

# 2012

ANNUAL REPORT



CARNEGIE 8 FEBRUARY 2013

# Agenda

- Presentation of North Media A/S' 2012 Annual Report by:
  - Lars Nymann Andersen  
Chief Executive Officer
  - Mads Dahl Andersen  
Chief Executive Officer, FK Distribution
  - Kåre Wigh  
Chief Financial Officer
  - Arne Ullum  
Media Director

- A changing media market
- Expectations and focus for 2013
- 2012 financial statements
- Developments of subsidiaries

# Q4-12 market developments more negative than anticipated, and volatility has intensified

DKKm	<u>2013</u>	<u>2012</u>	<u>2011</u>
Group EBIT:	from -15 to +15	101	167
Print:	15-45	140	216
Online:	-30	-40	-51

- The negative trend in earnings performance is not satisfactory – although, seen in isolation, results for 2012 are satisfactory
- Market conditions, more “no ads, please” households and political measures in the printed matter market took a more rapid and adverse turn than expected after Q3 2012
- Volatility in FK Distribution’s market has intensified
- Expectations for 2013 are challenging and subject to uncertainty

# Crisis in retail, effect of tax and “no ads, please” reduce printed matter volumes

- Effect of tax has an adverse effect on printed matter volumes even before the tax has actually been introduced
- Retailers have reduced their costs – also their printed matter volumes. Uncertain whether volumes will go up again if the tax is abolished
- More households say no to printed advertising material. Expected to go up by more than 5% in 2013
- Downward trend in market volume causes increased competition and pressure on prices

# 2013: A long haul – no miracle cure

## Focus on maintaining and developing business

1. FK Distribution to maintain and increase its market share and launch new, planned and supplementary business models – for implementation in H2-2013
2. Søndagsavisen to continue to up sales, market share and earnings
3. Bekey to complete product development and start selling and sales promotion
4. Ofir to succeed in boosting sales and improving results
5. Byggestart.dk and HentTilbud.dk to cement their position as market leaders and to continue to boost sales and contribute with positive results

# 2013 will build on measures taken in 2012: Strengthened market positions and business development



- Long-term contracts with large customers
- An "Ads, yes please" system will not be carried through, instead a tax is imposed
- 10% decline in sales and a major drop in results due to pressure on volumes and prices
- Focus on business development – distribution power and integration of platforms enable segmentation

**SONDAGSAVISEN**

- Volume strategy braving market trends and fortifies position
- Double-digit growth rate in sales of printed ads – 56% growth in large advertisers

**BEKEY**

- Focus on conceptualisation and completion of product portfolio – installed in +14,000 stairways in Copenhagen

# 2013 will build on measures taken in 2012: Improvement of operations and market position of all companies



- New pro-active strategy causes moderate increase in sales and improved results which are still not satisfactory, however
- Acquisition of eConscribi strengthens the overall platform
- Successful initiatives aimed at increasing brand awareness and market share to continue in 2013 – focus on profitability



- Revenue up by 20% and better financial performance despite development costs and new products
- Improve development initiatives



- Establishment of a new interesting market leading position by way of acquisitions, and integration has been completed successfully, but lower activities at year-end 2012 affect earnings negatively
- Growth and profitability on the agenda for 2013

# A long haul – no dividend distributed

- Printed matter market developments lead to expected Group EBIT between DKK -15 million and DKK +15 million for 2013
- Low visibility and high volatility in the distribution market make it difficult to quantify expectations beyond 2013
- There is much to indicate unsatisfactory earnings for 2014 too
- The Board of Directors and the Executive Board want to have sound financial resources in a structurally changing market in order to secure long-term earnings
- This is why the Board of Directors recommends to the Annual General Meeting to be held on 8 March 2013 that no dividend be distributed for FY 2012



# North Media's business potential is considered substantial in a changing market structure

- Strong positions and competencies in both Print and Online are tapped
- Frequent contact to the majority of Danish consumers holds a huge potential
- The aim is to provide:
  - Suppliers of goods and services with direct access to high-spending segmented consumers
  - Consumers with a basis for decision that reflects their individual needs
- The development and expansion of business models is progressing rapidly
- In a few years, North Media will rest on more profitable and more equitable feet and also have a more sustainable product portfolio

# Guidance for 2013:

## 2013 (estimated)

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- Revenue: DKK 990-1050m
  - Print: DKK 890-940m (-10%)
  - Online: DKK 100-110m (+25%)
- EBIT: DKK -15 to +15m
  - Print: DKK 15-45m
  - Online: DKK -30m
- Investments: DKK 30m
- Amortisation/depreciation: DKK 30m

## 2012 (actual)

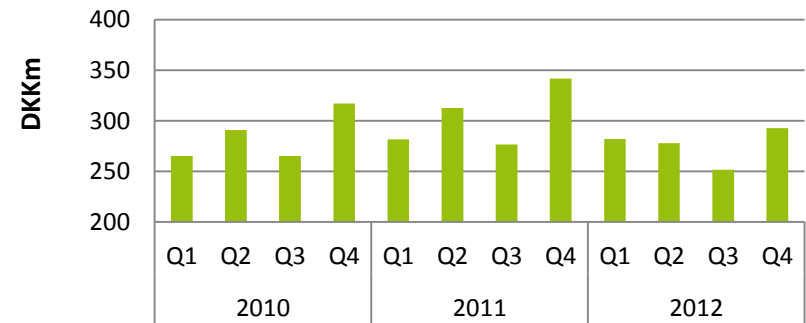
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- Revenue: DKK 1105m (-9%)
  - Print: DKK 1018m (-11%)
  - Online: DKK 87m (+35%)
- EBIT: DKK 101m
  - Print: DKK 140m
  - Online: DKK -40m
- Investments: DKK 16m
- Amortisation/depreciation: DKK 33m

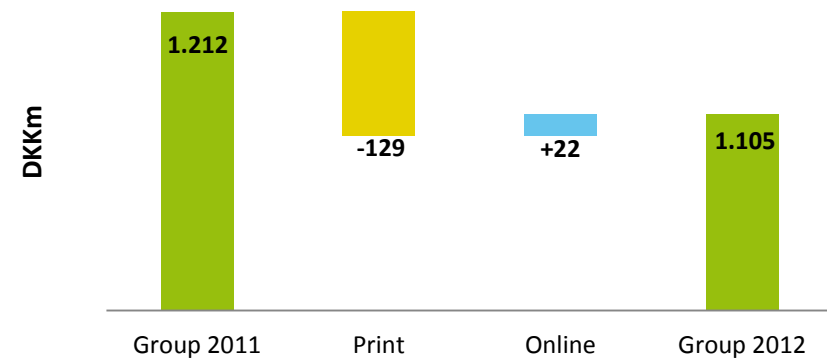
# Changes in structural market conditions reduce sales by 9% in 2012

- Q4 2012 proved challenging for several subsidiaries – diminished spending reduced sales by 14% YoY
- Revenue down by DKK 107m to DKK 1,105m in 2012
- Online activities up by 35%, but Print revenue down by 11%

Revenue by quarter 2010 to 2012



Revenue, development from 2011 to 2012



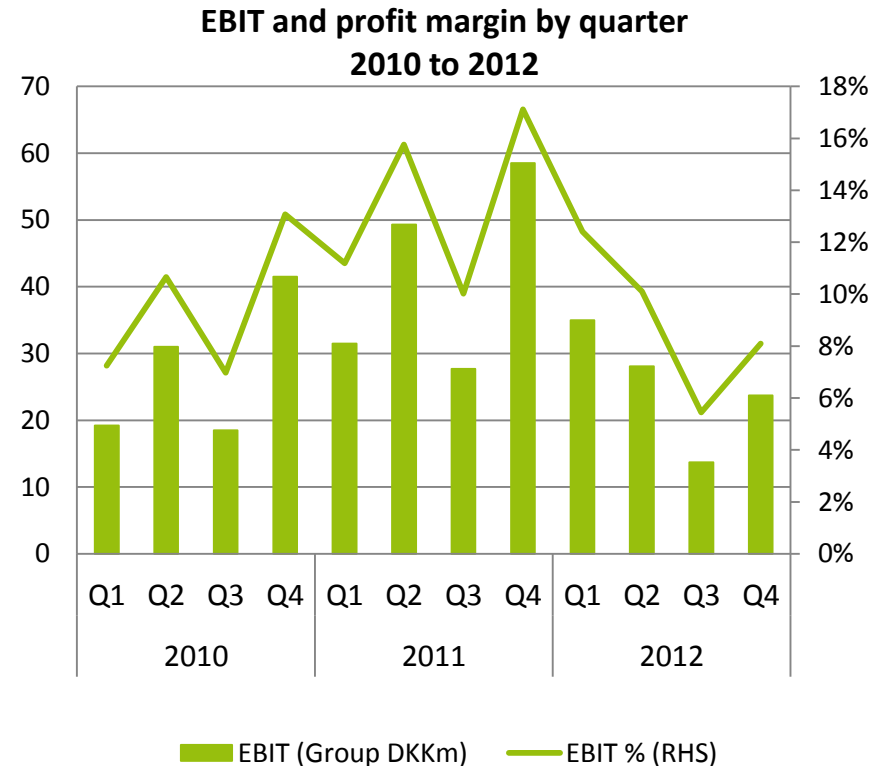
# Decline in group results as anticipated

- Quarter

- Q4 2012 profit margin of 8.1% against 17.0% in 2011 due to lower sales

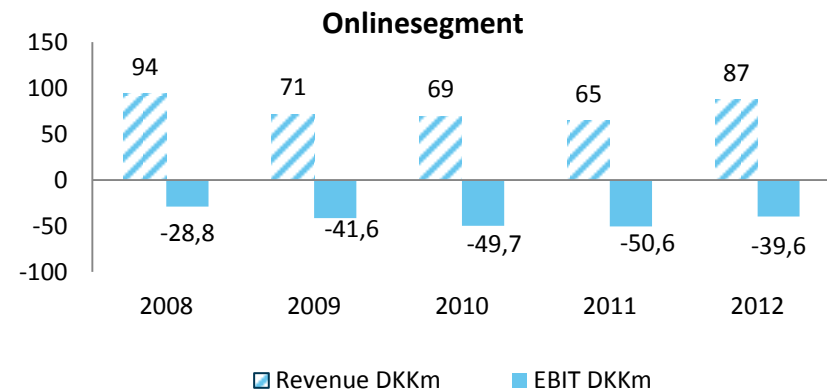
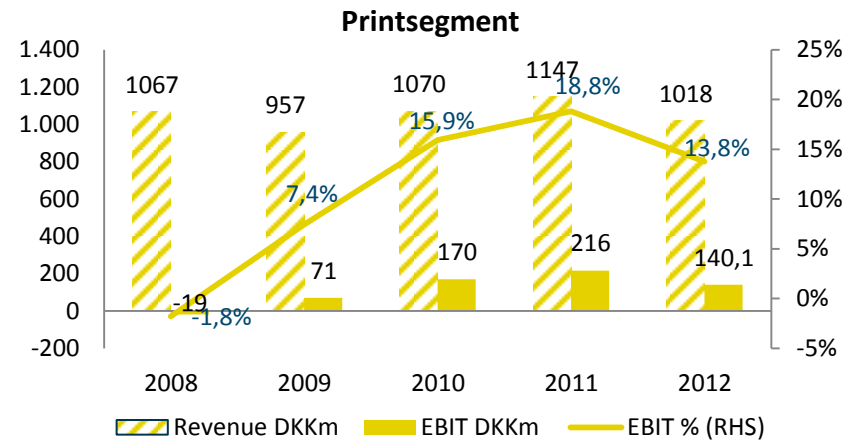
- FY

- EBIT of DKK 101m against DKK 167m in 2011
- $\Delta$ Print: DKK -76m.
- $\Delta$ Online: DKK +11m  
(DKK +24m excl acquired activities)



# Massive investments in recent years in business development within Print and Online

- Market developments in 2012 affirm recent years' focus on business development
- Competition on volumes and prices + more "No ads, please" households affect FK Distribution's 2012 performance considerably
- Pick-up in all online activities in 2012, but Ofir's results still not satisfactory
- By comparison (excl acquisition of HentTilbud.dk and Byggestart.dk), the Online segment's results went up by DKK 24m from 2011 to 2012



# Lower operating profit breaks the upward-sloping curve

(DKKm)	2012	2011	Δ
<b>EBIT</b>	<b>100.5</b>	<b>166.5</b>	<b>-40%</b>
Associates	-1.6	-0.5	
Financial income	15.9	7.0	
Financial expenses	-10.8	-10.7	
<b>Profit before tax</b>	<b>104.0</b>	<b>162.3</b>	<b>-36%</b>
Tax	-22.7	-41.1	
<b>Profit from contin. operations</b>	<b>81.3</b>	<b>121.2</b>	<b>-33%</b>
Profit from sale of companies	0.0	182.0	
Profit for the year, discount. operations	-5.2	-1.6	
<b>Profit for the year</b>	<b>76.1</b>	<b>301.6</b>	<b>-75%</b>

- Profit margin 9.1% (13.7%)
- Financial
  - income; primarily capital gains from shares and bonds
  - expenses; primarily interest on long-term mortgage loans
- Profit from sale of GISAB in 2011
- ROIC: 22.8% (38.9%)

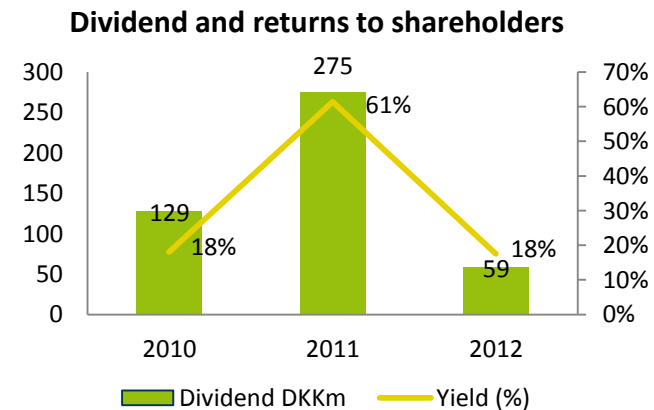
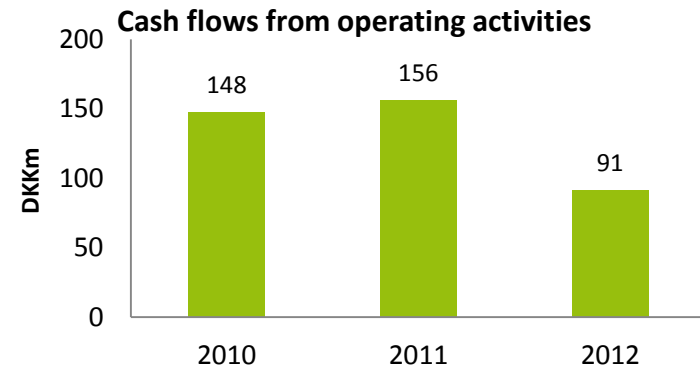
# Sustainedly strong capital structure provides latitude

(DKKm)	2012	2011
<b>Assets</b>		
Non-current, total	482	439
Current, total	383	430
Trade receivables	99	92
Securities	188	208
Cash	47	72
<b>Equity/liabilities</b>		
Equity	512	524
Non-current liabilities	190	171
Current liabilities	163	174
<b>Net working capital</b>	<b>-35</b>	<b>-50</b>
<b>Equity interest</b>	<b>59.2%</b>	<b>60.3%</b>

- Goodwill and other intangible assets increased as a result of the acquisition of HentTilbud.dk and Byggestart.dk
- Investments for the year total DKK 27.7m. Primarily FK Distribution, packing terminals
- Amortisation and depreciation for the year amount to DKK 33.3m
- Net working capital down from DKK -50m at year-end 2011 to DKK -35m at 31 Dec 2012

# Sound financial resources ensure financial latitude in 2013

- Cash flows from operating activities of DKK 91.1m
- Net interest-bearing cash position of DKK 66.3m (DKK 107m)
- Dividend payment of DKK 59m in 2012 and buy-back of treasury shares for DKK 23m to fund the share option programme
- Suspension of dividend payment for 2012. Financial resources to be strengthened to provide a scope for making the right decisions that will optimise future earnings capacity



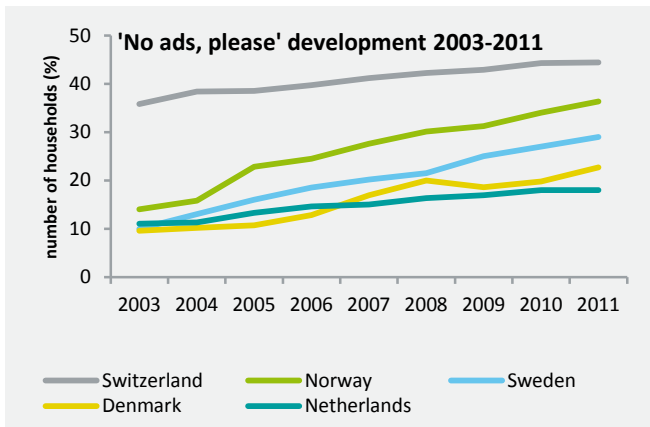


# FK Distribution in 2012

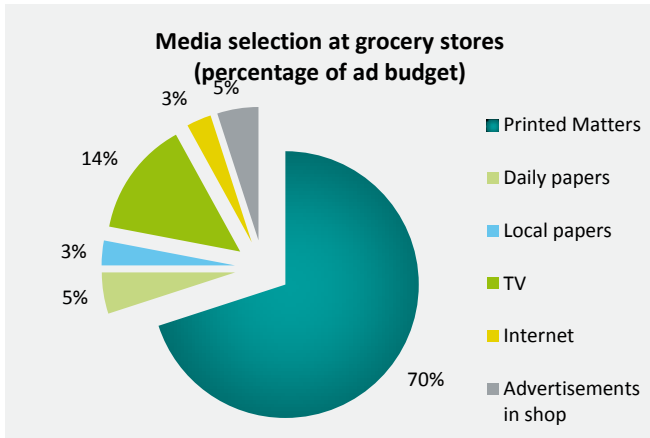


- Market conditions **toughened**
- Focus on **execution** and business development
- Retention of **market share** and new contracts signed

# The market for door-to-door distributed advertisements is changing



- Market conditions toughened more than anticipated.
  - Number of “no ads, please” households on the rise
  - Retailers have reduced their volumes of printed matter
  - Further reduction in volumes by 10% expected for 2013



- Printed ads still crucial for the retail trade
  - Primary traffic-creating element for retailers
  - Tax on printed matter leads to higher prices for consumers
  - Uncertain when and how the tax will be introduced

# Poorer financial performance at FK Distribution, focus on new strategy

- FK Distribution maintained its market position despite sales being down by 10% in 2012
  - New long-term distribution contracts with key customers, including Dansk Supermarked
  - Extended mid-week coverage and contract signed with Berlingske Media
  - Operating profit reduced, but the profit margin remains at a reasonable level in 2012
- Demand for further segmentation drives business development
  - Experiment with addressed covers completed
  - Extension of documentation of effects and customer satisfaction analyses
  - MinReklame.dk transferred to FK to add digital competencies and products
  - Unsatisfactory earnings development – enlargement and development of business models in 2013

# BEKEY in 2012



- An immature growth market bears witness to an attractive potential
  - **Market leader** offering a full product portfolio
  - Increased sales and **expansion of installed base** in 2013

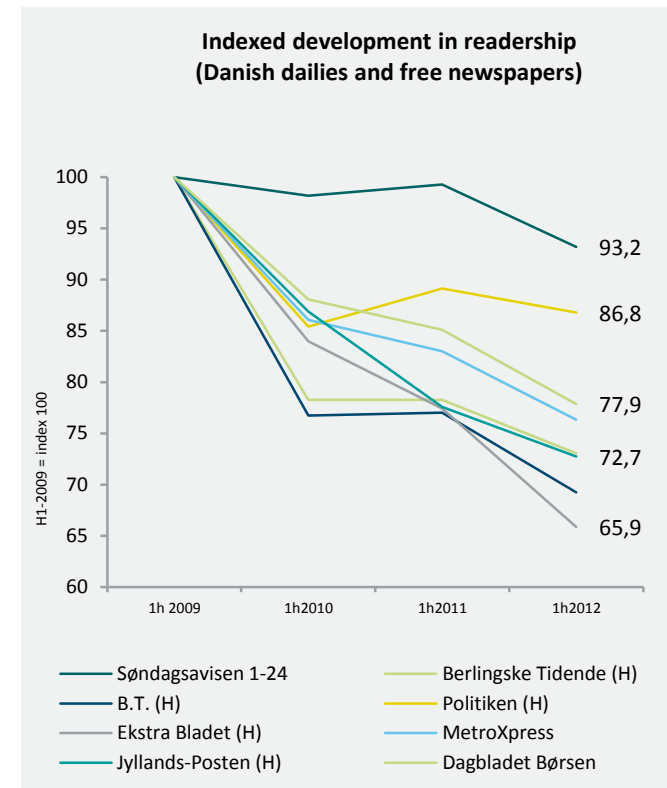
# Newspapers in 2012



- Strong momentum harnessed to **gain market shares**
- Considerable **efficiency improvement** has boosted sales
  - Focus on **performance** and value drivers

# Intensive sales effort secures growth and strengthens the market position in challenging markets

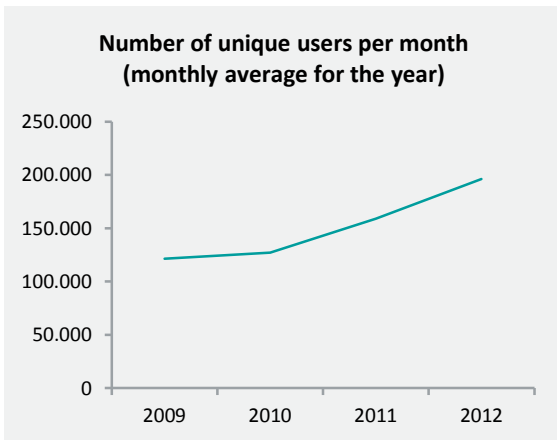
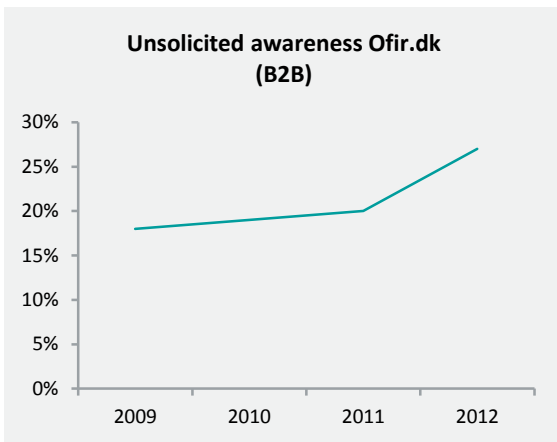
- Share of printed ads market increased heavily
- Focus on segmentation makes sales efforts more efficient
- Volume of ads up 100% since 2009
- *Søndagsavisen* benefits from the decline in competitors' readership – fully outweighs the newspaper's own moderate decline
- Focus on improving performance and market shares through optimisation of editorial content in 2013
- Profit at group level from Q1 2013



# Ofir in 2012

- Consolidation of the market has resulted in a **fortified market position**
- **Higher brand awareness** through a massive promotional campaign
- Limited growth leads to **unsatisfactory earnings development**

# Higher brand awareness and improved platform support the strategy



- Increasing market share makes Ofir.dk one of Denmark's leading online job portals
- New strategy and massive sales promotion have upped KPIs such as brand awareness and number of unique users
- Acquisition of eConscribi improves overall platform
- Volume of ads up, but too few buy the extra ad options –flow of the extra services model has been optimised and user-friendliness improved
- Development and promotional initiatives to secure heavy growth in 2013 and improved results



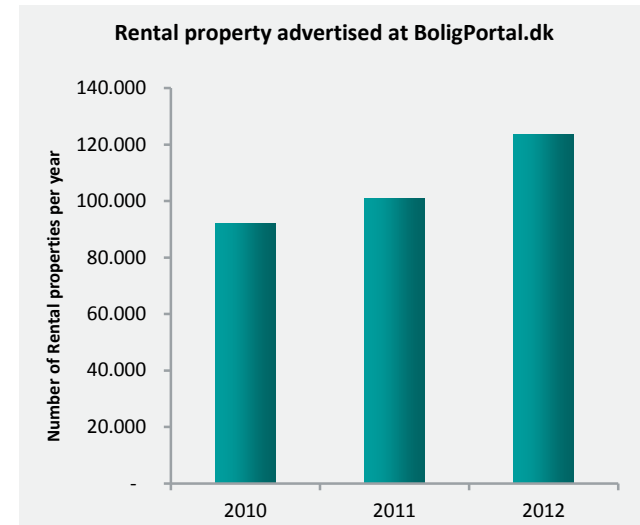
# Other Online activities in 2012



- Boligportal.dk upholds strong growth
- Byggestart.dk/HentTilbud.dk making headway after successful integration

# BoligPortal.dk is Denmark's largest and most effective housing platform

- The rented housing market develops favourably
- Sales up by 20% and improved results despite increased development costs
- Better mobile services products and more exposure in social media
- BostadPortal.se has consolidated its position successfully and upped the number of ads
- Focus on maintaining a high growth rate and securing market shares by enlarging platforms



# Acquisition of Byggestart.dk and HentTilbud.dk; A market leader with perspectives

- The market for builders' ads is estimated at DKK 1bn.  
The RFQ market is new and immature
- In 2012, focus was on integrating platforms and increasing the number of signed-up builders
- Increased level of activities and strengthened market position, but the small number of building projects affect results in the last few months of 2012
- Growth and improved profitability on the 2013 agenda – profitability to be achieved through increased sales and reduced costs



[WWW.NORTHMEDIA.DK](http://WWW.NORTHMEDIA.DK)

## Financial calendar for 2013

- 8 March 2013      Annual General Meeting
- 3 May 2013        Interim Management Statement for Q1 2013
- 7 August 2013     Interim Report for 2013
- 6 November 2013   Interim Management Statement for Q3 2013