MACQUARIE AUSTRALIA CONFERENCE PRESENTATION COMMENTARY

SYDNEY, 6 May 2015: Fairfax Media Limited [ASX:FXJ] Chief Executive Officer Greg Hywood will today deliver a presentation at the Macquarie Australia Conference in Sydney. Comments accompanying the presentation are set out below.

Slide 1

Good afternoon everyone.

It's great to be presenting again at the Macquarie Australia conference. We're pleased so many of you could join us today.

At the end of this presentation I will be providing a trading update – and you will see that revenues are up just under 1% on a continuing business basis. It is important to note that we continue to invest to take advantage of growth opportunities.

Overall group revenue growth reflects the many actions we have taken over the past three years, including acquisitions, restructuring and growth initiatives.

I'll talk through those initiatives in some detail today – and how we have set ourselves up for the future.

Three years ago the prevailing view in the market was that the Fairfax business was profoundly challenged.

Our industry had undergone enormous change. Many thought a 180-year-old company wouldn't be able to make the necessary change and move with the times.

But we did. And the market is now starting to see the potential that we see:

- We have a strong growth vehicle in Domain.
- We have stabilised metro publishing and are in the process of continued transformation. The headwinds are still there, which means cost-out and structural adjustment to the business is ongoing.
- We have balance sheet strength and net cash which gives us the capacity to invest for growth.

Fairfax has wholeheartedly embraced the new realities of modern media. We thought our way through the challenges. We have and continue to reshape, restructure and revitalise our company.

We have the right people in place to use their immense talents to drive our strategy of building and monetising audiences by providing quality content and experiences.

We've set ourselves up so we can constantly adjust and respond.

Today I will take you through the step change in performance we have achieved over the last three years – and how we continue to make the right decisions to set up each of our businesses for the future.

Slide 2

It's been a busy three years of delivering against core parts of our transformation.

Our initial priorities involved resetting our cost base through our Fairfax of the Future program, a series of operational changes, and strengthening our balance sheet through a number of strategic asset sales.

Having laid the foundations for cost reduction and restructured our business, our strategy broadened to include reshaping the business for growth and investing for the future.

We embraced a leaner and simpler organisational structure. This move provided the Domain Group with the dedicated focus, attention and resources it needed to become a genuine competitor.

We also created a Digital Ventures unit to nurture digitally-focused businesses and embrace entrepreneurial and disruptive thinking.

We embarked on an aggressive plan to grow our Events portfolio – and later combined it with our Life Media business – building on the strong natural audience and commercial links between these two businesses.

We continue to seek out efficiencies in our business and are constantly developing smarter ways of doing what we do.

Slide 3

Here's a snapshot of how far our business has come as a result of the actions we've taken to build a stronger, more diversified media business.

Our restructuring initiatives represent a 20% reduction of the cost base in FY12 when the program started.

In our metropolitan publishing business, our operating costs in the first-half were 25% lower than they were three years ago. In our regional business, costs are 17% lower.

The number of people we have in our business is down 26% to around 7,500, and yet we haven't skipped a beat in building capabilities around our growth businesses.

The re-scaling of our printing operations for efficiency – which resulted in the closure of our two largest metropolitan sites in 2014 – saw printing capacity utilisation in Sydney and Melbourne markets improve from 40% to 90%.

Over the last three years we have reduced our net debt by well over $1 billion. We have cash in the bank while investing more than $250 million in acquisitions and re-investment.

Fairfax Media reaches almost 11 million Australians aged 14+ across our publishing mastheads – which is the largest audience in the company's history.

Add to this the 2.3 million listeners we reach each month on our newly-expanded radio network in Australia; as well as the 2.8 million New Zealanders aged 15+ that Fairfax engages with each day.

Slide 4

Let's dive into the detail of how we've moved the dial in each of the businesses.

Slide 5

Our Australian Metro Media business includes revenues from The Sydney Morning Herald, The Age and The Australian Financial Review mastheads, Domain Group, Events and Digital Ventures.

The core of this multi-platform media business is its highly valuable audiences, content and journalism. We have developed a new commercial model to sustain and monetise these assets.

Building this new model was not about just cutting costs – although that has been crucial – it has also been about investing and growing new adjacent revenues.

We have stabilised this publishing business, reorganising the newsrooms to be genuinely 'digital first', significantly reducing costs, and outsourcing where appropriate.

We've dismantled the legacy-based, vertically-integrated structure, and become a leaner, more agile organisation – from editorial production, advertising, sales and contact centres.

We run our business on a 24/7 digital-first basis, where the production of a physical newspaper is important but just one part of the process.

We have improved profitability with smarter production methods and increased circulation yield by deliberately reducing our unprofitable production – and all the while continuing to perform well in readership market share and print advertising market share.

One example of the massive changes we have made is that we have got out of $600 million of over-sized capital investment in Tullamarine and Chullora and replaced it with $40 million of extra capital equipment at our regional printing sites in Ballarat and North Richmond.

We have also improved profitability through the diversification of our revenue base.

Revenue used to be just advertising revenue and cover price income. It has now evolved to include digital subscriptions, marketing services, property services, events and more.

Slide 6

Here's a few highlights of how we have optimised print while growing the core digital business and building value in Metro Media.

I talked earlier about increasing our circulation yield by deliberately reducing unprofitable production. Our circulation revenue is up by 29% over three years, with the additional benefit of our success in digital subscriptions. We have more than 158,000 paid digital subscribers for the SMH and The Age, in addition to the 100,000 of our print subscribers who have activated their digital access.

Our publishing operating costs are down by 25% which together with the new revenue initiatives has contributed to growth in adjusted EBITDA of 29%.

The diversification in our revenue base, which I described earlier, can be seen in print advertising now making up just 34% of total revenue in our first-half result.

Through all of these changes in our business model, The Sydney Morning Herald is Australia’s most-read masthead across its platforms, with a monthly audience of well over five million.

I’ll now talk in more detail about our Domain, Life Media & Events, and Digital Ventures businesses, which are reported in the Metro Media segment I just spoke about.

Slide 7

I said recently at our investor briefing on Domain that three years ago the business was a relatively hidden gem in Fairfax – managed as part of a mixed group of digital businesses.

We made a series of decisions to realise Domain’s full potential – providing the business with the autonomy, and the resources necessary, to make it the real estate media and services powerhouse it is fast becoming.

We are committed to providing Domain all the support and investment it needs to achieve its aggressive growth objectives.

The evidence is in that as in other international markets like the US and the UK, there is room for two strong players in the real estate classifieds category.

Domain has leadership in many key markets – number one in Sydney and Canberra – and is making serious challenges in other markets.

We have invested $150 million in acquisitions for the Domain Group – and its employee numbers are up more than 216%, having scaled up our resources in sales and product development.

There are six key drivers of the growth strategy for Domain:

1. Acquire all agents;

2. Acquire all listings;

3. Enhance user experience to drive audience acquisition;

4. Roll-out the agent ownership model;

5. Build Media & Developers revenue; and

6. Strengthen the position of the Commercial Real Estate business.

Let's take a look at how we are delivering against this strategy.

Slide 8

Domain's agent subscribers recently soared past 10,000, giving us 92% market penetration.

To put this in perspective, three years ago Domain had approximately 60% of all agents nationally.

The increase in agent numbers drives growth in listings. Currently, Domain's listings market penetration is 82%, which compares with around 60% a year ago.

We are enhancing user experience to drive audience acquisition through the investment in our award-winning mobile apps. Over the last three years mobile app downloads have increased by almost 270%, supporting the growth in Domain's total audience to more than 4 million.

In the six months to December 2014, site visits to our mobile sites and apps grew 40% compared with the 15% growth experienced by our competitor.

Over the past three years Domain's digital revenue has increased 99% and its digital EBITDA is up 115%.

There's more to come as the agent ownership model rolls out nationally, and we see further growth from Media & Developers and Commercial Real Estate categories.

Last month, in a major new development for Domain, we announced a roll-out of an agent ownership model for commercial real estate. This is attracting high levels of interest from major agents – and provides significant opportunity for our CRE business to strengthen its competitive position.

Domain is well positioned.

The business has a great strategy, a great team and is achieving great momentum.

Slide 9

Turning now to Life Media & Events.

About 18 months ago we moved to expand our existing Events portfolio with an aggressive plan to grow revenue in the area.

We've done just that.

Last month we combined our Events business and our Life Media vertical.

Life Media & Events brings together the bulk of our lifestyle-oriented products – travel, health, food, parenting and motoring – into a single division with a strategy to turbocharge the group's product development, audiences and revenue.

This is a natural evolution of our organisational structure. It makes sense because there are strong natural links between Life Media and Events – there is a high level of overlap between the audiences served by Life Media and the attendees at Events catering to the same niche.

This new structure brings sharper commercial focus, speed to market and an improved product mix to our millions of customers. Our journalism is driving enormous audiences and we need to take best commercial advantage of this success.

There is a significant opportunity for this new division – both commercially and in terms of audience growth. It provides high-quality journalism, content and events across all assets.

This is a highly strategic move and will extend Life Media & Events to include even more transaction revenues.

Slide 10

Over the last three years our Events revenue has lifted by 79%.

We invested to expand the number of events – running, swimming, food and wine, parenting and arts. This increased the number of consumer events from 13 to 23 over the past two years.

Event participants have increased by 2 million over the same period.

We now attract 2.5 million participants to our events each year.

In our Events business, our employee numbers are up 210%.

We have an incredibly strong and highly engaged Life Media audience of more than 4.5 million each month.

Growth in our social audiences has been particularly compelling, up more than 200% in the last year alone.

Slide 11

Let’s now take a look at Digital Ventures.

We established this business unit in April 2013 with a strategy of value creation through investment in digital opportunities and to manage our portfolio of digitally-focused assets.

We have added a number of investments to our portfolio in the last two years.

Investments include online publishing business Allure Media, digital health services company Healthshare and game-based e-learning business for children Skoolbo.

This year we have formed a joint venture with The Huffington Post, which is the leading global source of news and information and the number one news site in the United States.

In the coming months we will launch HuffPost Australia.

Digital Ventures is building a portfolio of strong digital publishing assets. We have the highly enviable position of having exclusive partnerships with three of the top 10 digital native news entities in the US – including HuffPost, Business Insider and Gawker.

Slide 12

A significant transaction in this business was our sale of Stayz in December 2013 for $220 million, achieving an impressive EBITDA multiple of 16.8x.

This is a good example of being strategic and realising value from a business we grew significantly since we acquired it in 2005.

We have invested $32 million to date in acquisitions for Digital Ventures, excluding Stan, our streaming video on demand joint venture with Nine Entertainment Co.

In late January this year we launched Stan – and this new category is fast gaining momentum.

Stan is leading the market with more hours of TV series and movies than its competitors – and is streaming around 1.5 million hours per month.

Stan is on track to achieve 200,000 gross sign-ups in the next few weeks.

By year end, Stan is targeting active subscribers in the range of 300,000 – 400,000.

Slide 13

Our Australian Community Media business of rural and regional newspapers and websites has been restructured from 65 largely separately run businesses into six geographic operating groups.

This approach benefits from working more closely together and increased sharing of resources, while maintaining strong local news, content and sales capability in the hundreds of communities and more than three million readers the ACM business serves.

Our newspapers and websites have very high audience penetration in our markets.

We are adopting new technology, upgrading newsrooms, working more efficiently with new systems and digital-first editorial production practices. We now have a vastly better local sales approach.

Many ACM publications benefited from a spike in mining boom-related advertising spend and have suffered disproportionately with the activity unwinding over the last two years.

We understand the challenges this business faces and have committed to – and are delivering – transformational change to progress ACM into a modern, stronger rural and regional media network.

We are applying many of the same principles that successfully transformed the operations and performance of our Metro business.

Slide 14

This transformation means we will deliver annualised savings of up to $60 million by FY16.

The reality these publications face is reflected in the significant falls in employment advertising, which declined 56% over the last three years.

Our progress in transforming ACM gives us great confidence in the changes we are making.

Operating costs in the last three years are already down 17%.

The new editorial NewsNow system is delivering an average uplift in digital audiences of 40% following its implementation at several mastheads.

This program is not about shutting publications, but restructuring the business and continuing to meet the needs of the provincial towns in our footprint.

Slide 15

In New Zealand our team has been focused on optimising the core business, building a digital future, and looking at ways to improve monetisation.

The business achieved 25% digital revenue growth year-on-year in the first half.

Slide 16

In our publishing business, operating costs are down 13% over the past three years. Our print advertising market share has lifted by half a percentage point over the past two years.

Our very high audience penetration puts us in a strong position to further build our digital assets, the mainstay of which is stuff.co.nz, which is now the fifth largest digital site in the country ahead of Youtube and just behind TradeMe.

Stuff's audience is up 64% in the past three years – and its penetration of the internet population is now more than 40%.

Stuff's mobile site is the highest ranked in the country.

Slide 17

Turning now to our Radio business, which takes the form of a 54.5% shareholding in the ASX-listed Macquarie Radio Network.

The merger of Fairfax Radio Network with MRN was a compelling transaction for everyone involved.

Slide 18

We have created a genuine national Talk radio network that was not previously available to advertisers – with the number one station in Sydney, 2GB, and the number one station in Melbourne, 3AW.

We have brought together the greatest mix of talkback talent ever assembled in a single radio network that engages with a total audience of 2.3 million.

The merger provides both cost and revenue benefits. Cost benefits are estimated at between $10 million and $15 million on an annualised basis and we're well underway with implementation of the transformation plan in this business.

In addition to the benefits arising from the merger, Fairfax realised significant value from the sale of our Perth station 96FM for $78 million.

Slide 19

The experience of the last three years gives us great confidence in the opportunities that lie ahead to maximise the performance of the company.

We are executing a strategy to optimise our core strengths.

Slide 20

Put simply, there are three elements to our strategy:

- We are **growing** existing core businesses. This includes building and investing in our major growth vehicle Domain, growing verticals and leveraging areas where we have competitive strength and skills – such as Life Media & Events. In addition, we are realising the full potential of our restructured Radio business.

- We are continuing the **transformation** to create a sustainable publishing business on the print to digital journey. This involves reshaping the publishing model, continuing to deliver efficiencies, and maintaining cost discipline.

- We are **investing** to develop new growth verticals. An example of which is our streaming video on demand joint venture, Stan. We are leveraging our balance sheet strength to pursue strategic opportunities and to create shareholder value.

In conclusion – looking back in the rear view mirror you can see the profound transformation of Fairfax from a traditional media business into the stronger, more diversified media company that it is today.

We are confidently accelerating into the future.

Slide 21

I'll now provide an update on current trading.

Slide 22

Overall group revenues for continuing businesses are up just under 1% for the 1 January 2015 to 26 April 2015 period compared to the prior corresponding period.

It is important to note that we continue to invest to take advantage of growth opportunities.

Continuing businesses includes 100% of MMP (from February 2015) and 100% of the Macquarie Radio Network (from April 2015).

96FM has been excluded from FY15 and FY14 results following its divestment.

Revenues across our current reporting segments:

- Metro Media, which includes Domain, is up around 7%.
    - Publishing revenues are down 7%.
    - Domain's overall revenue is up 54% including the benefit of acquisitions (MMP from February 2015 and Allhomes from October 2014), with its total digital business up around 32% and domain.com.au up around 27%.
- Australian Community Media is down around 8%.
- New Zealand is up less than 0.5% including currency benefit.
- Radio is up 9% on a continuing business basis which excludes 96FM (which has been sold) and includes four weeks of the combined Macquarie Radio Network.

Slide 23

Thank you for your time.

Our CFO David Housego will now join me to take your Q&A.

Slide 24

Slide 25

– ENDS –

Contact:

Brad Hatch
Director of Communications
+61 2 9282 2168