

**NHST MEDIA GROUP AS**

**Quarterly Report**

**Q1 2019**



**NHST**  
MEDIA GROUP

# NHST Media Group Q1 2019

The first quarter for NHST Media Group reflects the transition to improve profitability, secure future digital revenues and increase growth. The changes affect every part of the organisation, in addition to revenues and results. The changes to the business portfolio in 2018 added digital subscription revenues and international growth, in line with the strategy going forward. In the first quarter, the Group added several strategic processes to further define goals and the changes needed to reach them. The Group works towards increasing efficiency and reduce its structural cost base. Measures aimed at increasing digital revenues will improve profitability in the future. At the same time the Group continues to develop its products and product portfolio towards even greater user orientation and more customised products.

The Group's operating result for the first quarter was down on the same period last year. The decline was caused both by increased operating costs related to initiatives in analytics and digitisation, and to costs associated with profit improvement measures and extensive strategic processes in several of the businesses.

On the revenue side, the underlying trend is stable. Adjusted for the effects of Nautisk Forlag and the SaaS company Mention, revenues in the first quarter were on level with the same period last year. Revenues from digital subscriptions in the media businesses grew, while Mention continued its growth pattern. Global publications achieved growth in advertising revenues for the second straight quarter, while advertising revenue in Norwegian publications fell.

Measures have been identified and implemented in all the businesses to reduce the costs base throughout the year and into 2020. The SaaS company Mynewsdesk is undergoing a major restructuring process aimed at reducing the cost base significantly as from the second quarter. This will affect both the top-line result and profitability in the coming quarters.

The Group continues to prioritise high-quality products. In the first quarter, Dagens Næringsliv won the prestigious Skup Prize (Foundation for a Critical and Investigative Press (SKUP)) for its revelation of manipulated ratings for the music streaming service Tidal. DNX was among the nominees for Agency of the Year in Norway in 2019 in the content marketing category.

## NHST GROUP (Figures in brackets show the corresponding period in 2018)

MNOK	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
Subscription income	212,8	211,0	211,6	229,8	220,7
Advertising revenue	61,8	85,3	75,2	83,7	59,7
Sales of goods and services	37,4	36,3	31,3	17,4	10,9
<b>Totale revenue</b>	<b>312,0</b>	<b>332,5</b>	<b>318,0</b>	<b>331,0</b>	<b>291,3</b>
Operating expenses	315,8	307,2	306,4	319,6	297,8
EBITDA before onetime effects	4,0	30,7	11,6	4,3	-6,5
EBITDA	-3,8	25,3	11,6	11,4	-6,5
Depreciation & Amortization	12,7	12,1	12,3	22,2	16,6
Operating result	-16,5	13,2	-0,7	-10,8	-23,1
Capex	11,1	12,9	13,2	11,3	8,1
EBITDA less Capex	-14,9	12,4	-1,6	0,1	-14,6

### Consolidated result for the Group

- Operating revenues amounted to MNOK 291.3 (312.0), a reduction of 7%. Adjusted for the effects of Mention and Nautisk Forlag, the development was stable.
- User revenue was 4% up on the same period last year, with growth in all enterprises except Mynewsdesk.
- EBITDA ended at MNOK -6.5 (-3.8) after poorer results in Norwegian Publications and the SaaS companies.
- Weaker results are primarily due to operating cost increases both related to investments in new revenue areas, digitisation and analysis, and in initiatives aimed at improving profitability as well as strategic processes in several for the businesses.

### The media companies

- Operating revenues amounted to MNOK 227.3 (224.7), an increase of 1%.
- User revenue increased by 2% and the development is a result of continued growth in digital subscription products.

- Advertising revenue fell by 4%. There was growth in Global Publications, whereas Norwegian Publications saw declining advertising revenue in the quarter.
- There was continued growth in service revenue.
- Profitability was down in the first quarter, first and foremost as a result of cost increases.

### The Software as a Service companies

- Operating revenues amounted to MNOK 66.7 (57.5), an increase of 16% as a result of the acquisition of Mention.
- Subscription revenue increased by 17%. The organic growth in Mentin was 5% compared to the same period last year.
- Profitability decreased in the first quarter. Profitability improvement measures have been implemented in Mynewsdesk which will reduce the cost base in the future.

## Norwegian Publications

The segment comprises Dagens Næringsliv and Morgenbladet.

Norwegian Publications MNOK	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
Subscriber income	110,6	111,0	115,2	114,1	113,0
Advertising revenue	42,9	54,8	45,7	59,3	39,8
Sales of goods and services	2,6	3,5	3,9	3,4	4,1
<b>Totale revenue</b>	<b>156,1</b>	<b>169,3</b>	<b>164,8</b>	<b>176,8</b>	<b>156,9</b>
Operating expenses	151,0	146,8	157,4	167,0	156,3
<b>EBITDA</b>	<b>5,0</b>	<b>22,5</b>	<b>7,4</b>	<b>9,8</b>	<b>0,7</b>
Capex	2,0	4,6	4,8	4,7	2,1
EBITDA less Capex	3,0	17,9	2,6	5,1	-1,4

The first quarter showed operating revenues of MNOK 156.9, an increase of 1%, while EBITDA was MNOK 0.7, an EBITDA margin of 0.4%. The decrease is primarily due to an increase in payroll costs connected with investments in new revenue areas and digitisation.

- User revenue amounted to MNOK 113.0 (110.6), which is an increase of 2% compared with the same quarter last year. Digital subscription revenue increased by 17%, whereas revenue from combination subscriptions was stable. There was a decrease in revenue from single copy sales.
- Advertising revenue ended at MNOK 39.8 (42.9), down 7%. Print advertising revenue continued to decrease, whereas other revenue from the advertising market increased.
- Operating costs increased as a result of more resources being used in new revenue areas and digitisation. Measures, which will take effect from the fourth quarter and into 2020, are being taken to reduce the cost base.

## Global Publications

The segment comprises Intrafish, Recharge, TradeWinds, Upstream, Fiskeribladet and Europower.

Global Publications MNOK	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
Subscriber income	46,7	47,9	46,1	47,7	47,8
Advertising revenue	18,9	30,5	29,4	24,5	19,9
Sales of goods and services	2,9	3,2	3,2	3,1	2,8
<b>Totale revenue</b>	<b>68,6</b>	<b>81,6</b>	<b>78,8</b>	<b>75,3</b>	<b>70,4</b>
Operating expenses	72,2	71,8	69,1	73,7	74,7
<b>EBITDA</b>	<b>-3,6</b>	<b>9,8</b>	<b>9,6</b>	<b>1,5</b>	<b>-4,3</b>
Capex	3,4	1,6	1,9	0,9	1,5
EBITDA less Capex	-7,0	8,2	7,7	0,6	-5,8

The first quarter generated operating revenue of MNOK 70.4, an increase of 3%, while the EBITDA was MNOK -4.3. There was an increase in operating costs related to conference activities and the purchase of consulting services in the first quarter.

- User revenue increased by 2% to MNOK 47.8 (46.7) in the quarter, driven by growth of 29% in digital subscription products. Revenues from combined products declined, but this was compensated for by growth in digital products.

- Advertising revenue amounted to MNOK 19.9 (18.9), an increase of 5%, following a corresponding growth rate in the previous quarter as well. The growth in the first quarter came from print advertising revenue.
- Measures have been implemented to increase efficiency in the organisation and thus free up resources to invest in new revenue streams without growing the overall cost base through 2019.

## Software as a Service

The segment comprises Mynewsdesk and Mention.

<b>SaaS companies</b>	<b>Q1 2018</b>	<b>Q2 2018</b>	<b>Q3 2018</b>	<b>Q4 2018</b>	<b>Q1 2019</b>
MNOK					
Subscription income	54,2	50,6	49,2	72,4	63,2
Other mediaservices	3,4	3,0	2,6	3,3	3,5
<b>Totale revenue</b>	<b>57,5</b>	<b>53,5</b>	<b>51,9</b>	<b>75,7</b>	<b>66,7</b>
Operating expenses	52,0	53,3	49,6	72,3	63,8
<b>EBITDA</b>	<b>5,5</b>	<b>0,3</b>	<b>2,2</b>	<b>3,3</b>	<b>2,9</b>
Capex	2,6	-3,2	-1,1	-1,6	-8,2
EBITDA less Capex	3,7	5,8	4,9	4,7	11,1

**The first quarter showed operating revenues of MNOK 66.7, an increase of 16% resulting from the acquisition of Mention. The result shows was an EBITDA of MNOK 2.9 and an EBITDA margin of 4.4%. The revenue and cost development in the first quarter reflects the inclusion of Mention in the Group.**

- The revenue development in Mention is in line with expectations. The organic growth in the first quarter was 5%.
- Renewed growth also in Mynewsdesk will be a priority going forward.
- A major restructuring process has been initiated in Mynewsdesk to adjust the organisation to the future strategy.
- Operating costs in the quarter amounted to MNOK 63.8 (52.0). There were reduced costs in Mynewsdesk and increased costs to ensure growth in Mention.
- The effects of the added value have not been included in the segment figures, but are mentioned in note 3.

Oslo, 6 May 2019

The Board of Directors and Group CEO in NHST Media Group AS

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## CONDENSED PROFIT AND LOSS STATEMENT

(MNOK)	Q1 2019	Q1 2018
Revenues (Note 1&2)	291,3	312,0
Operating expenses	297,8	315,8
Ordinary depreciation	16,6	12,7
EBITDA	-6,5	-3,8
Operating profit / loss	-23,1	-16,5
Net financial items (note 2)	-12,2	0,2
Profit/loss before tax	-35,2	-16,3
Profit/loss after tax total (Note1)	-28,4	-13,5
Minority interests	0,1	0,0
Profit/loss after tax majority	-28,5	-13,6
Number of shares ex own shares	1 243 173	1 243 173
Profit/loss per share in NOK	-22,8	-10,9

## BALANCE SHEET

	31.03.2019	31.12.2018
Intangible assets	301,2	311,0
Other fixed assets	168,5	145,9
<b>Total fixed assets</b>	<b>469,7</b>	<b>456,8</b>
Inventory	0,0	0,0
Accounts receivable	87,9	120,6
Other short term receivables	36,8	37,7
Cash and cash equivalents	232,9	229,4
<b>Total short term assets</b>	<b>357,6</b>	<b>387,6</b>
<b>Total assets</b>	<b>827,3</b>	<b>844,4</b>
Shareholders' equity	66,0	94,1
Minority	16,8	16,7
<b>Total shareholders' equity</b>	<b>82,8</b>	<b>110,8</b>
Long term debt	157,8	160,2
Accounts payable	34,2	32,0
Prepayments	354,6	323,5
Other short term debt	197,9	218,0
<b>Total liabilities</b>	<b>744,5</b>	<b>733,6</b>
<b>Total shareholders' equity and liabilities</b>	<b>827,3</b>	<b>844,4</b>

## NOTE 1 PRINCIPLES

(\*) A 22% tax rate has been used in calculating the quarterly figures

(\*\*) 2018 has not been adjusted to reflect the sales of Nautisk or the acquisition of Mention.

## NOTE 2 SPECIFICATIONS

	<b>Revenue</b>	<b>EBIT</b>
Norwegian publications	156,9	-0,8
Global Publications	70,4	-5,1
Saas companies	66,7	-1,4
Nautisk Forlag	0,0	-0,2
Other group companies	21,7	-5,1
Amortisation of customer excess values	-3,3	-3,3
Amortisation of other excess values	0,0	-7,1
Eliminering	-21,2	
<b>SUM</b>	<b>291,3</b>	<b>-23,1</b>

Net finance include an unrealised FX loss of MNOK 7 related to the NOK/SEK exchange rate fluctuations as well as the refinancing cost for the new Revolving Credit Facility with DNB.

## NOTE 3 EFFECTS OF MENTION ACQUISITION

Mention was acquired with effect from 1 September 18. The consolidated accounts include four months of 2018.

The consolidation and the preliminary Price Purchase Allocation analysis is based on the assumption that Mynewsdesk control 100% of the company through a put/call option with an exercise date in 2021. The current ownership is 85%. This means that the calculated purchase price includes an element to cover the last 15%, calculated to MEUR 2.5 and booked as a long-term debt. This amount will be adjusted continuously against the pricing model for the last 15%, which is based on a sales multiple in 2020.

The preliminary PPA have identified excess values of MEUR 18.2. The purchase price and excess values are calculated in EUR and will be currency adjusted throughout the life span.

The preliminary PPA has identified values associated with customers, technology, trademark and customer contracts in addition to a residual goodwill value. All these elements are shown as intangible assets and are amortized over their lifespan.

The identified value associated with the customer contracts negatively impact revenues over the next 12 months from the acquisition date, which means 4 months in 2018 and 8 months in 2019 with TEUR 172.5 per month, while the other intangible assets are amortized with TEUR 112.1 per month.