

# Fairfax

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Half Year Results 2002

14 February 2002

# Result Overview

- ◆ Impact of worst advertising recession in a decade ameliorated by continuing cost control
- ◆ f2 loss significantly reduced to \$15.3m EBIT loss
- ◆ Write-down of \$11m on sale of CitySearch Online business to Pacific Access
- ◆ We have continued to strengthen, build and position the business for growth

# Result Overview

## LY Comparison

Profit after tax	\$36.1 m	Down 53.4%
- pre significant items	\$47.1 m	Down 34.7%
EPS pre significant items	6.4 cents	Down 35.2%
Trading Revenue	\$602.0 m	Down 10.6%
Costs	\$480.8 m	Down \$26.0m or 5.1%
Dividend	4.5 cents	In line with last year

# A Tough Advertising Market

- ◆ Worst advertising market in over a decade
- ◆ Metro advertising volumes significantly affected on pcp
  - Employment advertising volumes down 30%
  - National display advertising volumes down 23%although Real Estate advertising volumes up 22% & Motor Vehicles up 2%
- ◆ Overall market share maintained

# Cost Management

- ◆ Costs Reduced \$26m (5.1%) on pcp
- ◆ Real cost savings excluding Olympics and Industrial action of approximately \$35m (7%)
- ◆ Costs reduced across all areas and all categories despite limitations of minimum pagination

# Cost Management

	<b>Dec 2001</b>	<b>Dec 2000</b>	<b>Var</b>
	<b>\$'m</b>	<b>\$'m</b>	<b>\$'m</b>
<b>Staff</b>	208.1	212.2	4.1
<b>Newprint &amp; Paper</b>	107.4	104.1	(3.3)
<b>Distribution &amp; Production</b>	66.4	74.2	7.8
<b>Promotions &amp; Advertising</b>	26.0	32.3	6.2
<b>Other Expenses</b>	72.9	84.1	11.2
<b>TOTAL</b>	480.8	506.8	26.0

# Publishing Business Results

## LY Comparison

Revenue	\$579.1 m	Down 10.8%
Costs	\$445.1 m	Down \$15.5m or 3.4%
EBIT	\$103.1 m	Down 35.3%
EBIT Margin	17.8%	Down from 24.5%

# f2 Results \*

		<u>LY Comparison</u>
Revenue	\$22.9 m	Down 5.8%
Costs	\$35.7 m	Down \$10.5m or 22.7%
EBIT	(\$15.3 m)	Improvement of 38.1%
EBIT Margin	(66.8%)	Up from (101.6%)

**\* Excluding write-down on sale of CitySearch Online business**



# **Financial Performance**

# Summary Profit & Loss

	Dec 2001	Dec 2000	
	\$m	\$m	Var %
<b>Revenue</b>	<b>602.0</b>	<b>674.2</b>	<b>(10.7)</b>
Share of associate profits	0.2	5.3	
Costs	(491.8)	(507.5)	3.1
<b>EBITDA</b>	<b>110.4</b>	<b>172.0</b>	<b>(35.8)</b>
Depreciation	(33.4)	(32.2)	(3.6)
<b>EBIT</b>	<b>77.0</b>	<b>139.8</b>	<b>(44.9)</b>
Interest (net)	(18.3)	(23.7)	22.9
<b>Profit before Tax</b>	<b>58.7</b>	<b>116.1</b>	<b>(49.4)</b>
Tax	(22.7)	(38.7)	41.4
<b>Net Profit</b>	<b>36.1</b>	<b>77.4</b>	<b>(53.4)</b>
<b>EPS (cents) - basic</b>	<b>4.9</b>	<b>10.6</b>	<b>(53.7)</b>
<b>Net Profit pre-significant</b>	<b>47.1</b>	<b>72.1</b>	<b>(34.8)</b>
<b>EPS (cents) - pre-significant</b>	<b>6.4</b>	<b>9.9</b>	<b>(35.2)</b>

# Profit & Loss: Underlying Trading Performance

	As reported			Adjustments		Underlying Trading Performance		
	2001	2000	Var	2001	2000	2001	2000	Var
	\$m	\$m	%	\$m	\$m	\$m	\$m	%
Revenue	602.0	674.2	(10.7)	(0.0)	(0.7)	602.0	673.6	(10.6)
Associate profits	0.2	5.3	(96.7)		(5.3)	0.2	-	0.0
Costs	491.8	507.5	(3.1)	(11.0)	(0.7)	480.8	506.8	(5.1)
EBITDA	110.4	172.0	(35.8)	11.0	(5.3)	121.4	166.8	(27.2)
Depreciation	33.4	32.2	0.0	0.0	0.0	33.4	32.2	0.0
EBIT	77.0	139.8	(44.9)	11.0	(5.3)	88.0	134.5	(34.6)

*Note: Adjustments comprise the effects of significant items, proceeds from disposals and profits from associates*

# Balance Sheet

	<b>Dec 2001</b>	<b>June 2001</b>	<b>Dec 2000</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Intangibles	1,272.1	1,278.4	1,277.5
Property, plant and equipment	672.9	651.8	602.6
Investments	17.8	18.7	17.9
Receivables	221.5	232.1	229.3
Inventories	28.0	25.0	24.9
Other Assets	38.5	57.7	56.6
Net Borrowings	(555.6)	(765.8)	(729.2)
Other Liabilities	(308.9)	(356.9)	(345.8)
<b>Net Assets</b>	<b>1,386.2</b>	<b>1,141.0</b>	<b>1,133.8</b>

# Cashflow Summary

	Dec 2001	Dec 2000
	\$m	\$m
<b>Underlying EBITDA</b>	<b>121.4</b>	<b>166.8</b>
Working capital movements	27.6	(27.9)
Dividends received from associates	0.2	45.7
Net Interest paid	(17.9)	(23.7)
Income tax paid	(49.7)	(66.7)
Other	(7.1)	(0.5)
<b>Free cash flow</b>	<b>74.5</b>	<b>93.7</b>
<b><u>Utilised as follows:</u></b>		
Increase/(Decrease) in net debt	(210.1)	117.3
Net capital expenditure	(50.2)	(117.9)
Net investments	0.8	(6.5)
Dividends paid	(51.4)	(51.2)
Loan repaid - related entities	(0.5)	(35.1)
Payment for intangibles	(5.4)	(1.3)
Proceeds from "PRESSES" Issue	242.3	0.0
Other	0.0	1.0

# Key Financials \*

	Dec 2001	Dec 2000
EBITDA/Sales	20.1%	24.8%
EBIT/Sales	14.6%	20.0%
Publishing EBITDA/Sales	23.1%	29.1%
Publishing EBIT/Sales	17.8%	24.5%
Interest cover (times)	6.6x	7.3x
Net Debt	\$555.6 m	\$729.2 m
Net Debt /EBITDA	2.2x	2.0x

**\* Excluding write-down on sale of CitySearch Online business**



# **Financial Performance Summary**



# **Operational Review**

# Profit & Loss: Publishing Business

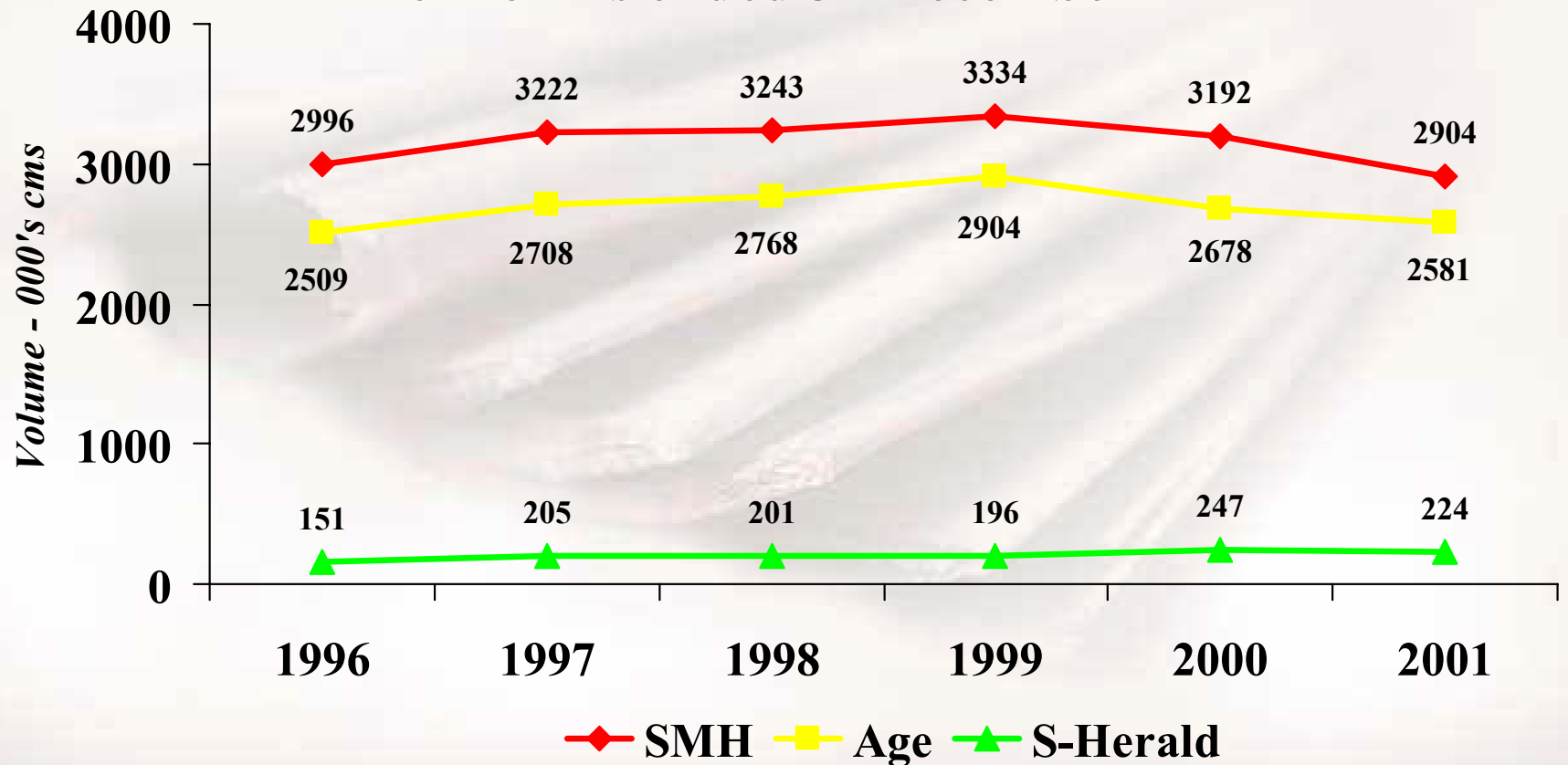
	Dec 2001	Dec 2000	Var	Var
	\$m	\$m	\$	%
Trading Revenue	579.1	649.3	(70.2)	(10.8%)
Costs	445.1	460.6	15.5	3.4%
EBITDA	134.0	188.7	(54.7)	(29.0%)
Depreciation	30.9	29.4	(1.5)	(5.1%)
EBIT	103.1	159.3	(56.2)	(35.3%)
EBITDA %	23.1%	29.1%		
EBIT %	17.8%	24.5%		

# Publishing - Advertising Volumes

Last yr % var	<u>SMH</u>	<u>AGE</u>	<u>AFR</u>	<u>SH</u>
Classified Volume	(9.0%)	(3.6%)	-	(9.3%)
Display Volume	(19.7%)	(14.9%)	(27.1%)	(13.9%)

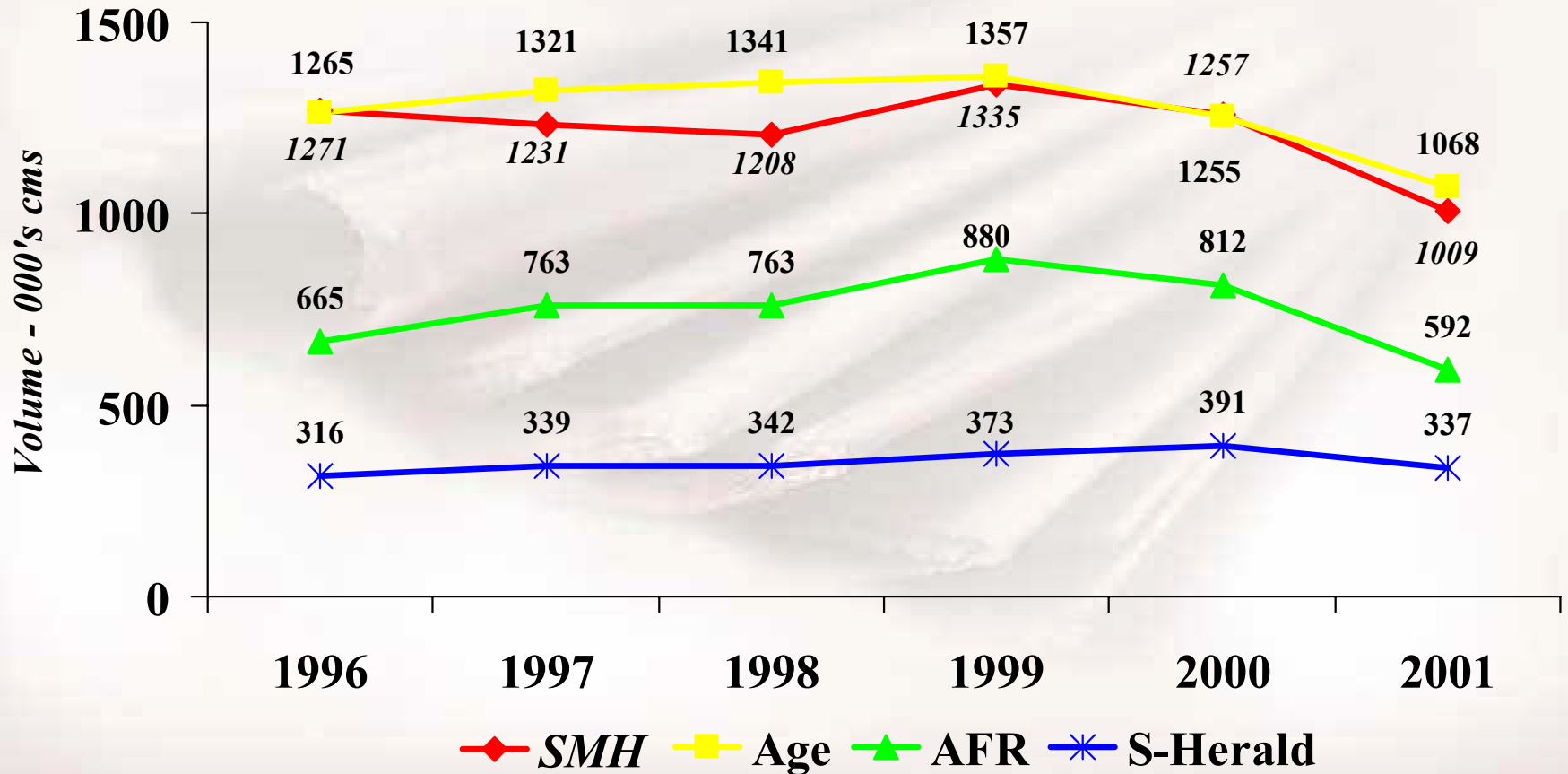
# Publishing Business

## Advertising Volumes - Classifieds 6 months ended 31 December



# Publishing Business

## Advertising Volumes - Display 6 months ended 31 December



# Circulation

Last Year % var		<b>SMH</b>	<b>AGE</b>	<b>AFR</b>	<b>SH</b>
Net Avg Circulation Change		0.9%	0.9%	(2.2%)	(1.6%)
Net Avg Circulation Change	M-F	0.2%	0.3%	(2.7%)	
	Sat	1.9%	1.3%	0.6%	
	Sun		3.4%		(1.6%)
* Net Avg Circulation (000's)	M-F	224.3	191.5	91.0	
	Sat	388.1	313.5	91.4	
	Sun		196.5		559.1

\* Source: ABC 6 month circulation, February 2002

# Publishing: Summary

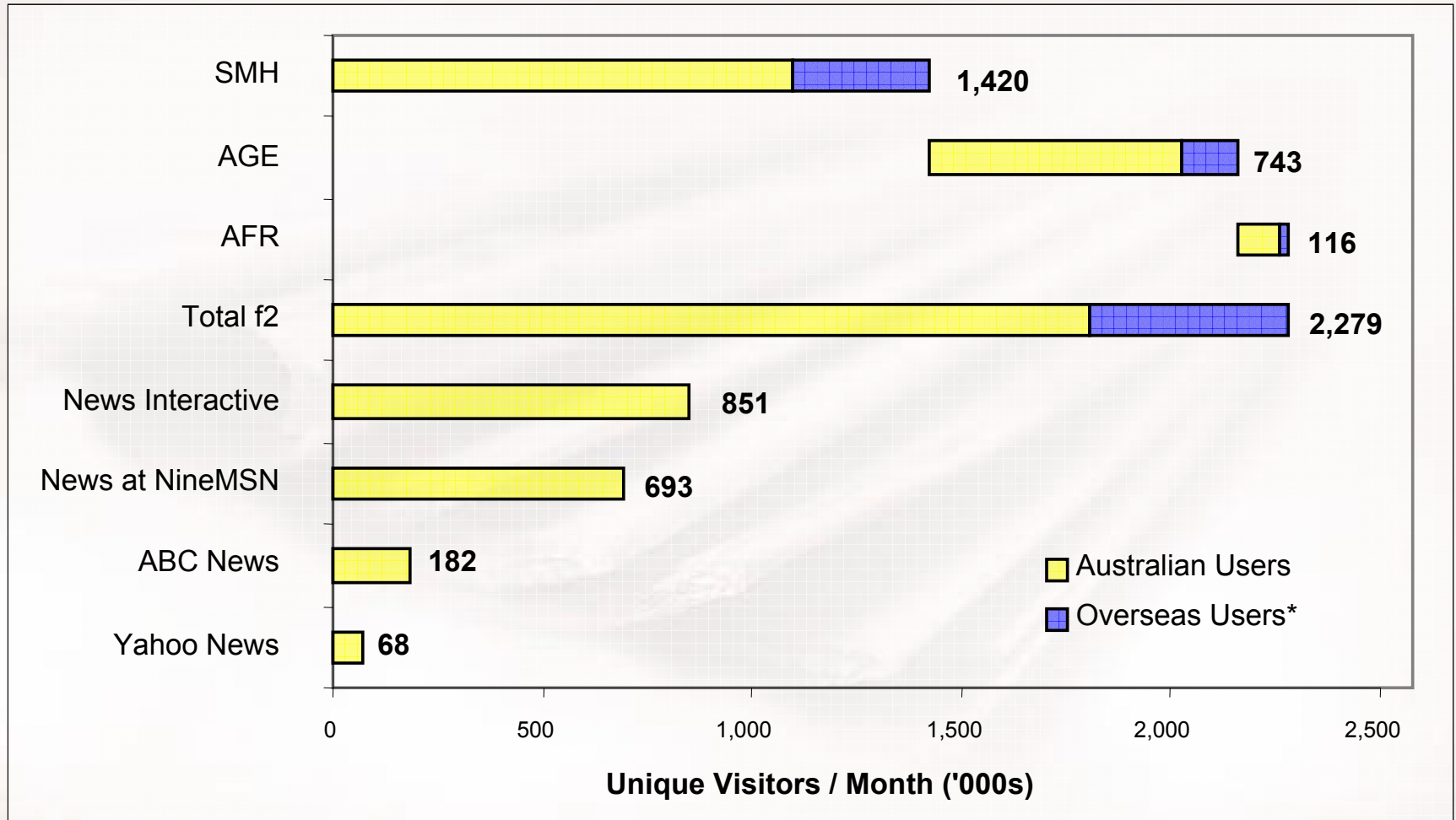
- ◆ Continuing cost reductions in advertising downturn
- ◆ Continuing initiatives to position business for the upturn
  - Revenue
  - Quality
  - Efficiency
  - New Capacity

# CitySearch Directories

- ◆ MOU for sale of Online business to Pacific Access for \$20m
- ◆ Write-down on sale of \$11m
- ◆ Review of carrying value of print directory business. Write-down not anticipated to exceed \$25m

# Leading Online News Position

December 2001



\* No data for overseas visitors to our competitors

Source: Red Sheriff, December 2001

# f2 - News & Classifieds

- ◆ Stay in touch with the leaders but at a fraction of our competitor's losses
- ◆ Ranked either #1, # 2 or # 3 on any relevant measure
- ◆ Significant improvement in the EBITDA loss
- ◆ Continued focus on developing new revenue streams

# Profit & Loss : f2 \*

	Dec 2001	Dec 2000		
	\$m	\$m	var \$	var %
<b>Revenue</b>				
Directories	16.5	16.8	(0.3)	(1.8%)
News & Classifieds	6.4	7.5	(1.1)	(14.7%)
<b>Total</b>	22.9	24.3	(1.4)	(5.8%)
<b>Expenditure</b>				
Directories	23.5	27.7	4.2	15.2%
News & Classifieds	12.2	18.5	6.3	34.1%
<b>Total</b>	35.7	46.2	10.5	22.7%
<b>EBITDA</b>				
Directories	(7.0)	(10.9)	3.9	35.8%
News & Classifieds	(5.8)	(11.0)	5.2	47.3%
<b>Total</b>	(12.8)	(21.9)	9.1	41.6%
Depreciation	2.5	2.8	0.3	10.7%
<b>EBIT</b>	(15.3)	(24.7)	9.4	38.1%

\* Excluding write-down on sale of CitySearch Online business

# Summary

- ◆ Impact of worst advertising recession in a decade ameliorated by continuing cost control
- ◆ f2 loss significantly reduced to \$15.3m EBIT loss
- ◆ f2 loss to be no more than \$10m EBIT in 2003 financial year
- ◆ Write-down of \$11m on sale of CitySearch online business to Pacific Access
- ◆ We have continued to strengthen, build and position the business for growth