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## **ASX Announcement**

26 April 2016

The Manager  
Company Announcements Office  
ASX Limited  
Level 4, 20 Bridge Street  
SYDNEY NSW 2000

Dear Sir

### **RE: UNDERLYING EBITDA GUIDANCE FOR THE 12 MONTHS ENDED 30 JUNE 2016**

Pacific Star Network Limited wishes to advise that following a review of March management accounts and forward forecasts for the remainder of FY16, directors have determined that underlying EBITDA for the full year is expected to be in the range of \$3.1-\$3.3 million (FY15 - \$2.7 million).

The key drivers for the revised underlying EBITDA guidance are:

#### **1. Broadcasting**

Based on the latest estimates, net advertising revenue is expected to be on par with the prior year (2015: \$14.3 million) but will come in under budget. Advertising revenue has been softer in recent months and the upcoming Federal election is unlikely to provide any significant revenue upside.

Broadcasting revenue has been softer than expected due to sales staff turnover and a delay in transitioning to a new General Manager – Broadcasting. A process is underway to recruit an experienced General Manager and we expect to make an appointment in the next few weeks. The new recruit will have targeted accountability to drive revenue and earnings growth from our broadcast assets.

#### **2. Publishing**

Combined magazine copy sales and advertising revenue in the second half of FY16 are tracking 11% lower than the prior comparative period (\$4.8 million) and will also come in under budget in the second half.

Sales data for publications that went or will go on sale in the second half of the year through traditional channels are trending downwards. We have extrapolated these results out to the end of the financial year and this will have a flow on impact on revenue and EBITDA in the second half.

The frankie press division of publishing (frankie, Smith Journal and Slow Living) has initiated a restructure to better position editorial resources across brands and grow digital, subscriptions

and social media assets. Work is also underway on a redesign of frankie with Slow living undergoing a total redesign to better align itself within Frankie press.

Following the acquisition of the Morrison Media business in December 2014, trading losses have grown for smaller publications such as Surfing Life. By way of example, we initiated a re-launch of this brand in March this year and resolved to sustain increased trading losses in the short term whilst we monitor sales of this re-launched brand from a periodic publishing model to a digital and print features based model, including a focus on video content.

The rebranding and re-launch of this publication shows early signs of transformation are promising, however, we will continue to review this in the coming months. In line with this, we are reviewing the long term viability of some smaller publications with a view to either ceasing print publication or transitioning to a lower cost digital model in the near future.

### 3. Digital Transformation

As foreshadowed in the appointment of new Group CEO, George Papadopoulos earlier this year, we see digital transformation as one of the key building blocks for the future.

In setting our digital strategy, our goal is to be a digital-first publishing and multichannel broadcasting company available across all distribution platforms. We want to target our already strong niche and loyal audience through our social channels and increase engagement in publishing and broadcasting.

As a media company we have a tremendous amount of content. As we develop our digital eco-system, we see the future in transforming those assets into digital properties for mobile devices while continuing to drive operating profits from our existing business.

We have incredible engagement with our audience across all channels and the implementation of real time data and analytics will allow us to be more agile and responsive to our audiences and advertises to, reach audiences we would typically not be able to reach terrestrially.

Yours faithfully

A handwritten signature in blue ink, appearing to read "Andrew Moffat".

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Andrew Moffat  
**CHAIRMAN**

#### FOR FURTHER INFORMATION, PLEASE CONTACT:

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