



MARKET ANNOUNCEMENT

2016 Half year results: Significant business transformation achieved

- Revenue from continuing operations stable at \$129.1m, EBITDA up 7 per cent to \$35.9m
- NZME and ARM presented as discontinued operations; net loss of \$249.3m
- NZME successfully demerged from APN; Fairfax transaction opportunity being assessed by NZCC
- ARM divestment progressing to plan
- Completed \$181.8m equity raise, establishing post demerger capital structures. Leverage 1.8 times
- NZ\$33.9m tax settlement reached with New Zealand IRD, paid jointly by APN and NZME
- ARN performing strongly with total revenue and EBITDA growth of 10 per cent on HY15
- Adshel LIVE digital rollout delivers 25 per cent EBITDA growth to \$18m
- Secured / renewed major contracts for Hong Kong Outdoor

SYDNEY 26 August 2016 – APN News & Media Limited (ASX, NZX: APN) today released its results for the six months ending 30 June 2016. Revenue from continuing operations was stable at \$129.1m, with EBITDA up 7 per cent to \$35.9m.

Following the successful demerger of New Zealand Media Entertainment (NZME) from APN on 29 June 2016, and the announcement on 21 June 2016 of the proposed divestment of Australian Regional Media (ARM), these divisions are presented as discontinued operations. The statutory net loss after income tax attributable to shareholders for the period was \$256.9m, compared to a profit of \$7.5m in 2015.

In June 2016 the Company successfully completed a pro-rata accelerated renounceable entitlement offer raising \$181.8m. Proceeds were used to establish the appropriate capital structures for APN and NZME ahead of the demerger. APN's net debt to continuing operations EBITDA has been reduced to 1.8 times, down from 2.7 times at 31 December 2015.

In June 2016 APN also reached a binding heads of agreement with the New Zealand Inland Revenue Department to settle various taxation matters for NZ\$33.9m, with the cost of the settlement shared equally between APN and NZME.

APN announced at the AGM in May 2016 that the Company's dividend policy would be targeting a payout ratio of 40-60 per cent of underlying NPAT. Having just conducted an equity raise, an interim dividend will not be paid for the period.

“Today’s result and the significant turnaround of APN is a credit to the extended APN team.”

Group Financial Highlights 2016 H1

Business Performance

APN's CEO, Ciaran Davis, said, "In the last six months we have achieved all of our key objectives, and with a successful sale of ARM, the Company will have zero exposure to traditional publishing assets, and 100 per cent exposure to growth media assets with good cash flow profiles."

“This is a game changer for APN and our strategic priorities for APN are clear. We are going to focus our energy and investments on those areas of the business that will deliver the greatest shareholder returns. For ARN that means investing in new business and digital initiatives aimed at growing

audiences, particularly our younger audience, and delivering content across multiple platforms. Adshel's priority is to continue to drive above market growth with an ongoing roll-out of its digital network."

Australian Radio Network

Key highlights across ARN include:

- Secured 5-year contracts with Kyle & Jackie O: loss of revenue risk eliminated
- Survey 5 ratings improvement:
 - o 6% national share gain
 - o KIIS 1065 ahead of 2015 performance
 - o WSFM +1.4 share points
 - o #1FM station in Melbourne – GOLD 104.3
 - o KIIS 101.1 good growth in Breakfast
 - o Adelaide #1 station
 - o Perth audience levels at pre-acquisition levels
- Significant growth in ARN digital audiences, including 53% increase in mobile listening hours to ARN stations through iHeartRadio.

In a radio market that grew 7.2 per cent, ARN broadcast advertising, Emotive and other revenues grew 10% to \$114.8m, while EBITDA grew 10 per cent to \$40.2m.

Cost growth of \$5.1m (7 per cent) was primarily attributable to revenue-related cost of sales and the full period cost impact of H1 2015 investments, with the remaining cost growth around 3-4 per cent. Margins were maintained at a very strong 35%.

ARN has continued to invest in talent, content and marketing to produce high quality live and local radio across the country. In July 2016, ARN announced it had secured 5-year contracts with top-rating KIIS 1065 breakfast hosts Kyle & Jackie O. The success of Kyle & Jackie O and ARN's other on-air talent is reflected in revenue and earnings growth over the past three years, including a growing suite of large national advertisers.

ARN's music streaming, digital entertainment and live events brand iHeartRadio continued to grow, with 592,000 registered users in Australia and 890,000 app downloads as at June 2016. ARN digital revenues are up 36 per cent.

ARN trading

Soft markets in July and August, and weaker ratings in surveys 3 and 4, have resulted in a slower start to H2. However, ratings improvements in survey 5 are having a positive impact on sales conversion. Further, briefing activity has improved for September.

Management have already taken cost actions to maintain earnings for the half.

Adshel

Key highlights for Adshel include:

- Roadside-Other segment grew 15.3 per cent in H1, Adshel exceeded market with 24.8 per cent growth
- Digital network impacting positively on Sydney Trains assets, despite CBD station upgrades
- Launched Adshel LIVE Phase 2 in New Zealand; Australian expansion continues in Q4

- Expanding audience-targeting capabilities.

Adshel, APN's 50 per cent joint venture with iHeartMedia, experienced significant revenue growth of 15 per cent to \$82.8 million and EBITDA growth of 25 per cent to \$18 million in the period. Following the launch of Adshel LIVE in H2 2015, revenue growth in Australia has either met or exceeded market growth in every quarter thereafter. Despite ongoing major refurbishment work in several CBD stations, revenue performance on the Sydney Trains digital assets has improved, up 23 per cent year on year.

The second phase of Adshel LIVE launched in New Zealand in July 2016 across Auckland, Wellington and Christchurch, making it the country's first national digital roadside network. 143 panels are now live, with the final digital panels to be deployed by September 2016, bringing the total to 150.

The expansion of Adshel's digital network in Australia will continue throughout 2016, with 190 digital panels to be deployed in Q4 and a further 60 in Q1 2017.

Adshel continues to benefit from LIVE, attracting new business with clients harnessing the flexibility and contextual marketing capabilities of digital. Data and mobile are key focus areas for the business to optimise its precision-targeting, and Adshel continues to build its data capture and insights offering for advertisers.

Adshel trading

Buying activity remains buoyant but the pattern has changed over the past few months, with traditional panel sales confirmed earlier and digital often sold much closer to posting date. Despite this we have good visibility into September and beyond.

As a result, we are confident underlying earnings momentum can be maintained in H2. However, second half results in 2015 contained a number of benefits that we are unlikely to see repeated in 2016:

- The launch of Adshel LIVE in Australia was in October 2015, the earnings for which are almost fully cycled into comparatives. Phase 2 on the other hand will launch in November with a smaller number of panels. We estimate the impact on EBITDA of this timing difference to be c\$1.5m; and
- H2 2015 also saw an increased number of non-media shelter site sales to councils, and other cost initiatives that will not be repeated in 2016. This equates to roughly \$2m in last year's results.

Hong Kong Outdoor

Hong Kong Outdoor continues to operate in a challenging market with H1 total advertising industry spend dropping more than 10 per cent due to weak economic conditions. Despite these challenges, Cody billboard advertising revenues grew 44 per cent to \$12.4 million, assisted by the business successfully securing and retaining a number of strategic, highly visible billboard sites, including the Eastern and Western Harbour Tunnels, Tai Lam Tunnel and Hung Hing Road sites.

NZME

The demerger of NZME was completed on 29 June 2016 and the results for the period up to the demerger have been presented as a discontinued operation. NZME financial results can be found in separate financial statements of NZME Limited.

Australian Regional Media

Total revenues declined 6 per cent to \$89 million on 2015, while EBITDA declined 42 per cent to \$4.7 million. Local advertising revenues held, recording a 1 per cent decline. National advertising revenue declines of 12 per cent tracked in line with the broader market.

APN shareholders will vote on the proposed sale of ARM on Friday 16 September 2016.

APN strategy

Our strategy for growth is underpinned by four key pillars:

- **To grow our audience base** across new and existing audiences by enhancing our content offerings;
- **To diversify our revenues** particularly into the growing revenue streams of mobile, social and video;
- **To expand our digital and data capabilities** and take advantage of advanced technology and platform distribution and to meet the demands of marketers in today's media market; and
- **To optimise integration** ensuring greater collaboration across all APN businesses from a content, revenue, cost and IP perspective thereby providing a unique and compelling position for APN in Australian media.

Mr Davis concluded: "The progress made to date has been substantial as we enter into the next phase of our development – that is, a relentless focus on driving our core businesses, complemented by our search for investment opportunities that fit with our strategic pillars and deliver increased shareholder value. Finally, we will be working harder and closer together as an integrated APN group to derive revenue and cost synergies across the board."

Ends.

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