Hürriyet

newspaper web mobile tablet

Review of 1H13 Results

23 August 2013

2Q13 : Highlights

- #1 National online player in Turkey
- Outstanding domestic online revenue growth of 35% in 1Q13 is continued in 2Q13
- 3 mn TL EBITDA improvement in 1H13
- Effective cost control sustained in 2Q13

#1 National Online Player

17,6 million reach out of 23,9 million internet audience in Turkey

Right after international competitors : Google, Facebook, Microsoft Sites

31% increase (YoY) in unique visitors

(Comscore 1H13)

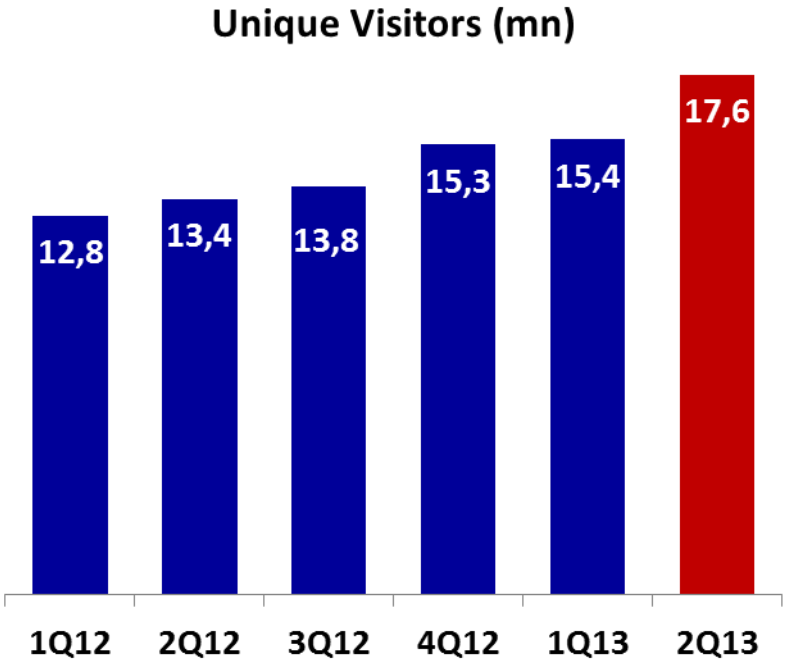
Hürriyet Internet Group

#1 National Online Player

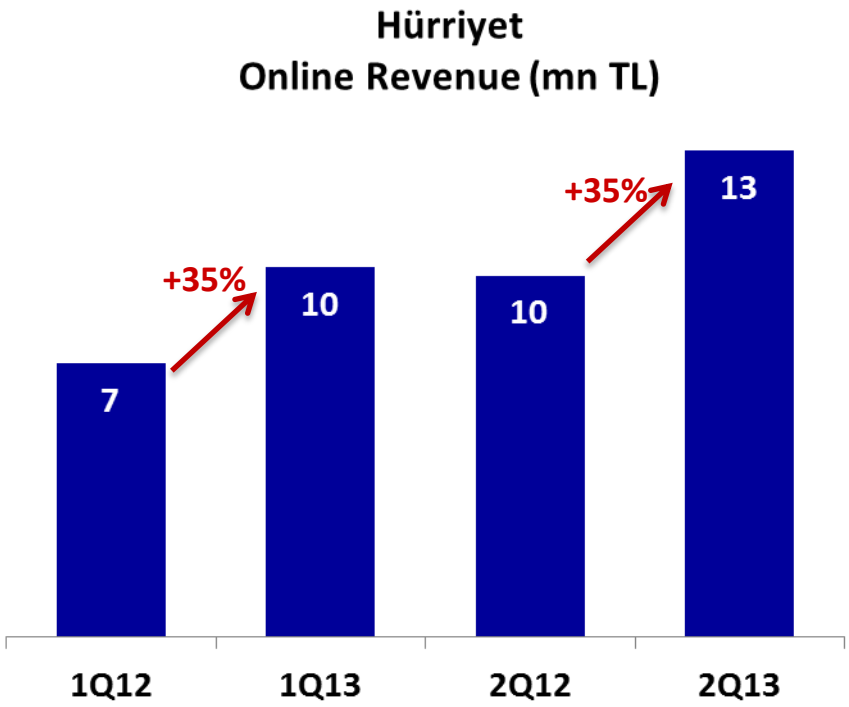
Constant improvement in reaching online audience in every quarter

Ranking improvement from 7th place to 4th place in Turkish online world

37% increase since 1Q12 in unique visitors



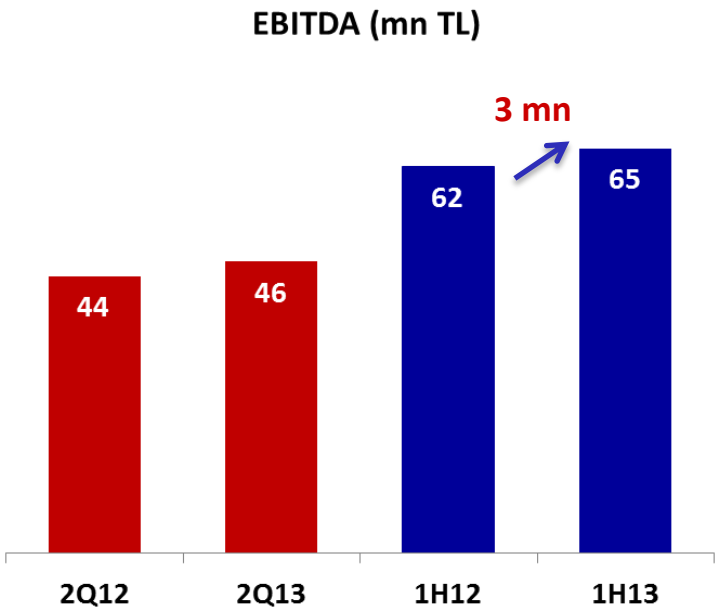
Outstanding Online Revenue Growth

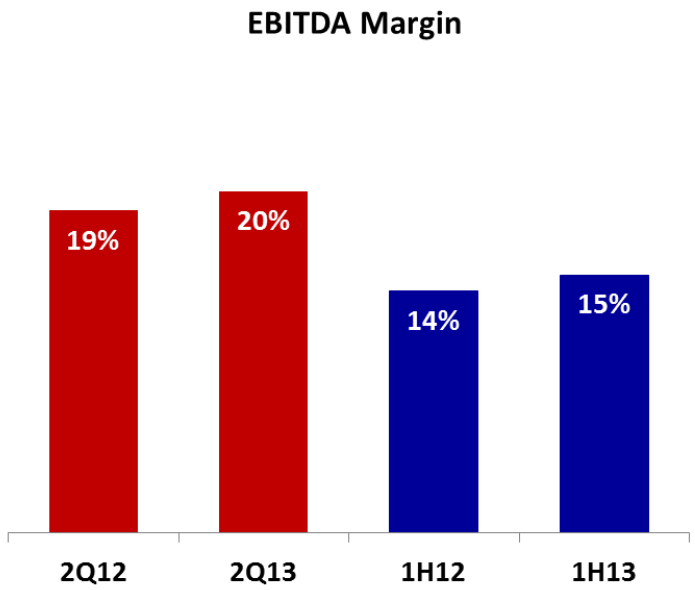


Hürriyet online revenues grew by 35% in both 1Q13 and 2Q13

outperforming the internet ad revenue growth rate of 11,7% and 15,2% respectively.

EBITDA

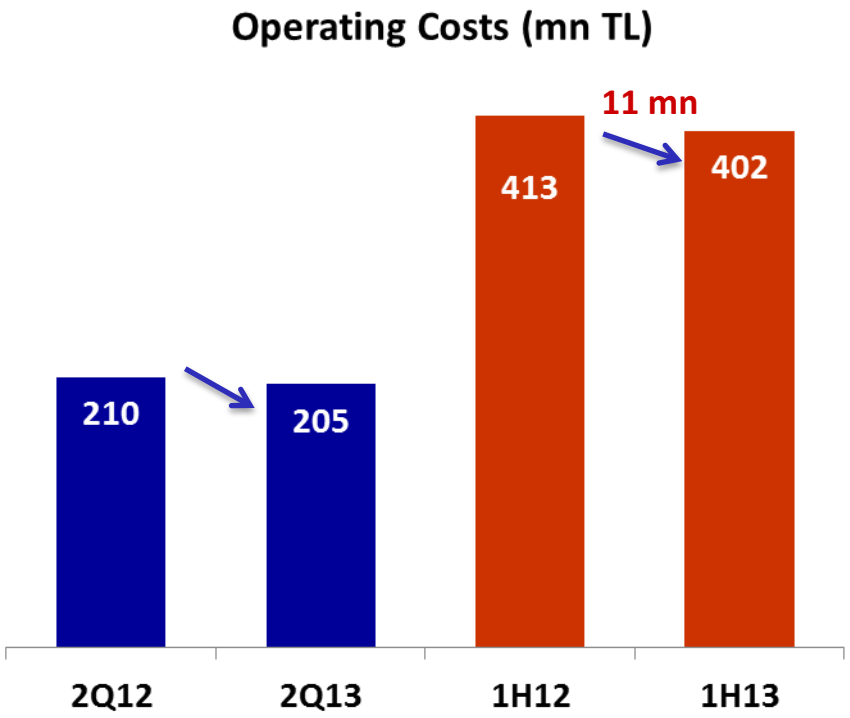




EBITDA Margin improvement was mainly driven by :

1. 8% lower paper price in 2Q13
2. Lower advertising spending
3. Under control operating costs

Cost Control



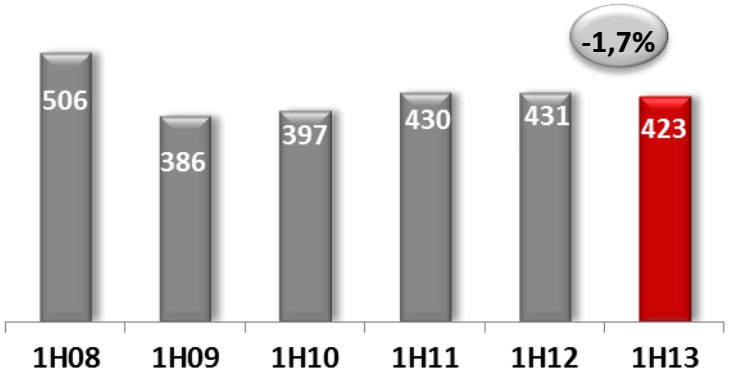
Major cost decreases in 2Q13 were in newsprint and advertising expenses

1H13
Financial Results

1H13 Financial Results: Summary

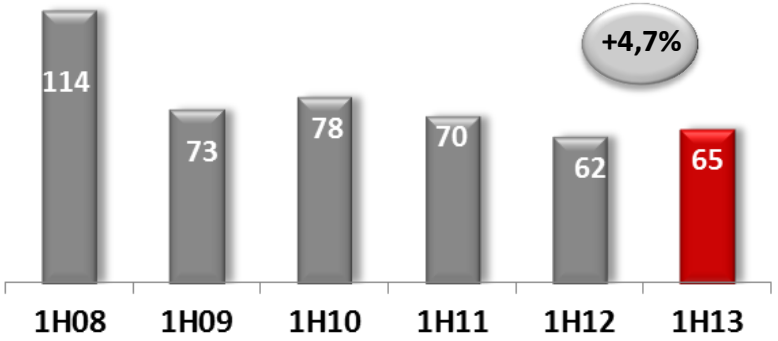
- Net Loss : -12,1 mn TL (1H12 net profit : +148,1 mn TL)
- Consolidated EBITDA : 64,5 mn TL (1H12 : 61,6 mn TL)
- Consolidated EBITDA margin : 15,2% (1H12 : 14,3%)
- Consolidated Revenues : 423,3 mn TL (1H12 : 430,6 mn TL)
- Fx Income /(Loss) (net): -21,0 mn TL (1H12 : +20 mn TL)

Revenues (TL mn)



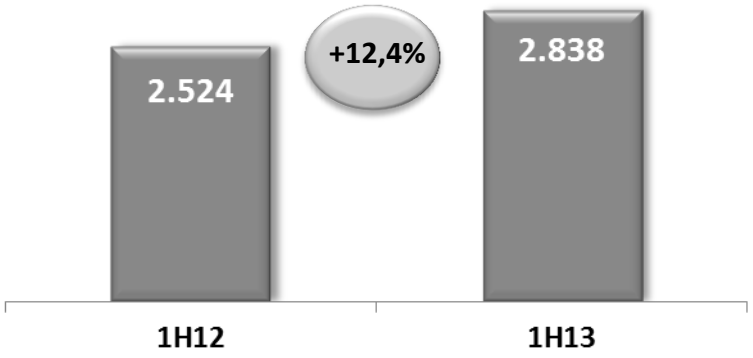
- TME Net Loss : -11,1 mn $ (1H12 : -0,8 mn $)
- TME EBITDA : 2,7mn $ (1H12 : 6,6 mn $)
- TME EBITDA margin : 5% (1H12 : 11%)
- TME Revenues : 54,6 mn $ (1H12 : 61,7 mn $)
- FX Income /(Loss) (net) : - 7,0 mn $ (1H12 : -2,4 mn $)

EBITDA (TL mn)

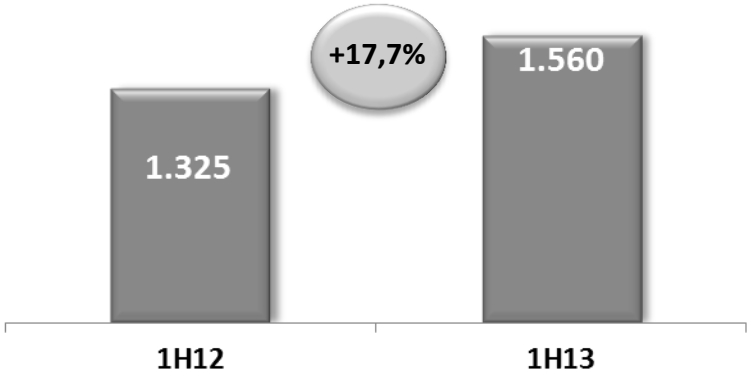


Ad market in Turkey*

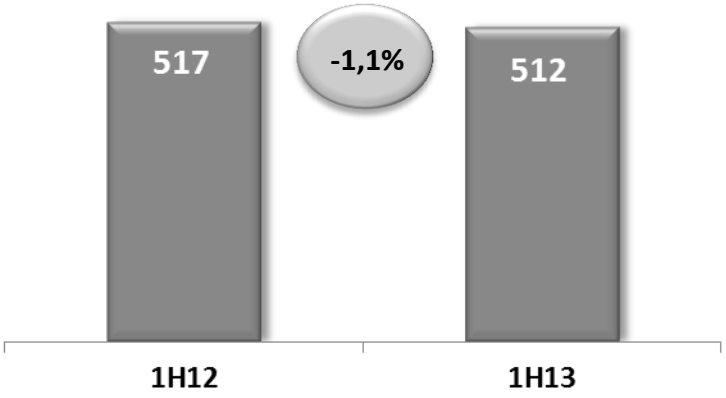
Total Ad Market (TL mn)



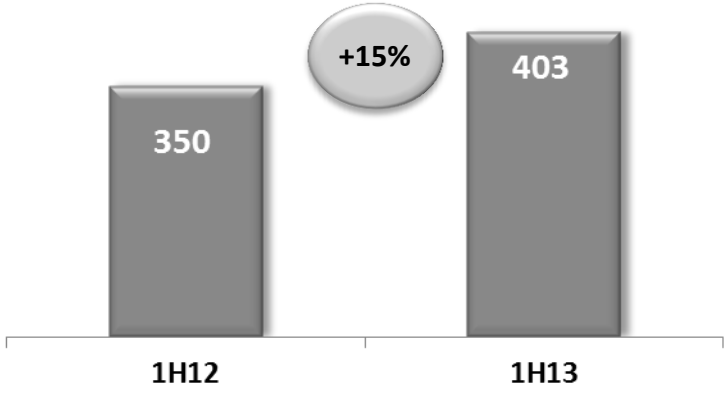
TV Advertising (TL mn)



Newspaper Advertising (TL mn)



Online Ad Market (TL mn)

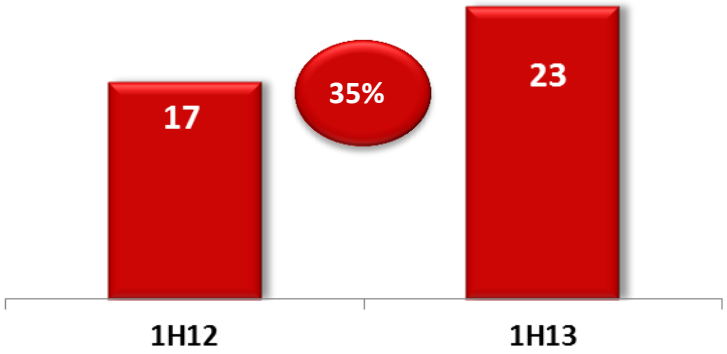


** Ad market statistics are estimates compiled by DYH ad platform, based on 25 national newspapers.*

*** Includes all domestic online & offline advertising revenues, minus all **IFRS** adjustments*

Hürriyet Online Revenues and Ranking

Hürriyet Domestic Online Ad Rev. (TL mn)



Hürriyet internet group	1H12	1H13
Ranking	7	4
Unique Visitor (million)	13,4	17,6
Reach	56,4%	73,7%

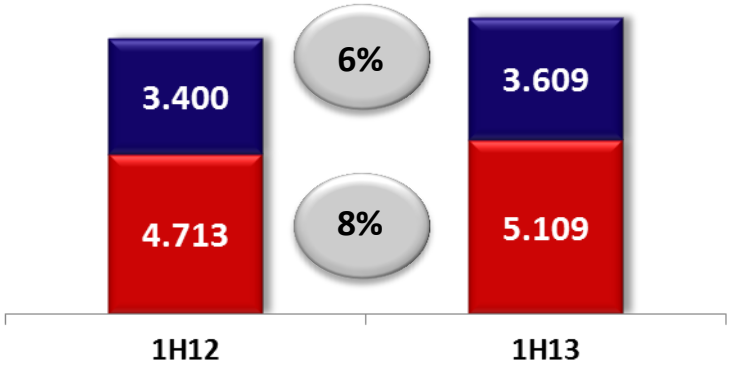
Hurriyet.com.tr	1H12	1H13
Ranking	10	7
Unique Visitor (million)	10,6	13,9
Reach	44,4%	58,1%

Hurriyetemlak.com	1H12	1H13
Ranking	2	1
Unique Visitor (million)	1,7	2,2
Reach	6,9%	9,0%

Yenibiris.com	1H12	1H13
Ranking	3	3
Unique Visitor (million)	1,1	1,4
Reach	4,6%	5,9%

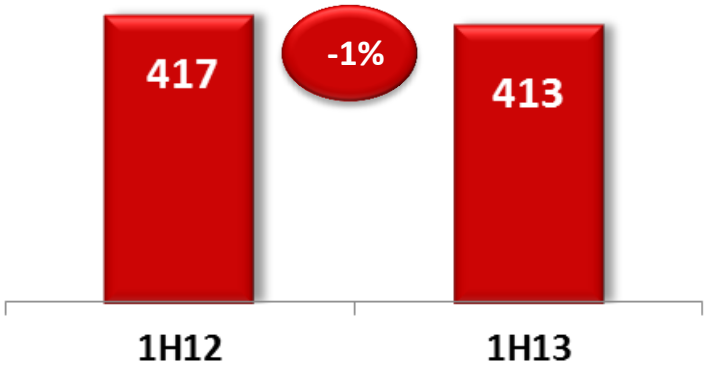
Circulation market *

National Circulation (000)

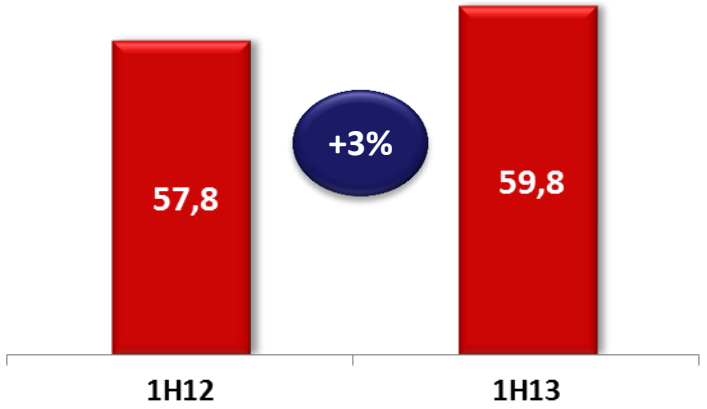


- Excluding market outliers and new entrants, the increase is 6 %.
- There is actually a increase of 3% when bulk sales (mostly free distribution) excluded as well.

Hürriyet Circulation (000)



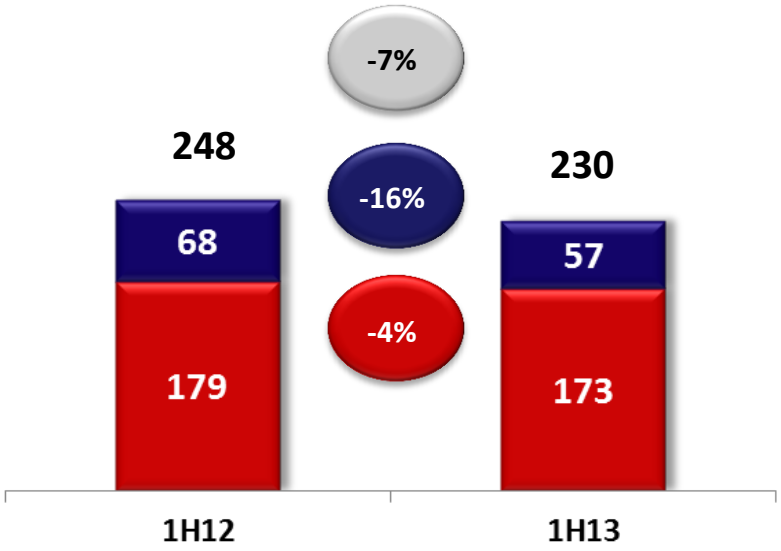
Average Cover Price (Kr)



** Circulation figures are daily averages for related period. Total circulation figures are Dogan Dagitim estimates.*

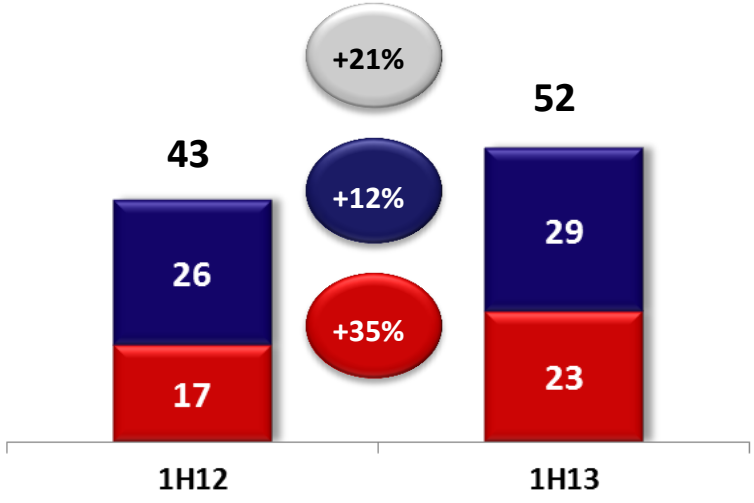
Print & Online Advertising Revenues

Print Ad Revenue (TL mn)



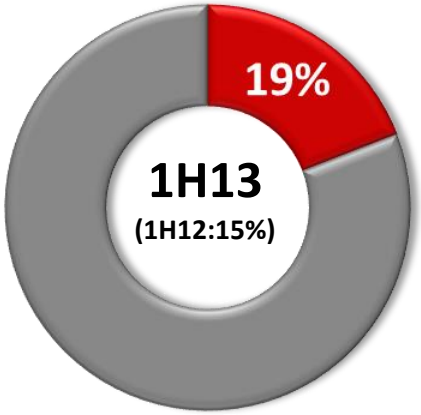
Hürriyet
TME

Online Revenue (TL mn)

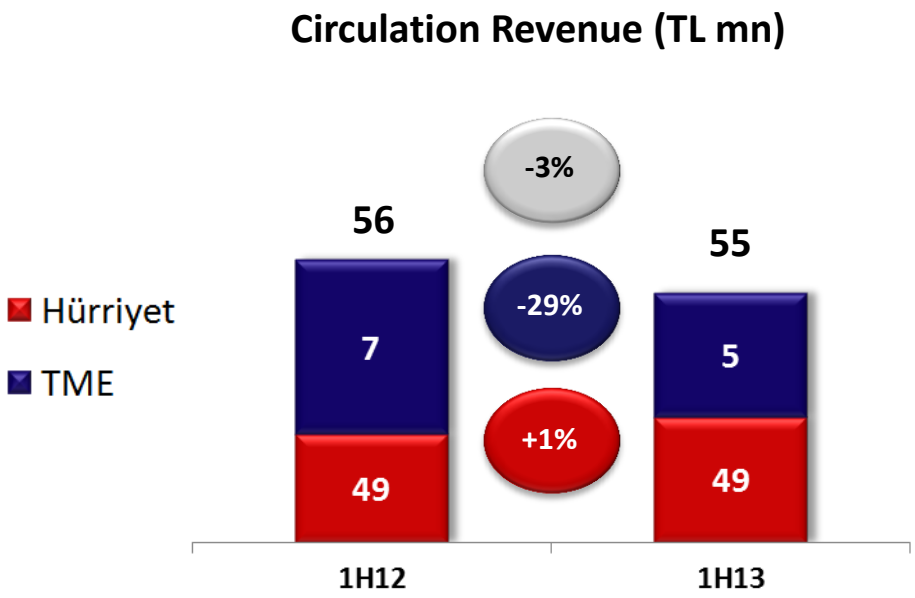


- Domestic print ad revenues performed weaker than expected due to June performance of ad market in general.
- Online revenue pick up ofset the decrease in offline ad revenue.
- Domestic online revenues outperformed the market growth rate by far (35% vs 15%).
- Visible slow down in Russian economy continued to effect Russian operations negatively.
  - Print ad revenues decreased more than expectations.
  - Car and real estate segment was under pressure on the online side.

Online Share in Ad Revenue

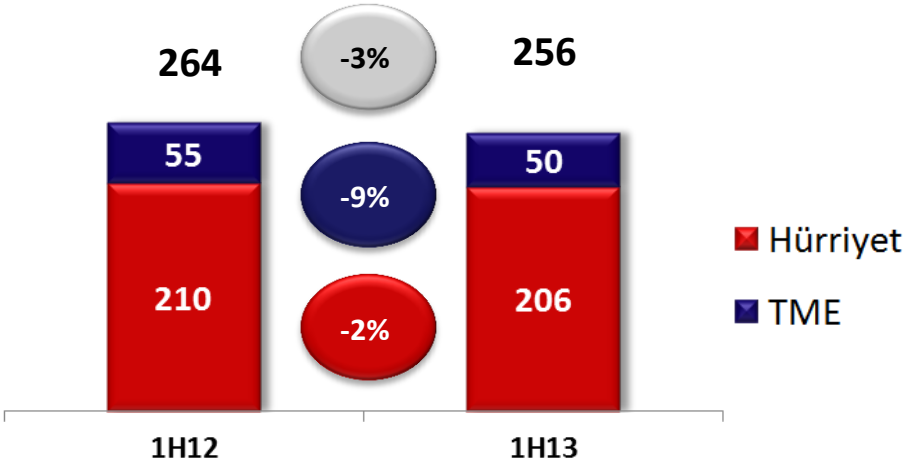


Circulation Revenue

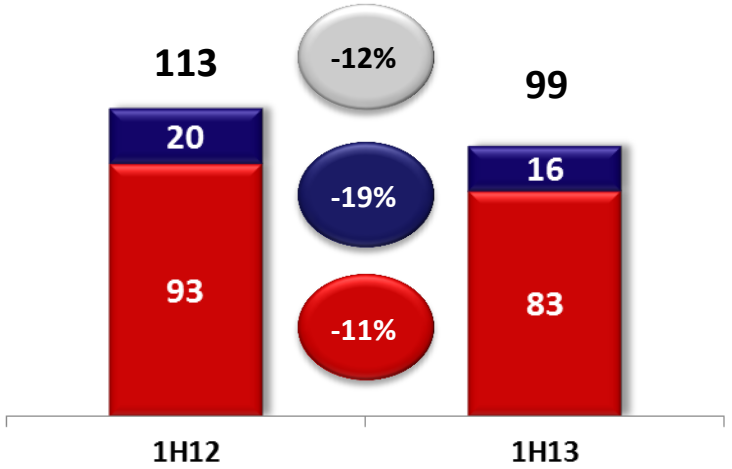


Production expenses

Cost of Sales (TL mn)



Raw material costs (TL mn)



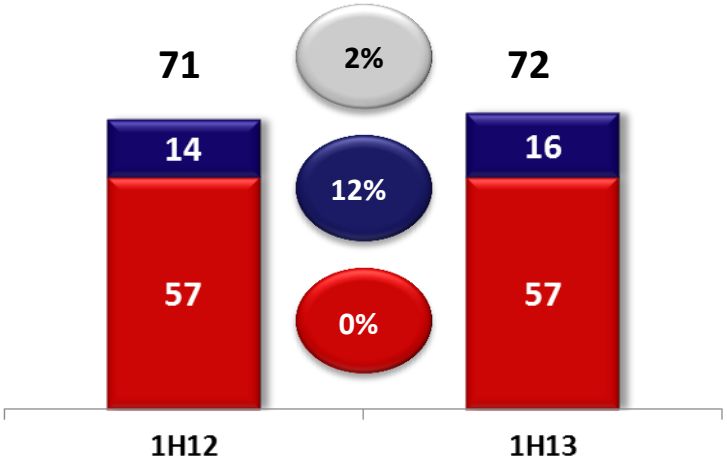
Hürriyet Newspaper	1H12	1H13	YoY (Ch.)
Average number of pages	**80,6**	**83,5**	**3,0**
Main paper	38,3	39,8	1,5
Supplements	42,3	43,8	1,5

	1H12	1H13	% (Ch.)
Average Newsprint Prices ($/Ton)	777	699	-10%

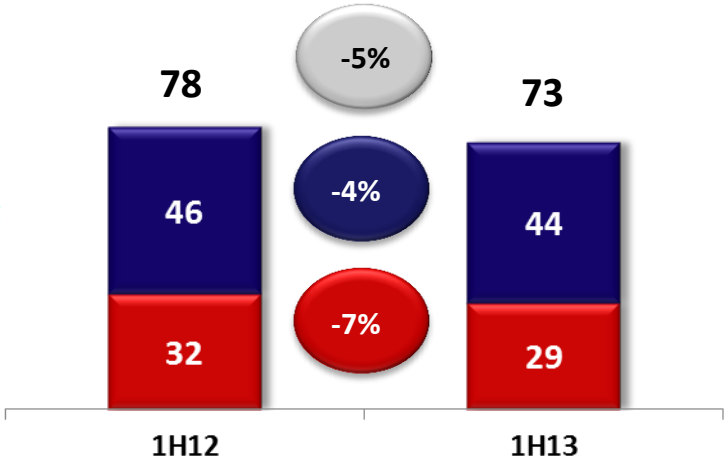
	1H12	1H13	% (Ch.)
Average USD/TL rate	**1,7935**	**1,8089**	1%

Operating expenses

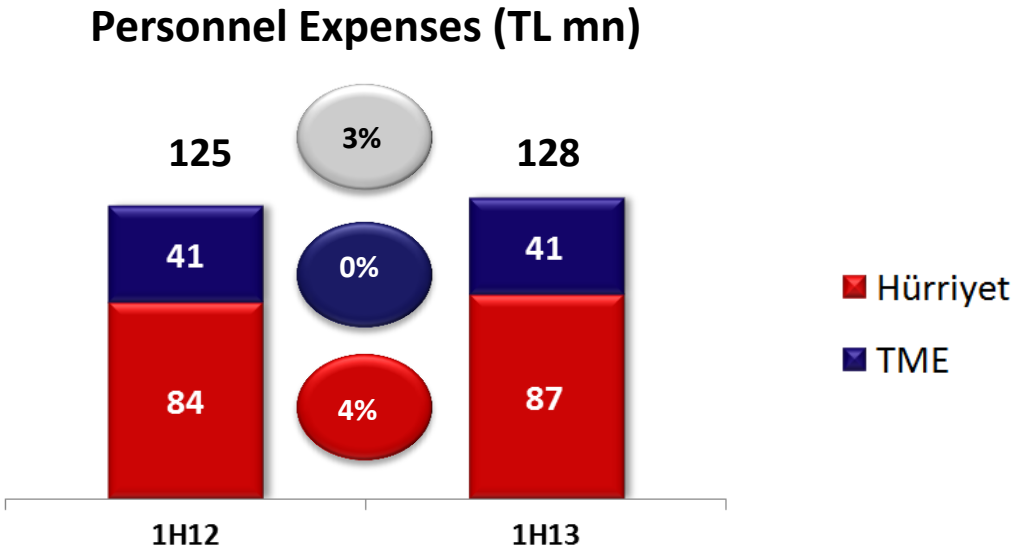
Sales, marketing and distribution costs (TL mn)



General administrative costs (TL mn)



Personnel expenses



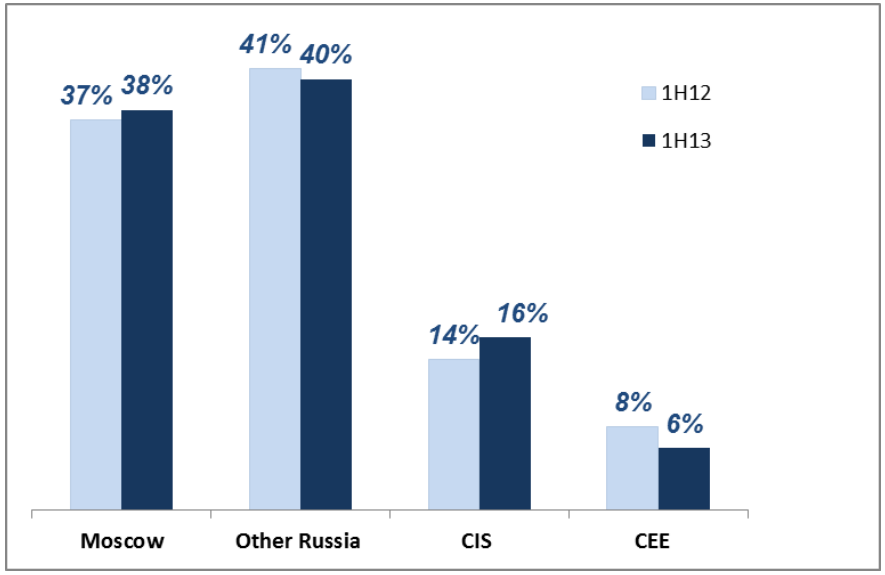
TME : Consolidated IFRS statements of operations (mn $)

mn $	1H13	1H12	YoY (%)
Sales	**54,6**	**61,7**	**-12%**
Cost of sales	-27,4	-30,4	-10%
Gross Profit	**27,2**	**31,3**	-13%
Gross Profit Margin	***50%***	***51%***	
Marketing, selling and distribution expenses	-9,4	-8,5	11%
General administrative expenses	-21,3	-20,3	5%
Other income	1,1	3,0	-63%
Operating (loss) / profit	**-2,4**	**5,5**	
EBITDA	**2,7**	**6,6**	-59%
EBITDA margin	***5%***	***11%***	
Share of profit of associates	-	-	
Financial income / (expense), net	-9,4	-5,3	77%
Monetary gain	-	-	
Tax benefit/ (expense)	0,7	-1,0	
Net (loss) / profit for the year	**-11,1**	**-0,8**	
Attributable to:			
Equity holders of the parent	-11,8	-1,8	
Non-controlling interests	0,7	1,0	

Revenue Growth by Regions – TME stand alone

mn $	2Q12	2Q13	% Ch. (USD)	% Ch. (LCY)	1H12	1H13	% Ch. (USD)	% Ch. (LCY)
Russia	26,0	23,1	-11%	-10%	48,1	42,6	-11%	-10%
Moscow	12,3	11,5	-7%	-5%	22,6	20,5	-9%	-8%
Other Russia	13,7	11,6	-15%	-14%	25,6	22,1	-14%	-12%
CIS	4,7	4,8	2%	7%	8,7	8,8	2%	6%
CEE	2,4	1,5	-38%	-39%	4,9	3,2	-34%	-35%
Total	**33,2**	**29,5**	**-11%**	**-9%**	**61,7**	**54,6**	**-11%**	**-9%**

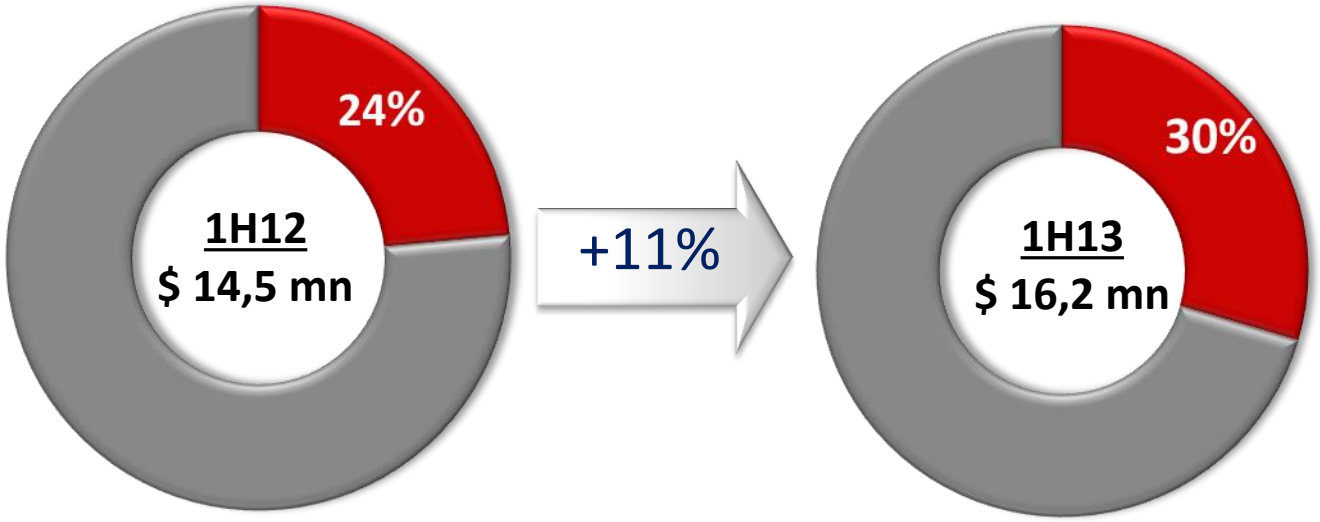
Revenue Breakdown by Regions (mn $)



Online Revenue Growth by Regions – TME stand alone

Online Revenue (mn $)	2Q12	2Q13	% Ch. (USD)	% Ch. (LCY)	1H12	1H13	% Ch. (USD)	% Ch. (LCY)
Russia	6,2	7,3	17%	19%	11,4	13,2	16%	18%
Moscow	4,5	5,4	22%	24%	8,2	9,8	19%	21%
Other Russia	1,8	1,9	7%	9%	3,2	3,4	7%	8%
CIS	0,6	0,8	36%	42%	1,0	1,4	47%	52%
CEE	1,1	0,7	-39%	-40%	2,2	1,5	-29%	-30%
Total	**7,9**	**8,8**	**11%**	**17%**	**14,5**	**16,2**	**11%**	**16%**

Online Share in Total Revenues



EBITDA by Regions – TME stand alone

mn $	2Q12	2Q13	% Ch. (USD)	1H12	1H13	% Ch. (USD)
Russia	4,3	2,7	-38%	5,8	2,7	-54%
Moscow	0,7	0,3	-59%	0,2	-0,9	N.A
Other Russia	3,6	2,4	-34%	5,6	3,6	-36%
CIS	1,2	1,2	-5%	2,0	1,8	-10%
CEE	0,0	-0,3	N.A	0,1	-0,8	N.A
Operational EBITDA	**5,5**	**3,5**	**-37%**	**7,9**	**3,7**	**-54%**
Corporate Costs	0,6	0,5	-23%	1,3	1,0	-26%
Consolidated EBITDA	**4,9**	**3,0**	**-39%**	**6,6**	**2,7**	**-60%**

EBITDA by Margins – TME stand alone

mn $	2Q12	2Q13	pp ch.	1H12	1H13	pp ch.
Russia	16,5%	11,5%	-5%	12,1%	6,3%	-6%
Moscow	5,6%	2,4%	-3%	1,0%	-4,4%	-5%
Other Russia	26,2%	20,4%	-6%	22,0%	16,2%	-6%
CIS	25,7%	24,0%	-2%	22,9%	20,1%	-3%
CEE	1,6%	-23,0%	-25%	2,2%	-24,7%	-27%
C. EBITDA Margin	**14,7%**	**10,1%**	**-5%**	**10,7%**	**4,9%**	**-6%**

Net Debt Position

mn TL	31/12/2012	30/06/2013
Cash and Equivalents	115	47
S.T Bank Borrowings	262	150
L.T Bank Borrowings	201	217
Net Debt	**-348**	**-320**
Capex	62	19
Supplier Loans	41	26

includes TME's net debt of TL 103 mn ($54 mn).

mn $	31/12/2012	30/06/2013
Cash and Equivalents	64	25
S.T Bank Borrowings	147	78
L.T Bank Borrowings	113	113
Net Debt	**-195**	**-166**
Capex	35	10
Supplier Loans	23	13

- Net debt improvement will gain accelaration as notes receivable from building sales are collected each month.
- $ 21,6 million will collected in the remaining part of 2013 (2014 : $ 35 million).

Outlook

1. Domestic newspaper ad market will be under presuure in 2013 which we plan to overcome by increasing our sales channels and making 360 degree sales (newspaper – web TV – table – mobile.

2. Domestic online revenues are expected to outperform the market significantly by a growth rate of over 30%.

3. TME's revenues will continue to be under pressure due to visible slowdown in Russian economy.

4. Average newsprint prices are estimated to below 2012 levels. Currently it is better than our year end guidance of 2-4%. Consolidated EBITDA margin is expected to be between 12 - 14%.

Appendix

1H13 Consolidated IFRS Results

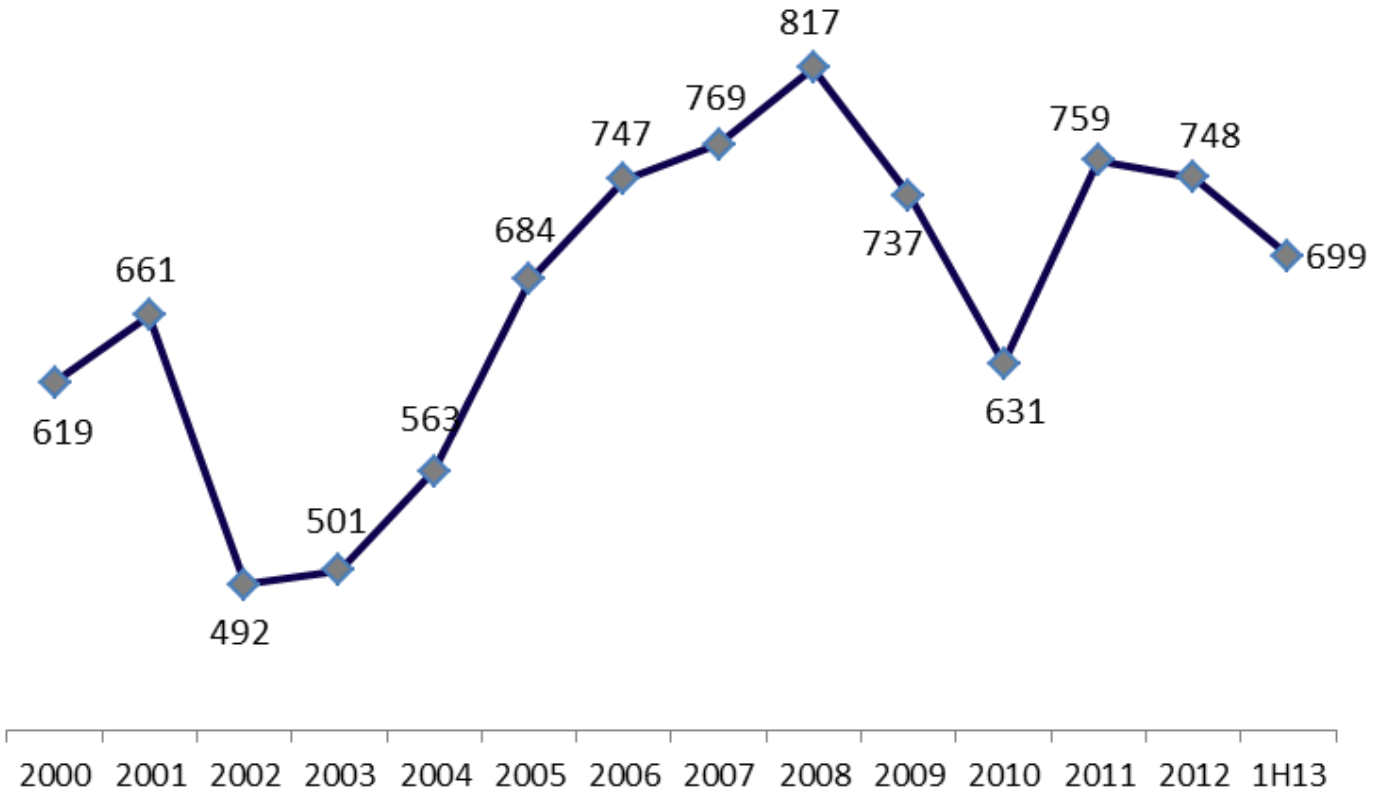
mn TL	1Q13	2Q13	2Q12 Restated	YoY% Ch.	1H13	Restated 1H12	YoY% Ch.
Total revenues	**193,3**	**230,0**	**231,5**	**-0,7%**	**423,3**	**430,6**	**-1,7%**
Ad revenues (print)	102,3	*128,1*	*138,2*	-7,3%	*230,4*	*247,8*	-7,0%
Ad revenues (online)	23,0	*29,3*	*23,9*	22,2%	*52,3*	*43,1*	21,4%
Circulation revenues	28,0	*26,8*	*27,7*	-3,5%	*54,7*	*56,2*	-2,6%
Printing revenues	30,2	*34,2*	*29,6*	15,3%	*64,4*	*61,0*	5,5%
Other revenues	9,9	*11,7*	*12,0*	-2,7%	*21,6*	*22,5*	-4,2%
Cost of sales	**-126,0**	**-129,7**	**-133,8**	**-3,0%**	**-255,7**	**-264,4**	**-3,3%**
Operating expenses	**-71,1**	**-74,8**	**-76,1**	**-1,6%**	**-145,9**	**-148,5**	**-1,8%**
Marketing, sales and distribution	*-32,3*	*-40,1*	*-37,8*	6,1%	*-72,4*	*-70,8*	2,3%
General administrative	*-38,8*	*-34,7*	*-38,3*	-9,3%	*-73,5*	*-77,7*	-5,5%
Operating profit	**-3,7**	**25,4**	**21,7**	**17,4%**	**21,7**	**17,7**	
Other operating expenses (net)	**-4,9**	**-2,2**	**-3,0**	**-27,4%**	**-7,1**	**136,0**	
Income/loss from investments	-2,3	-2,9	-3,0		-5,2	-5,7	
Financial (expense) / income (net)	-6,0	-23,4	-24,8		-29,4	9,0	
Monetary gain/loss (net)	-	0,1	-		0,1	-	
Profit before tax	**-16,9**	**-3,0**	**-9,1**		**-19,9**	**157,0**	
Tax	0,1	0,2	5,8		0,3	-11,6	
Net profit before minority	**-16,9**	**-2,8**	**-3,3**		**-19,6**	**145,4**	
Minority Interest	3,8	3,8	3,6		7,5	2,7	
Net profit	**-13,1**	**1,0**	**0,3**		**-12,1**	**148,1**	
Depreciation	19,5	19,4	19,1	1,4%	38,9	38,5	0,9%
Amortised cost valuation income	2,3	1,7	3,4	-50,4%	4,0	5,4	-27,0%
Adj.EBITDA	**18,1**	**46,5**	**44,1**	**5,3%**	**64,5**	**61,6**	**4,7%**
EBITDA Margin	9,3%	20,2%	19,1%		15,2%	14,3%	

1H13 IFRS Results: Hürriyet excluding TME

mn TL	1Q13	2Q13	2Q12 Restated	YoY% Ch.	1H13	Restated 1H12	YoY% Ch.
Total revenues	**148,5**	**176,0**	**171,9**	**2,4%**	**324,5**	**320,0**	**1,4%**
Ad revenues (print)	75,8	97,2	101,5	-4,2%	*173,0*	*179,4*	-3,6%
Ad revenues (online)	10,0	13,1	9,7	34,7%	*23,0*	*17,1*	34,9%
Circulation revenues	25,2	24,2	24,2	0,2%	*49,4*	*48,7*	1,5%
Printing revenues	30,2	34,2	29,6	15,3%	*64,4*	*61,0*	5,5%
Other revenues	7,4	7,3	6,9	5,8%	*14,7*	*13,8*	6,3%
Cost of sales	**-102,1**	**-104,0**	**-105,6**	**-1,5%**	**-206,1**	**-209,8**	**-1,8%**
Operating expenses	**-41,8**	**-44,4**	**-45,6**	**-2,8%**	**-86,1**	**-88,6**	**-2,8%**
Marketing, sales and distribution	*-25,5*	*-31,4*	*-30,1*	4,3%	*-56,8*	*-56,9*	-0,2%
General administrative	*-16,3*	*-13,0*	*-15,6*	-16,7%	*-29,3*	*-31,7*	-7,5%
Operating profit	**4,6**	**27,6**	**20,6**	**33,9%**	**32,2**	**21,6**	**49,4%**
Other operating expenses (net)	**-4,8**	**2,2**	**-2,7**		**-2,6**	**136,3**	
Depreciation	11,9	11,8	11,0	**7,8%**	23,7	22,9	**3,4%**
Amortised cost valuation income	2,3	1,7	3,4	**-50,4%**	4,0	5,4	**-27,0%**
Adj.EBITDA	**18,8**	**41,1**	**35,0**	**17,6%**	**59,9**	**49,9**	**20,0%**
EBITDA Margin	12,6%	23,4%	20,3%		18,5%	15,6%	

Newsprint prices

Average Newsprint Costs (US$) *



* Including all costs and expenses like custom duties, transportation etc.

Hürriyet's major advertisers

Sectors	1H12	1H13
Real Estate	18%	19%
Tourism	8%	9%
Retail	10%	9%
Social	8%	8%
Classifieds (incl. HR)	9%	7%
Automotive	9%	7%
Finance	5%	5%
Education	3%	4%
Furniture, Home Textile	3%	3%
Entertainment, Culture, Art & Sports	3%	3%
First 10 Total	**76%**	**74%**
Others	**24%**	**26%**

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- Turkish ad market figures are estimates of DYH; based on currently available data. Ad market statistics may show inconsistency with IFRS figures.

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