

21 August 2008

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Fairfax Media

Outlook will improve, but not just yet

Change of target price

Buy

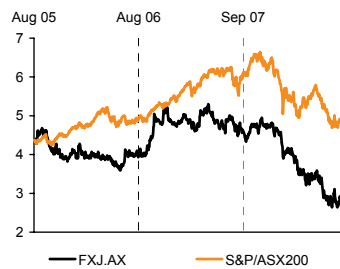
Target price
A\$3.33 (from A\$3.68)

Price
A\$2.82

Short term (0-60 days)
n/a

Price performance

	(1M)	(3M)	(12M)
Price (A\$)	3.01	3.47	4.73
Absolute %	-6.3	-18.7	-40.4
Rel market %	-8.0	-2.6	-28.2
Rel sector %	2.1	2.2	-5.9



Market capitalisation
A\$4.27bn (US\$3.73bn)

Average (12 mth) daily turnover
A\$24.88m (US\$22.64m)

RIC: FXJ.AX, FXJ AU
Priced at close of business 21 Aug 2008.
Source: Bloomberg

Analysts

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The FY08 result was c2% below our forecasts at both the EBITDA and EPS level. We forecast earnings will fall 3% in FY09, with significant declines in Australian metro and NZ publishing, offset by firm cost control, robust Regionals and Digital growth. We expect strong EPS growth when the cycle turns. Buy retained.

Key forecasts

	FY07A	FY08A	FY09F	FY10F	FY11F
EBITDA (A\$m)	571.4	831.2	837.8	953.0	1013.0
Reported net profit (A\$m)	245.6	370.5	367.0	446.8	483.6
Normalised net profit (A\$m) ¹	251.2	378.9	367.0	446.8	483.6
Normalised EPS (c) ¹	23.2	25.1	24.2	29.5	31.9
Normalised EPS growth (%)	-5.27	8.26	-3.74	21.7	8.23
Dividend per share (c)	20.0	20.0	19.3	23.5	23.1
Dividend yield (%)	7.09	7.09	6.85	8.34	8.20
Normalised PE (x)	12.1	11.2	11.7	9.57	8.85
EV/EBITDA (x)	10.9	8.04	7.91	6.79	6.25
Price/net oper. CF (x)	8.36	10.1	8.89 ▲	7.56	7.05
ROIC (%)	9.30	7.29	6.87	7.91	8.46

Use of ▲ ▼ indicates that the line item has changed by at least 5%.

1. Pre non-recurring items and post preference dividends

Accounting Standard: IFRS

Source: Company data, ABN AMRO forecasts

year to Jun, fully diluted

Reduce FY09F NPAT by 4% and forecast a 3% EPS decline next year

FY08 normalised EPS of 25.1c was slightly below our 25.4c forecast (IBES consensus 25.5c). EBITDA of A\$831.2 was about 2% below our forecast and up 6.9% on the pcp. The trading environment is clearly difficult and we now expect a c3% decline in earnings next year. We reduce FY09F NPAT by 4% to A\$367m (from A\$384). Our forecasts incorporate fairly significant declines in Australian metro EBITDA (-16%) and NZ publishing next year (-14%).

Metros once again the issue and likely to get worse in FY09

Australian metro publishing revenues fell 2.8% in FY08 and we now forecast an acceleration in the rate of decline next year (-4.5% FY09F). We assume the metro costs base falls 1% due to ongoing synergy savings, lower newsprint prices and firm cost control. However, due to the leverage in that business, we still forecast EBITDA will decline 16% next year. We expect metro declines to be partly offset by regional EBITDA growth of 6% (FY09F revenue +1%, costs -1%) and we forecast Australian publishing EBITDA will be down 4% overall. Digital EBITDA grew 51% in 2H08 and we forecast continued strong growth in FY09 (+24%).

NZ holds up in FY08, but expect this to change

NZ held up relatively well in the period, with revenue and EBITDA both up 1% in 2H08 in local currency. However, we believe NZ is a key risk area for next year and we now forecast a 14% decline in FY09 EBITDA. As with Australia, we expect the weak revenue environment to be partly offset by a strong focus on costs (FY09F revenue -5%, costs -2% in NZD).

Target price of A\$3.33; Buy retained

Next year is likely to be tough for Fairfax, but we believe its diversification will mean the impact can be contained and that Fairfax should be well placed for a strong earnings recovery when the cycle turns. Our valuation is A\$4.17 (from A\$4.60). Our target price of A\$3.33 (from A\$3.68) is at a 20% discount as we expect media stocks to trade below fair value at this point in the cycle. On a PE of 11.7x FY09F, falling to 9.6x FY10F, we believe the stock offers significant longer-term value.

Important disclosures can be found in the Disclosures Appendix.

FY08 result and changes to forecasts

FY08 normalised NPAT of A\$378m was just below our A\$383m forecast and EBITDA of A\$831m was 2% below our forecast. The company gave little guidance on the outlook, other than to say that “advertising markets have slowed in the new financial year”. Disclosure was improved, with Australian metro EBITDA split out for the first time.

We reduce FY09F NPAT by 4% to A\$367m and now forecast a 3% decline in EPS next year. We assume fairly significant declines in Australian metro EBITDA (-16%) and NZ publishing (-14%) in FY09, offset by a robust Regional performance and Digital growth. We expect FY09 to be a year of strong cost control and believe there are A\$20m of Rural Press savings still to come. We forecast costs will be up only slightly (about 1%) across the group next year.

Our FY09 EBITDA growth forecast of 1% includes a c2% boost from the inclusion of Southern Cross and Southern Star for a full 12 months.

Table 1 : FY08 result and changes to forecasts (old divisional breakdown)

YE June (A\$m)	FY08			FY09F			Growth	
	Forecast	Actual	Change	Previous	Revised	Change	FY08A	FY09F
Revenue	2,921	2,918	0%	3,033	2,933	-3%	n/m	1%
Australian publishing*	541	539	0%	541	529	-2%	7%	-2%
NZ publishing	158	164	4%	148	141	-5%	1%	-14%
Digital	55	54	-1%	63	67	7%	47%	24%
Trade Me	57	60	5%	66	70	6%	36%	16%
Radio and Southern Star	38	36	-4%	55	51	-8%	n/a	n/m
Corporate costs	0	-22	nm	0	-20	nm	n/a	n/a
EBITDA	849	831	-2%	872	838	-4%	45%	1%
EBIT	736	722	-2%	757	724	-4%	51%	0%
Interest (incl SPS)	-196	-204	4%	-212	-212	0%	60%	n/m
NPAT norm (A\$m)	383	378	-1%	384	367	-4%	51%	-3%
EPS	25.4	25.1	-1%	25.4	24.2	-4%	8%	-3%

*Australian publishing on basis of old disclosure – ie, includes Metro, Regional & Community, Printing and Specialist Publishing.
Source: Company data, ABN AMRO forecasts

Australian publishing forecasts

Australian publishing (ex specialist publications) accounts for 55% of EBITDA and remains the most important driver of group performance, in our view. EBITDA was flat in FY08 and we forecast a 3.1% decline in FY09. We outline our Australian publishing forecasts by division in the next table.

Table 2 : Australian publishing – EBITDA breakdown (new divisional breakdown)

YE June (A\$m)	FY08A	Growth %	FY09F	Growth %
Metro				
Revenue*	798	-2.8%	762	-4.4%
Cost	-623		-617	-1.1%
EBITDA	174	-8.9%	146	-16.2%
Regional & Community				
Revenue*	732	5.5%	739	1.0%
Cost	-526		-521	-1.0%
EBITDA	206	7.8%	218	6.1%
Printing				
Revenue*	115	-1.0%	115	0.0%
Cost	-42		-40	-4.0%
EBITDA	73	3.5%	75	2.3%
Australian publishing total				
Revenue	1,645	0.9%	1,617	-1.7%
Cost	-1,192		-1,178	-1.2%
EBITDA	453	0.1%	439	-3.1%

* Australian publishing revenue by division not disclosed. All revenue figures are ABN AMRO estimates.
Source: Company data, ABN AMRO forecasts

- Metro EBITDA to fall 16% in FY09F** – Australian metro publishing revenue fell 2.8% in FY08 and EBITDA was down 8.9%. The company said Melbourne held up better than Sydney in the year, but that Melbourne had fallen back in the second half. We forecast the metro decline will accelerate in FY09, particularly because it looks as if employment advertising has weakened, and we now factor in a 4.5% fall in metro revenue next year. We believe synergies from Rural Press, lower newsprint prices and a strong focus on costs should mean the metro costs base can be reduced by about 1% in FY09. However, even with lower costs, we still forecast a 16% decline in metro EBITDA in FY09.
- Regional & Community to remain robust** – Regional revenues grew 5.5% in FY08 and EBITDA by 7.8%. We forecast revenue growth of only 1% next year, but expect EBITDA growth of 6% after a 1% decline in costs (ie, similar to the metro cost result outlined above).
- Digital** had a standout performance in 2H08, with EBITDA up 52% in 2H08, and we estimate margins of more than 30% for the full year. We expect revenue growth to slow next year, but believe cost growth will also come down and that margin improvement will drive Digital EBITDA growth of 24% in FY09.
- New Zealand** – New Zealand held up better than we expected in 2H08, with revenue and EBITDA both up 1% in NZD (EBITDA -5% in AUD). However, we believe advertising conditions have turned significantly in recent weeks and we forecast a 15% decline in New Zealand EBITDA in FY09 (in AUD), with the revenue fall likely to be offset by strong cost control (costs down 2% FY09F).
- Trade Me** EBITDA was up 39% in FY08. We see Trade Me's core auction business as somewhat counter-cyclical. We expect ongoing growth next year from increased penetration in classified and display advertising.

Investment view and recommendation

Our valuation (based on the sum-of-the-parts using divisional DCF) is down to A\$4.17 (from A\$4.60) following the changes to our forecasts and given a higher risk-free rate. Our target price of A\$3.33 (from A\$3.68) is set at a 20% discount to our valuation due to our view that media stocks will continue to trade below fair value at this point in the cycle.

Fairfax trades on a PE of 11.7x FY09F and an EV/EBITDA multiple of 7.9x, on what we believe will be cyclical low earnings next year. This compares with Fairfax's historical through-the-cycle average PE of about 16x. We believe Fairfax is well placed for a strong earnings recovery when the cycle turns, with the PE multiple falling to 9.6x on our forecasts in FY10 (EV/EBITDA of 6.8x in FY10F). We retain our Buy rating. Key risks to our target price include a material change in the advertising environment, and if synergies from the Rural Press merger do not emerge as expected.

Table 3 : Fairfax – sum-of-the-parts valuation

(A\$m)	EBITDA		EV/EBITDA		Value		Methodology	Notes
	FY09F	FY10F	FY09F	FY10F	A\$m	A\$/share		
Metro publishing	146	167	8.9x	7.8x	1,302	0.86	DCF	Metro & Digital combined on 10.5x
Regional publishing	218	247	10.7x	9.5x	2,338	1.54	DCF	RUP on 11.5x forward EBITDA pre FXJ bid
Australian printing	75	79	9.1x	8.6x	679	0.45	DCF	
Specialist publications	90	100	10.6x	9.6x	952	0.63	DCF	
NZ publishing	141	161	10.5x	9.3x	1,489	0.98	DCF	
Fairfax Digital	67	82	15.1x	12.4x	1,018	0.67	DCF	SEEK on 12x FY09F EBITDA
Trade Me	70	82	14.5x	12.3x	1,014	0.67	DCF	SEEK on 12x FY09F EBITDA
Radio	33	38	10.2x	9.0x	340	0.22	DCF	Paid A\$375m in December 2007
TV production	17	17	6.9x	6.9x	120	0.08	DCF	Paid A\$145m in December 2007
Corporate costs	(20)	(20)	9.0x	9.0x	(180)	-0.12	xEBITDA	
Total group	838	953	10.8x	9.5x	9,073	5.99		
FY08 net debt					(2,768)	(1.83)		A\$2.5bn at June 2008 plus A\$300m SPS
Value of equity					6,305	4.17		1,514m shares in issue

Source: ABN AMRO forecasts

FXJ – summary financials

Year to 30 Jun (A\$m)	AIFRS 2007A	AIFRS 2008A	AIFRS 2009F	AIFRS 2010F	AIFRS 2011F	Closing price (A\$)	2.82	Price target (A\$)	3.33	
Income statement	2007A	2008A	2009F	2010F	2011F	Valuation metrics				
Divisional sales	2,117.6	2,917.7	2,933.2	3,108.4	3,229.9	Preferred methodology	SOTP, DCF	Val'n (A\$)	\$ 4.17	
Total revenue	2,117.6	2,917.7	2,933.2	3,108.4	3,229.9	DCF valuation inputs				
EBITDA	571.4	831.2	837.8	953.0	1,013.0	Rf	6.50%	10-year rate	6.50%	
Associate income	0.0	0.0	0.0	0.0	0.0	Rm-Rf	4.50%	Margin	0.7%	
Depreciation	-94.0	-108.3	-113.7	-118.3	-122.4	Beta	1.05	Kd	7.25%	
EBITA	477.4	722.9	724.1	834.7	890.6	CAPM (Rf+Beta*(Rm-Rf))	11.2%	Ke	11.2%	
Amortisation/impairment	0.0	0.0	0.0	0.0	0.0	E/EV*Ke+D/EV*Kd(1-t)		NPV cash flow (A\$m)	8,600.3	
EBIT	477.4	722.9	724.1	834.7	890.6	Equity (E/EV)	80.0%	Minority interest (A\$m)	11.6	
EBIT(incl associate profit)	477.4	722.9	724.1	834.7	890.6	Debt (D/EV)	20.0%	Net debt (A\$m)	2,355.3	
Net interest expense	-127.8	-204.1	-211.8	-206.8	-201.8	Interest rate	7.25%	Investments (A\$m)	92.2	
Pre-tax profit	349.6	518.8	512.3	627.9	688.8	Tax rate (t)	30.0%	Equity market value (A\$m)	6,325.6	
Income tax expense	-97.3	-139.3	-144.7	-180.5	-204.6	WACC	10.0%	YE no. of shares (m)	1,516.9	
After-tax profit	252.3	379.5	367.6	447.4	484.2	DCF valuation (A\$)			4.17	
Minority interests	-1.1	-0.6	-0.6	-0.6	-0.6	Multiples	2008A	2009F	2010F	2011F
NPAT	251.2	378.9	367.0	446.8	483.6	Enterprise value (A\$m)	6,625.7	6,562.9	6,408.6	6,266.8
Significant items	-5.6	-8.4	0.0	0.0	0.0	EV/Sales (x)	2.3	2.2	2.1	1.9
NPAT post abnormals	245.6	370.5	367.0	446.8	483.6	EV/EBITDA (x)	8.0	7.8	6.7	6.2
						EV/EBIT (x)	9.2	9.1	7.7	7.0
Divisional sales revenue	2007A	2008A	2009F	2010F	2011F	PE (pre-goodwill) (x)	11.1	11.5	9.4	8.7
Australian publishing	1,326.0	1,644.5	1,616.7	1,687.6	1,731.7	PEG (pre-goodwill) (x)	2.2	2.3	1.9	1.7
NZ publishing	507.4	508.4	463.5	492.7	510.0	At target price	2008A	2009F	2010F	2011F
Specialist publications	309.4	327.7	334.3	351.0	363.3	EV/EBITDA (x)	9.0	8.8	7.6	7.0
Digital	184.7	246.9	283.9	335.0	378.2	PE (pre-goodwill) (x)	13.3	13.8	11.3	10.5
Radio	0.0	81.4	120.9	128.1	132.9	Comparable company data (x)	2009F	2010F	2011F	
TV production	0.0	108.5	113.9	113.9	113.9	APN	EV/EBITDA	7.6	6.9	6.5
						Year to 31 Dec	EV/EBIT	7.6	6.8	6.4
Divisional EBITDA	2007A	2008A	2009F	2010F	2011F		PE	10.0	8.9	8.4
Australian publishing	294.2	452.7	438.7	493.0	513.2		PEG	0.9	0.8	0.8
NZ publishing	163.1	164.3	141.2	160.8	169.7	WA Newspapers	EV/EBITDA	9.0	8.3	7.8
Specialist publications	74.8	86.0	90.1	99.5	103.0	Year to 30 Jun	EV/EBIT	9.9	9.1	8.5
Digital	81.2	114.4	137.0	164.3	189.6		PE	13.4	12.1	11.3
Radio	0.0	19.7	33.3	38.0	40.0		PEG	1.7	1.5	1.4
TV production	0.0	16.6	17.4	17.4	17.4	Per share data	2008A	2009F	2010F	2011F
Corporate costs	-26.2	-22.3	-20.0	-20.0	-20.0	No. shares	1,516.9	1,516.9	1,516.9	1,516.9
						EPS (cps)	24.6	24.2	29.5	31.9
Cash flow statement	2007A	2008A	2009F	2010F	2011F	EPS (normalised) (c)	25.1	24.2	29.5	31.9
EBITDA	571.4	831.2	837.8	953.0	1,013.0	Dividend per share (c)	20.0	19.3	23.5	23.1
Change in working capital	0.0	0.0	0.0	0.0	0.0	Dividend payout ratio (%)	79.5	79.7	79.7	79.7
Net interest (pd)/rec	-127.8	-204.1	-211.8	-206.8	-201.8	Dividend yield (%)	7.2	6.9	8.5	8.3
Taxes paid	-97.3	-139.3	-144.7	-180.5	-204.6	Growth ratios	2008A	2009F	2010F	2011F
Other oper cash items	18.6	-67.3	0.0	0.0	0.0	Sales growth	37.8%	0.5%	6.0%	3.9%
Cash flow from ops (1)	364.9	420.5	481.3	565.7	606.6	Operating cost growth	34.9%	0.4%	2.9%	2.9%
Capex (2)	-88.7	-115.4	-120.0	-100.0	-100.0	EBITDA growth	45.5%	0.8%	13.7%	6.3%
Disposals/(acquisitions)	-518.4	-589.7	0.0	0.0	0.0	EBITA growth	51.4%	0.2%	15.3%	6.7%
Other investing cash flow	23.5	6.5	0.0	0.0	0.0	Divisional EBITDA growth				
Cash flow from invest (3)	-583.6	-698.7	-120.0	-100.0	-100.0	Australian publishing	53.9%	-3.1%	12.4%	4.1%
Incr/(decr) in equity	0.0	91.8	0.0	0.0	0.0	NZ publishing	0.8%	-14.1%	13.9%	5.5%
Incr/(decr) in debt	-314.0	268.0	-62.8	-154.3	-141.9	Specialist publications	n.m.	4.8%	10.4%	3.5%
Ordinary dividend paid	-176.3	-268.8	-298.5	-311.4	-364.7	Digital	40.9%	19.8%	19.9%	15.4%
Preferred dividends (4)	0.0	0.0	0.0	0.0	0.0	Radio	n.m.	69.2%	13.9%	5.4%
Other financing cash flow	-0.4	-14.6	0.0	0.0	0.0	TV production	n.m.	5.0%	0.0%	0.0%
Cash flow from fin (5)	-490.7	76.4	-361.3	-465.7	-506.6	EBIT growth	51.4%	0.2%	15.3%	6.7%
Incr/(decr) cash (1+3+5+6)	-709.4	-201.8	0.0	0.0	0.0	NPAT growth	50.8%	-3.1%	21.7%	8.2%
Equity FCF (1+2+4)	276.1	305.1	361.3	465.7	506.6	Pre-goodwill NPAT growth	50.8%	-3.1%	21.7%	8.2%
						Pre-goodwill EPS growth	8.3%	-3.7%	21.7%	8.2%
Balance sheet	2007A	2008A	2009F	2010F	2011F	Normalised EPS growth	8.3%	-3.7%	21.7%	8.2%
Cash & deposits	366.3	93.9	93.9	93.9	93.9	Operating performance	2008A	2009F	2010F	2011F
Trade debtors	408.9	499.1	499.1	499.1	499.1	Asset turnover (%)	9.0	8.8	9.4	9.8
Inventory	48.5	44.8	44.8	44.8	44.8	EBITDA margin (%)	28.5	28.6	30.7	31.4
Investments	66.4	137.9	137.9	137.9	137.9	EBIT margin (%)	24.8	24.7	26.9	27.6
Other intangible assets	6,131.0	6,492.6	6,492.6	6,492.6	6,492.6	Net profit margin (%)	13.0	12.5	14.4	15.0
Fixed assets	860.0	875.2	881.5	863.2	840.8	Return on net assets (%)	14.6	14.4	16.1	16.8
Other assets	119.1	149.6	149.6	149.6	149.6	Net debt (A\$m)	2,418.1	2,355.3	2,201.0	2,059.1
Total assets	8,004.4	8,293.1	8,299.4	8,281.1	8,258.7	Net debt/equity (%)	48.7	46.8	42.6	38.9
Short-term borrowings	12.2	15.8	15.8	15.8	15.8	Net interest/EBIT cover (x)	3.5	3.4	4.0	4.4
Trade payables	289.5	330.0	330.0	330.0	330.0	ROIC (%)	7.3	6.9	7.9	8.5
Long-term borrowings	2,335.5	2,496.1	2,433.3	2,279.0	2,137.2	Internal liquidity	2008A	2009F	2010F	2011F
Provisions	133.9	170.5	170.5	170.5	170.5	Current ratio (x)	1.3	1.3	1.3	1.3
Other liabilities	268.4	315.2	315.2	315.2	315.2	Receivables turnover (x)	6.4	5.9	6.2	6.5
Total liabilities	3,039.5	3,327.8	3,265.0	3,110.7	2,968.8	Payables turnover (x)	6.7	6.3	6.5	6.7
Share capital	4,184.3	4,318.4	4,318.4	4,318.4	4,318.4					
Other reserves	15.6	-186.1	-186.1	-186.1	-186.1					
Retained earnings	748.2	822.0	890.5	1,025.9	1,144.8					
Total equity	4,948.1	4,954.3	5,022.8	5,158.2	5,277.1					
Minority interest	12.9	11.0	11.6	12.2	12.8					
Total shareholders' equity	4,961.0	4,965.3	5,034.4	5,170.5	5,290.0					
Total liabilities & SE	8,000.5	8,293.1	8,299.4	8,281.1	8,258.7					

Source: Company data, ABN AMRO forecasts

Recommendation structure

Absolute performance, short term (trading) recommendation: A Trading Buy recommendation implies upside of 5% or more and a Trading Sell indicates downside of 5% or more. The trading recommendation time horizon is 0-60 days. For Australian coverage, a Trading Buy recommendation implies upside of 5% or more from the suggested entry price range, and a Trading Sell recommendation implies downside of 5% or more from the suggested entry price range. The trading recommendation time horizon is 0-60 days.

Absolute performance, long term (fundamental) recommendation: The recommendation is based on implied upside/downside for the stock from the target price. A Buy/Sell implies upside/downside of 10% or more and a Hold less than 10%. For UK Small/Mid-Cap Analysis a Buy/Sell implies upside/downside of 10% or more, an Add/Reduce 5-10% and a Hold less than 5%. For UK-based Investment Funds research the recommendation structure is not based on upside/downside to the target price. Rather it is the subjective view of the analyst based on an assessment of the resources and track record of the fund management company. For listed property trusts (LPT) or real estate investment trusts (REIT) the recommendation is based upon the target price plus the dividend yield, ie total return.

Performance parameters and horizon: Given the volatility of share prices and our pre-disposition not to change recommendations frequently, these performance parameters should be interpreted flexibly. Performance in this context only reflects capital appreciation and the horizon is 12 months. Sector relative to market: The sector view relative to the market is the responsibility of the strategy team. Overweight/Underweight implies upside/downside of 10% or more and Neutral implies less than 10% upside/downside. Target price: The target price is the level the stock should currently trade at if the market were to accept the analyst's view of the stock and if the necessary catalysts were in place to effect this change in perception within the performance horizon. In this way, therefore, the target price abstracts from the need to take a view on the market or sector. If it is felt that the catalysts are not fully in place to effect a re-rating of the stock to its warranted value, the target price will differ from 'fair' value.

Distribution of recommendations

The tables below show the distribution of ABN AMRO's recommendations (both long term and trading). The first column displays the distribution of recommendations globally and the second column shows the distribution for the region. Numbers in brackets show the percentage for each category where ABN AMRO has an investment banking relationship.

Long Term recommendations (as at 21 Aug 2008)		
	Global total (IB%)	Asia Pacific total (IB%)
Buy	534 (4)	372 (0)
Add	0 (0)	0 (0)
Hold	365 (2)	212 (0)
Reduce	0 (0)	0 (0)
Sell	95 (0)	59 (0)
Total (IB%)	994 (3)	643 (0)

Source: ABN AMRO

Trading recommendations (as at 21 Aug 2008)		
	Global total (IB%)	Asia Pacific total (IB%)
Trading Buy	5 (0)	5 (0)
Trading Sell	1 (0)	1 (0)
Total (IB%)	6 (0)	6 (0)

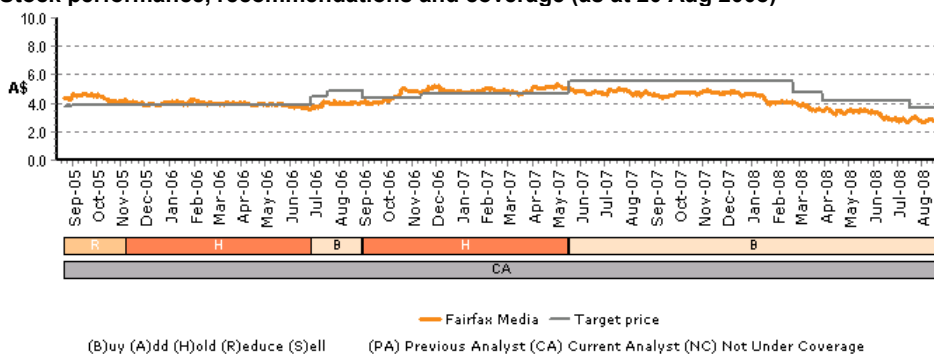
Source: ABN AMRO

Valuation and risks to target price

Fairfax Media (RIC: FXJ.AX, Rec: Buy, CP: A\$2.82, TP: A\$3.33): We value Fairfax using an SOTP methodology using divisional DCF. A discount to valuation has been applied to reflect the fact that we expect media stocks to trade below fair value at this point in the cycle. Key risks to our target price include a material change in the advertising environment, and if synergies from the Rural Press merger do not emerge as expected.

Fairfax Media coverage data

Stock performance, recommendations and coverage (as at 20 Aug 2008)



Trading recommendation history (as at 21 Aug 2008)

Date	Rec	Analyst
22 Nov 2006	n/a	CA
21 Nov 2006	Trading Buy	CA

Source: ABN AMRO

Fraser McLeish started covering this stock on 3 Aug 05

New recommendation structure from 7 November 2005

Source: ABN AMRO

Regulatory disclosures

Subject companies: FXJ.AX

Global disclaimer

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