

Amsterdam, 28 July 2017

Declining advertising revenues and extraordinary items affect TMG's result in first half 2017

The results of Telegraaf Media Groep ('TMG') for the first half of 2017 were significantly lower than those for the first half of 2016. This development was already visible when the results for the first four months of 2017 were reported on 26 May. Excluding extraordinary and one-off items (particularly restructuring charges and the costs related to the two public offers), in the first half of 2017, TMG reported a negative EBITDA of € 6.1 million, compared to a negative EBITDA of € 1.6 million in the first half of 2016. This is mainly the result of the further decline in advertising revenues, which was also due to portfolio rationalisations. The above-mentioned EBITDA development relates to continuing operations and therefore excludes the results of Keesing Media Group ("Keesing") with a view to the announced upcoming sale and it also excludes the results of the entities contributed to the radio partnership with Talpa. Upon completion, the sale of Keesing will lead to a significantly positive cash position.

TMG has recently entered a new phase. As of 2 July, Mediahuis holds the majority (64.66%) of the shares in the company. On 21 June, Marc Vangeel (CEO) and Koos Boot (CFO) were appointed to the new Executive Board, and the new Supervisory Board was also appointed on that date (see <https://www.tmg.nl/en/management-structure>). Together with Mediahuis, TMG will resume building a media company with a solid market position, quality editorial boards and strong brands. Under the leadership of the new Executive Board, the focus now lies on TMG's core activities and brands. In the third quarter, the new Executive Board will present its plans to make TMG a strong and leading media company again.

On 18 July, TMG announced that the shares in Keesing will be sold to a partnership to be formed with Ergon Capital Partners, which is subject to approval of the

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shareholders and the advice of the works councils. TMG will take a 30% stake in this new partnership. The valuation agreed in this regard for 100% of the Keesing company amounts to € 150.0 million (enterprise value, debt and cash free). The net cash flow from the transaction is expected to amount to approximately € 130.0 million (taking into account a reinvestment for the 30% stake and the envisaged level of funding of the partnership, and assuming the bank balance of Keesing as at 30 June). The net cash flow from the transaction will be used to fully settle the credit facilities with the banks. In addition, it will enable the financing of normal operations, as well as the future plans with regard to TMG's core activities and brands.

Financial results H1 2017^[1]

RESULTAAT			
	Periode		%
<i>Bedragen in duizenden euro's</i>	1/1-30/6 2017	1/1-30/6 2016	
Voortgezette bedrijfsactiviteiten			
B2C Abonnementen	84.580	87.571	-3,4%
B2B Advertenties	38.951	49.519	-21,3%
Overige opbrengsten	32.466	34.818	-6,8%
Som der bedrijfsopbrengsten	155.997	171.908	-9,3%
Personeelskosten	65.353	71.583	-8,7%
Overige kosten	96.791	101.936	-5,0%
Totale kosten	162.144	173.519	-6,6%
EBITDA, excl. reorganisatielasten, overnamekosten en boekverlies	-6.147	-1.611	
EBITDA-marge	-3,9%	-0,9%	
Reorganisatielasten, overnamekosten en boekverlies	-12.805	-293	
EBITDA, incl. reorganisatielasten, overnamekosten en boekverlies	-18.952	-1.904	
EBITDA-marge	-12,1%	-1,1%	

[1] *These figures exclude the results of Keesing and the entities entered into the radio partnership with Talpa in 2016.*

- Total revenues, including the effect of portfolio rationalisations, decreased by 9.3%, from € 171.9 to € 156.0 million, mainly due to lower print advertising revenues (-27.0%). Excluding the effect of portfolio rationalisations, total revenues decreased by 7.7%, while print advertising revenues decreased by 22.4%.
- Total costs, normalised for restructuring charges, a book loss following the sale of the free local papers, and one-off consultancy costs relating to the two public offers (including the procedures before the Enterprise Chamber), declined by 6.6%, from € 173.5 million to € 162.1 million. This decline was the result of restructuring and other cost-saving measures.
- Normalised for restructuring charges, one-off consultancy costs and the book loss, a negative EBITDA was realised of € 6.1 million, compared to a negative EBITDA of € 1.6 million last year.
- The restructuring charges and the book loss (together € 4.6 million) relate mainly to the sale of the local free papers and severance payments made to the Executive Board and members of Senior Management.
- In the first half of 2017, the one-off consultancy

costs relating to the public offers (including the procedures before the Enterprise Chamber) amounted to € 8.2 million and mainly concerned the costs of financial and legal advisers.

- The EBITDA result, including restructuring charges, one-off consultancy costs and the book loss, declined from € 1.9 million negative to € 19.0 million negative.
- Given the appointment of a new Board and considering the result developments and the pending sale of Keesing, the goals as presented on the Investor Relations Day of 27 September 2016 will be redetermined.

Notes to the financial results

The decline in revenues was mainly due to the decline in total print advertising revenues from € 49.5 to € 39.0 million (–21.3%), including the effect of portfolio rationalisations (the discontinuation of Dichtbij, the partial discontinuation of activities in Rotterdam/Utrecht, and the sale of free local papers as of 1 June). Excluding the effect of portfolio rationalisations, total advertising revenues declined by 19.2%. This concerns a combination of a decline in print advertising revenues by 22.4% and an increase in digital advertising revenues by 2.4%. Besides the portfolio rationalisations, the main causes are the declining market of print advertising and the detrimental effect of restructuring implemented at the sales and marketing departments.

The revenues from subscriptions decreased slightly, from € 87.6 million to € 84.6 million (–3.4%), with the decline in revenues due to fewer subscriptions being partly offset by price increases. The decline in the number of subscriptions is mainly visible at De Telegraaf and to a lesser degree at the regional dailies.

Costs, excluding restructuring charges, the book loss and oneoff consultancy costs, declined from € 173.5 million to € 162.1 million (–6.6%). This cost decrease was mainly related to a decline in personnel costs following the restructuring implemented in 2016 and 2017 at, among other entities, the printing plants (the first quarter of 2016) and the sales and marketing departments (end of 2016, beginning of 2017). In addition, the transport and distribution costs decreased as a result of portfolio rationalisations and portfolio optimisation, as well as lower circulation. The costs of external advisers (excluding the one-off consultancy costs relating to the public offers and the procedures before the Enterprise Chamber) were also clearly lower. On the other hand, at approximately € 5.0 million, the start-up costs of the new online video platform Telegraaf VNDG clearly added to the costs in the first half of 2017.

The EBITDA result, including exceptional items, decreased from € 1.9 million negative to € 19.0 million negative.

The restructuring charges for the first half of 2017 amount to € 3.7 million (2016: € 0.3 million) and mainly relate to the restructuring of the Operations department following the sale of the free local papers and severance payments made to the Executive Board and members of Senior Management. The costs relating to the public offers (including the procedures before the Enterprise Chamber) amount to € 8.2 million and concern costs of financial and legal advice. In total, these oneoff consultancy costs in 2016 and the first half of 2017 amount to approximately € 10.0 million.

The result from discontinued operations after taxes amounts to € 6.2 million (2016: € 8.9 million) and in 2017 relates only to the results of Keesing. In 2016, the results of the radio entities contributed to the partnership with Talpa (Sky Radio and Radio Veronica) were also included in this item in the amount of € 3.7 million. Keesing's revenues rose from € 35.0 million to € 35.4 million (+1.1%), partly as a result of an increase in the number of issues compared to last year. The costs incurred by this business unit decreased by 4% from € 25.1 million to € 24.1 million, mainly due to process optimisations and other cost saving measures. This resulted in an increase in Keesing's EBITDA by € 1.3 million, from € 10.0 million to € 11.3 million (+13.0%).

TMG's net result decreased from a profit of € 3.1 million to a loss of € 11.4 million. As described above, the main reasons for this decrease were the revenue decline, high one-off consultancy costs, and start-up expenses related to Telegraaf VNDG.

As of 30 June 2017, TMG's net cash position is € 20.1 million negative (this concerns the revolving current account facility of € 22.1 million minus € 2.0 million cash position) compared to a positive net cash position of € 14.5 million at year-end 2016. This decline is largely due to the negative EBITDA, restructuring charges paid, and the payment of the revalued Radio Veronica licence for the period 2011-2017 (€ 14.7 million including interest). In addition, there is the effect of recognising Keesing as 'held for sale', as a result of which Keesing's bank balance is part of the assets held for sale (€ 4.7 million).

Adequate agreements were made with the banks about the financing of TMG for the current state of affairs and before and after the sale of Keesing. The net cash flow from the sale of Keesing will be used to fully settle the credit facilities with the banks. In addition, it will enable the financing of normal operations, as well as the future plans with regard to TMG's core activities and brands.

Outlook

Following the advice of the works councils and after approval of the Extraordinary Meeting of Shareholders on 31 August, 2017, the sale of Keesing is expected to be completed shortly thereafter.

Revenues from advertising and circulation are expected to remain under pressure in the second half of 2017. We will be able to partly offset the effect of this development by costsavings.

During the Investor Relations Day in September 2016, goals were formulated for 2019, which also formed the basis of the goals for the current year. This was reported in TMG's Annual Report for 2016. Given the appointment of the new Board and considering the actual result developments and the pending sale of Keesing, these goals will be redetermined.

The new Executive Board will announce its plans for the future of TMG in the third quarter.

Attachment: 2017 Semi-annual Report

About TMG

TMG is one of the largest media companies in the Netherlands, with strong brands such as De Telegraaf, DFT, Telesport, Metro, Autovisie, Privé and VROUW; online videoplatform Telegraaf VNDG; regional dailies such as Noordhollands Dagblad and De Gooi- en Eemlander; digital brands such as GeenStijl, Dumpert and Gaspedaal; Classic FM and – through a strategic collaboration with Talpa – national radio stations Sky Radio, Radio Veronica, Radio 538 and Radio 10. TMG also has other brands and titles that focus on providing entertainment or e-commerce (e.g., GroupDeal). Through Keesing Media Group, TMG is market leader in Europe in the field of puzzle magazines. TMG's mission is to provide consumers with high quality, personalised and relevant news, sports and entertainment 24 hours a day, 7 days a week, via all available forms of distribution. For more information about TMG, please go to www.tmg.nl.

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