

8 April 19

## ASPERMONT HIGHLIGHTED IN CCZ MARKET RESEARCH REPORT

Aspermont was recently covered in a March'19 market research report for the Australian media sector.

The report was published by [CCZ Statton Equities](#) analyst Roger Colman.

Colman has decades of experience and strong recognition as one of the best media analysts in Australia over the last 20 years

Colman picks out Aspermont as a pioneer of online paywall content models and as which company understand how to value and build its 'reliable' revenue streams in subscriptions.

Mr Colman's full report is attached to this announcement and his references to Aspermont are on pages 6 and 7

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### About Aspermont

Aspermont is the leading media services provider to the global mining and resources industry and delivers high value, premium subscription-based content through digital, print, conferencing and events channels. Aspermont's portfolio includes brands such as *Mining Journal*, *Mining Magazine*, *Australia's Mining Monthly* and *MiningNews.net*. Aspermont successfully restructured over recent years to transition from print to become the global digital media distributor to the mining and resource industry and is focused on scaling new content solutions to better serve new territories and sectors.

Aspermont is listed on the Australian Stock Exchange (ASX: ASP) with offices in London, Perth, Sydney, Denver and Belo Horizonte.

For more information please see: [www.aspermont.com](http://www.aspermont.com)

21 March 2019

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## ***Newspapers - Sunshine***

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- **Google and Facebook didn't make off with all the FXJ print profits. REA/CAR/SEEK did.**
- **Google destroyed White and Yellow pages.**
- **Arguing about Google and Facebook is not going to change newspaper economics much.**
- **Pure journalism has reasonable and often growing profitability after decades of losses.**
- **Newspapers are safe as houses *if* AB demo targeted and/or they are national or state icons.**

**Google and Facebook didn't make off with all the FXJ print profits. REA/CAR/SEK did. Google is like a newsagent.** it displays the title and headlines, and anything beyond that is either paywall or free at the publisher's discretion (once copyright tightened). **Google made off with the White and Yellow pages (2004) revenues of \$1.287b** (c \$2.678b in current dollars at 5% pa growth rate).

The only possible copyright encouragement to corral readers into paywalls will be **copyright adherence for re – purposing of content by Google and Facebook users**. This is the compliance that ensures that behind paywall content does not get depreciated by Google and especially Facebook users. The **ACCC's relevant recommendation** is for *"Setting a Mandatory Standard regarding digital platforms' take-down procedures for copyright-infringing content to enable effective and timely removal of such material"*. This may drive further subscriptions as the range of "stories" and content viewed on search or Facebook are diminished. In line with the increasing failures of free digital models, newspaper's future looks better from a profit and regulatory view.

### **Buy iconic newspapers - NEC did**

The purest play is NZM, thence in descending order of newspaper leverage, NWS, and SWM. Best optionality is PRT based upon the unknown probability of a merger with ACM (NEC cast off).

**This analysis says that the surviving metro/national newspaper groups have staged a massive structural turnaround and deserve much higher valuations of earnings than currently given** (surviving ones - national icons). **We exclude regional local** (NEC's ACM EBITDA should fall the equivalent of the 2007 APN regional peak to trough of c7/8<sup>th</sup>), **state-based monopolies, but allow social economic AB titles as the only high paywall survivors.**

**FXJ has done a superb job moving journalism from a loss of \$132m pa in 2005 to EBITDA profits of between \$39-65m in 2019 (1HFY19 +58% EBITDA lift See below).** That's market power and should be credited with a higher valuation multiple.

*The author of this report holds shares in the following companies mentioned in this report: NZM and SWM. The author was also a founder of CarAdvice, and owned newspapers competing with NWS and APN in Townsville and Mackay respectively.*

The FXJ Metro newspapers have had a superb IHFY19 with the following key movements:

	% chg. IHFY19	Comment
Print Circulation subscription	+1%	+20c 1/9/18
Digital subscription	+14%	Digital subs getting easier. New normal
Total subscription	+3%	
Print advertising	-1%	NEC cannot print travel section ad demand
Digital advertising	+21%	Data trusted more than Google/Facebook
Total advertising	+5%	
Total costs	-3%	Easy days costs savings smaller
EBITDA	\$39.5m	IHFY18: \$24.9m
EBITDA	+58%	gee

And the sum total is a newspaper group- despite facing a twin NWS newspaper pincer every morning in Sydney and Melbourne - able to more than eke out a solid EBITDA margin and burgeoning profits. It had to match NWS (NWS newspaper data below) which evolved *The Australian* to a high paywall ratio of 1.5X print copies versus its state based and populist titles ratios of < 0.8X in state monopoly cap city newspapers, and only 40% and 59% for the *Herald Sun* and *Daily telegraph* respectively.

NWS has withdrawn from the ABC and this is the last extract of NWS titles performances for paid subscribers (not audiences).

	Average Daily Paid Print Circulation <sup>(1)</sup>	Total Paid Subscribers for Combined Masthead (Print and Digital) <sup>(2)</sup>	Total Monthly Audience for Combined Masthead (Print and Digital) <sup>(3)</sup>
<i>The Australian (Mon – Fri)</i> . . . . .	88,581	135,783	3.2 million
<i>The Weekend Australian (Sat)</i> . . . . .	215,228		
<i>The Daily Telegraph (Mon – Sat)</i> . . . . .	192,007	114,203	4.6 million
<i>The Sunday Telegraph</i> . . . . .	334,209		
<i>Herald Sun (Mon – Sat)</i> . . . . .	278,066	108,801	4.1 million
<i>Sunday Herald Sun</i> . . . . .	325,592		
<i>The Courier Mail (Mon – Sat)</i> . . . . .	125,010	80,291	3.0 million
<i>The Sunday Mail</i> . . . . .	259,689		
<i>The Advertiser (Mon – Sat)</i> . . . . .	106,171	85,770	1.5 million
<i>Sunday Mail</i> . . . . .	166,139		

(1) For the year ended June 30, 2018, based on internal sources.  
 (2) As of June 30, 2018, based on internal sources.  
 (3) For the month of May 2018, based on Enhanced Media Metrics Australia (“EMMA”) average monthly print data for the year ended May 31, 2018 and Nielsen desktop, mobile and tablet audience data for May 2018. EMMA data incorporates more frequent sampling and combines both online usage derived from Nielsen data and print usage into a single metric that removes any audience overlap.

Source: NWS

And the differences between print and digital. The NEC figures for the FXJ titles may **represent a corraling of digital viewers seeking a free read relative to the tighter NWS paywalls**. The SMH figures also include the un-monetizable *Weatherzone*, which is one of Australia’s most digitally visited. Overall, on cross brand readership these two groups NEC and NWS have the future stable segments wrapped up.

**State/Territory Calibrated to DCR Ratings – December 2018**

Region	NEWS BRAND	Print Audience (Dec 18)	Digital Audience (Dec 18)	Total Audience (Dec 18)
NSW	Daily Telegraph	2,421	2,196	4,103
NSW	Illawarra Mercury	134	334	457
NSW	Newcastle Herald	263	531	784
NSW	Northern Star	80	199	275
NSW	Sydney Morning Herald	1,732	6,892	7,675
NSW	The Land	235	133	359
VIC	Geelong Advertiser	158	197	345
VIC	Herald Sun	2,385	2,041	3,864
VIC	The Age	1,229	2,965	3,658
VIC	The Courier	79	236	311
QLD	Cairns Post	138	277	408
QLD	Chronicle	112	247	351
QLD	Courier-Mail	1,471	1,687	2,706
QLD	Gold Coast Bulletin	202	440	625
QLD	Morning Bulletin	70	172	237
QLD	Sunshine Coast Daily	156	451	587
QLD	The Border Mail	106	163	262
QLD	Townsville Bulletin	141	359	491
SA	Adelaide Advertiser	834	1,104	1,674
TAS	Mercury (Tas)	192	331	467
TAS	The Examiner	120	193	262
WA	Sunday Times	597	1,386	1,683
WA	West Australian	1,030	1,790	2,351
ACT	Canberra Times	176	518	624
NT	Northern Territory News	104	377	413
NSW/ACT/VIC/QLD/ WA/SA/TAS	The Senior	679	27	706

Source: emma™ conducted by Ipsos Connect, People 14+ for the 12 months ending December 2018, 14+ Nielsen Digital Panel data calibrated to Digital Content Ratings December 2018.

**National / Metro Titles Calibrated to DCR Ratings – December 2018**

NEWS BRAND	Print Audience (Dec 18)	Digital Audience (Dec 18)	Total Audience (Dec 18)
<b>Total National or Metro Newspapers</b>	<b>10,196</b>	<b>11,168</b>	<b>14,974</b>
Financial Review	997	1,386	2,230
The Australian	1,898	1,733	3,364
The Weekly Times	336	302	627

Source: emma™ conducted by Ipsos Connect, People 14+ for the 12 months ending December 2018, 14+ Nielsen Digital Panel data calibrated to Digital Content Ratings December 2018.

**The sharp recovery in newspapers (some of this is from NMI data/transcripts)**

SMI doesn't record the print digital growth properly. News Media Industry data (NMI members are SWM, NEC, NWS) is probably more accurate.

When comparing the agency-only SMI data to the NMI data, advertisers are growing their digital investment to news media websites at a far faster pace than that of the broader digital market. The lack of transparency of the Facebook and Google platforms means that advertisers are often unable to verify as well as should be expected, whether advertisements are served to their intended audience. Changes to the algorithms that digital platforms use can happen suddenly and without enough information being provided.

### The large newspaper industry digital recovery in 1HFY19

Digital ad spends	NMI data (from publishers)	SMI digital agency
Dec 2018	+21.4%	-4.6%
4 <sup>th</sup> qtr. Cy18	+6%	-0.8%
CY18	+8.7%	+5.8%

Source: NMI/SMI

**Penetration is still superb:** Digital and print news (NMI definition) is read by 15.7 million Australians, or 85 per cent of the population (EMMA -Enhanced Media Metrics Australia data<sup>1</sup> for November 2018). Across digital and print, news media is read by 17.4 million people, or 94 per cent of the population monthly. FTA reach is between 80-88% monthly, regional FTA reach is c87%, and outdoor campaigns can reach 72-75% nationally now.

**In print,** Australian newspapers are still read by 12.1 million people, or 65 per cent of the population. Metro newspapers are read by 9.9 million people, or 53 per cent of consumers. Regional and community newspapers are read by 5.8 million people, or a third of the population (31 per cent). As with the recovery in the USA book market (every year since 2013 book sales have risen, and are now 10.8% above 2013), some newspaper categories - e.g. travel, magazines and weekends may see a consumer turnaround. With cover prices of c\$4 on weekends, there are printing profits still to be made.

### The turnaround - New York Times.

NYT share price tells the story-a paywall USA national icon plus international reader capture operator. In Australasian terms, the nearest equivalent is the NZ *Herald*, because FXJ competes with NEWS' *The Australian*, a split margin limiting battle between these two.



Source: Tradingview

Neither has the NYT significantly outperformed the FXJ metros financial metrics (ex-Domain), especially given the two-newspaper pincer FXJ faces in Sydney and Melbourne each day with *Daily Telegraph/Herald Sun* topped by *the Australian*, versus a much cleaner market in NY. The NYT EBITDA margins are slightly above that of FXJ and indicate the ability for a small market such as Sydney or Melbourne to build a business model against a much larger competitor in NWS Australia. The data below also covers CCZ estimates of the *NZ Herald* which is still late on the road to print advertising decline to the extent of the aforementioned two title groups. *NZ Herald* has not even launched a paywall yet, but has a much more dominating position than either of the above, as illustrated in the final segment of this research.

**The issue is, with NEC trading at c5.1X FY20 (full year of FXJ), NZM at 3.0X CY19, and NWS at 6.9X (FY19), NYT trades at prospective next 4 qtrs. 19.4X and PER of 45X, are the Australasian newspaper groups too cheap?**

NWS IHFY19 WSJ (established: 1889) achieved 7% circulation revenue increase on a +23% lift in digital subs. What FXJ achieved for NEC below, was partly duplicated by NWS in 1HFY19 (+18% Australian digital subs). When viewing the low churn rates and 100+year masthead intangibles, **these are multi century operations.**

- *The Wall Street Journal* average daily digital subscribers in the three months ended December 31, 2018 were 1,709,000, compared to 1,389,000 in the prior year (Source: Internal data)
- Closing digital subscribers at News Corp Australia's mastheads as of December 31, 2018 were 460,300, compared to 389,600 in the prior year (Source: Internal data)
- *The Times and Sunday Times* closing digital subscribers as of December 31, 2018 were 269,000, compared to 220,000 in the prior year (Source: Internal data)
- *The Sun's* digital offering reached approximately 80 million global monthly unique users in December 2018, compared to 86 million in the prior year, based on ABCe (Source: Omniture)

Source: NWS

The tale of three cities' iconic newspapers -high single digit low teens EBITDA margins, core solid earnings bases. **The changeover to largely economic cycle immunity occurs when circulation revenues exceed advertising revenues.** NYT is well past 60%, FXJ/NEC > 52%, but NZM still to suffer as the greater weighting of advertising is in structural decline.

	2011a	2012a	2013a	2014e	2015a	2016a	2017a	2018a	1H
NYT - circ rev%	48.0%	52.8%	55.3%	55.8%	57.0%	60.2%	64.3%	65.1%	
EBITDA	\$143m	\$233m	\$244m	\$183m	\$248m	\$206m	\$244m	\$249m	
EBITDA margin	9.2%	14.6%	15.5%	11.6%	15.7%	13.3%	14.6%	14.2%	
Circulation						\$880m	\$1008m	\$1042m	
Advertising						\$581m	\$559m	\$558m	
Other						\$94m	\$109m	\$148m	
NZM - circ rev %	34.0%	34.9%	34.9%	37.4%	37.1%	39.4%	40.8%	41.6%	
EBITDA	\$80.8m	\$61.0m	\$62.6m	\$52.1m	\$54.7m	\$46.8m	\$36.1m	\$31.9m	
EBITDA margin	20.4%	16.6%	20.3%	18.9%	21.6%	19.7%	16.3%	15.1%	
FXJ -circ rev%			36.3%	44.8%	43.7%	47.4%	49.8%	51.8%	52.4%
EBITDA			\$41.6m	\$48.7m	\$65.4m	\$39.0m	\$49.1m	\$53.1m	\$39.5m
EBITDA margin			2.7%	7.3%	9.9%	6.8%	50.1%	10.8%	16.4%

Source: NYT, FXJ and NZME CCZ est.

**Why subscriptions are worth a premium valuation, marginal life of free models, and the Aspermont Mining Journal group (ASX: ASP) way of looking at readership valuation.**

The stickiness of subscriptions was what made the pre internet newspaper valuations, and the key printing press moat around classifieds. However, the wave of free sites is now receding as the financial models are simply not supportable (e.g. *BuzzFeed*, *The Guardian*). Once paywalls and copyrights are policed, if the reader wants news, the reader will have to pay. And readers are willingly paying either because of perceived value or reducing choices.

After the web developed a plethora of journalistic free sites flooded the Google search results. Journalism was supposed to become democratic and the gateway to a heaven. The massive printing plants that could produce the editorial, display advertising and dog felling classifieds papers weighting more than 1 kg, ensured there was limited space to carry editorial. Journalistic wages and “professional’ gate keepers kept everybody else having a go at journalism. Well, they had their go and the money is miserable in the non-paywall space.

**What about free editorial sites or editorial in strong verticals? Marginal life. Now happening, the great reaper of lack of new equity funding for free editorial models will leave consumer choices more limited, and drive paywalls.**

The free sites need real money. *The Guardian* has been ploughing through its endowment fund at c2-4% pa. The Guardian has lost £238m (ongoing operations) since 2012 despite a worldwide digital visitation of c10m readers pm. (115m page views pm). This model wasn’t going to last so the Guardian has built a combination of voluntary subscriptions overlaid on a small paid subscription system - 570,000 regular paying supporters, and in FY18 over 375,000 one-off contributions from readers around the world.

Key indicators of financial performance are:		
	2018 £ m	2017 £ m
Revenue	217.0	214.5
Digital revenue	108.6	94.1
News & Media EBITDA before exceptional items	(18.6)	(38.9)
EBITDA before exceptional items	(23.0)	(44.7)
Cash and endowment fund	<u>1,005.0</u>	<u>1,032.8</u>

Where **editorial is concentrated is in the auto readership vertical**. This used to be dominated by the ACP print publications -*Wheels*, *Modern Motor* and *Top Gear*. Each crammed with auto manufacturers (OEM) advertising and accessories. By dealing with enthusiasts, these readers were influencers’ in the circle of car buying advice. Now, invariably friends first and now online second. The online second is the last before visiting a dealer and will be the last before buying online, as Tesla is doing now at a retail cost saving of c6%.

The most successful editorial vertical in this second largest consumer purchase asset class after housing was *CarAdvice*. As a free site it dominates specialist high margin cpm’s with OEM’s. However, without a cover price/subscription price (an Australian buyer generally holds a vehicle for 11years), it needs to remain free.

The **maximum margin had remained at no more than 12% before sale year**. This is typical of the best one can do in a free editorial site - marginal. NEC bought *CarAdvice* because they could save *CarAdvice* paid search marketing costs below.

	FY08a	FY09a	FY10a	FY11a	FY12a	FY13a	FY14a	FY15a	FY16e	FY17e	FY18e
<b>Earnings</b>											
<b>Revenues \$m</b>	\$ .80m	\$ .18m	\$ .45m	\$ 2.31m	\$ 4.02m	\$ 4.83m	\$ 4.81m	\$ 7.54m	\$ 10.99m	\$ 14.01m	\$ 16.98m
					4.0	4.8	4.8	7.5	11.0	15.0	17.0
Paid search1/marketing					1.8	0.2	0.7	2.0	5.0	6.8	
Gross margin					2.2	4.6	4.1	5.5	6.0	8.2	
Traffic acquisition/marketing cost %					45%	5%	14%	26%	45%	45%	
Other					(1.1)	0.9	(1.5)	(1.2)	(1.2)	(0.8)	3.2
Operating Costs	\$ .2m	\$ .4m	\$ .7m	\$ 2.0m	\$ 4.3m	\$ 5.3m	\$ 4.4m	\$ 6.5m	\$ 11.1m	\$ 15.0m	\$ 14.4m
<b>EBITDA editorial</b>	<b>-\$ .09m</b>	<b>-\$ .21m</b>	<b>-\$ .21m</b>	<b>\$ .26m</b>	<b>-\$ .24m</b>	<b>-\$ .47m</b>	<b>\$ .39m</b>	<b>\$ 1.01m</b>	<b>-\$ .11m</b>	<b>-\$ .97m</b>	<b>\$ 2.6m</b>
<b>EBITA Margin</b>	<b>-112.5%</b>	<b>-117.3%</b>	<b>-47.0%</b>	<b>11.3%</b>	<b>-6.0%</b>	<b>-9.8%</b>	<b>8.2%</b>	<b>13.4%</b>	<b>-1.0%</b>	<b>-6.5%</b>	<b>15.3%</b>

Here is how Aspermont judges its reliable revenues, and something press groups will need to articulate better in order to get the EBITDA X's ascribed to newspaper earnings up. **This is a good look:**

	As at June'16	As at Dec'18	Compound Annual Growth Rate (CAGR)
<b>Number of Subscriptions</b>	7,158	8,208	6%
<b>Average Revenue Per Unit (ARPU)</b>	\$623	\$833	12%
<b>Annual Contract Value (ACV)</b>	\$4.5m	\$6.8m	18%
<b>Web Traffic (Sessions)</b>	3.8m	4.9m	11%
<b>Web Traffic (Users)</b>	1.1m	2.0m	27%
<b>Loyalty Index</b>	41%	60%	16%
<b>Renewal Rate</b>	73%	85%	6%
<b>Lifetime Years</b>	3.7	6.5	25%
<b>Lifetime Value</b>	\$16.5m	\$44.4m	49%

- Aspermont built 1 million new digital users in the last 30 months
- Aspermont market capitalisation is less than half the current LTV of subscriptions alone

Source: Aspermont

**The Old Days - newspaper journalism lost money hand over fist because classifieds and display advertising carried the whole structure. FXJ was losing c\$132m pa on journalism in 2005. What's happened, and how bad was start point for the newspapers. Massive negative earnings for journalists before the web- all cross subsidized by classifieds, and lesser so by display advertising.**

And this is what constituted FXJ's profit in the old days - **display advertising and classifieds** (first lost to outdoor, internet) **and the second 80% margin category lost to SEK, CAR, REA**



**CCZ research** (2005 – before average Fundie median age in market).

<b>Australian Operations - FY05</b>	<b>\$m</b>	<b>Revs</b>	<b>EBIT</b>
Allocation of revs and costs		0	238
less: Business and NZ Magazines		1277	10
less internet		55	8
othe revenues		19	0
<b>Total for Australia</b>		<b>1351</b>	<b>256</b>

	<b>Asset base</b>	<b>Printing EBIT</b>
Factor return to printing to P & E	\$604	
Printing Plants returns (inc. EBIT)	15.0%	<b>\$91</b>
% of Aust.Newspaper costs.		40%

<b>Editorial revs and expenses</b>		<b>Cover price revs</b>
		<b>\$243</b>
Editorial costs	20%	\$197
printing and distribution costs	45%	\$177
	Profit/loss	<b>-\$132</b>

<b>Segment</b>		<b>Advertising revs</b>	<b>EBIT</b>
Advertising	60%	<b>\$1,058</b>	<b>\$372</b>
Classified advertising	47.1%	<b>\$499</b>	<b>\$175</b>
Display advertising	52.9%	<b>\$560</b>	<b>\$196</b>

<b>Australian EBIT cascade</b>		<b>256</b>
less mags and internet		<b>16</b>
net Australian newspapers EBIT		<b>240</b>
Editorial loss		<b>-132</b>
<b>Total Advertising EBIT</b>	<b>372</b>	
	Add: display EBIT	<b>196</b>
	operating profit #1	<b>65</b>
	Add: Classified EBIT	<b>\$175</b>
	Print EBIT	<b>240</b>

Source: CCZ est, coy accounts

And in 2004 it was a massive, still growing print product. Typically, classifieds' **EBITDA margins were c80% in these numbers, Display was much lower due to selling and production costs - and all cross subsidising FXJ journalism.**

**Greg Hywood deserves an Oscar for turning this around.**

**These were the old FXJ days - the growth then:**

\$m revs	2003a	2004a	2005a	usurper	2018	gain
Employment	190	198	214	SEK	411	1.9X
		4.2%	8.1%			
% of total	20%	19%	20%			
RE	201	219	212	REA/DHG	988	4.6X
		8.9%	-3.1%			
% of total	21%	21%	20%			
MV	79.9	77.8	71.8	CAR	269	3.5X
% chg.		-2.6%	-7.7%			
% of total	8%	8%	7%			
National retail	391	417	439			
% chg.		6.8%	5.1%			
% of total	41%	41%	42%			
Other	100.0	100	121			
Total ad revs	962	1023	1058		1668	
% chg.		6.3%	3.4%			

Source. coy accounts

Just in RE, this is where the market is now: CCZ estimates that it costs no more than c\$25 to serve up a house advertisement, but requires c\$165 per listing (using REA est.) for marketing to stay ahead of Domain (per listing) in this market when a Padstow (SYD suburb) premium listing is \$580, and Vaucluse \$4,000-\$5,000. Its, for DHG, probably a 95/5 rule not 80/20.

And it's clear that, without the costs of print, these commerce displacers have gouged the market more so than even the rivers of gold (we add the currently still open territories in NZ as basis of comparison).

**The gains to REA and DHG**

A comparison of market maturity is as follows:

FY18	REA/DHG combined	Trade me RE +OneRoof(annualised)
Revenues	\$734m+\$254m= \$988m	NZ\$38m+\$NZ\$2m = \$40m
EBITDA	\$470m+\$115m =\$585m	Na/-NZ\$5.4m est loss
Depth rev	\$581m+\$95m (e)= \$676m(e).	NZ\$8.6m (est)+ na
	REA/DHG combined	NZ should be on revs
Population	5X on NZ	NZ\$198m
Listings volume	8.4X on NZ	NZ\$118m

The FXJ turnaround was spread across all platforms in IHFY19. From the 2005 start point, essentially pre-VP's, we observe a fantastic FXJ turnaround to maintainable (post internet, post VP's, Google and Facebook) profits of **between \$39m and \$70m pa.**

**FXJ**

	2015A	201A	2017A	1H	2H	2018A	1H
Metro print ad	297	252	226			204	
Domain print	69	101	88				
Metro print advertising	366	353	316	72	132	204	71
	6%	-15%	-11%			-10%	-1%
Digital ad	220	291	195				
Domain digital	154	195	232				
Net metro digital	66	96	45	27	27	54	33
	-7%	46%	-54%				21%
Print sub	198	190	181	86	85.9	172	86
	-3%	-4%	-5%			-5%	1%
Digital sub	33	38	46	24	26	50	28
	36%	17%	20%	11%	7%	9%	14%
Metro subscription	230	228	227	110	110	220	114
	1%	-1%	0%	-4%	-2%	-3%	3%
other	67.2	76.9	69.9	23.1	43.1	66.2	23.0
Total metro revenues	662	574	522	232	258	490	241
% chg	7%	-13%	-9%	-17%	6%	-6%	4%
Costs	596	535	473	207	230	437	201
% chg	4%	-10%	-12%	-18%	4%	-8%	-3%
Sub % of revs	<b>43.7%</b>	<b>47.4%</b>	<b>50.1%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>51.9%</b>	<b>47.4%</b>
Metro EBITDA	<b>\$65m</b>	<b>\$39m</b>	<b>\$49m</b>	<b>\$25m</b>	<b>\$28m</b>	<b>\$53m</b>	<b>\$40m</b>
EBITDA margin	9.9%	6.8%	9.4%	10.7%	10.9%	10.8%	16.4%
Group restructuring/redundancy pre tax	-\$66.2m	-\$62.7m	-\$43.8m	-\$43.8m	-\$43.8m	-\$36.0m	
Applied to Metro est	50%	50%	50%	50%	50%	25%	
Underlying Metro EBITDA est	<b>\$32m</b>	<b>\$8m</b>	<b>\$27m</b>	<b>\$3m</b>	<b>\$6m</b>	<b>\$35m</b>	

Source: CCZ est, coy accounts

## The historic losses and what newspaper segments have not fallen enough

The typical compression of profits rate for the **public newspaper groups has been 7/8<sup>th</sup> loss of EBIT**. CCZ thinks the isolation of Perth will ensure a WAN recovery long term with paywall and SWM TV integration. **ACM is history** with small town readership evaporation.

**NZM's NZ Herald has a strong recovery** prospect on paywall and c2X lead over nearest competitors (circulation is higher than any SMH/AGE and *The Australian/ AFR* circulations -sheep readership?) -which says something about penetration. This is some dominating title relative to Australian circulations in our 25m person market. Print only (NZ data 31/9/2018; Aust. data to 6/2018). **Ex online subs.**

Title	Net paid 2005: m-f	Net paid circ 2018	% pcp Sept18	% pcp March audit
NZ Herald Auckland/National NZM	238,851	101,314	-7.2%	-6.0%
The Press (Christchurch) -FXJ NZ	100,436	41,983	-11.3%	-9.5%
The Dominion -(Wellington)-FXJ NZ	65,666	41,182	-11.2%	-10.0%
Otago Daily Times (Dunedin) -Ind.	na	30,719	-2.9%	-3.1%
<b>Australia</b> (print only NWS titles ABC 6/2017)				
			% pcp June 18	% pcp Dec 17
The Australian	133,962 (2005)	88,581	-6%	-4.9%
SMH	243,188 (1992)	78,798	-11%	-11.1%
The Age	213,482 (1993)	74,360	-10%	-11.5%
AFR	97,556 (2000)	39,834	-10%	-11.8%

Source: NZ and Aust. Audit Bureau of Circulations (ABC)

## FXJ's ACM has a long way down still to go. We advise Caution!

### Profit destruction -killer stats for regionals and state metros

Title /coy	Peak EBIT	Last EBIT
WAN	\$197m (2008)	\$21m (FY18)
APN	\$84.3m (2007)	\$10.1m (2015)
NZM Wilson and Horton	\$165m (2005)	\$21.8m (2017 CCZ Est.)
FXJ -ACM *	\$218m (2010)	\$52.5m (FY18)

CCZ feels WAN is at the end of *West Australian* profit destruction, with a core 260-person news/journalism team, part linked with TVW-7 news output. *The West Australian* will pursue two distinct brands online-*Perthnow.com.au* as a free news outlet and *TheWest.com.au* as the behind paywall operation. It has the luxury of doing so because of lack of competition against other FTA's (in news), and an existing *PerthNow* free online news.

How regionals survive trying to put a paywall around localism is going to be a juggling act we see as difficult. How much would anybody pay for this front-page leader in Dunedin's *Otago Daily Times* -NZ's fourth ranked newspaper last year where thousands of dollars of damage was done in a three-car pile-up but the lost Lamb led the frontpage. (see also Most Popular #3)

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Thursday, 27 September 2018

# Lamb missing after crash

By Tim Miller Facebook 119 Twitter 0

News > Dunedin



Traffic backs up in the northbound lane of the Southern Motorway for more than 1km after an accident near the Fairfield bridge yesterday morning. PHOTOS: GERAARD O'BRIEN

A lamb seen running away from a dog on the Southern Motorway this morning is now missing.

Reports were made to police about a dog chasing a lamb on the motorway about the same time as a three-car crash.

A police spokeswoman said police were unsure if the crash was caused by the wayward animals.

The lamb's owner, Kath Morris, said despite an extensive search of the area the lamb has not been found.

"I've been in touch with the SPCA and they're aware of it, and animal control, but they haven't heard anything about her."

Since the lamb went missing its mother has been bleating constantly with her other lamb by her side.

Mrs Morris said the mother left the area where the missing lamb was being chased to save her other lamb.



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Source: *Otago Daily Times*. Where did the lamb go? It joined the other 100m.

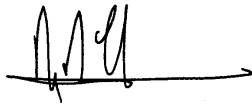
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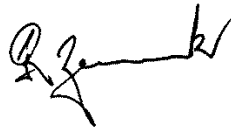
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