

# Dođan Gazetecilik A.Ş.

## Review of 1H17 Results



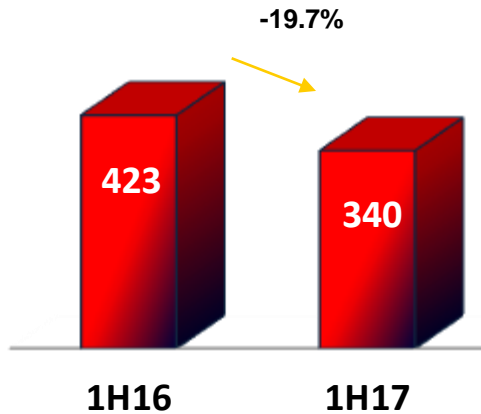
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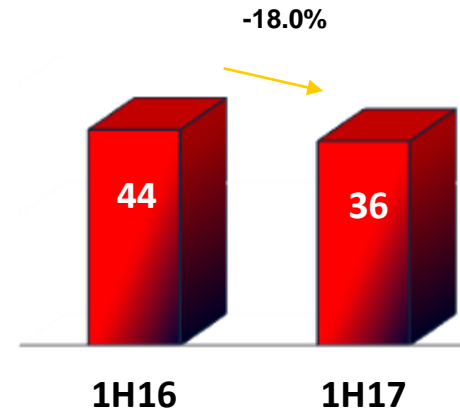
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Newspapers – Turkey (TLmn) <sup>(1)</sup>



Dogan Gazetecilik's Print Ad Revenues (TL mn) <sup>(2)</sup>





- Negative market conditions led to a 19.7% yoy contraction in Turkish newspaper ad market. Dogan Gazetecilik print ad revenues declined by 18%, slightly better than the market.

<sup>(1)</sup> Ad market statistics are estimates compiled by Doğan Media Group ad platform, based on 25 national newspaper.

<sup>(2)</sup> Ad revenues : To be comparable with the market data, the ad revenue figures are given as *“invoiced ad revenues before IAS adjustments & reclassifications”*, and so different from reported consolidated figures.

- Average daily newspaper circulation figures in Turkey were down by 14% yoy.
- Dogan Gazetecilik maintained its market share at 11%, together with Posta & Fanatik titles.

| Market Shares  | 1H16             | 1H17             | 1H17/16<br>Ch (%) |
|--|------------------|------------------|-------------------|
| <b>CIRCULATION MARKET SHARE</b>  | 11.1%            | 11.1%            | 0.0 pp            |
| <b>Doğan Gazetecilik Daily Average Circulation (*)</b>   | <b>427,934</b>   | <b>366,812</b>   | <b>-14.3%</b>     |
|  <b>POSTA</b>   | 310,628          | 265,191          | -14.6%            |
|  <b>FANATIK</b> | 117,307          | 101,621          | -13.4%            |
| <b>Nationwide average circulation</b>  | <b>3,838,568</b> | <b>3,303,848</b> | <b>-13.9%</b>     |

\* Source: Basın İlan

# Major Developments in 1H17

- The political and economical uncertainty in Turkey in 1H17 had a negative impact on newspaper ad market. Newspaper ad market contracted by 19.7% yoy.
- Newspaper cover price adjustments helped to offset the negative impact of lower circulation figures:
  - As of Jan 2017, the cover prices of Posta in all cities for all days increased by 33% to TL1.00, on top of adjustments took place in January 2016 by 25% in weekday prices.
  - Fanatik's cover price adjustment that took place in May 2016 by 33% to TL1.00 had a positive contribution in 1H17 figures.
- Due to the economic volatility and market uncertainties, the Board decided (and approved at the General Assembly), not to distribute dividend from 2016 earnings at this time period; but decided to re-evaluate the issue depending on market conditions in this accounting period.
- The Board decided to contribute to the capital increase of Öncü Venture Capital Investment Trust ("Öncü") in April 2017. The cash outflow of TL20 mn from Doğan Gazetecilik took place on August 2, 2017, in return for 25% stake in Öncü. Founded in 2014 by Doğan Holding, Öncü aims to invest in Turkey-based startup enterprises that have the capability to generate cash and high profits

- As a result of restructuring, Posta's web and mobile applications total PV increased by 107% yoy in 1H17.



[www.fanatik.com.tr](http://www.fanatik.com.tr)

- 4.4 mn monthly UV
- 140.9 mn monthly PV



**Fanatik mobile**

- 6.4 mn monthly UV
- 156.7 mn monthly PV



[www.posta.com.tr](http://www.posta.com.tr)

- 2.4 mn monthly UV
- 114.8 mn monthly PV

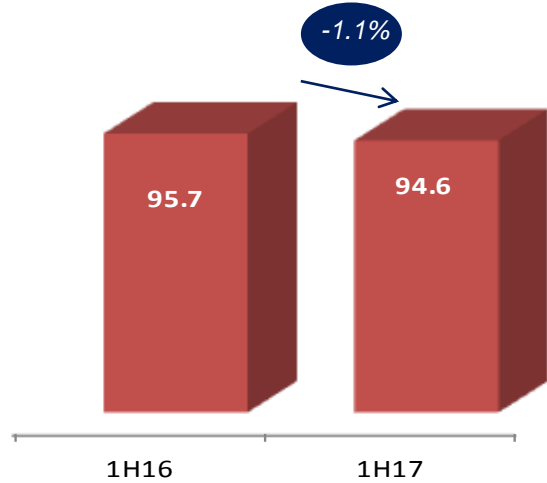


**Posta mobile**

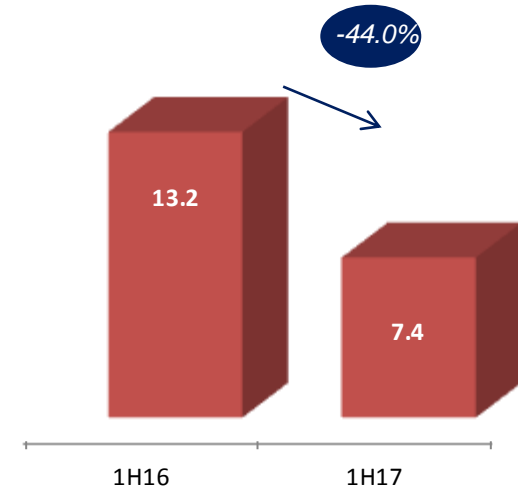
- 2.9 mn monthly UV
- 72.5 mn monthly PV

(\* Source :Gemius Prism (Average Jan- Jun 2017)

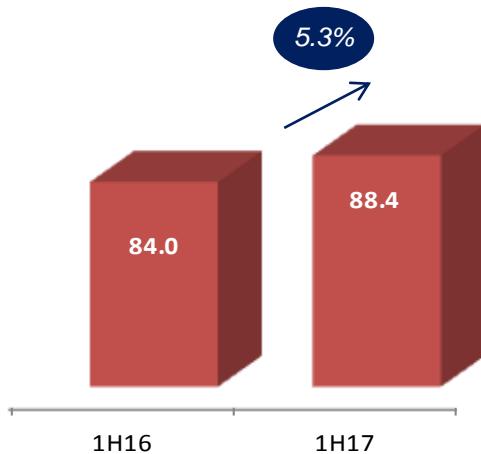
### Revenues (TL mn)



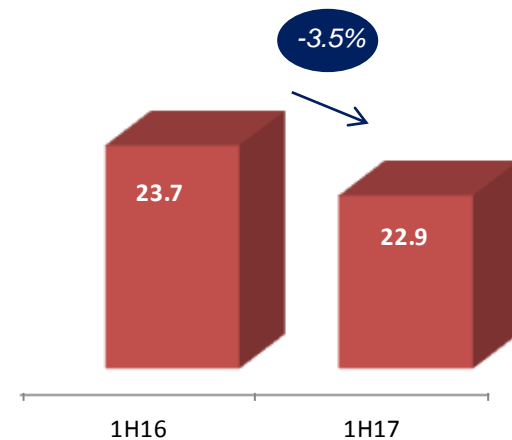
### Ebitda (TL mn)



### Total Costs (TL mn)



### Raw Material (TL mn)



- Revenues at TL94.6 mn in 1H17 were at the same level as in 1H16, with the support of cover price adjustments. EBITDA came in at 7.8%, due to higher COGS and OPEX.
- Net Other Operating income was up by 27% in 1H17 yoy

| (TL '000)                                       | FY16          | 1H16          | 1H17         | % Ch<br>1H17/16 | 2Q16         | 2Q17         | % Ch<br>2Q17/16 |
|---|---------------|---------------|--------------|-----------------|--------------|--------------|-----------------|
| Sales   | 189,895       | 95,661        | 94,582       | -1%             | 51,271       | 48,303       | -6%             |
| (-) Cost of sales                               | 114,754       | 55,118        | 58,025       | 5%              | 28,098       | 28,460       | 1%              |
| Gross profit                                    | 75,141        | 40,543        | 36,557       | -10%            | 23,173       | 19,843       | -14%            |
| (-) Operating expenses                          | 57,891        | 28,842        | 30,353       | 5%              | 14,574       | 15,194       | 4%              |
| <b>Operating profit</b>                         | <b>17,251</b> | <b>11,701</b> | <b>6,204</b> | <b>-47%</b>     | <b>8,599</b> | <b>4,650</b> | <b>-46%</b>     |
| <b>Operating profit margin</b>                  | <b>9.1%</b>   | <b>12.2%</b>  | <b>6.6%</b>  |                 | <b>16.8%</b> | <b>9.6%</b>  |                 |
| Other Operating Income/(Expenses)-net           | 28,382        | 2,604         | 3,295        | 27%             | 3,676        | (3,582)      | n.m             |
| Income/(Expenses) from Investing Activities-net | 55,216        | 3,837         | 4,163        | 8%              | 1,910        | 2,092        | 10%             |
| Profit before tax                               | 100,849       | 18,141        | 13,661       | -25%            | 14,184       | 3,160        | -78%            |
| Net Profit for the Period                       | 88,224        | 14,550        | 11,106       | -24%            | 11,350       | 2,639        | -77%            |
| <i>Amortised cost valuation income</i>          | 995           | 558           | 387          | -31%            | 360          | 260          | -28%            |
| <i>Depreciation &amp; amortisation</i>          | 1,950         | 980           | 826          | -16%            | 503          | 384          | -24%            |
| <b>EBITDA</b>                                   | <b>20,196</b> | <b>13,239</b> | <b>7,417</b> | <b>-44%</b>     | <b>9,462</b> | <b>5,293</b> | <b>-44%</b>     |
| <b>EBITDA Margin</b>                            | <b>10.6%</b>  | <b>13.8%</b>  | <b>7.8%</b>  |                 | <b>18.5%</b> | <b>11.0%</b> |                 |



- Total Revenues in 1H17 remained intact with the same levels attained in 1H16, with the support of cover price adjustments.
  - Circulation revenues were up by 11.5%: 14% yoy decline in average daily circulation figures was totally offset by newspaper cover price adjustments.
  - Total ad revenues declined by 16.6% yoy.

| Revenues (TL '000)          | FY15    | FY16    | 1H16    | 1H17    | 1H17/16<br>Ch (%) | 2Q16    | 2Q17    | 2Q17/16<br>Ch (%) |
|-----------------------------|---------|---------|---------|---------|-------------------|---------|---------|-------------------|
| <b>Circulation Revenues</b> | 99,934  | 101,785 | 50,727  | 56,539  | 11.5%             | 24,920  | 27,582  | 10.7%             |
| Avg. Daily Circulation      | 480,773 | 414,032 | 427,934 | 366,812 | -14.3%            | 468,706 | 408,555 | -12.8%            |
| <b>Total Ad Revenues</b>    | 86,806  | 84,684  | 43,399  | 36,201  | -16.6%            | 25,577  | 19,661  | -23.1%            |
| - Print Ad Revenues         | 78,584  | 78,834  | 40,326  | 33,142  | -17.8%            | 23,865  | 18,029  | -24.5%            |
| - Online Ad Revenues        | 8,222   | 5,849   | 3,074   | 3,059   | -0.5%             | 1,711   | 1,632   | -4.6%             |
| <b>Other Revenues</b>       | 3,942   | 3,427   | 1,535   | 1,842   | 20.0%             | 773     | 1,060   | 37.1%             |
| <b>Total Revenues</b>       | 190,681 | 189,895 | 95,661  | 94,582  | -1.1%             | 51,271  | 48,303  | -5.8%             |

Despite 21.2% increase in average US\$ rate and 1% increase in average newsprint/ton prices in US\$ terms in 1H17 vs 1H16; newsprint costs declined by 3.5% 1H17 yoy, due to lower circulation figures.

Total costs were up by 5.3% yoy; due to higher Printing & Other costs; and Sales & Marketing Expenses. But, total costs in 2Q17 were almost at the same levels as in 2Q16.

| Costs ( TL '000)                    | FY15           | FY16           | 1H16          | 1H17          | 1H17/16<br>Ch (%) | 2Q16          | 2Q17          | 2Q17/16<br>Ch (%) |
|-------------------------------------|----------------|----------------|---------------|---------------|-------------------|---------------|---------------|-------------------|
| <b>Cost of Sales</b>                | <b>108,580</b> | <b>114,754</b> | <b>55,118</b> | <b>58,025</b> | <b>5.3%</b>       | <b>28,098</b> | <b>28,460</b> | <b>1.3%</b>       |
| - Newsprint costs                   | 47,286         | 47,541         | 23,705        | 22,874        | -3.5%             | 12,022        | 11,185        | -7.0%             |
| - Printing & other costs            | 61,293         | 67,212         | 31,413        | 35,151        | 11.9%             | 16,075        | 17,274        | 7.5%              |
| <b>Operating Expenses</b>           | <b>58,881</b>  | <b>57,891</b>  | <b>28,842</b> | <b>30,353</b> | <b>5.2%</b>       | <b>14,574</b> | <b>15,194</b> | <b>4.3%</b>       |
| - General & Administrative Expenses | 15,757         | 15,076         | 7,373         | 6,559         | -11.0%            | 3,871         | 3,490         | -9.8%             |
| - Sales & Marketing Expenses        | 43,124         | 42,815         | 21,469        | 23,793        | 10.8%             | 10,704        | 11,704        | 9.3%              |
| <b>Total Costs</b>                  | <b>167,460</b> | <b>172,644</b> | <b>83,960</b> | <b>88,378</b> | <b>5.3%</b>       | <b>42,672</b> | <b>43,653</b> | <b>2.3%</b>       |

- Net cash position was TL182.0 mn at Jun 30, 2017 (with fx cash position of US\$45.3 mn), vs. TL 177.8 mn in December 31, 2016, with the effect of currency valuation.

| <b>Net Cash Position (TL '000)</b> | <b>31.12.2015</b> | <b>31.12.2016</b> | <b>30.06.2017</b> | <b>ch%</b> |
|------------------------------------|-------------------|-------------------|-------------------|------------|
| <b>Cash And Cash Equivalents</b>   | <b>161,140</b>    | <b>177,807</b>    | <b>182,626</b>    | <b>3%</b>  |
| <b>S.T. Bank Borrowings</b>        | <b>602</b>        | <b>-</b>          | <b>651</b>        | <b>n.m</b> |
| <b>Net Cash</b>                    | <b>160,538</b>    | <b>177,807</b>    | <b>181,975</b>    | <b>2%</b>  |

- The negative newspaper ad market may continue to pressure ad revenues in 2H17. Further actions will be taken to lessen the negative impact of downward trend in print advertising and circulation.
- Cash position in fx eliminates the foreign currency risk in operational costs: Company is exposed to foreign currency risk through the newsprint and printing costs which is dependent on US\$.
- Restructuring in newsportals will support digital revenues in the coming quarters.
  - A new editor in chief was appointed to [posta.com.tr](http://posta.com.tr) in November 2016. New strategies will follow with this restructuring (already seen positive impact as in higher PV in [Posta.com.tr](http://Posta.com.tr)).
  - Fanatik positions itself as a multi-platform channel for news and sports entertainment and will focus more on mobiles with [fanatik.com.tr](http://fanatik.com.tr).
- Getting the best optimization in circulation/cost model for «Posta»: options for promotion, editorial page numbers and editorial content will be continued to be implemented in an effective way.
- The cover price increases will have a positive impact also in 2H17. On top of Posta's cover price adjustment in Jan 2017, the cover price of Fanatik for all days were also revised up by 25% to TL 1.25 as of July 2017.
- Following the necessary procedures, Doğan Gazetecilik contributed to the capital increase of Öncü. The cash outflow from Doğan Gazetecilik was TL 20 mn and the company obtained 25% stake in Öncü as of August 2, 2017, while the remaining shares were held by parent company Doğan Holding.