Half Year Results 2016

APN NEWS & MEDIA

APN NEWS & MEDIA LIMITED
ABN 95 008 637 643

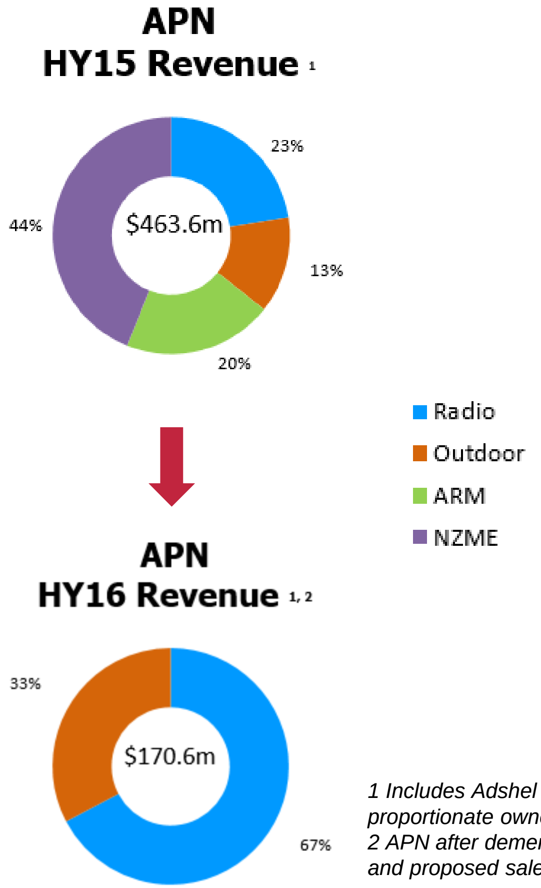
Agenda

- 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



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

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

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)

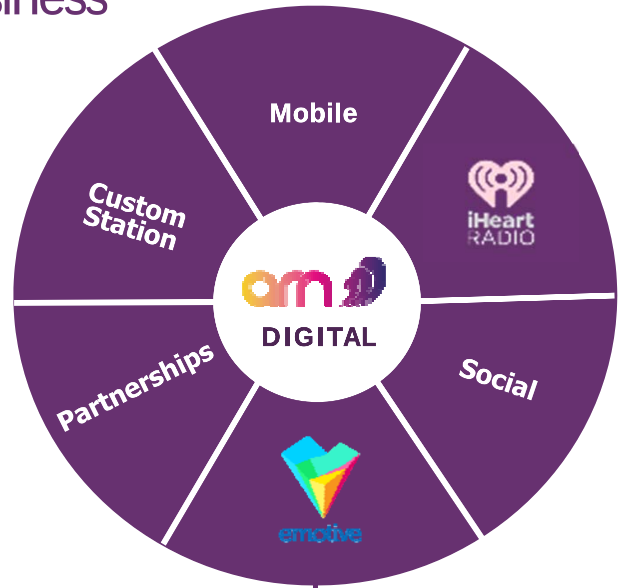
Content investment to drive ratings

- 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.

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

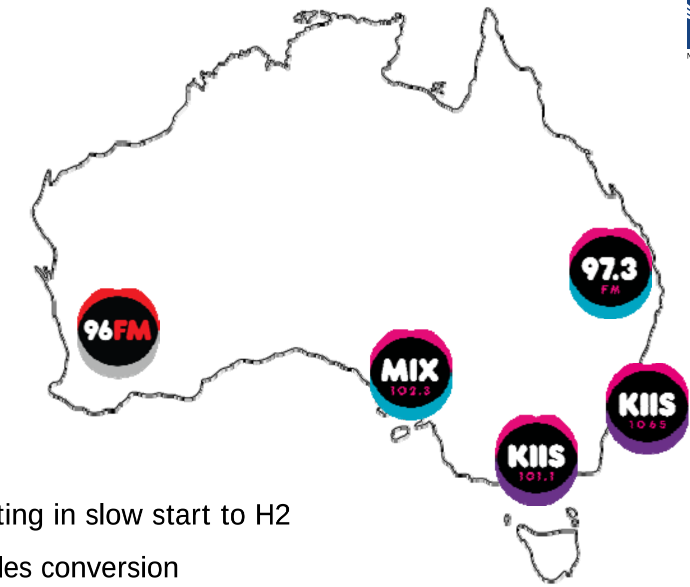
Financial update

- 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%	

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



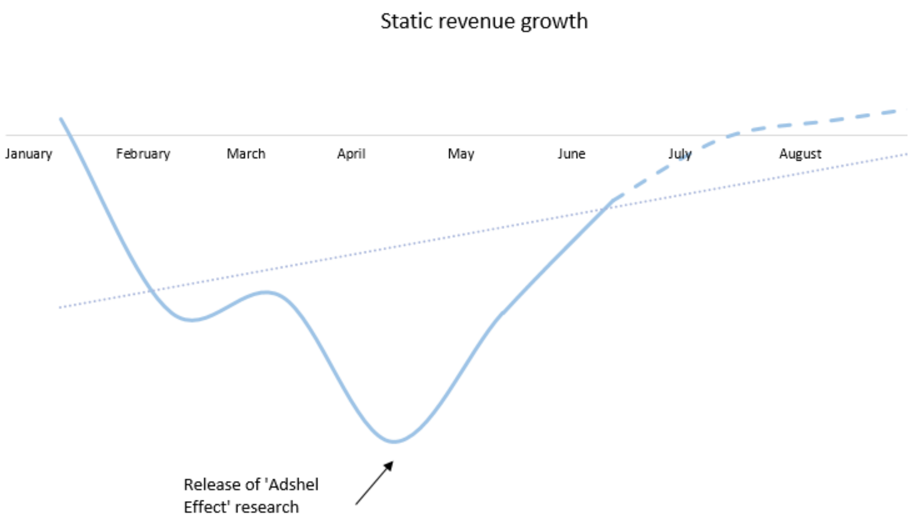
Trading Update

- 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

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	

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

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

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

Reconciliation of segment result to statutory result

	Segment result		Exceptional items		Statutory result	
A$ million	**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**

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)
Exceptional items		
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**

ARM discontinued operation

- Write-down of assets to fair value less transaction costs following divesture 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)
Exceptional items		
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**

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

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

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

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