Feb 21 2018 at 11:00 PM
Updated Feb 21 2018 at 11:00 PM

Willingness to pay for quality journalism is growing, Fairfax Media CEO Greg Hywood says

Fairfax chief executive Greg Hywood: "It's easier to pay, you get a better product and the market is opening up and showing willingness to pay." **Louie Douvis**

by **Max Mason**

Fairfax Media chief executive Greg Hywood said consumers have become more willing to pay for quality journalism as the publisher's metropolitan newspapers were rewarded with their biggest half of paid digital subscriber growth in nearly half a decade.

In the six months to December 31, *The Australian Financial Review*, *The Sydney Morning Herald* and *The Age* grew their total paid digital subscriber base by close to 50,000, the strongest half in four years, taking total subscribers across Fairfax's three major titles to more than 283,000. Digital subscription revenue rose 11 per cent in the first half in the metro business.

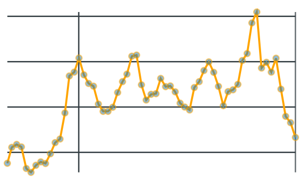
Mr Hywood pointed out particularly strong business-to-business subscription growth for the *Financial Review*.

"Whether it is because in the Netflix-Stan era people are getting more used to paying for content ... on the internet," he said. "Whether it's fake news, whether it's the focus on the big issues around this level of consistent political confrontation that's going on, people are really tuning in and they're really determining what quality content they want and showing a preparedness to pay for it.

Streaming video service Stan is expected to break even in 2018.

now is just way better than it was a few years ago ... it's easier to pay, you get a better product and the market is opening up and showing willingness to pay. It probably wasn't a few years ago."

The trend to pay for quality journalism is being seen worldwide, with titles such as *The New York Times* and News Corp's *Wall Street Journal* showing strong subscription revenue growth. In 2017, the NYT had subscription revenue of more than $US1 billion. Locally, across all News Corp's Australian titles, including regional, digital subscriptions grew to 389,600 as of December 31, up around 80,000 over 2017.



"Because we now know what seriously interests readers, we can focus our reporting on those areas. These are important areas, this is not click-bait stuff, this is federal politics, state issues, business, sport, entertainment. This company is investing more in investigative journalism and running more investigative journalism than it probably has in its entire history," Mr Hywood said.

Exploiting data

The Fairfax boss said the company has been able to use data to better understand exactly what readers want and give it to them in ways media businesses have traditionally not been able to.

"This feeds into subscriptions. If more of your revenues are dependent upon subscriptions and less on advertising, clearly, you're going to be saying 'well, what do our subscribers want?' So the focus becomes on your core audience rather than a mass audience. This all evolves, we're always part of an endless learning process."

Mr Hywood's comments came as Fairfax reported its half-year results on Thursday. Strong performances from newly listed property classifieds business Domain, its radio division, Macquarie Media, as well as cost-cutting in the metro newspapers underpinned Fairfax's earnings.

Excluding significant items, earnings before interest, tax, depreciation and amortisation before significant items was up 1.3 per cent to $146.9 million and underlying net profit slipped 9.9 per cent to $76.3 million.

Fairfax shares jumped 5.3 per cent on Wednesday to finish at 70¢.

The publisher's net profit fell 54 per cent to $38.5 million, largely related to $38.7 million in non-cash write-downs of ageing print equipment and the value of Macquarie Media's radio licences, while revenue inched down 3.9 per cent in the period to $877.1 million.

Australian Metro Media, the division which houses the metropolitan newspapers, saw EBITDA lift 8.4 per cent to $30 million in the first half, off an 11 per cent drop in costs. Revenue in the division slipped 9.1 per cent to $253.6 million.

Mr Hywood also noted Stan, Fairfax's 50-50 streaming venture with Nine Entertainment, grew to 930,000 subscribers and is expected to break even in calendar 2018, going "from strength to strength".

He also confirmed Fairfax and rival News Corp are in advanced discussions in seeking industry-wide print and distribution efficiencies, appointing advisors to work on further opportunities for co-operation.

Excluding significant items, in the first half, Domain digital revenue was up 22.3 per cent, while the property classifieds and services business total revenue pushed 12.5 per cent higher to $183.3 million. EBITDA in the division rose 2.2 per cent to $58.6 million. In November, Domain was spun off as a separately listed business with Fairfax retaining 60 per cent of the company and 40 per cent going to existing investors.

No comment

Domain's chief executive Antony Catalano resigned in January citing family reasons for his departure. On Monday at the company's first-half results, Domain executive chairman Nick Falloon, who stepped in to run the company following Mr Catalano's exit, declined to discuss a review of the workplace culture at Domain following reports in the *Financial Review* that Mr Catalano resigned after being confronted by Mr Falloon over complaints of a permissive workplace environment.

Revenue in Macquarie Media slipped 1.3 per cent in the half to $68.7 million, but EBITDA was up 22.6 per cent to $16.3 million.

Fairfax's regional business, Australian Community Media, saw revenue slide 6 per cent in the half to $212 million, while EBITDA slumped 15.6 per cent to $36.4 million. The New Zealand business, newly branded Stuff, saw a decline in revenue of 8 per cent to $146.6 million, and an EBITDA drop of 27 per cent to $18.9 million.

Fairfax flagged it will exit 35 per cent of its NZ publications, or around 28 titles, through sale or closure. Mr Hywood said Stuff was pushing towards sustained digital growth and the portfolio's rationalisation will deliver EBITDA over a full year.

Fairfax is currently appealing a High Court decision to uphold the New Zealand competition regulator's decision to block a merger between NZME and Stuff.

Fairfax declared an interim dividend of 1.1¢ to be paid on March 14.

FXJ