

Script for presentation

Slide 1

As an introduction, I will put the topic of classified advertising into context for DMGT.

10 years ago, newspapers generated over 80% of DMGT's revenues. In 2006, that figure was down to little over 60% and we expect this to fall further as the Group's other divisions and our online consumer activities continue to expand.

Slide 2

In terms of operating profit, the picture is even more stark. From only 13% in 1996, non-newspaper profits had grown to 43% in 2006 and they may well exceed 50% in the current year.

Slide 3

Within the newspaper divisions, the sources of revenue extend well beyond classified advertising. Of Associated's total revenues, nearly 60% are advertising; the equivalent figure for Northcliffe's publishing activities is 75%. This slide shows the spread within those advertising figures by subject category. For the purpose of this presentation, we are focussing on recruitment, motors and property.

In total, we estimate that our total classified advertising is running at about £400m, of which approaching £100m is coming online.

Slide 4

Moving first to recruitment advertising, we start with a long term view of our regional advertising volumes. This is to show that we appear to have been here before (albeit we have not in the last 3 years been through a similar recession to the early 90s). So the phenomenon is not unique – is the cause?

Slide 5

This shows a more recent picture of our % movement in moving annual total revenues. This is plotted against the movement in unemployment benefits claimants in relevant areas, inverted. As can be seen, the correlation between the two has been extraordinary, and is logical.

The concern for us is the apparent divergence between the two lines over the last 9 months or so. Two possible explanations come to mind: is this maybe a transfer of advertising to other media, particularly the internet; the second is the influx of immigrant workers to take the lower paid jobs which make up a significant proportion of regional newspaper advertising. I hesitate to allocate responsibility!

Slide 6

A particularly dramatic graph shows the movement in recruitment revenues in Associated titles, plotted against the same benefits claimants data.

In essence, there is no correlation whatsoever, so it seems inevitable that the movements here represent structural movements. So the Evening Standard has lost much of its senior level jobs advertising, plus particular categories such as IT. Pleasingly for DMGT, this is more than offset by increases in revenues on our online recruitment sites.

So there is strong evidence of structural change at the top end of the market and some, albeit much more limited, further down the ladder. What is DMGT doing about this?

Slide 7

First and foremost, we are building our online business. We moved early to buy Jobsite, which has proved an excellent purchase. The founder entrepreneurs remain with us and are committed to building the business further. In particular, they are creating more niche sites below the Jobsite umbrella (and using its technology).

We are integrating the Jobsite offering and technology into our local websites, offering the user a choice of local or national search.

Locally, we are upselling most of our print ads to online. We are unique in being able to offer the print/online combination locally. We are happy to sell an online only ad, but the take up so far is very limited. Finally, we are generating good revenues by offering CV matching, whereby the candidate gets sent details of jobs which fit the CV he or she has registered.

Overall, our share of the online recruitment advertising market is greater than our share of the equivalent print market has ever been.

Slide 8

Moving to property, this slide plots our property advertising revenues against movements in house prices. It happens that they correlate pretty well over this period, but that may be coincidence. The development of online property sites seems to have had no impact on the continued growth in print property advertising. We believe this is because they serve different purposes: print advertising is substantially brand advertising for estate agents and a “call to action” for potential vendors to use their services. The online sites make the process of buyers finding suitable properties easier, also serving to reduce agents’ costs of providing property details to buyers.

Slide 9

Again, DMGT has been active. We bought Primelocation and FindaProperty, the No2 and 3 UK sites (albeit well behind Rightmove). Why buy both? They occupy largely different areas of the market – Primelocation in homes over £500,000 plus overseas, FindaProperty below £500,000 plus lettings. The niche site approach again!

Locally, we are actively signing up estate agents to list their properties on our local sites. Excluding Rightmove shareholders, we have already achieved 70-80% success, over 90% in some areas. Remember that most house transactions involve local people.

In London, we run Homes and Property, the Standard’s property supplement in conjunction with Find a Property.

Online, we are seeking to extend FindaProperty from its south east heartland (FindaProperty and Primelocation are No1 and 2 in London). We are also investing in Primelocation, which already has national coverage.

We are going further down the niche site as well, with the development of new sites for new homes and for overseas property.

Slide 10

Motors has been a tough category for the regional press for a number of years. Here we plot our MAT revenues against new car sales. These appear quite well correlated once one lags the new car sales by 12 months, but a major reason for the revenue decline is the major consolidation in our dealers in recent years.

Slide 11

This second graph is perhaps nearer the truth. Used car sales have been stable for the last 2 years, yet our revenues have declined. This is undoubtedly attributable to the success of Autotrader, latterly online, and, to a lesser extent, Ebay. We have not achieved corresponding online revenues.

Slide 12

In this sector, we have a tougher task. We have made some useful acquisitions in quite specialised segments of the market e.g. car dealers' used car sales, through Carsource and Autoexposure.

We have launched motors.co.uk as our motors portal and are integrating it into our local sites. Being realistic, we look to be a useful add-on to the market leaders, not a direct replacement.

Slide 13

Interestingly, we have been able to extend our classified revenues into new areas via the internet. Through Allegran we operate the UK's leading network of dating sites with around a 25% market share. In some ways, this is not classified advertising since 95% of revenue comes from subscriptions, but in print it was classified!

Through ThisisMoney we operate in the personal finance market and, more recently through Simplyswitch, in the supplier switching part of that market.

Travel remains an important category for us, particularly including Teletext. This is a tough market for everyone, but we have developed a top 10 travel web site, with some interesting niche plays, such as villarenters.com. We are shortly to launch Travelmail to offer advertisers an improved print/online joint product.

Finally, we see opportunities to use our developed expertise internationally. We have a strong online presence in Slovakia, Hungary and Croatia, and we see online opportunities in India as one reason for entering our recently announced joint venture with India Today Group.

Slide 14

Speaks for itself!