

INTERIM RESULTS 2023

Interim Results Presentation
25 July 2023

Reach

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INTERIMS 2023

STRATEGIC UPDATE

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JIM MULLEN
CEO

Customer Value Strategy supporting more sustainable business

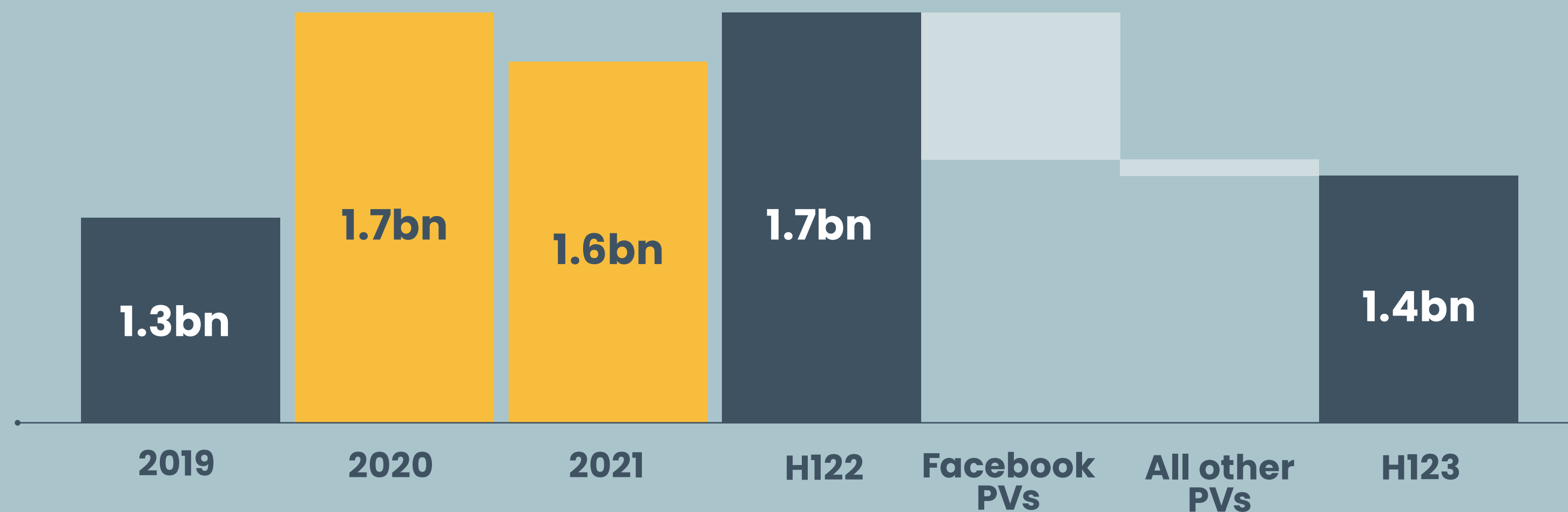
2023 in line with expectations

- The **difficult macro environment** continues
- Material impact on sector from **decline in referral traffic**
- Content & data focus supports **growing customer engagement**
- Delivering **higher quality revenues** – data driven 41% of total
- **Strong print performance** underpins cash generation
- Ongoing **efficiencies support stronger H2 performance**

Reduction in referral traffic impacts page views

Facebook deprioritisation of news drives decline

Average monthly page views (bn)



- Reduction in traffic across sector
- Page views down 16% YOY
- Facebook page views down 45%
- H1 decline 2% excl. Facebook

Our scale digital audience

Growing registrations & activity supports depth of data

37m digital audience
c.75% of UK total



6th largest digital asset

1.	Alphabet	6.	Reach
2.	Meta	7.	Apple
3.	Amazon	8.	eBay
4.	Microsoft	9.	Paypal
5.	BBC	10.	Mail Metro

Registered customers

13.2m

+15%

28 day actives

5.4m

+14%

Registered PVs PM



c.100m monthly
+10% to 15%

Focus on secure audience & sustainable revenue

Data supports greater engagement & higher quality revenue



Audience Diversification

Better experience, deeper engagement
Building direct relationships
Reaching new audiences



Revenue Diversification

More revenue supported by data
Reducing revenue driven by open yield & PVs
Developing 'non advertising' revenues



Reaching new customers & building secure audience

Better experience, greater engagement, more data

Direct relationships



Newsletters



WhatsApp



In Your Area



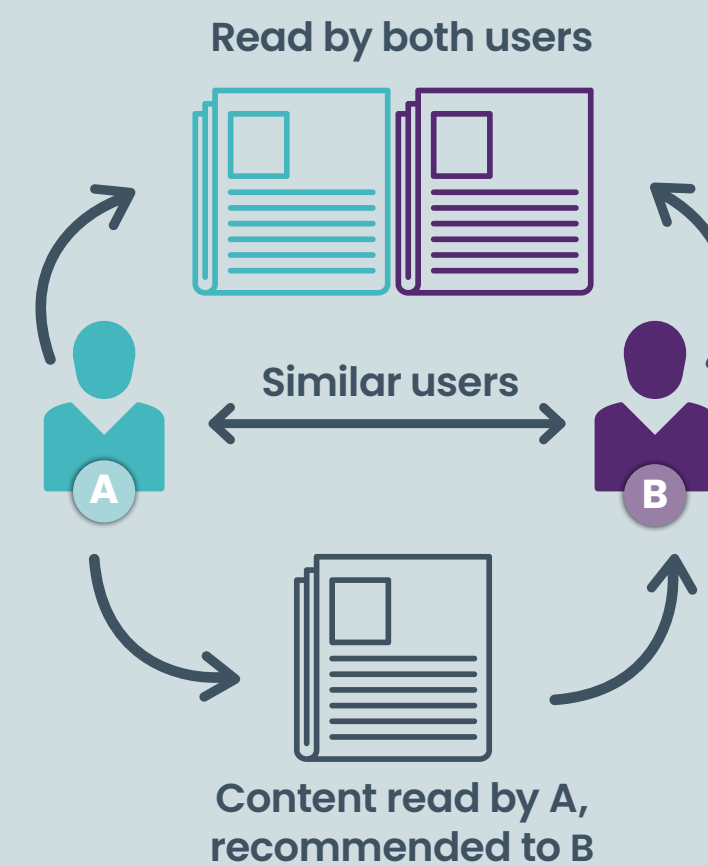
Web push

New audiences



Experience & engagement

Recommendation tools



Personalised article recommendations based on article and reader data

New front-end platform

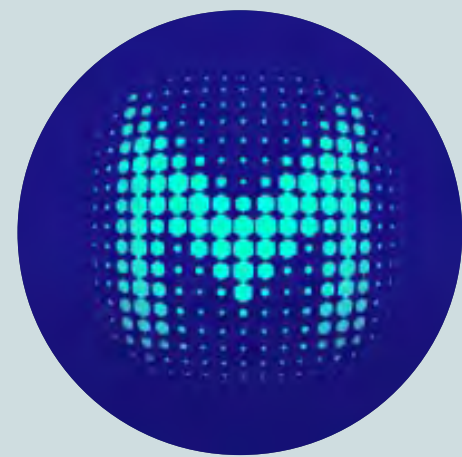
- Better customer experience
- Improve search rankings
- Faster load speeds
- More customisable



Strategy driving diversification of revenue

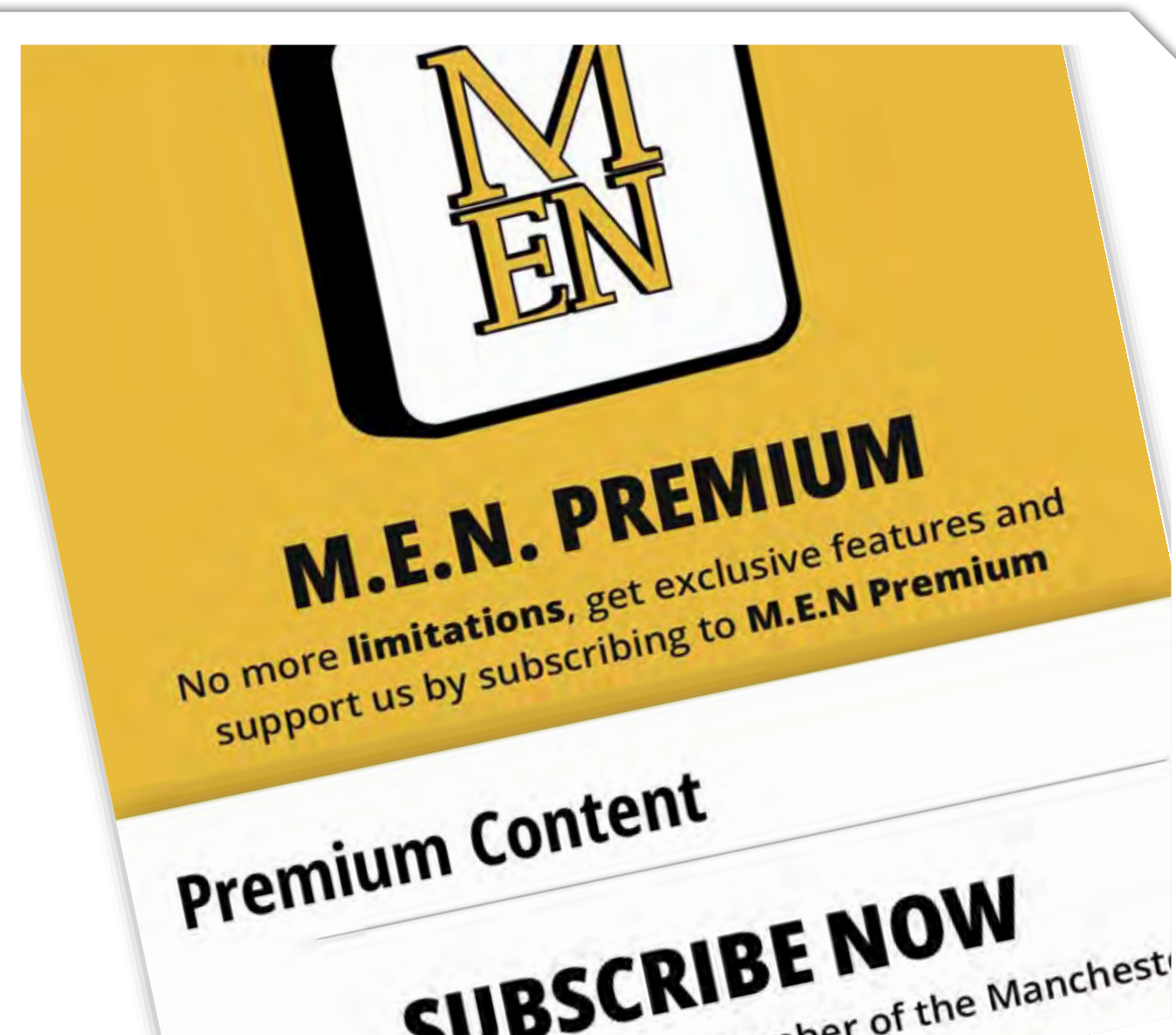
More directly sold revenue reduces exposure to open market

Data partnerships



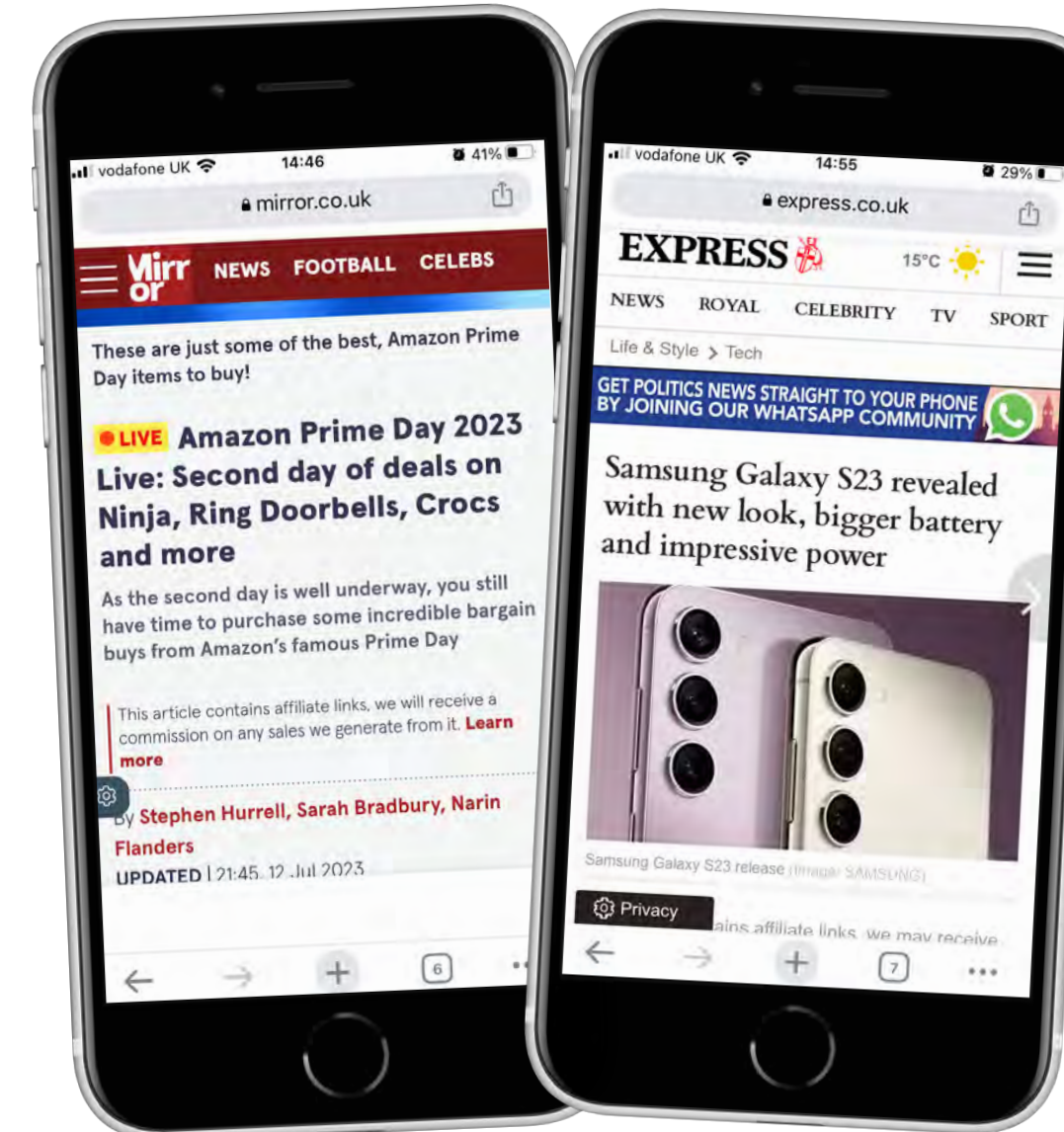
- Mantis data into platforms
- Developing curated marketplaces
- Enriching value of open ad slots

Developing premium



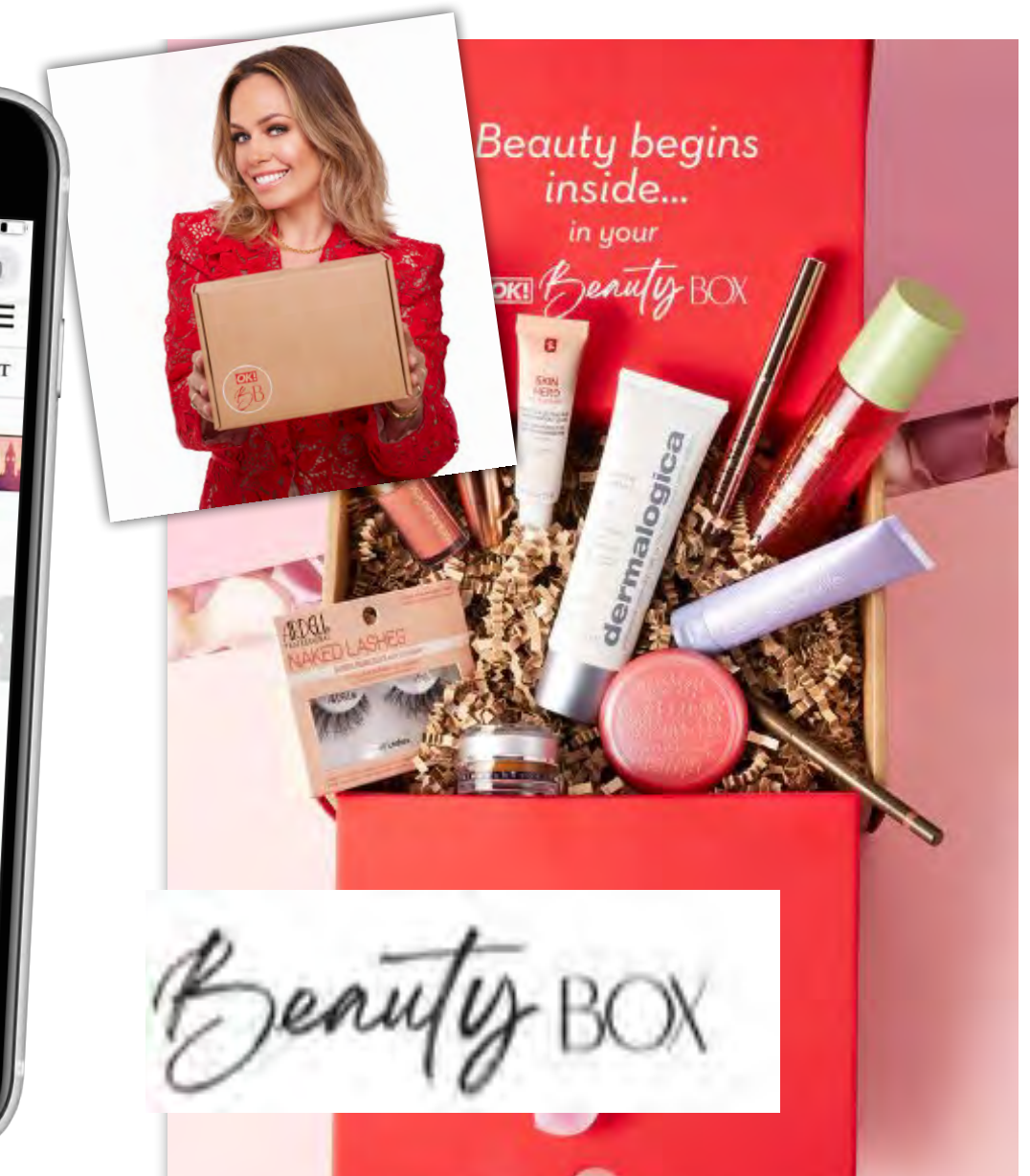
- Investigating direct reader revenue
 - > metered paywalls
 - > newsletter subscriptions

Affiliates



- Expanding affiliate team
- Scaling monetisation of editorial content
- Rapid growth from small base

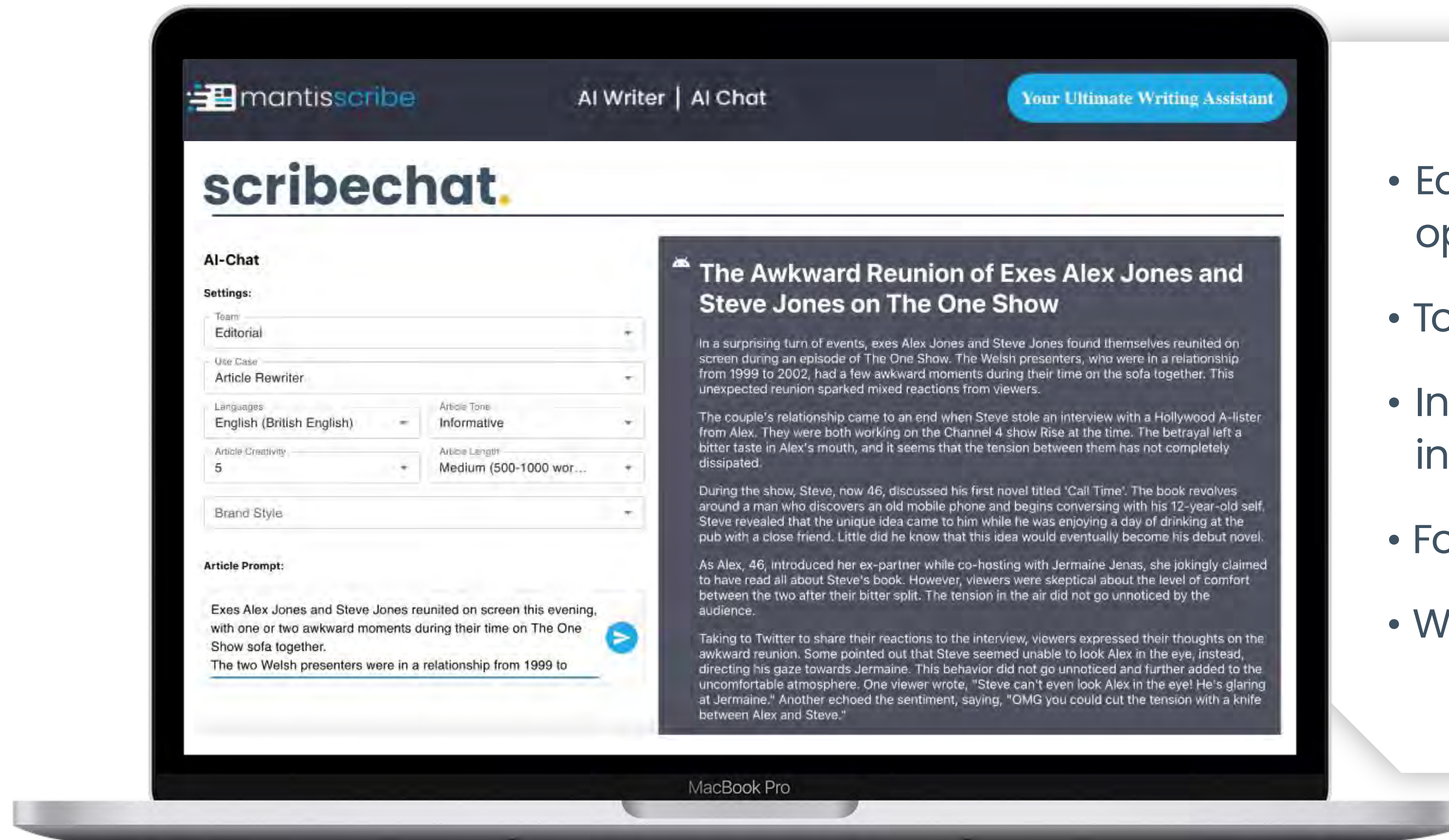
Ecommerce



- OK Beauty Box 300k sold
- More than 80k subscribers

AI in early stages of development

Focused on supporting content generation

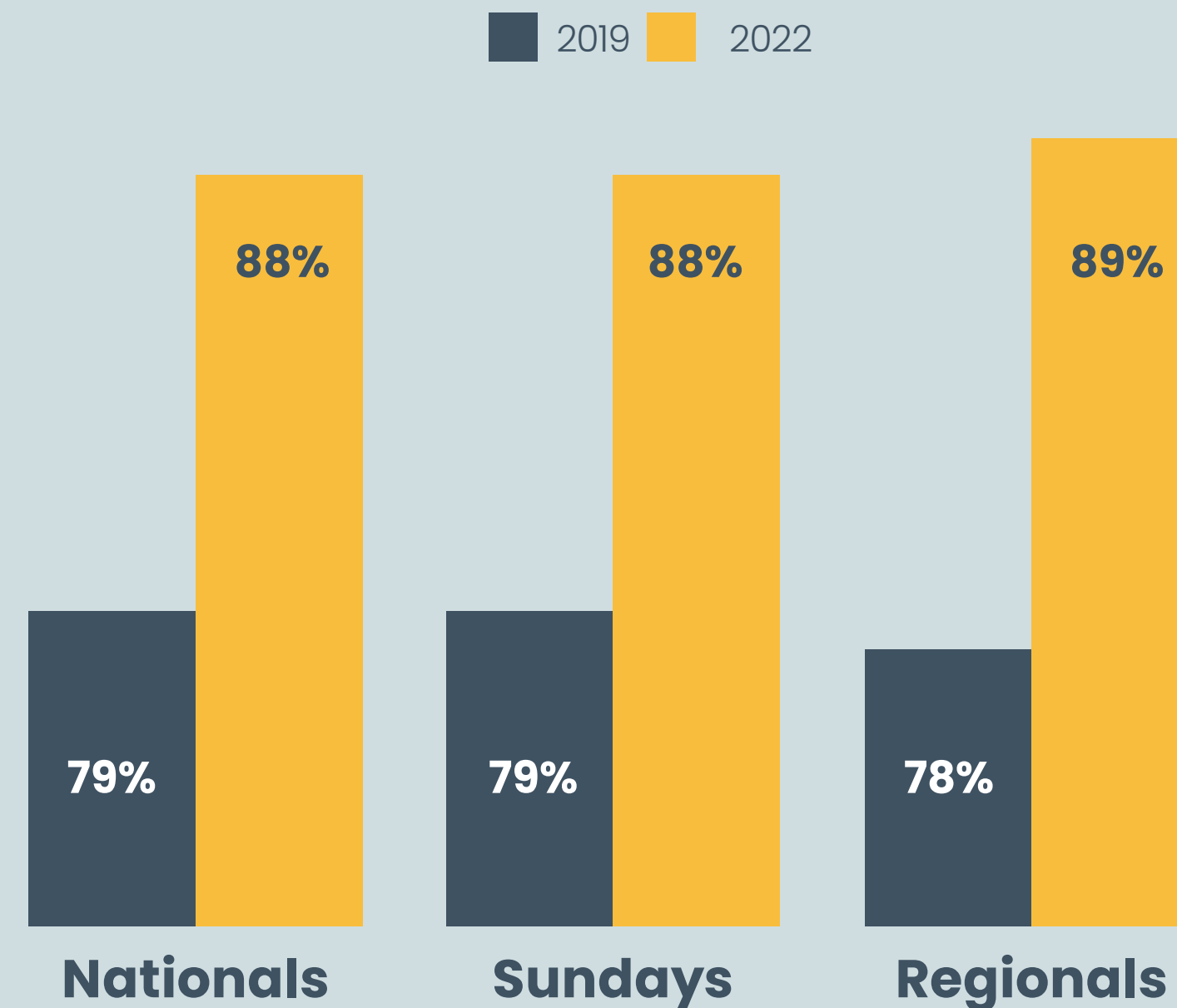


- Early stages of exploring opportunities
- Tools to assist editorial
- Information gathering & interrogating data
- Focused on productivity
- Will support content generation

Resilient demand for printed products

Actively managing volume decline; maximising revenue

Increased availability supports revenue



- Footfall & frequency modelling
- Aligned supply & availability by outlet

Themed one-offs support revenue



- Maximising return on print assets
- Programmes, souvenirs, & syndication support print revenue

Print – scale business enabling digital investment

Continuous cost improvement supports cashflows



10s of **billions**
pages printed

c.50k press hrs

2m litres of ink

c.2.5bn metres of
newsprint

- Broader sourcing of newsprint & more flexible supply
- Newsprint costs beginning to fall – lower hedged position in H2
- Ongoing performance improvement;
 - Optimised distribution routes
 - Consumables sourcing e.g. ink & plates
 - Solar panel installations

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FINANCIAL UPDATE

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DARREN FISHER
CFO

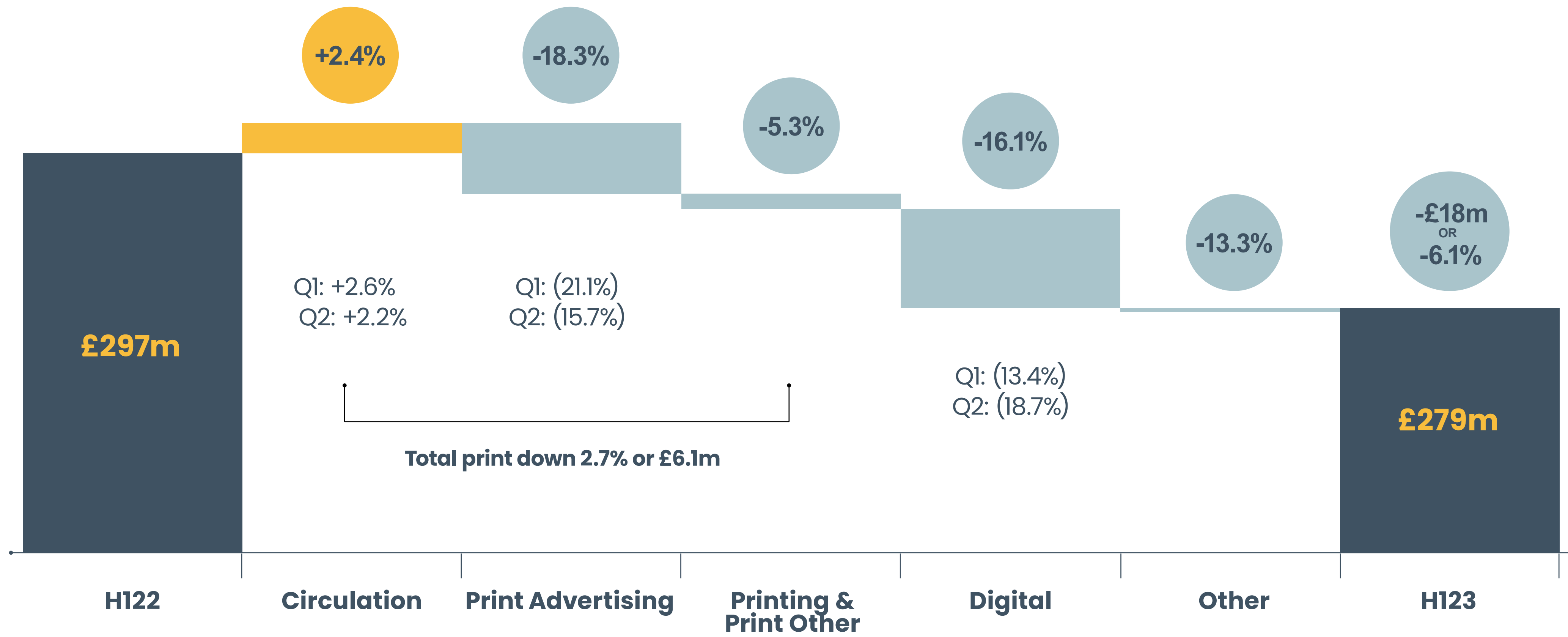
H123 Summary

Adjusted Results	H123 £m	H122 £m	Var £m	Var %
Revenue	279.4	297.4	(18.0)	(6.1%)
Operating costs	(244.6)	(251.6)	7.0	(2.8%)
Operating profit	36.1	47.2	(11.1)	(23.5%)
Operating margin	12.9%	15.9%	(300) _{bps}	
EPS (p)	8.7p	12.0p	(3.3)	(27.5%)
DPS (p)	2.88p	2.88p	-	-
Operating cash flow	18.9	39.2	(20.3)	(51.8%)
Net (debt) / cash	(3.5)	43.8	NA	NA

- Challenging digital market; print revenue robust
- Lower operating costs reflect easing of inflation and H1 efficiency savings
- Interim dividend 2.88p (H122 2.88p)

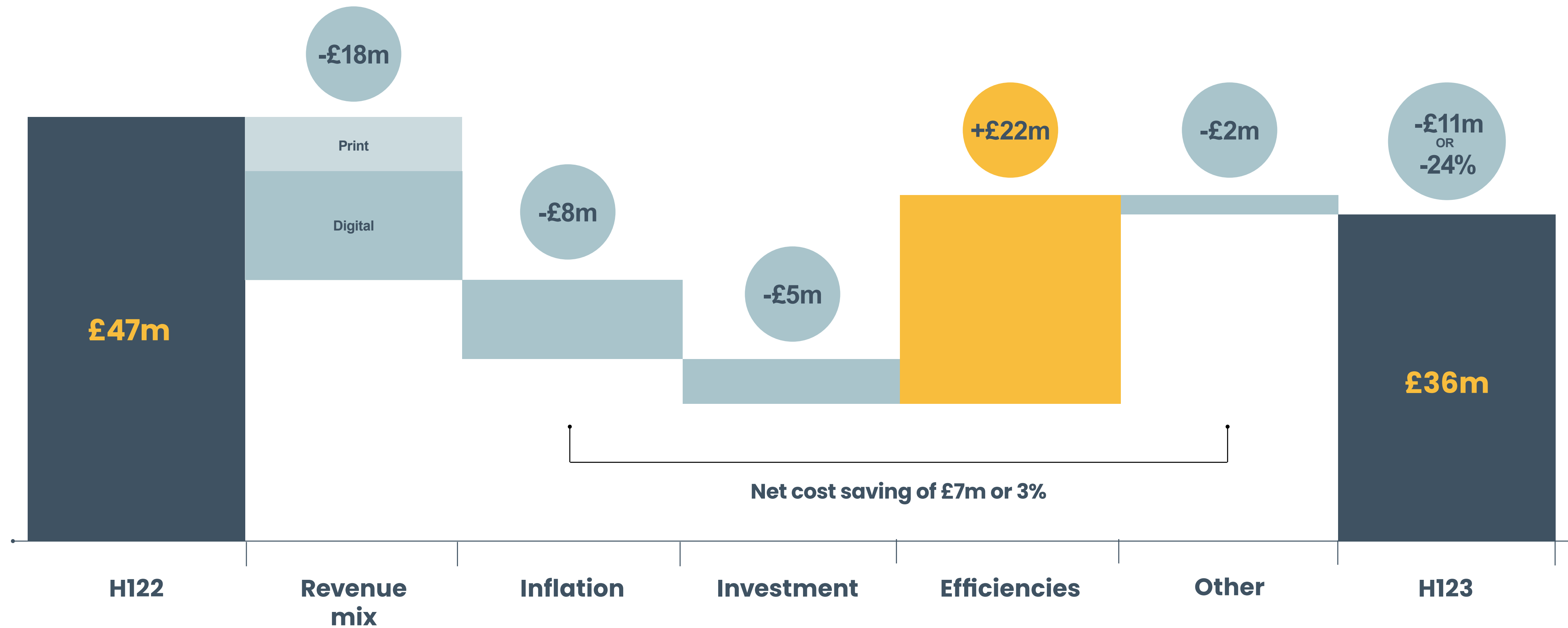
Revenue lower

Print resilient, circulation growing, digital under pressure



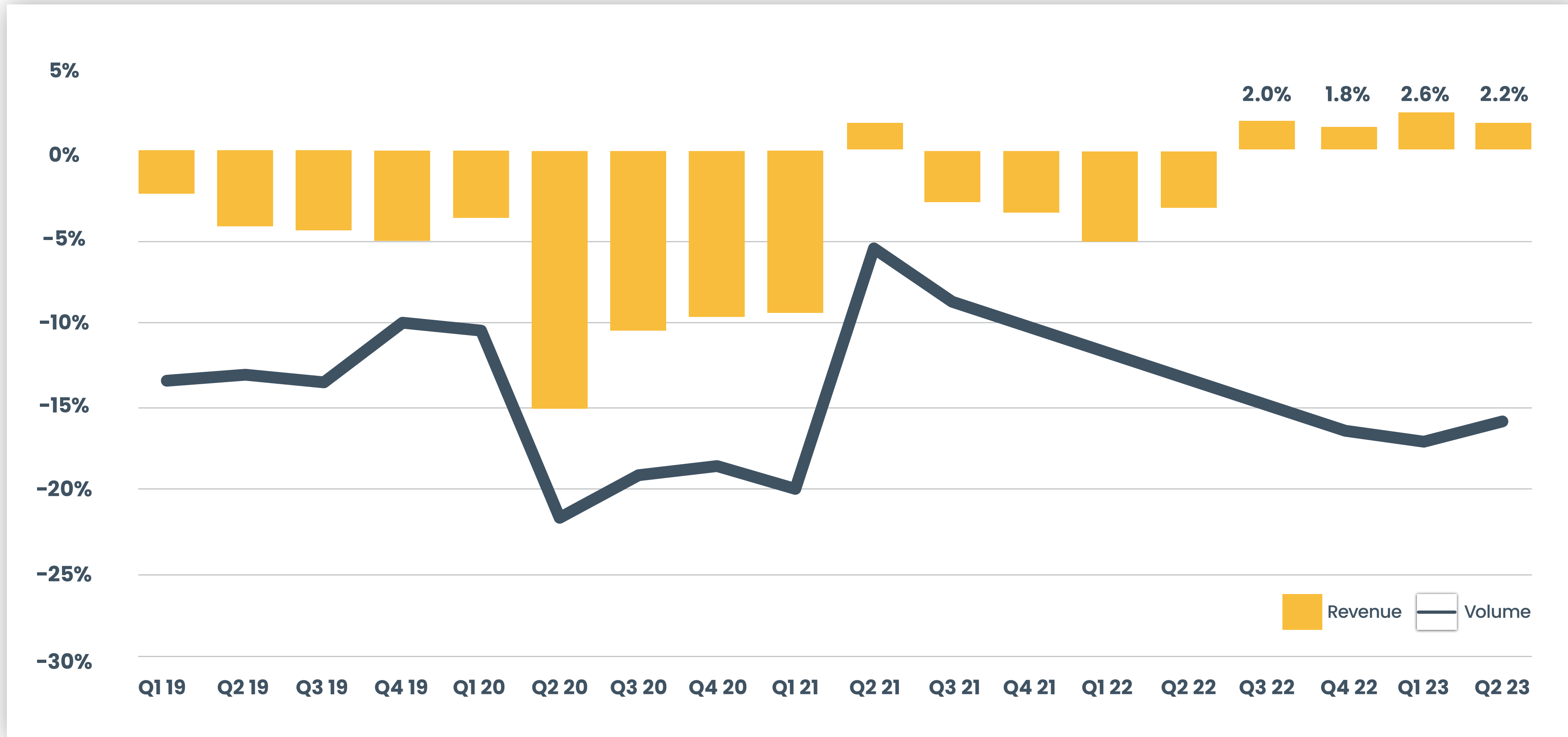
Revenue decline reflected in lower H1 profit

Efficiencies support investment and offset inflation; FY efficiencies H2 weighted



Print circulation – resilient and predictable

Volume as expected; cover prices support revenue growth

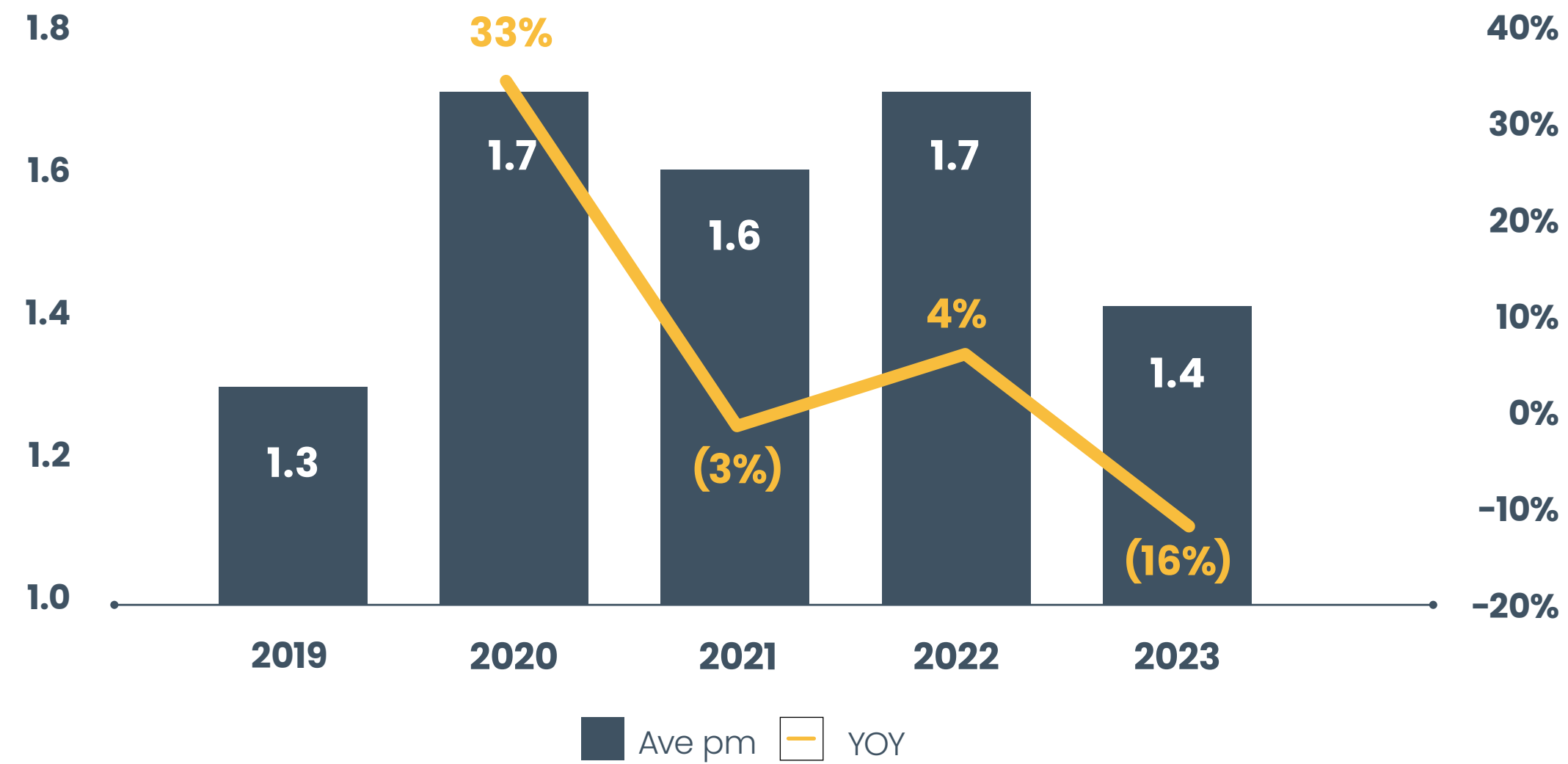


- Revenue increased over past 4 quarters
- Gradual decline in volume since 2019
- Circulation revenue over 70% of total print

Digital revenue impacted by page views & yield

Revenue decline all from 'audience variable' revenues

Monthly page views (bn)



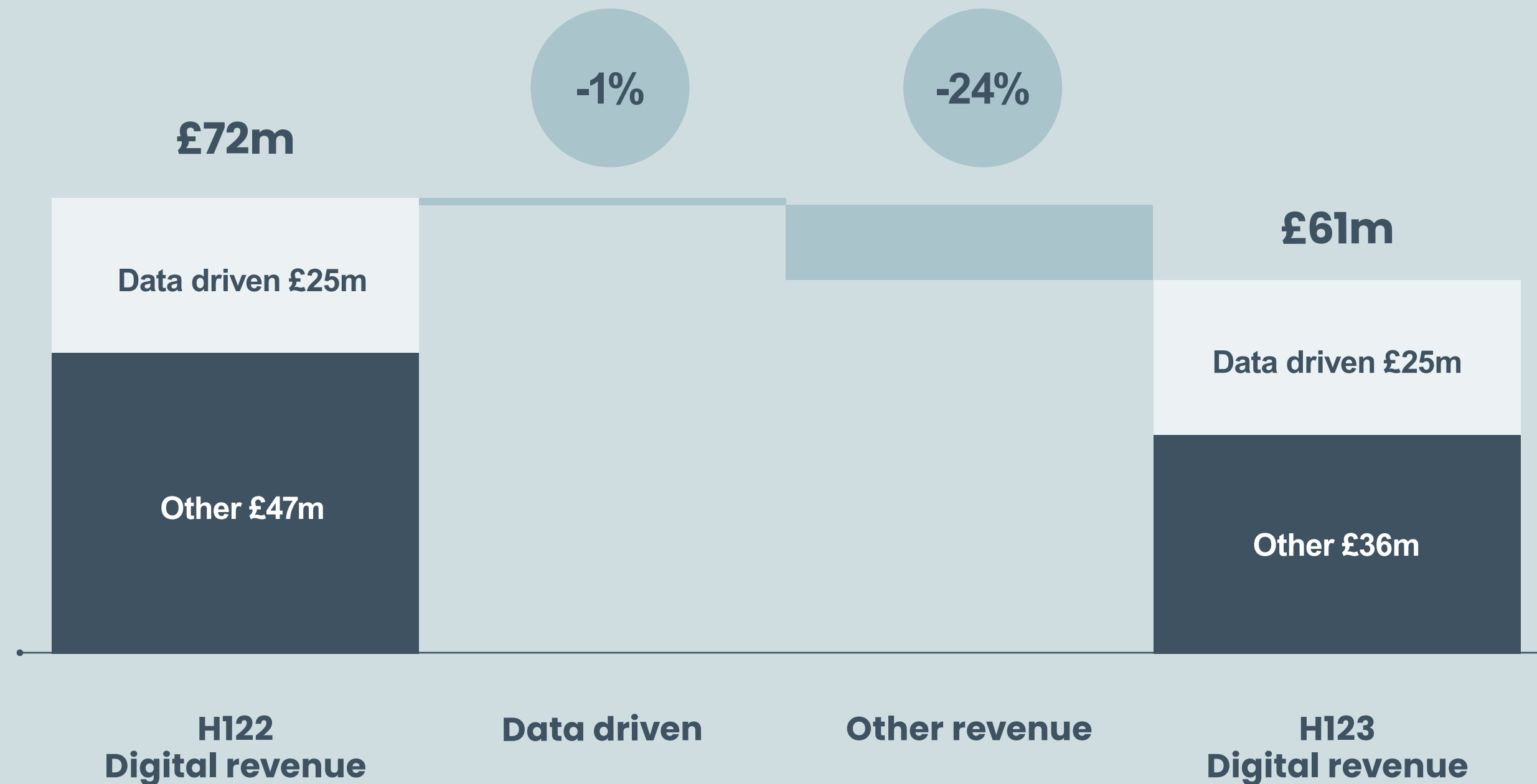
Open market yield (rebased)



Strategic revenues continue to outperform

Facebook & open market drives decline

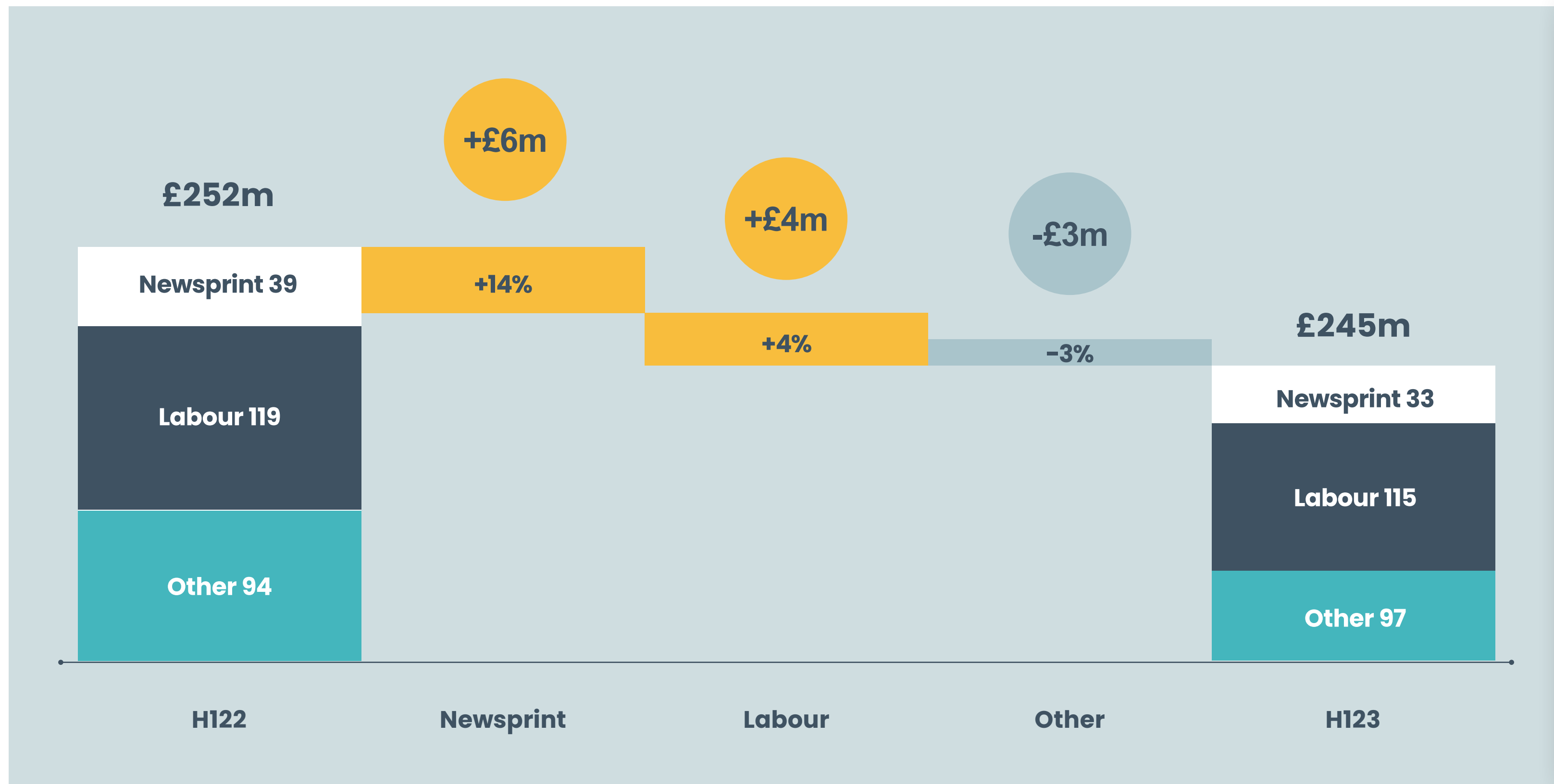
Data-driven revenue broadly flat for period



- Data driven revenue broadly flat
- Decline in 'other' from lower open market demand & loss of direct Facebook revenues
- Data driven revenue now 41% of total (2019: 24%)

Operating Costs

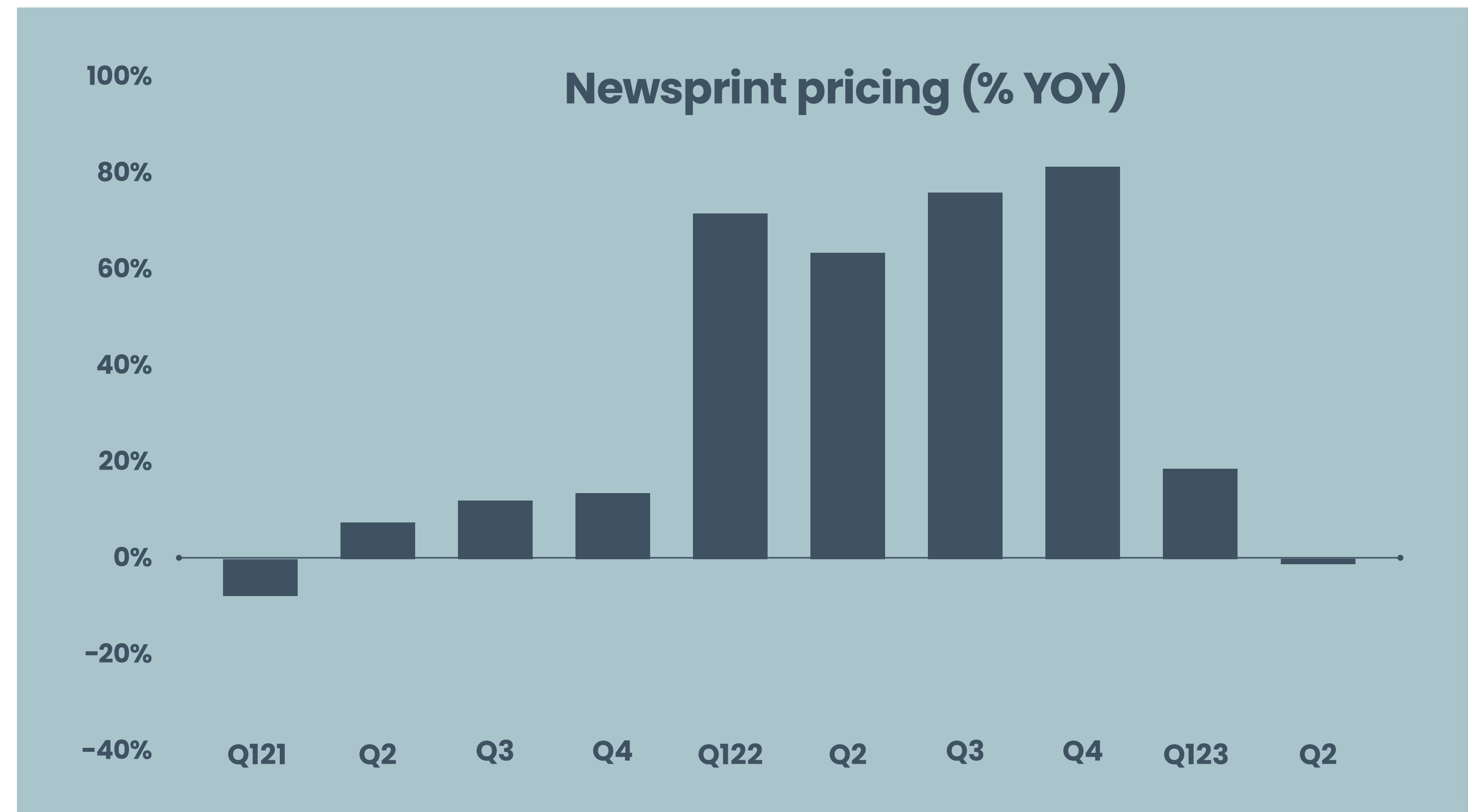
Lower impact of inflation; cost savings H2 weighted



- Operating costs 3% lower
- Newsprint lower due to volumes
- Average newsprint price higher year on year, but reducing through the period
- On track to deliver 5-6% cost reduction for full year

Newsprint pricing

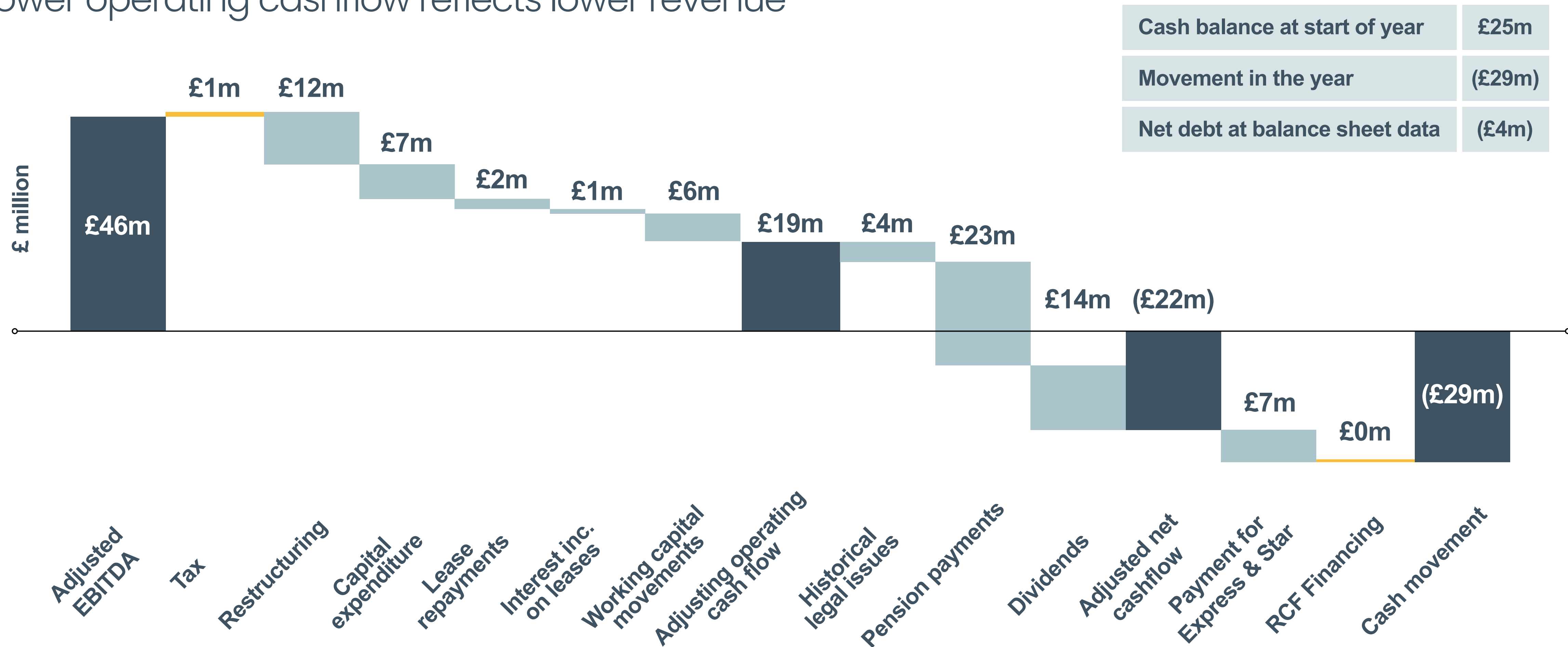
Inflation much reduced; expect lower cost during H2



- Price during period > H122
- Now seeing sequential decline
- Expect significantly lower pricing in H2 – lower level of hedging
- Reduction in demand creating excess industry capacity
- Sub-optimal production rates – may limit further reductions in price

Adjusted cash flow

Lower operating cashflow reflects lower revenue



Cash balance at start of year	£25m
Movement in the year	(£29m)
Net debt at balance sheet data	(£4m)

Capital allocation

Cash & balance sheet support creation of more sustainable business

Resilient print profits,
sustainable cash
generation & **strong**
balance sheet



Investment in long term
revenue & margin growth



Returns to shareholders



Pension funding

2023 full year outlook

Profit in line with market expectations



Print

- No change expected in rate of circulation volumes
- Lower benefit from cover prices in H2
- Ad revenue in line with circulation volume



Digital

- Macro uncertainty continuing
- Not forecasting for recovery of Facebook PVs
- Expect data driven to continue outperforming
- Easier digital comps in H2



Costs

- H2 weighted savings
- 5-6% reduction in FY operating costs
- Benefit from lower newsprint costs in H2 with lower hedge



Cash

- Improved working capital position
- Express & Star payments complete
- Pension payments similar to PY
- Expect small net debt position at year end

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SUMMARY

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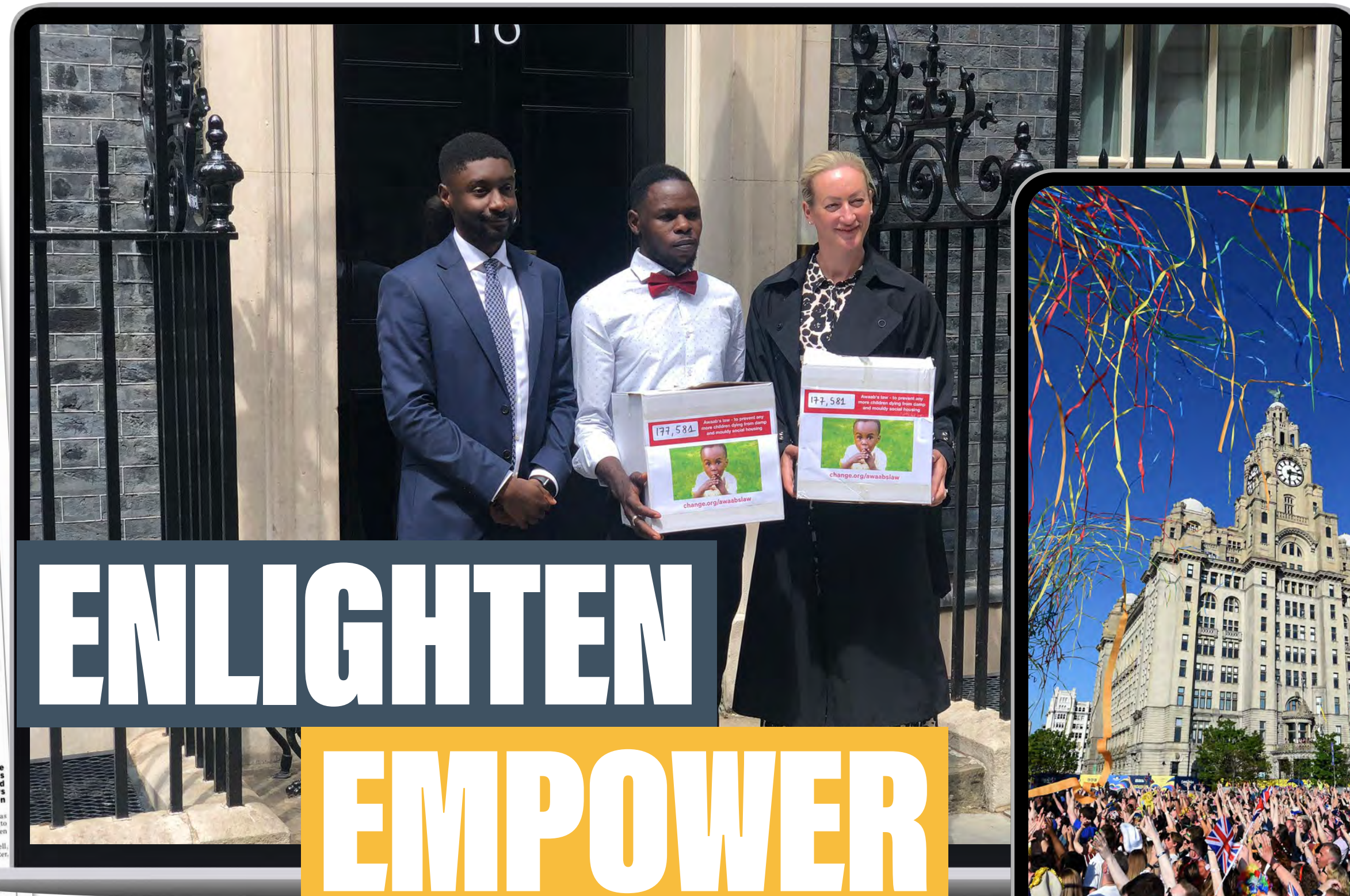


JIM MULLEN
CEO



Award winning journalism

Telling the stories of our communities



ENLIGHTEN

EMPOWER

ENTERTAIN



Looking forward

Strengthening platform for long term growth

- A more efficient, **data driven, digitally focused** business
- **Diversified digital revenue** makes business more sustainable
- Resilience of print drives **predictable cashflows**
- Strong **track record on efficiencies** – supports H2 profit
- **HII trial concluded** – judgement expected in autumn
- Focus on **data a significant advantage** as market loses 3rd party cookies

Q&A



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