opportunity for the development of marketing services solutions for clients.

We renamed our New Zealand business to reflect the power and potential of the Stuff brand. Stuff is the fifth largest website in the country after Google, Facebook, Microsoft sites and Youtube. It is delivering exceptionally strong digital advertising growth; and providing the base for transactional services.

We will invest to develop this opportunity while maintaining strong cost discipline in the traditional business. 2017 saw operating costs fall by 6%.

The New Zealand group's digital revenue growth of 29% benefited from Stuff.co.nz's continued strong momentum, with audiences increasing 11% to 2.1 million.

## Slide 10

Award-winning journalism and quality content underpin each of our publishing businesses.

The strength of our journalism is reflected in the multiple prestigious awards our journalists have won in the past year.

Our valuable networks are trusted by our readers and advertisers, and are known for quality content in this era of 'fake news'.

We are seeing a profound change in consumer habits globally as audiences are more prepared to pay for trusted content. In Metro, a greater proportion of our revenue now comes from subscriptions than advertising, which bodes well for the future.

And our customers are enjoying their experience with Fairfax. This is reflected in high measures of Metro customer satisfaction via Net Promoter Scores, which have been positive for an impressive 80 weeks in a row.

## Slide 11

During the year, we continued to focus on building value through investment in high-growth digital opportunities and portfolio management.

This has included the realisation of value through strategic divestments such as the sale of Tenderlink in September 2016 which together with dividends received from the business delivered a 2.4 times return on our original investment.

Stan – Australia's biggest deal in entertainment – is going from strength to strength.

In the two-and-a-half years it has been operating, Stan has established itself as Australia's leading local streaming service with 800,000 active subscribers – and growing.

Underpinning the growth in Stan's active subscribers is the depth of the content it provides. This includes exclusive rights to CBS's SHOWTIME content in Australia, a range of rights to other studios, as well as original local productions.

Macquarie Media continues to deliver unrivalled ratings performances from 2GB in Sydney and 3AW in Melbourne. This ratings success is driven by Macquarie's on-air talent and depth of programming expertise.

The merger of Fairfax Radio Network with Macquarie two years ago has been a profound success, reflected in EBITDA growth of 26% for the year.

## Slide 12

Following the separation of Domain, Fairfax will continue to thrive.

Over the past five years we have made the hard decisions to take a traditional media company and remake it into a business with a sound publishing core and a series of growth businesses with considerable upside.

Our strategy of transforming publishing and using our audiences and marketing inventory to drive new businesses is a proven success.

We are confident our strategies across our portfolio will further maximise shareholder value:

- With the next step taken this morning, Domain as you know is set to become a listed entity with upside opportunity;
- The publishing businesses are becoming modern, sustainable models;
- Value is being built through investments in growth businesses and portfolio management.

I would like to thank everyone who has contributed to making the modern Fairfax Media a shining example – locally and globally – of a media company prepared to lead the way. Together, we look forward to the immense opportunities ahead. I look forward to standing here next year to tell you what we have achieved.

## **Ends**

### **Contact:**

Brad Hatch  
Director of Communications  
+61 2 9282 2168  
[bhatch@fairfaxmedia.com.au](mailto:bhatch@fairfaxmedia.com.au)



*Annual General Meeting*

# 2017 FINANCIAL YEAR

2 NOVEMBER 2017 – EXPECTED TO START AT 10:30AM





A background image showing four diverse individuals (two men and two women) sitting and using various digital devices like smartphones and tablets. The image is overlaid with a dark blue filter.

# CHAIRMAN'S ADDRESS

NICK FALLOON, CHAIRMAN

Fairfax Media

# FAIRFAX MEDIA IS A LEADING NETWORK OF MARKETPLACES, INFORMATION BRANDS AND ENTERTAINMENT

CONNECTING WITH 70% OF AUSTRALIANS AND 90% OF NEW ZEALANDERS



# FAIRFAX MEDIA FY17 FINANCIAL PERFORMANCE



**\$1.73BN**

GROUP REVENUE  
(-5% ON LAST YEAR)



**\$271M**

UNDERLYING EBITDA  
(-4% ON LAST YEAR)



**6.2¢**

EARNINGS PER SHARE  
(+9% ON LAST YEAR)



**\$83.9M**

STATUTORY NET PROFIT  
(\$773M LOSS LAST YEAR)



**\$118M**

NET DEBT  
(AT JUNE 2017)



**4¢**

TOTAL DIVIDEND PER SHARE  
(CONSISTENT WITH LAST YEAR)

Note – Presentation refers to FY17.

# DELIVERING OUR THREE STRATEGIC PRIORITIES TO CREATE SHAREHOLDER VALUE



## GROWING

---

by building on core  
strengths and maximising  
opportunities



## TRANSFORMING

---

Through cost efficiency  
and business model  
innovation



## BUILDING VALUE

---

Through strategic  
decision-making and  
portfolio management

A background image showing four diverse individuals (two men and two women) sitting and using various digital devices like smartphones and tablets. The image is overlaid with a dark blue filter.

# CHAIRMAN'S ADDRESS

NICK FALLOON, CHAIRMAN

Fairfax Media

A background image showing four diverse individuals (two men and two women) sitting and using various digital devices like smartphones and tablets. The image is overlaid with a dark blue filter.

# CEO'S ADDRESS

GREG HYWOOD, CEO

Fairfax Media





# DOMAIN GROUP

## KEY FY17 ACHIEVEMENTS

19% depth (premium listings)  
revenue growth

Strong digital revenue growth  
from developers & commercial

18% increase in leads  
from mobile

## Domain

On location at Domain-sponsored show The Block 2016





# PUBLISHING

## KEY FY17 ACHIEVEMENTS

### AUSTRALIAN METRO MEDIA

26% EBITDA growth and  
margin improvement

21% digital subscription  
revenue growth

236k paid digital subscribers  
(SMH/Age/Financial Review)  
12% publishing cost improvement

### AUSTRALIAN COMMUNITY MEDIA

9% cost improvement

















### STUFF (NEW ZEALAND MEDIA)

29% digital revenue growth  
6% cost improvement



Team New Zealand wins America's Cup 2017  
(Photo: Clive Mason/Getty Images)

# QUALITY JOURNALISM MAKES OUR BUSINESS TICK

<p><b>THE WALKLEY FOUNDATION</b></p> <p><b>7</b></p> <p>Received in December 2016. Top Walkley honours include:</p> <p><b>BUSINESS JOURNALISM &amp; INVESTIGATIVE JOURNALISM</b></p> <p> Adele Ferguson together with ABC/Four Corners team 'Money for Nothing' series.</p> <p><b>ARTWORK</b></p> <p> David Rowe <i>The Australian Financial Review</i> and <i>Sun-Herald</i> illustrator won a Walkley for his 'New clothes', 'Malcolm X and Ali' and 'White ribbon' artworks</p> <p><b>1 WALKLEY YOUNG JOURNALIST OF THE YEAR AWARD (COVERAGE OF COMMUNITY AND REGIONAL AREAS)</b></p> <p> Michael McGowan and Carrie Fellner <i>Newcastle Herald</i> 'Foam and the fury'</p>	<p><b>Canon Media Awards</b></p> <p><b>25</b></p> <p>Wins overall with NZ mastheads, teams and individuals recognised, including:</p> <p><b>FEATURE WRITER OF THE YEAR (SHORT FORM)</b></p> <p> Nikki Macdonald <i>The Dominion Post</i> and <i>Sunday Star-Times</i></p> <p><b>NEWSPAPER OF THE YEAR (UP TO 30,000 CIRCULATION)</b></p> <p> Nelson Mail</p> <p><b>COMMUNITY NEWSPAPER OF THE YEAR</b></p> <p> Feilding-Rangitikei Herald</p>	<p><b>NEWSPAPER OF THE YEAR AWARDS 2017</b></p> <p><b>16</b></p> <p>Awards overall in 2017 with regional and metro mastheads, teams and individuals recognised, including:</p> <p><b>DAILY NEWSPAPER OF THE YEAR</b></p> <p> Regional - <i>Newcastle Herald</i> (5th consecutive year)</p> <p><b>DIGITAL NEWS SITE OF THE YEAR</b></p> <p> National/ Metropolitan - <i>Australian Financial Review</i></p> <p> Regional - <i>Newcastle Herald</i> (5th consecutive year)</p> <p> Community - <i>The Maitland Mercury</i></p>	<p><b>THE KENNEDY AWARDS</b></p> <p><b>7</b></p> <p>Awards received for excellence in NSW journalism, including:</p> <p><b>OUTSTANDING RADIO CURRENT AFFAIRS AND AUDIO BLOG –</b></p> <p>Phoebe's Fall</p> <p><b>OUTSTANDING SPORTS REPORTING</b></p> <p> Chris Barrett</p>	<p><b>Quill Awards 2016</b></p> <p><b>9</b></p> <p>Awards received for excellence in Victorian journalism, including:</p> <p><b>HARRY GORDON AUSTRALIAN SPORTS JOURNALIST OF THE YEAR</b></p> <p> Caroline Wilson</p> <p><b>RADIO CURRENT AFFAIRS</b></p> <p> Richard Baker and Michael Bachelard Phoebe's Fall</p>	<p><b>OUR WATCH AWARDS</b></p> <p><b>4</b></p> <p>Awards received for the inaugural Our Watch Awards, including:</p> <p><b>2017 GOLD OUR WATCH AWARD</b></p> <p> Gina McColl <i>The Age</i> 'Gendered violence at work'</p> <p><b>BEST LONGFORM</b></p> <p> Ava Benny-Morrison <i>Good Weekend</i> 'The death of the Manrique-Lutz family'</p>	<p><b>CITI JOURNALISM AWARDS FOR EXCELLENCE</b></p> <p><b>3</b></p> <p>Awards recognising excellence in business and finance journalism:</p> <p><b>CITI JOURNALISM AWARD FOR EXCELLENCE 2017</b></p> <p> Michael Smith, Angus Grigg and Lisa Murray <i>The Australian Financial Review</i> Series on Crown Resorts in China</p> <p><b>GENERAL BUSINESS CATEGORY</b></p> <p> Michael Smith, Angus Grigg and Lisa Murray <i>The Australian Financial Review</i> Series on Crown Resorts in China</p> <p><b>ECONOMY CATEGORY</b></p> <p> Jessica Sier <i>The Australian Financial Review</i> 'Oops, Something is Missing'</p>
---	--	--	--	---	--	---





# INVESTMENTS

## KEY FY17 ACHIEVEMENTS

### STAN

~800k active subscribers

### MACQUARIE MEDIA LIMITED

EBITDA increase of 26%

**Stan.**

Cast of hit TV show *Younger* on Stan



# THE MODERN FAIRFAX MEDIA IS STRONGLY POSITIONED TO DELIVER HIGHER VALUE EARNINGS ACROSS ITS PORTFOLIO

## BUSINESS GROUPS

DOMAIN  
Domain

DOMAIN  
GROUP

Real estate media  
& services

Maximising value of Domain Group's strong platform at the centre of the property ecosystem and growing new revenue

## BUSINESSES AND STRATEGIC OBJECTIVES

PUBLISHING



AUSTRALIAN  
METRO MEDIA

Leading metropolitan newspapers, digital media and events

Building a sustainable publishing model with enhanced digital and print products, and ancillary revenues

AUSTRALIAN  
COMMUNITY  
MEDIA

Leading rural & regional newspapers & digital media

Maintaining cost efficiency while driving digital growth and exploring other opportunities

STUFF

Leading New Zealand newspapers, digital media and events

Monetising Stuff's engaged and high value audiences, diversifying digital revenue while optimising print and delivering efficiencies

INVESTMENTS



STAN

Leading Australian Subscription Video-on-Demand (SVOD) business

Continuing to grow subscribers through differentiated local and global content

MACQUARIE  
MEDIA LIMITED

Leading national news, talk, sport & music radio network

Maximising opportunity of #1 stations in Sydney and Melbourne and national radio network strength