



Hi everyone,

This morning nine of our senior managers from across Fairfax Media will be joining me to meet with investors and analysts at an Investor Day we are hosting to discuss our business and our strategy.

Over the course of the day we will hold a series of presentations relating to the new organisational structure we announced in April, providing investors with greater insight into the strategies we are putting into place. The Investor Day will be webcast and can be accessed via this [link](#).

The theme of each of the presentations is how Fairfax Media is “leading the change” in our industry facilitate our transformation. We’ve been leading the change since we recognised that the challenges faced by our print business are predominantly structural and responded by reshaping Fairfax as a multi-media business, bringing together our print and digital resources in content and in sales.

Now, we are leading the change by taking our multimedia cross-platform business and simplifying it making it lean and agile. The formation of the Australian Publishing Media division allows us to reduce duplication through a more ordered grouping of our businesses and activities, and we are also working to drive additional revenue by leveraging our core business – news, business, lifestyle and community media.

Fairfax is becoming more agile by breaking out our digital businesses into freestanding units that have the support, resources and autonomy needed to deliver on their potential.

A common theme in each of the presentations today will be that Fairfax has acted decisively as we reshaped our operations – with the goal of developing a business model that is appropriate for the structural issues and market conditions that we face. Great progress has been made, and we are seeing some positive signs.

For example, in our new Domain division, we have reached the tipping point where growth in digital revenues is taking place faster than declines in print.

Right across our business, we are finding new opportunities for revenue generation. Today we are announcing the new digital subscription arrangements for The Sydney Morning Herald and The Age. Allen Williams, the Managing Director of our Australian Publishing Media division, will be introducing these to investors.

Ed Harrison, our Group Sales Director, will be discussing revenue opportunities available through better use of data. Ed will talk about the investment we are making – in terms of both systems and human resources – to deliver advertisers greater insight into our audience, and more tailored, higher value, advertising opportunities.

We also see new revenue opportunities in Content Marketing – meaning greater use of our content in third-party environments, including provision of content for third-party websites.

Our Events businesses leverage the strongest Fairfax brands and already have \$23 million of revenue. We see opportunities to expand these activities further.

However, while there is a great deal of work being done to build new sources of revenue, much of our legacy business is still under pressure. I will be telling investors that there has been no improvement in trading in recent months, and that group revenues in the current half year are 9-10% lower than in the same period last year.

In this environment, we have no choice but to move swiftly to extract the additional cost savings that are available following the organisational restructure. Today, we are announcing that we will achieve additional annualised savings of \$60 million by the end of September. These are new savings that are additional to the Fairfax of the Future cost savings that we have previously announced.

The savings will come from reducing duplication right across our business, but with an emphasis on minimising the impact on content and sales.

In addition, we will be undertaking a product review – a step-by-step review of what we produce, what we do ourselves and what we can do differently – to deliver further savings. At Fairfax we currently produce 431 publications and 337 websites, we have seven radio stations and almost 100 apps. The product review will examine each of these products and identify four product categories where we should be focusing our resources: products that are strongly aligned to our flagship masthead brands; products that attract large audiences; products that make a significant contribution to incremental revenue and profit; and, products that have high growth potential.

While all of our products will be reviewed, we do not have any intention to reduce the frequency of print publication of any of our major mastheads in the foreseeable future.

While some components of the \$60 million cost reduction announced today will not involve job losses – for example, reduced marketing expenditure will contribute to the total – regrettably the removal of duplication will involve job losses. For all of us, it will mean further change.

I appreciate that all of you are already adapting to significant change – many of you have recently adapted to the introduction of real-time working, partnering of our contact centres and changes to sub-editing arrangements.

We have no choice but to make further changes in order to provide prosperity and job certainty in the longer term.

I am committed to ensuring all of our people understand the changes that are being made and the strategies that we are adopting. Over the next four weeks, I will be travelling to many of our regional and metropolitan centres to discuss the Investor Day presentations and the cost and revenue initiatives in

greater detail, and to answer any questions that you may have.

In the meantime, please speak with your divisional management at any time if you have immediate questions.

Regards,

Greg