

Corporate Participants

- Martin Morgan - Daily Mail and General Trust plc - *Chief Executive*
- Peter Williams - Daily Mail and General Trust plc - *Finance Director*

Conference Call Participants

- Paul Gooden - RBS - *Analyst*
- Ian Whittaker - Liberum Capital - *Analyst*
- Nick Dempsey - Barclays Capital - *Analyst*
- Edward Hill-Wood - Morgan Stanley - *Analyst*
- Simon Baker - Credit Suisse - *Analyst*
- Mark Braley - Deutsche Bank - *Analyst*
- Jonathan Helliwell - Berenberg - *Analyst*
- Rakesh Patel - Goldman Sachs - *Analyst*
- Ruchi Malaiya - Citigroup - *Analyst*
- Marcus Diebel - JPMorgan - *Analyst*

Presentation

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Operator

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Thank you for standing by, and welcome to the DMGT conference call. (Operator Instructions). I must advise you this conference is being recorded today, on Tuesday 27 July, year 2010. I would now like to hand the conference over to your speaker today, Mr. Martin Morgan, Chief Executive of DMGT. Please go ahead, sir.

Martin Morgan, Daily Mail and General Trust plc - *Chief Executive*

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Good morning, ladies and gentlemen. Welcome to DMGT's conference call for our third-quarter interim management statement. I am Martin Morgan, Chief Executive, DMGT. And I'm joined today by Peter Williams, our Finance Director.

Today's conference call is a chance to highlight the key points from our third-quarter trading. I will briefly touch on the overall aspects of our trading performance before handing over to Peter, who will provide some more details on our divisional and financial performance. As you know, there will then be an opportunity at the end of the call for you to ask questions.

So overall our performance has continued to be ahead of our original expectations, with positive trading dynamics in both our B2B operations and consumer media businesses. This has resulted in underlying revenue growth of a healthy 6% in the quarter, which, together with a continuing focus on cost control, is producing robust profit and good margins.

I would like to emphasize, as we have before, that we do remain somewhat cautious about the medium-term outlook for UK advertising, and partly because we still have continued limited visibility over future trends. Nevertheless, I hope you will agree that our significant exposure to markets outside the UK gives us a good deal of resilience and long-term growth potential.

Given the strong cash-generative nature of our businesses, we are also firmly on track to achieve our target of 2.5 times net debt to EBITDA at or around the end of our financial year. This will place us in a strong position going into our next financial year of 2010/2011.

That concludes my opening remarks. And I would just now I would like to hand over to Peter, who will provide some additional detail. Peter?

Peter Williams, Daily Mail and General Trust plc - *Finance Director*

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Thank you, Martin. Good morning. We -- our expectation is that there aren't too many big surprises in the figures that

we've given out this morning, especially after Euromoney announced their results last week; that was probably the big surprise.

For the Group as a whole, revenue for the three months slightly down on last year but, as Martin said, up 6% on an underlying basis.

Within B2B, as a general comment, you've got to be very, very wary of taking one quarter's figures because of the effect of exchange rates. We have to use an average rate of exchange. And to arrive at the sterling figures, we have to arrive at the figure we had after six months, which include -- which was translated at the average rate for the six months, with the figure at the end of the nine months, which is translated at the average rate for the nine months. So somewhere in that sterling figure is the effect of the catch-up on changing exchange rate on the first six months, if you get that. So the sterling figures are very misleading, and please don't read too much into them.

Having said that, the B2B figures are all very much moving in the right direction, underlying basis up by 9% in total in the quarter.

RMS performing strongly. This is where you really see the effect of exchange. So we've said it's up 28% in sterling terms. The underlying figure is the 11% over the nine months. And we have deliberately given you the nine-month figure because we think that is much more relevant than any individual quarter for RMS. Continued growth in the core modeling business, and benefits from some of the newer initiatives, more cat bonds and the data solutions for insurance companies. So we're very pleased with RMS' progress.

DMGI continuing to produce new growth, underlying 4% in the period. Contrast within the companies. Property up double digits. EDR is actually improved in the States as we've seen more regional banks going bust and therefore that generates revenues for us. In the UK, if anything, it slowed down a bit as the property market has really somewhat disappointed in this calendar year.

Within the other businesses, Genscape and Trepp in particular still growing well. Sanborn trading still in tough environment but it's high revenue, low margin, so it has a big impact on our revenue but not on our profits.

In Events, as expected, we're 30% down due to the impact of disposals. But the trading environment is improving. Underlying we're only down 3%. We've tried to extract the effect of biennial shows. The Global Petroleum Show was in the quarter and is modestly a couple of percent up on the figures from two years ago, the last time we held the show. Other than that, we're -- so we're pleased with that. We're pleased with some of the Ad-Tech shows. The disappointment, we had one fairly large show in Dubai, the Hotel Show, which was down.

Euromoney, I [won't say anything] you saw last week. A remarkable change in revenues, especially moving rapidly upwards.

So moving onto Consumer Media, third quarter in total, underlying revenue growth of 4%. So that's a welcome change, seeing an up-tick. And continuing very tight control of costs, so profitability's going pretty well.

On Associated, circulation revenues are bizarrely slightly higher, despite underlying circulation trends probably around 4% down over the quarter. It's a combination of the effect of Easter -- the timing of Easter and of some of the promotional effects which were coming into the figures last year and are unwinding now. So the Mail title's continued to modestly outperform a market which has actually accelerated its decline slightly in the quarter.

Advertising revenues are the strong point, up 13% in the three-month period. And before anybody asks, the trajectory, if you like, is that May and June are both around that sort of level. It's not that it's accelerating or anything.

Display up 15%, and interestingly, the June figure is actually up on June 2008. That's the first time we've actually exceeded the numbers from two years ago. Generally it's just been against weak comparatives. And Digital up 46%. We would note Mail Online is performing pretty strongly, albeit we're coming from a fairly low base.

Advertising trends broadly continue the same in July. That's about the extent of our visibility. So medium term for us is probably August. Now, more seriously, it's probably a little longer than that, but we're probably more concerned about 2011 than we are about 2010.

In Northcliffe, UK advertising is down 4%. I think somewhat disappointing. We were -- at the beginning of the year, we were hoping by this stage we'd be up year on year. We haven't seen that come through. It's stubbornly slightly down. Property is up but recruitment is the weak category still.

Net debt, continuing to reduce as we would have expected, very much in line with expectations. One or two small acquisitions come through, as we've already announced, in Landmark. And I think that's broadly the overall picture.

I'm very happy now to take your questions.

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(Operator Instructions). Your first question, sir, comes from Mr. Paul Gooden from RBS. Please ask your question.	
Paul Gooden, RBS - Analyst	2
Thanks and good morning. Two questions, if I may. Firstly, in Events, you're down 3% organically, an improving trend there. Can you point at any rebooking trends that can give us cause for confidence? One of your peers has, for instance, reported this morning and is talking about rebookings for next year up 9%. Are you seeing similar trends?	
Martin Morgan, Daily Mail and General Trust plc - Chief Executive	3
We find it really -- we've only got one show coming up in the next couple of months. And our -- that's the New York Gift Fair being held in about a month's time. And bookings are about -- bookings on this at the same point from last year are up about 5%. But, of course, you just never know whether people are booking later or what. So I -- we're very loath to read too much into figures like that.	
We don't have any other shows until October/November which are the Dubai ones, which we expect to have some headwind on anyway, as we've openly said. So, Paul, I'm sorry, it's very, very difficult. A lot of our other shows are quite small ones which actually we're nowhere near big bookings on those at this point. So it's very difficult for us to give an actual figure.	
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Okay. That's fine. My second question is you say that trading is ahead of your expectations. Are you talking about profits as well as revenue? And I guess the follow-on question, which perhaps is a little bit cheeky, is do you think trading is ahead of street expectations? I'm just looking at your website. 44p is where consensus is at the moment. Is that what you're signaling?	
Peter Williams, Daily Mail and General Trust plc - Finance Director	5
That's a very blunt question.	
Martin Morgan, Daily Mail and General Trust plc - Chief Executive	6
Well, I think ahead of expectations on moderately on the revenue line is good news for profits because we are being -- continuing to be pretty disciplined about cost. So I don't think there's any big swings in margin, but the trend is moderately positive.	
In terms of expectations, I would say as we're now only, what, nearly two months away from our year end and admittedly September continues to be a pretty big month for us on the Newspapers side, and then Euromoney and one or two of the DMGI businesses. But, having said, as you would hope, given that we're only two months out, I'd say there's definitely more confidence if there is any variation to where consensus is, it's going to be positive not negative. But this is not huge variances. I think we're tracking positively but not with big variances to expectation.	
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I think, Paul, my view of this was that the one upside from what was there before last week was really Euromoney, which I think was a surprise to people. And so I well understand that people have moved their numbers up because of that. Beyond that, I rather think most things in this statement have been well flagged to the market already. A lot of the advertising figures, for instance, are pretty public because of our peers and those in other media forms. So I'd be surprised if there are any big surprises in it in other areas.	
Paul Gooden, RBS - Analyst	8

Okay. That's great. That's very clear. Thank you.

Martin Morgan, Daily Mail and General Trust plc - Chief Executive

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Thank you.

Operator

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Thank you. Your next question comes from Ian Whittaker from Liberum. Please ask your question.

Ian Whittaker, Liberum Capital - Analyst

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Thanks very much. Just three questions. Just on regionals, you mentioned you were disappointed you hadn't seen a return to growth. What's your feeling now, given the comparables and where you are? What's your feeling as to when you would expect to return to some growth on the UK regional advertising side?

Second thing is just on DMG Information. Obviously you said your quarter -- we can't really read too much into one quarter. But should we expect any wildly different trends in the fourth quarter for DMG Information than we've seen so far?

And then the third thing is can you just give us an update on what we should be looking for for the tax rate for the full year?

Peter Williams, Daily Mail and General Trust plc - Finance Director

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On the tax rate, I don't think anything's changed. We haven't even looked at it since last time we did our interim results. We don't really until the full year. So no change there.

Ian Whittaker, Liberum Capital - Analyst

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No change. Okay.

Martin Morgan, Daily Mail and General Trust plc - Chief Executive

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So I'll do the questions backwards. On DMG Information, no, you shouldn't see any wild differences. There are enough subscription businesses within DMG Information, and therefore with subscription businesses you seldom see big variations quarter to quarter, let alone month to month.

Now, it remains the case that Hobsons still has a pretty big final quarter which is very driven to the way you know that the budget year's run. And they tend to run from mid year to mid year. So its expenditure is from universities and their new budget year which starts in July. So there is still quite a bit to play for in Hobsons. But otherwise, no. So Hobsons is only one component of the total.

On the regionals, that's an interesting question. Let me answer it this way. In the way we've just been doing our budgets recently and the way we're thinking at Northcliffe is we're budgeting for, if anything, very modest growth in 2011 and running the business on that basis, i.e. very, very tough on cost going into 2011. So I think we're all waiting to see, frankly, how the cuts, the government expenditure, how they fall and how deep they fall and how quickly they're implemented. And I suppose we don't have any more visibility on that than you do.

Peter, do you want to add any comments on Northcliffe?

Peter Williams, Daily Mail and General Trust plc - Finance Director

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No. I think that was very much it. The property revenues seem to be moving steadily upwards; that's good. And that's probably driven by the fact there's a lack of supply of properties on the market. And that's what the estate agents are using the print publications for is to try and find sellers rather than buyers. So that all makes sense and is looking good.

Recruitment is the key to this. And it is very much, albeit that our public sector advertising is now a much smaller portion of the -- even of our recruitment revenues, it's probably down to about -- it's certainly below 25% of our recruitment revenues, it is still falling. And the private sector recruitment advertising is having to battle against it, and it's how that plays out.

We still do not see local recruitment advertising going anywhere else. We still don't believe there's anything particularly

structural going on there.

Martin Morgan, Daily Mail and General Trust plc - *Chief Executive* 16

Okay. If you wanted to be in the optimistic camp, I guess you could take a look at the Digital revenue picture of recruitment at, say, Jobsite, which has started to show year-on-year increases. But I suppose we haven't had the digital businesses around long enough or been through recessions before to know whether they're really a lead indicator or not. Is that right, Peter?

Peter Williams, Daily Mail and General Trust plc - *Finance Director* 17

I think that's right. Yes. Certainly, Jobsite went positive in March and has actually been double-digit positive in each of the last three months, which is encouraging.

Martin Morgan, Daily Mail and General Trust plc - *Chief Executive* 18

Whereas at Northcliffe what we're finding is that locally booked local jobs are stronger than bookings which are taken, in a sense, for national. They may be local jobs but they are booked nationally, if I could put it that way, in Northcliffe a week. There seem to be, on the face of it, some rather contradictory trends going on here.

Ian Whittaker, Liberum Capital - *Analyst* 19

Okay.

Operator 20

Thank you. Your next question comes from Nick Dempsey from Barclays Capital. Please ask your question.

Nick Dempsey, Barclays Capital - *Analyst* 21

Morning, guys.

Martin Morgan, Daily Mail and General Trust plc - *Chief Executive* 22

Morning.

Nick Dempsey, Barclays Capital - *Analyst* 23

I've got two questions, please. Yes, the first one, so just on those budget discussions you talked about, the regionals, if we just move over to the nationals, I just wonder whether you can give us an indication of how you're setting yourself up for next year in terms of the cost base. You mentioned you're thinking about modestly positive growth for the regionals. Where's your feeling for the nationals market? That's the first question.

And then the second question, there was a Sunday Times article a few weeks back discussing the idea of reversing Northcliffe into a UK newspaper competitor. I just wanted to know, being entirely theoretical about this, what the pension implications might be for the Northcliffe pension plan and DMGT overall pension plan of doing such a thing?

Peter Williams, Daily Mail and General Trust plc - *Finance Director* 24

Martin's volunteered to do the pension specifications for the regionals because I love doing it so much.

On the nationals, no, we're not going to tell you what all our budgets are. A broad comment, I don't know, my own personal feeling is that because of the way the austerity measures are playing out and the VAT increase coming through in January, my suspicion is we'll have a pretty good first quarter. And then all bets are off after Christmas. And you've somewhat heard that from us before. But I think that's very much the case, and hence me making the comment earlier, we're more concerned about 2011 than we are about 2010. But it is very difficult to estimate what's going to happen through calendar 2011, I think.

Nick Dempsey, Barclays Capital - *Analyst* 25

But does that mean that that tight cost control is going to continue into 2011, or will you make that decision then or --?

Martin Morgan, Daily Mail and General Trust plc - *Chief Executive* 26

Yes, absolutely. And it was only a matter of time before somebody asks those questions on the call. So there is, as we said before, upward pressure on newsprint prices which are not going to affect us in this financial year because of the way we have annual contracts. But our expectation is a rise in newsprint costs. That alone causes us to be tough on other costs to offset that increase. So, yes.

I think your other question was about regional newspaper consolidation and speculative article in the Sunday Times. As far as pension is concerned, one thing that was incorrect in that article is that were Northcliffe to be sold, and let me emphasize 'were', there aren't any discussions or plans going on, the pensions would stay with us.

Peter Williams, Daily Mail and General Trust plc - Finance Director 27

Almost certainly.

Martin Morgan, Daily Mail and General Trust plc - Chief Executive 28

Well, yes, almost certainly. In fact, the Northcliffe pension and the, effectively, the associated pension has been merged into one pension fund a little while ago. So were that to happen, it would potentially trigger a [75] pension liability business and we would have to enter into discussions with the trustees. And if the trustees were persuaded that such a consolidation was in the interest of our current and future pensioners, then accommodation presumably would be reached. But this is theoretical discussion. But does that answer your question?

Nick Dempsey, Barclays Capital - Analyst 29

Perfectly. Thank you very much.

Martin Morgan, Daily Mail and General Trust plc - Chief Executive 30

Thank you.

Operator 31

Your next question comes from Edward Hill-Wood from Morgan Stanley. Please ask your question.

Edward Hill-Wood, Morgan Stanley - Analyst 32

Hi. Good morning. I've got two questions, please. The first just on the dividend. The leverage is coming down 2.5 times. Payout ratio last year was the lowest it's been for a decade. I'm just wondering what you could tell us about your thoughts on the dividend, given that trading has firmed up and expectations are now shifting towards 50p. At some point, in the next couple of years, what we should start thinking about the payout ratio, whether or not we should start seeing an acceleration then? That would be first question, please.

Peter Williams, Daily Mail and General Trust plc - Finance Director 33

All right. Do you want me to do that first? Yes. The -- as you know, the policy has been to try and keep the dividend moving in real terms 5% to 7%. And we fell behind that last year. But we've a very small increase at the interim and, as I say, we openly said, well, let's wait and see what happens.

Yes, I suppose certainly I would think trading is probably -- has progressed better in the second half year than the Board would have expected at the time of the interim dividend. So let's wait and see what happens.

Yes. I think the fact you're still -- you're not going to see a big increase. Any increase from DMGT in the dividend will be gradual. That's always been our policy. The question is how soon can we get back to that target rate of growth. It's not for me to prejudge what that is. I think the Board would certainly be looking for a minimum dividend cover of, say, 3 times. And, to be honest, I haven't really done all those sums myself, Ed. I'm sure you can do them yourself. But we have to weigh it up at the time, in November, depending on how things have turned out, and especially on what the expectations are at that point. I think that's the only thing I can say.

Edward Hill-Wood, Morgan Stanley - Analyst 34

Okay. That's helpful. And the second question just relates to RMS and parts of DMGI as well. I was just wondering if we could get a sense of how you are performing relative to your underlying markets. So RMS market share we know is pretty high. I was just wondering whether or not we get a sense of what the overall market's doing in RMS, if it is indeed outperforming, and potentially on property and financial side as well.

Martin Morgan, Daily Mail and General Trust plc - Chief Executive 35

Yes. RMS. Yes, we don't have any evidence that market share for RMS is moving. Yes. Peter's just mentioned cat bonds. Yes, we had a repositioning our offer in cat bond market, specifically designed to improve our market share, which has increased rapidly during 2010. So that's definitely positive. But the overall business, I have to say, I haven't heard or seen any information that says that there is any significant shift really. The third-placed competitor, EQE, is definitely continuing to fade. So it's more and more a two-horse market between us and AIR.

In terms of the insurance market, the market has been softening, i.e. insurance premiums in the property/casualty area have been weakening. There haven't been any very large catastrophes that tend to suck rates upwards. We've never -- we, and I say including the RMS management, have never been able to prove out a direct correlation between insurance premium rates and RMS growth, which is a very positive thing, because when weak rates weaken, RMS has always continued to grow.

In terms of the property market, I would say at Landmark there's probably some indication that we are gaining some market share from competitors. We are the market leader there. And in the US we're also the outright market leader. And, as far as I know, I don't think there's really been any change in market share.

Are we outperforming the market? You mean vis-a-vis property transactions? I think if we've got stable market share, we will be continuing to get our share of transactions. So the driver is the number of transactions. I think EDR have been successful at moderately increasing prices. And that's often through packaging and adding new features. So I hope that answers your question.

Edward Hill-Wood, Morgan Stanley - Analyst 36

Okay. That's great. And just on RMS, in terms of pricing policy for 2011, could you just give us early indication of what the sort of feel is for general pricing in RMS is for next year?

Martin Morgan, Daily Mail and General Trust plc - Chief Executive 37

If you'll forgive me for not doing that, because I think that's very sensitive market-competitive information. But I'd say that RMS' pricing going into next year will be broadly at historic rates, which is really based around how much new features and enhancements have really been brought to market that customers see value in. And, as you know, we have multiple-year contracts. So it's not as though it's far from the case that all RMS customers are all renewing every year. So it's quite a long-term effect. But let's get -- let's put it this way round, we're not anticipating any step change in pricing at RMS. I think it's steady as we go.

Edward Hill-Wood, Morgan Stanley - Analyst 38

Great. Thank you very much.

Martin Morgan, Daily Mail and General Trust plc - Chief Executive 39

Not at all.

Operator 40

Thank you. Your next question comes from Simon Baker from Credit Suisse. Please ask your question.

Simon Baker, Credit Suisse - Analyst 41

Yes. Thank you. Good morning, Martin, Peter.

Martin Morgan, Daily Mail and General Trust plc - Chief Executive 42

Good morning.

Simon Baker, Credit Suisse - Analyst 43

Two questions please. One is just coming back to Northcliffe and the timing that we might see some organic revenue growth coming back into advertising. I think I remember that, in terms of the geographic sequence of events, it was that the southwest of the UK went first into the recession then the southeast then north in terms of what you were seeing. Could you just comment maybe geographically about what you're seeing now in terms of the Northcliffe performance and the expectation as to whether we might see the same sequence of recovery coming back out? That's the first question

And secondly, just coming back to the Exhibitions side of the business and the forward bookings, which I appreciate it's hard to share, could you just come back to one of the forward indicators that you shared with us earlier on this year on attendance numbers having gone through inflection and any other forward indicators that you can comment on that might give us a shape of the recovery there as well, please?

Peter Williams, Daily Mail and General Trust plc - Finance Director

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Northcliffe, your memory's probably better than mine as to which bits went into recession first. But if you're right, then that's very apposite because we are already seeing growth from the southwest. The southeast is next. And the Midlands and the north are some way behind and still well negative. And that's why we've got an overall negative. But there is a big regional differentiation going on here.

Now it may be, as far as I'm aware, the southwest is not greatly affected by government. It's not one of the strong areas. Government expenditure and all the outsourcing of government departments is really -- is largely Scotland, Wales, the northeast, places like that. So maybe that's one of the reasons for that. Or maybe it's the tourist industry down in the southwest. But certainly the southwest is performing best at the moment. But whether that gives you any hint at all as to how it's going to work out over the future months, I'm not sure.

On the events, this is really tricky because, you see, the problem is that the various events are in totally different industries. So Global Petroleum Show was good, and my understanding is we did have an increase in visitors. But it doesn't have any impact whatsoever on the Middle East construction shows or anything like that. That's the problem here, Simon. So the next show that'll have an impact on this Global Trading Show in 2012. And that's not of any great interest to you.

So I'm -- again, I find it very difficult. We'll be watching very carefully to see what the attendance is at the New York Gift Fair in August because I think that will be a good indicator, having seen an increase in attendance in January, which now does appear to be leading through to an increase in revenues. Sorry, I'm basically not answering your question.

Martin Morgan, Daily Mail and General Trust plc - Chief Executive

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I think overall, our working assumption in 2011 is that visitor numbers will continue to improve, helping to drive not necessarily increases in exhibitor numbers, but perhaps exhibitors taking more space, etc. The one caveat, and we said it before, is the Middle East shows, particularly the big construction shows, which the last Big 5, which is a record show, closed the day Dubai World reneged on its debts, or whatever the word I'm looking for. So we've got a little health warning around the autumn shows this year in the Middle East. I think there could be some more late-cycle effect there, if you like. So overall though, I think we're on a positive track with events.

Simon Baker, Credit Suisse - Analyst

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Thank you.

Martin Morgan, Daily Mail and General Trust plc - Chief Executive

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I'm sorry that we -- it's very, very hard to -- we're leery to give too strong a generalization across these different shares, different geographies, different markets, at this point anyway.

Simon Baker, Credit Suisse - Analyst

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Thank you.

Martin Morgan, Daily Mail and General Trust plc - Chief Executive

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Thank you.

Operator

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Your next question comes from Mark Braley from Deutsche Bank. Please ask your question.

Mark Braley, Deutsche Bank - Analyst

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Yes. Good morning. A couple of things. First on cost in the nationals. Putting newsprint to one side, is there anything -- can you just remind us whether you've done a lot to the cost base within the current financial year? What I'm getting at is

is there a base effect that we still need to bear in mind for 2011 in nationals?

And then the second question I suppose is a slightly unfair one about net debt to EBITDA, following on from Ed's question around dividends. If we do roll this out for another 12 months, you're going to be significantly under 2.5 times net debt to EBITDA. You've put in the statement you've made a couple of acquisitions in the first -- so far this year. Are you starting to focus more on bolt-on deals now? And what are sellers' expectations like at the moment?

Martin Morgan, Daily Mail and General Trust plc - *Chief Executive*

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May I deal with the last one first and then Peter will deal with the cost and the nationals? Yes, as far as acquisitions are concerned, yes, we have continued to do small bolt-on deals. I think the M&A market has definitely picked up. It's interesting, isn't it, that there have been a number of bigger transactions with strong subscription-based information businesses attracting very, very serious multiples. I think you're going to see a bit of a flow-through down to more availability of smaller-scale transactions.

And yes, we're trying to build up our pipeline of attractive deals and try to conclude those in a prudent way as our debt comes down. And that's just day-to-day portfolio management. But I am encouraging the management teams to be sure that they're building their pipeline not just with acquisition opportunities, but make sure that we have the pipeline also very strong on our own product launches and so on. Yes, because we don't want to find ourselves, as it were, with overshooting our targets and not having a good places to put our capital. There's always a balance between these two things.

But having said earlier on we're a little wary about the outlook for the UK economy and the effect on the Newspaper businesses this year. So the message to everybody is keep tight on cost, build your pipeline of opportunities and we will open the [bag] prudently more and more as the cherries line up.

Peter, what about -- what about our costs on the nationals?

Peter Williams, Daily Mail and General Trust plc - *Finance Director*

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Well, if we don't hit the jackpot. But the one thing I'd add to that is, I think, as we've openly been saying, we don't necessarily see 2.5 as the -- as our target for net debt to EBITDA. We're internally aiming probably about 2.25. So we're quite relaxed about the debt falling -- carrying on falling a little bit into the new year. So never fear about that.

On the costs on the nationals, you're really after what flows through to next year I think, aren't you?

Mark Braley, Deutsche Bank - *Analyst*

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Yes. Yes.

Peter Williams, Daily Mail and General Trust plc - *Finance Director*

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There's an element of where we've closed businesses, the effect of London Lite and some of the Teletext channels and so on, which we'd estimated probably there's about a GBP5m hit in the current year results that won't be there next year. So that's one element. Beyond that, no, I don't think there's anything dramatic.

We -- you will have seen we have just restructured the AND side. And the head of AND has moved -- has ceased working for us full time. So that's taken out some -- we're restructuring that central operation, which will reduce the costs in that operation a little bit. But we're not talking big numbers here. And so there'll be a modest amount flowing through, but nothing dramatic.

Mark Braley, Deutsche Bank - *Analyst*

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Okay. And just in terms of general salary increases, do -- should we think in nationals and regionals about some return to wage settlements being positive from the point of view of the employees?

Peter Williams, Daily Mail and General Trust plc - *Finance Director*

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If you think we're going to talk about what we think our salary increases might be in the public domain, you've got another thing coming. I don't know. A general comment I suppose would be about the entire industry is obviously there continue to be reductions generally in staffing across the industry. So I don't think there's enormous pressure.

Mark Braley, Deutsche Bank - *Analyst*

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Right. Okay.

Operator 59

Thank you. Your next question comes from Marcus Diebel from JPMorgan. Please ask your question.

Martin Morgan, Daily Mail and General Trust plc - Chief Executive 60

Hello? Marcus, we can't hear you.

Operator 61

He's released his line, sir. Okay. Your next question then comes from Jonathan Helliwell from Berenberg. Please ask your questions.

Jonathan Helliwell, Berenberg - Analyst 62

Yes. Morning, gents. You've touched on this in particular for Northcliffe, but I wonder if you could just talk more broadly across where in the Group you're exposed to government spending. I'm thinking not just UK necessarily, but also in areas like Hobsons, maybe RMS, maybe some of the property businesses, what -- where the exposure points are across the Group.

Martin Morgan, Daily Mail and General Trust plc - Chief Executive 63

Yes. Just running through the Information businesses, you're right in the sense that Hobsons is exposed to publicly owned universities and colleges in the US. My feeling is there that budgetary tightening has already taken place. Now there's expectations of further budgetary -- particularly in the area of recruitment, because after all, where Hobsons is placed is helping the universities generate their revenue line. And if there's pressure, as there may be now because some Americans are feeling the pinch, i.e. recruiting for those universities that don't have -- are not oversubscribed, recruitment has got more competitive. And that plays to -- that's what Hobsons is all about. So universities are very loath to cut much in marketing against their revenue line. And so I don't think we have a great concern there.

Sanborn is -- almost all of Sanborn's business, one way or the other, is exposed to government, federal all the way through to municipal. And that is an area of stress. But, as Peter said earlier on, within DMGI it's a low-margin business so the profit impact is very small, which leaves really mainly Northcliffe. And I've got some analysis here that shows as a percentage of total advertising we expect in 2010 to see that finishing at, overall, and this is recruitment, public notices, education and training, only to be 9% of Northcliffe's revenues. So it's not a -- it's a worthwhile number but it's not a huge number either.

So I think from the other side of the equation, and I think we mentioned this before, we did an exercise a few months ago and broadly think that for DMGT overall, including some of the Euromoney businesses, that there are probably some upsides to expenditure with our various businesses from outsourcing. So I think there is potentially another side of this. So we don't feel that exposed overall as DMGT to UK government or even US government for further cutbacks next year.

I don't know if you want to add any further comments.

Peter Williams, Daily Mail and General Trust plc - Finance Director 64

Yes. Well, the only one to add extra color maybe is just one comment we have made is we estimate that our public sector recruitment revenue this year will be one-third of what they were two years ago. So, in other words, we've already seen a lot of that downturn. It looks to us as though the public sector has not been replacing people for quite a while, and that's where it affects us. It may be that there are going to be further job losses in due course, but the existing jobs, but they're already not replacing those that are leaving.

Martin Morgan, Daily Mail and General Trust plc - Chief Executive 65

Yes. And we are -- one of our businesses is actually in the shortlist of the big government outsourcing contract in the recruitment area, which I'm not at liberty to spell out. So that may or may not come to us, but there are some already signs of opportunities.

Peter Williams, Daily Mail and General Trust plc - Finance Director 66

But those are on a contract basis. They are -- you get a fee for running the service rather than being related to the

number of jobs. And so Jobsite already runs the National Health website, for instance. But it's on a fixed monthly fee so we're not really affected there.

Jonathan Helliwell, Berenberg - Analyst 67

Okay. That's great. Nothing material in insurance then?

Martin Morgan, Daily Mail and General Trust plc - Chief Executive 68

I'm sorry. No. Trivial advertising from -- sorry, trivial revenues from RMS. A few years ago we used to have a unit within RMS that focused on government, and we wound that down because of this project. It was, as Peter was saying, it was fee-for-work and at relatively low margin and we focus on subscription businesses.

So it's -- although RMSI, I should say, out in India, which is part of RMS, in case you think about that, RMSI in India, which is really targeting geographic-based information services to industry broadly, and quite a bit of that is government-related business. It's governments all over the world, so it's anywhere from Mongolia to Gujarat to Singapore. So it's very widely spread.

Peter Williams, Daily Mail and General Trust plc - Finance Director 69

And I believe the CIA are a client of Euromoney's ISI business, but I think they'll be all right for a while yet.

Jonathan Helliwell, Berenberg - Analyst 70

Okay, that's good. And you touched on the Hobsons thing. Is it -- there's not -- do you think it's the case that Hobsons has benefited over the last couple of years from extra enrollment at universities, particularly in the US, driven by recession, or -- and if so, is there a potential downside to that going forwards or --?

Martin Morgan, Daily Mail and General Trust plc - Chief Executive 71

Yes, there are a number of dynamics in the Hobsons market that there is overall, because Hobsons is benefiting from a technological change in universities moving from print-based marketing techniques to digital information-based techniques. And that trend continues regardless of the economy.

Beyond that, there are two interesting forces at work that, I think, benefit in both cases Hobsons. At a time in the US where we've just been through the largest ever cohort of high school leavers, therefore applying to -- i.e. getting into university has more competitive than ever before. And I can tell you my daughter's just been through this process and it's really painful. There universities are -- certainly the better universities, are dealing with a surplus of applications and therefore huge pressure on handling that information and handling students properly.

As we come off the other side of the cycle which we've been through, if that's the case, i.e. the demographic, we're going -- we've gone through the peak, and as Americans are finding it tougher to pay for college, then you get to the other side of the spectrum that it gets more competitive between the colleges and therefore they start to spend more, because certainly the middle-ranking and the weaker universities, which is where Hobsons gets most of its revenue. So you have these interesting two forces at play.

So I think Hobsons, we feel reasonably confident that there's a growth story there, whichever these particular push and pulls there is. But the most important thing, I think, is the secular move towards more sophisticated information management and marketing on a lot of higher education, or by higher education.

Jonathan Helliwell, Berenberg - Analyst 72

I'm with you. And fundamentally it's a software sale rather than a per-student-recruited sale.

Martin Morgan, Daily Mail and General Trust plc - Chief Executive 73

Yes, absolutely right. That's very well put.

Jonathan Helliwell, Berenberg - Analyst 74

Yes. Okay. Thank you very much.

Operator 75

Thank you. Your next question comes from Rakesh Patel from Goldman Sachs. Please ask your question.

Rakesh Patel, Goldman Sachs - Analyst

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Hi there. Just a couple of questions, if I may. First of all, I wonder if you could talk about Northcliffe and the potential of outsourcing on the cost base and whether we can actually assume that that can actually go even lower than what you'd already managed to achieve.

And then secondly, in terms of Associated, I would if you could perhaps split out or give us some color on the differences between advertising at the Metro and the Daily Mail. Thanks very much.

Martin Morgan, Daily Mail and General Trust plc - Chief Executive

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In terms of outsourcing at Northcliffe, if you don't mind if I could slightly rephrase that. If I -- if you were to ask me can the cost base of Northcliffe continue to come down, i.e. are there more efficiencies, and I think outsourcing is one component. The answer is yes. Headcount is still continuing to fall. We still have a number of further reorganizations to go to improve efficiency, which is -- which will be rolled out in 2011. I think outsourcing is just a component of that. There may be some changes in where we print some of the titles and so on.

So yes, I think the game for Northcliffe and all the regional players is driving more efficiencies year in, year out. I think it's just we just did it because of the recession and when it's all over I think we've got to continue to look for it.

Peter Williams, Daily Mail and General Trust plc - Finance Director

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On the advertising, well, I'd rather not give you specific figures. But just broadly, around that central figure of, say, 15% increase in display, the Daily Mail is roughly at that level. Metro is better. And The Mail on Sunday is not as strong. So if that gives you at least some feel for it.

Rakesh Patel, Goldman Sachs - Analyst

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That's great. Thanks very much.

Martin Morgan, Daily Mail and General Trust plc - Chief Executive

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Thank you.

Operator

81

Thank you. Your next question comes from Ruchi Malaiya from Citi. Please ask your question.

Ruchi Malaiya, Citigroup - Analyst

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Hi. Good morning. You mentioned the newsprint inflation potential going into 2011. I was just wondering whether you had a range of expectations at this stage for potentially what the worst case/best case in terms of newsprint inflation might be at this stage, just to get an idea of how much you would need to offset through other cost savings.

Peter Williams, Daily Mail and General Trust plc - Finance Director

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I think, Ruchi, I -- all we can say to you is if we were to put -- if we were to be in a position of renegotiating the contract today, we'd probably be looking at something like 10% increase in price, would be my guess. But this is a market that can move astonishingly quickly. And we've been in situations before where what we thought was going to happen in September was just a -- we were a long way out by the time we got to December. So to predict from here to December is real crystal ball gazing, to be perfectly honest. I think that's all we can say.

Martin Morgan, Daily Mail and General Trust plc - Chief Executive

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Yes. One of the factors in pricing, given that a lot of the paper's imported, is exchange rate movements effect, and the wastepaper market.

Peter Williams, Daily Mail and General Trust plc - Finance Director

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Yes, the wastepaper market is incredibly volatile and it's affecting the price of recycled paper, which is quite a lot of the production here in the UK. And so it can move around a lot. So that's why, I'm sorry, it's really very difficult. But certainly our overall newsprint bill is approaching GBP200m, just to put it in context.

Ruchi Malaiya, Citigroup - Analyst 86

Okay. Yes. No, that's helpful. And actually just one more question. As we are seeing you return to doing these bolt-on acquisitions, I don't remember whether you've previously stated any priority, aside from allocating towards B2B versus consumer media, whether you have a priority in terms of Information Services versus Events or anything like that.

Martin Morgan, Daily Mail and General Trust plc - Chief Executive 87

Okay. Well, I think the way we're thinking about it on -- within B2B is to the extent that the buses come in the order you want them, is to continue to build around the best of our B2B businesses, those with the best business models, best market share, etc, etc.

I think in Events we are absolutely open to acquisitions, though I think we are still going through a period of building up the new management team. There's some investment going on in the existing portfolio of shows to be sure we've got the content really right, like in the Middle East. There's been a change in the market there so we need to adapt.

But don't criticize me if it doesn't work out this way, but I think acquisitions in Events will come, but they aren't an immediate priority. It's more organic growth. We've got some launches that we have in mind coming into 2011. And therefore I would be disappointed if we don't find a steady stream of nice bolt-on acquisitions, quite frankly as we've managed to do through 2009 and 2010. There's just been a fewer number and they've been smaller in cost.

Ruchi Malaiya, Citigroup - Analyst 88

Right. Thanks very much.

Peter Williams, Daily Mail and General Trust plc - Finance Director 89

Is that all right, Ruchi?

Ruchi Malaiya, Citigroup - Analyst 90

Yes. Perfect. Thank you.

Peter Williams, Daily Mail and General Trust plc - Finance Director 91

At that point, can I put to the organizer, can we have one more question? I'm sorry, we've got commitments elsewhere at nine o'clock, so we're happy to take one more.

Operator 92

Okay then, sir. Your last question comes from Marcus Diebel from DMGT. Please ask your question.

Marcus Diebel, JPMorgan - Analyst 93

Hi. It's Marcus Diebel from JPMorgan actually. Yes, just had some technical problems. Just a question on your property-related businesses, both in the consumer and B2B. You obviously said that revenues in property and in Northcliffe are up 9%. So basically you just stated that they are really based on sellers trying to find some buyers. But also you cited that in B2B, property information companies have seen double-digit revenue growth. So do we actually see increasing transactions here, or is it still, yes, a bit flattish still currently?

Peter Williams, Daily Mail and General Trust plc - Finance Director 94

Yes, I think it's still very flattish. The trends are going in opposite directions on the DMGI businesses. EDR has actually strengthened from first quarter through to third. And at Landmark, actually the growth isn't as great as it was.

Yes, and I think that reflects what you've seen in the marketplaces. The UK property market was looking as if it was picking up in the quarter to December, and I think it's been pretty flat since then because there just hasn't been any stock; there hasn't been too many transactions. Hence the growth in Northcliffe's print revenues. We're also seeing pretty -- we are actually seeing fairly strong growth on the digital players. But we're -- that's because we're going after that marketplace pretty aggressively as well. So we're taking the opportunity to try and grow the business, and it is a growing business.

On the commercial property side, the UK is still pretty quiet.

Marcus Diebel, JPMorgan - Analyst 95

Okay.

Peter Williams, Daily Mail and General Trust plc - Finance Director 96

And underlying, so is the US. It's just this feature of, basically, of regional banks going bust. And so the regulators step in and they have to look through the property portfolios. But we see plenty more regional banks might well go bust over the next few months, so never fear.

Martin Morgan, Daily Mail and General Trust plc - Chief Executive 97

And it may be that that growth from distress in the US will continue, whilst -- if you look at the securitization market, which is beginning to open again, which is good news for Trepp, but nevertheless there's an enormous quantity of mortgages which have been packaged in securities that are coming up for replacement or rollover. These are huge numbers. It's trillions of dollars. So there are going to be transactions of some kind. So I think EDR may actually continue to prosper moderately.

But actually one doesn't therefore read across and just say the commercial real estate market in the US is back to health. I think there's probably a few years or so to go before -- and you'll see some fresh capital coming into the market as it is to take advantage of distressed prices. So it's a very mixed picture.

Marcus Diebel, JPMorgan - Analyst 98

Okay. Thanks a lot.

Martin Morgan, Daily Mail and General Trust plc - Chief Executive 99

Thank you very much, everybody. And I hope we didn't cut anybody who had a really compelling question that they didn't get to ask. But we're certainly open to having individual calls or whatever during the day if anybody wants. So thank you very much and we look forward to our next session with you all. And good morning.

Operator 100

Thank you, sir. That does conclude our conference for today, ladies and gentlemen. Thank you for your participation. You may all disconnect.

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