

Australasia Australia  
Media

26 August 2008

# Fairfax Media Ltd

Reuters: **FXJ.AX** Bloomberg: **FXJ AU** Exchange: **ASX** Ticker: **FXJ**

## Business transformation underway

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### Business transformation gathers momentum

The announcement of a further round of cost saves was not unexpected but the large scale of the cuts signals management's understanding of the pressing need to reposition the publishing businesses for the challenges of a digital environment. With no change to our FY09E earnings and only minor upgrade to FY10 estimates, our valuation remains unchanged. Maintain HOLD

### \$50m cost saves expected in FY09 and FY10

Fairfax today announced a major business improvement program across the group's corporate and publishing businesses in Australia and New Zealand. The program, which aims to eliminate approximately 550 employees, is expected to cost \$50m in redundancies and deliver around \$50m in annualised cost savings with approximately half, i.e. \$25m flowing through in FY09 and the remainder in FY10. The cost efficiencies are broad based, although metro and NZ publishing, together with corporate are the main focus of the latest round of cost savings.

### No change to FY09E earnings although incremental benefit in FY10E

Whilst the cost saves are significant, our FY09 forecasts remain essentially unchanged as our forecasts incorporated a 2.0% reduction in aggregate FY09 publishing costs which is largely equivalent to the \$25m savings envisaged in FY09. However our FY10 earnings have been marginally increased to reflect the aggregate benefit of incremental \$25m cost savings expected in FY10.

### Unchanged \$2.95 target price; risks

Our \$2.95 TP is based on our \$2.95 FY09F SoTP, equivalent to an FY09E EV/EBITDA multiple of 8.3x and a FY09E PER of 11.8x. Downside risks: implementation risks & disruption associated with the business improvement program and weaker advertising markets. Upside risk is a sharp recovery in the consumer economy. Refer pages 6 and 7.

#### Forecasts and ratios

Year End Jun 30	2007A	2008A	2009E	2010E	2011E
Sales (AUDm)	2,115	2,909	2,957	3,078	3,183
EBITDA (AUDm)	568	823	858	925	954
Net Profit (AUDm)	251	378	379	415	439
EPS (AUD)	0.23	0.25	0.25	0.27	0.29
EPS Growth (%)	-3.4	8.2	-0.3	9.6	5.7
PER (x)	20.0	16.7	11.9	10.9	10.3
PE Relative (x)	1.40	1.06	0.76	0.69	0.65
EV/EBITDA (x)	15.6	10.7	8.4	7.8	7.5
DPS (net) (AUD)	0.20	0.20	0.20	0.21	0.22
Yield (net) (%)	4.3	4.8	6.7	7.0	7.4
Franking (%)	75	75	75	75	75

Source: Deutsche Bank estimates, company data

<sup>1</sup> Pre-exceptionals/extraordinaries

<sup>2</sup> Multiples and yields calculations use average historical prices for past years and spot prices for current and future years, except P/B which uses the year end close

### Deutsche Bank AG/Sydney

All prices are those current at the end of the previous trading session unless otherwise indicated. Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies. Deutsche Bank does and seeks to do business with companies covered in its research reports. Thus, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Independent, third-party research (IR) on certain companies covered by DBSI's research is available to customers of DBSI in the United States at no cost. Customers can access IR at <http://gm.db.com> or by calling 1-877-208-6300. DISCLOSURES AND ANALYST CERTIFICATIONS ARE LOCATED IN APPENDIX 1.

Deutsche Bank



### Company Announcement

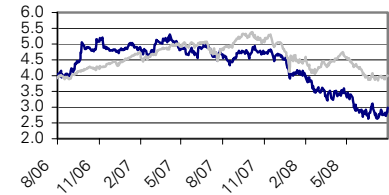
#### Hold

Price at 26 Aug 2008	2.98
Price target - 12mth	2.95
52 week range (AUD)	4.95 - 2.64
ALL ORDINARIES	5,090

#### Key changes

EBIT margin (FYE)	24.4 to 24.5	↑	0.3%
Net profit (FYE)	379.0 to 378.8	↓	-0.0%

#### Price/price relative



Performance (%)	1m	3m	12m
Absolute	1.4	-13.1	-36.5
ALL ORDINARIES	1.2	-12.4	-16.4

#### Stock data

Market cap (AUDm)	4,511
Market cap (USDm)	3,907
Shares outstanding (m)	1,513.6
Daily volume (USDm)	50.21
Free float	85.00

#### Key indicators (FY1)

ROE (%)	8.1
ROA (%)	-
Net debt/equity (%)	57.3
Book value/share (AUD)	3.12
Price/book (x)	1.0
Net interest cover (x)	3.4
EBIT margin (%)	24.5

Model updated: 26 August 2008

**Equity Research**

**Asia Pacific**

**Australia**

**Media**

**Fairfax Media Ltd**

Reuters: FXJ.AX Bloomberg: FXJ AU Sedol: 6467074

**Hold**

Price as at 26-Aug **A\$2.98**

Target price **A\$2.95**

Company website

<http://www.fxj.com.au>

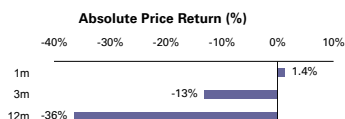
**Company description**

Fairfax Media Limited publishes metropolitan & regional newspapers, magazines and entertainment publications in Australia & NZ. In addition Fairfax has an on-line business which includes news, advertising and classifieds including TradeMe, NZ's largest online auction site.

**Research Team**

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52-week High/Low: **A\$4.95 - 2.64**  
 Market Cap (m) **A\$ 4,510**  
**US\$ 3,896**

**DCF VALUATION (A\$)**

Beta (MRP - 6.00) **1.05**  
 Debt/mkt value ratio (%) **#####**  
 WACC (6.25% bond yield) **#####**  
 Net value per share (\$) **#DBInitialise**  
 Price/NPV (x) **#####**

Source: Company data, DB estimates

**Y/E 30 June** **02/03** **03/04** **04/05** **05/06** **06/07** **07/08** **08/09E** **09/10E** **10/11E**

**SUMMARY**

Normalised EPS (A\$)	0.146	0.115	0.261	0.240	0.232	0.251	0.251	0.275	0.291
P/E ratio normalised (x)	20.8	29.4	15.8	17.0	20.0	16.7	11.9	10.8	10.2
Normalised EPS growth (%)	27.8	-21.3	128.1	-8.1	-3.4	8.2	-0.1	9.8	5.7
EPS FD (A\$)	0.169	0.214	0.268	0.236	0.230	0.251	0.224	0.281	0.297
P/E ratio FD (x)	17.9	15.8	15.4	17.4	20.2	16.6	13.3	10.6	10.0
Operating CFPS (A\$)	0.333	0.278	0.354	0.314	0.303	0.290	0.252	0.327	0.359
P/CFPS (x)	9.1	12.1	11.6	13.0	15.3	14.4	11.8	9.1	8.3
DPS (A\$)	0.130	0.165	0.235	0.195	0.200	0.200	0.200	0.210	0.220
Dividend yield (%)	4.3	4.9	5.7	4.8	4.3	4.8	6.7	7.0	7.4
Price/BV (x)	1.47	1.48	1.98	2.10	0.94	1.36	0.96	0.93	0.91
Enterprise Value (A\$m)	3,235	3,560	4,465	5,353	8,693	6,737	7,238	7,201	7,118
EV/EBITDA	12.0	8.2	8.7	10.8	15.4	8.3	8.9	7.8	7.4
EV/EBIT	16.1	10.3	10.3	12.8	18.5	9.6	10.7	9.1	8.8

**DIVISIONAL EBIT (A\$m)**

Australian Publishing	210	236	254	229	249	450	446	484	490
NZ Publishing		133	167	166	152	153	134	142	145
Online	-9	-2	5	29	74	107	125	142	156
Radio and TV Production						25	44	45	47
Other	0	-21	7	-7	-6	-31	-73	-25	-26

**PROFIT & LOSS (A\$m)**

Sales revenue	1,210	1,771	1,873	1,909	2,115	2,909	2,957	3,078	3,183
EBITDA	270	432	513	497	563	814	809	927	956
Depreciation/amortisation	69	85	80	80	94	109	133	139	143
EBIT	201	346	433	417	469	705	676	788	812
Net interest income (expense)	-23	-72	-95	-97	-111	-187	-198	-190	-180
Income tax expense	52	88	94	93	97	139	140	172	182
Associates/affiliates	1	1	1	3	3	9	10	9	9
Minorities/preference dividends	0	-1	-1	-6	-18	-18	-17	-17	-17
Net profit	127	187	245	222	246	370	330	417	441
Significant items	0	68	7	-7	-6	-8	-50	0	0
Net profit excluding significant item	127	119	238	229	251	378	380	417	441
Net abnormal and extraordinary	0	0	0	0	0	0	0	0	0

**CASH FLOW (A\$m)**

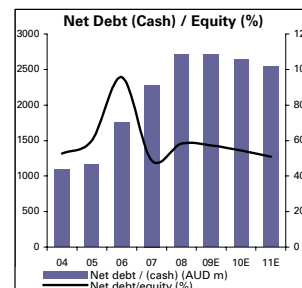
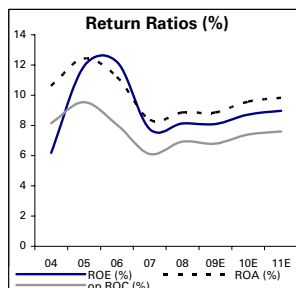
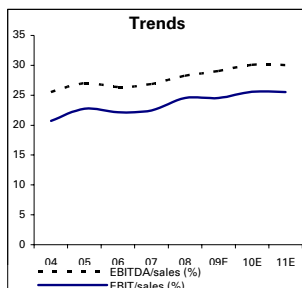
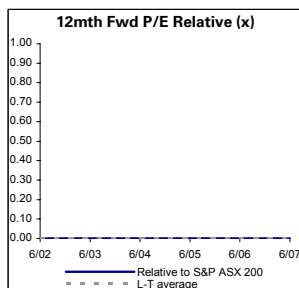
Cash flow from operations	252	246	325	300	328	436	382	496	543
Movement in net working capital	5	-38	-20	-10	-11	-30	-20	-30	-30
Capex	-181	-104	-48	-53	-89	-115	-120	-110	-110
Free cash flow	71	142	277	247	240	321	262	386	433
Other investing activities	-941	0	-12	-698	-494	-583	-48	0	0
Equity raised/(bought back)	359	0	0	2	0	0	0	0	0
Dividends paid	-121	-102	-103	-167	-193	-168	-320	-335	-350
Net inc/(dec) in borrowings	117	-43	-154	615	475	445	-7	-68	-100
Other financing cash flows	0	0	0	0	0	0	0	0	0
Total cash flows from financing	354	-145	-256	450	282	277	-327	-402	-450
Net cash flow	-517	-4	10	-1	28	14	-113	-17	-17
Movement in net debt/(cash)	634	-40	-163	616	447	430	106	-51	-83

**BALANCE SHEET (A\$m)**

Cash and other liquid assets	20	28	134	53	366	94	94	94	94
Tangible fixed assets	820	795	697	654	860	875	875	875	875
Goodwill	0	0	56	645	3,117	3,117	3,117	3,117	3,117
Other intangible assets	2,243	2,366	2,295	2,255	3,162	3,569	3,569	3,569	3,569
Associates/investments	6	8	11	16	36	64	64	64	64
Other assets	337	334	399	448	460	574	585	615	645
Total assets	3,426	3,531	3,592	4,071	8,001	8,293	8,304	8,334	8,364
Interest bearing debt	1,220	1,118	1,292	1,808	2,648	2,812	2,805	2,737	2,637
Other liabilities	425	345	375	427	692	816	764	740	737
Total liabilities	1,644	1,463	1,667	2,234	3,340	3,628	3,569	3,477	3,373
Shareholders' equity	1,777	2,065	1,921	1,832	4,649	4,652	4,722	4,844	4,978
Minorities/other	4	4	4	5	13	13	13	13	13
Total shareholders' equity	1,782	2,069	1,925	1,837	4,661	4,665	4,735	4,857	4,991
Net working capital	296	317	306	333	457	555	575	605	635
Net debt/(cash)	1,200	1,090	1,158	1,755	2,281	2,718	2,711	2,643	2,543

**RATIO ANALYSIS**

Sales growth - pcp (%)	3.1	46.3	5.8	1.9	10.7	37.6	1.7	4.1	3.4
EBITDA/sales (%)	22.3	25.5	27.0	26.4	26.9	28.3	29.1	30.1	30.0
EBIT/sales (%)	16.6	20.7	22.7	22.2	22.4	24.5	24.5	25.6	25.5
Payout ratio (%)	69.6	123.2	90.9	79.3	117.8	79.7	79.8	76.3	75.6
ROA (%)	7.1	10.6	12.4	11.2	8.4	8.9	8.8	9.6	9.8
ROE (%)	8.1	6.2	11.9	12.2	7.8	8.1	8.1	8.7	9.0
Operating Return on Capital (%)	5.0	8.1	9.5	8.0	6.1	6.9	6.8	7.4	7.6
Tax rate (%)	29.3	32.0	27.8	29.2	27.2	26.9	29.4	28.8	28.9
Capex/sales (%)	15.0	5.9	2.6	2.8	4.2	4.0	4.1	3.6	3.5
Capex/depreciation (x)	2.6	1.2	0.6	0.7	0.9	1.1	0.9	0.8	0.8
Net debt/equity (%)	67.4	52.7	60.2	95.6	48.9	58.3	57.2	54.4	51.0
Net interest cover (x)	5.9	5.1	4.5	4.1	3.7	3.5	3.4	3.8	4.1



## Overview of \$50m Business Improvement Program

The cost efficiencies planned in the latest round of restructuring initiatives are broad based, although the metro and NZ publishing operations, together with corporate overhead are the main focus of the latest round of cost savings, with approximately 30% of the redundancies from editorial staff.

The areas targeted for delivering the 550 headcount reduction and \$50m savings include the following:

- A restructure of the Sydney Morning herald and Sun Herald to bring both papers under a seven day roster and remove duplication.
- A range of initiatives in the metro papers to streamline the operating, production and support processes including outsourcing of certain parts of the process.
- In New Zealand the elimination of 160 positions from improved operating efficiencies including the elimination of 30 positions from centralizing sub-editing functions and a further 30 from a headcount freeze.
- The centralization of corporate functions resulting in the elimination of 90 positions mainly in back office overhead, resulting in savings in the charges applied across the operating divisions.
- Other savings will be pursued in community and regional papers, web printing and pre-press and production. In addition, the base salaries of the executive management team and board of directors will be frozen.

Whilst the company provided only limited information on the segmental composition of the \$50m cost saves, we have prepared an estimate of the savings will be derived from each key publishing segments based on our understanding of the announced initiatives.

As shown in the table below, it is evident that the most of the cost saves is from the metro and NZ publishing, together with corporate overhead.

<b>Figure 1: Business improvement – estimated allocation (\$m)</b>			
	<b>FY09F</b>	<b>FY10F</b>	<b>Total</b>
Metro	-16	-16	-31
Regional	-3	-3	-5
Specialist	-1	-1	-2
Printing	-1	-1	-2
NZ	-5	-5	-10
<b>Total business improvement</b>	<b>-25</b>	<b>-25</b>	<b>-50</b>

*Source: Deutsche Bank estimates, Company reports*

## Earnings impact

Whilst the cost saves in latest initiatives are significant, our FY09 forecasts remain essentially unchanged as our pre-existing forecasts already incorporated a 2.0% reduction in aggregate FY09 costs, which is largely equivalent to the incremental \$25m savings envisaged in FY09. However our FY10E earnings have been marginally increased to reflect the aggregate benefit of the incremental \$25m cost savings expected in FY10.

**FY09E earnings impact**

Our FY09 earnings forecasts remain essentially unchanged as we had already allowed for cost savings and efficiencies in FY09 with our pre-existing estimate of a 2% reduction in the FY08 cost base of Australian and NZ Publishing equivalent to the 2% reduction in publishing costs implied by the following key factors impacting the publishing cost base:

- An aggregate 2.2% increase in underlying costs driven by an estimated 4% reduction in newsprint offset by cost increases of between 3% and 5% in the other categories as shown below:

**Figure 2: FY09E underlying blended cost growth**

	FY08(\$m)	% growth	FY09 blended cost growth
Staff	951	3.0%	1.4%
Newsprint	322	-4.0%	-0.6%
Dist	313	5.0%	0.7%
Other	513	3.0%	0.7%
<b>Total group cost</b>	<b>2,099</b>		<b>2.2%</b>

Source: Deutsche Bank, Company reports

- The \$23m incremental savings from the Rural Press merger
- The \$25m impact of savings from the recently announced business improvement initiatives expected to impact in FY09

As shown below, the combined impact of these factors is a net reduction of 0.5% in the underlying FY08 cost base equivalent to a 2% reduction after taking account of the impact of the lower NZ\$.

In aggregate this results in an FY09 publishing cost base of \$1.737b which is in line with our pre-existing estimate of \$1.738b. As such we have made only a marginal adjustment to our FY09 cost estimates with a further estimated \$2m relating to incremental interest costs associated with the \$50m redundancy payment for relevant portion of FY09.

**Figure 3: FXJ estimated FY09F revised publishing cost base (\$m)**

	FY08	Incremental cost	FY09	RUP merger synergies		Business improvement	Revised FY09 cost	Adj FY09 cost on constant currency	Pre existing FY09 cost	Variance
Metro	673	15	688	-14	674	-16	659	659	661	-2
Regional	367	8	375	-9	366	-3	364	364	365	-1
Specialist	242	5	247		247	-1	246	246	247	-1
Printing	147	3	150		150	-1	149	149	145	4
NZ	345	8	352		352	-5	347	320	320	0
<b>Total</b>	<b>1,773</b>	<b>39</b>	<b>1,812</b>	<b>-23</b>	<b>1,789</b>	<b>-25</b>	<b>1,764</b>	<b>1,737</b>	<b>1,738</b>	<b>-1</b>
<b>% Chg on FY08</b>			<b>2.2%</b>		<b>0.9%</b>		<b>-0.5%</b>	<b>-2.0%</b>	<b>-2.0%</b>	

Source: Deutsche Bank

**FY10E earnings impact**

Our FY10 earnings forecasts have changed to reflect the incremental \$25m cost savings from the \$50m restructuring, as we had not factored in any new cost saves beyond FY09.

Thus, as shown below we had allowed for a 3.3% increase in the FY09 publishing cost base compared to the 1.9% net increase implied by the latest round of cost saves after taking account of the following key factors impacting the publishing cost base:

- An aggregate 3.3% increase in underlying costs driven by an estimated 5% increase in newsprint and a cost increase of 3% in the other categories as shown below.

**Figure 4: FY10 underlying blended cost growth**

	FY08(\$m)	% growth	FY10 blended cost growth
Staff	951	3.0%	1.4%
Newsprint	322	5.0%	0.8%
Dist	313	3.0%	0.4%
Other	513	3.0%	0.7%
<b>Total group cost</b>	<b>2,099</b>		<b>3.3%</b>

Source: Deutsche Bank estimates, Company reports

- The \$25m impact of savings from the recently announced business improvement initiatives expected to impact in FY10.

As shown below, the combined impact of these factors is a net 1.9% increase in the restated FY09 cost base. In aggregate this results in an FY10 publishing cost base of \$1.77b which is \$23m below our pre-existing estimate of \$1.793b. As such we have increased our FY10 earnings estimates by this amount offset by an estimated \$4m relating to the full year impact of incremental interest costs associated with the \$50m redundancy payment.

**Figure 5: FXJ estimated FY10F revised publishing cost base (\$m)**

	New FY09E	Incremental cost	FY10E	RUP merger synergies		Business improvement	New FY10 cost	Adj FY10 cost on constant currency	Pre existing FY10 cost	Variance
Metro	659	22	680	0	680	-16	665	665	680	-15
Regional	364	12	376	0	376	-3	373	373	377	-4
Specialist	246	8	254		254	-1	253	253	255	-2
Printing	149	5	154		154	-1	153	153	150	3
NZ	320	11	331		331	-5	326	326	330	-4
<b>Total</b>	<b>1,737</b>	<b>57</b>	<b>1,795</b>	<b>0</b>	<b>1,795</b>	<b>-25</b>	<b>1,770</b>	<b>1,770</b>	<b>1,793</b>	<b>-23</b>
<b>% Chg on FY09</b>			<b>3.3%</b>		<b>3.3%</b>		<b>1.9%</b>	<b>1.9%</b>	<b>3.2%</b>	

Source: Deutsche Bank estimates, Company reports

## FXJ valuation

Our unchanged \$2.95 target price for FXJ is based on our \$2.95 FY09F sum-of-the-parts valuation and is equivalent to an FY09F EV/EBITDA multiple of 8.3 times and an FY09 PE multiple of 11.8 times. Our valuation methodology is to calculate a separate valuation for each part of the business by capitalising the estimated FY09F EBITDA of each of the disaggregated group businesses, adjusted for net debt and our estimation of the merger and redundancy costs.

In the paragraphs below we have detailed the valuation methodology for each division:

- In the case of the **Metro Newspapers**, we have assigned a reduced multiple of 7.0 times EV/EBITDA, amongst the lowest in the newspaper group in light of the highly competitive conditions under which the metro newspapers operates and the below trend revenue growth implying loss of market share.
- We have valued the combined Fairfax and Rural Press **Australian Community/Regional newspapers** segment at an EV/EBITDA multiple of 8.5 times. This reflects the higher 9.0 times multiple applied to regional papers, in view of their strong competitive positions, partially offset by the lower 8.0 times multiple applied to community papers, reflecting their fragmented nature and the higher level of competition in these businesses from on-line platforms and competing publications.
- We have valued the **Specialist Publications** at a relatively high EV/EBITDA multiple of 9.0 times, reflecting the combination of the strong competitive position of the Business Publications in view of the dominance of the AFR amongst the desirable AB demographic, offset by a somewhat lower effective multiple for Agricultural Publications in recognition of the variability in agricultural cycles.
- The **Printing** multiple used has been benchmarked to the 8.5 times Regional multiple used on the basis that the printing revenues are closely aligned with regional, although with a discount to reflect the lower multiple external printing activities which are essentially a commodity industry. On this basis we have used a multiple of 6.0 times EV/EBITDA to printing, which is a 29.4% discount to the multiple we have applied to the regional business.
- We have applied an EV/EBITDA multiple of 8.0 times to Fairfax's traditional print business in **New Zealand**, which reflects the strong competitive positions of the titles in the key regional cities and towns of New Zealand offset by the modest growth profile of Southern NZ and the challenging economic outlook in NZ.
- We have valued the **FXJ Digital operations** at an EV/EBITDA multiple of 10.5 times in recognition of the leading market positions of the group in the area of news content and the strong growth profile offset by FXJ's secondary position in classifieds and the support provided by the traditional media business in the form of content and system which are not charged to the digital business.
- We have valued the **TradeMe** operations at a multiple of 11.0 times, which captures the market leadership position of the site and strong growth profile offset by the more modest growth prospects offered by its reliance on the smaller New Zealand market.
- We have valued the **Radio** businesses at a multiple of 9.0 times for radio, reflecting the scarcity value of the licenses offset by the potential threat of fragmentation and the poor competitive position of the Sydney 2UE station.
- **Southern Star**: We have applied a 6.0 times multiple to Southern Star earnings given the volatility of the business and short duration of the revenue streams, offset by the relatively diverse earnings streams.

In the table below we have summarised our fundamental FY09E SoP valuation.

<b>Figure 6: FXJ FY09E SoP valuation</b>				
	<b>FY09 EBITDA ASm</b>	<b>FY09 EV/EBITDA</b>	<b>Total Value ASb</b>	<b>Value Per share \$</b>
Metro newspapers	155	7.0x	1.09	\$0.72
Regional/Community	224	8.5x	1.91	\$1.27
Specialist Publications	91	9.0x	0.82	\$0.54
Printing	64	6.0x	0.39	\$0.26
Fairfax Digital	64	10.5x	0.68	\$0.45
<b>Australian Publishing and Printing</b>	<b>599</b>	<b>8.1x</b>	<b>4.87</b>	<b>\$3.23</b>
<b>New Zealand Publishing</b>	<b>145</b>	<b>8.0x</b>	<b>1.16</b>	<b>\$0.77</b>
<b>Trade Me</b>	<b>68</b>	<b>11.0x</b>	<b>0.75</b>	<b>\$0.50</b>
Radio	33	9.0x	0.30	\$0.20
Southern Star	14	6.0x	0.08	\$0.06
<b>Broadcasting &amp; TV/Film Production</b>	<b>47</b>	<b>8.1x</b>	<b>0.38</b>	<b>\$0.25</b>
<b>Combined FXJ Group</b>	<b>858</b>	<b>8.3x</b>	<b>7.16</b>	<b>\$4.75</b>
Less net debt - 30 Jun 08			2.42	\$1.61
Less Stapled Preference Shares (MV)			0.30	\$0.20
			<b>2.72</b>	<b>\$1.81</b>
<b>Net value</b>			<b>4.43</b>	
<b>Diluted shares on issue (inc. FY08 DRP)</b>			<b>1,506</b>	
<b>Value per share</b>			<b>\$2.95</b>	
FY09F eps (cents)			25.0	
<b>Implied PE</b>			<b>11.8</b>	

Source: Deutsche Bank estimates

## Key risks

The downside risks facing FXJ include the following:

- Implementation risks associated with the most recent \$50m business improvement program including a high risk of disruption to business operations.
- The risk that management's cost synergy targets from the Rural Press and Southern acquisitions are not realized either through internal issues or external factors.
- The deteriorating consumer outlook leading to an extended downturn in advertising expenditure in key categories.
- Cost pressures in key areas such as staffing, newsprint and distribution although we note that management has an active cost containment program to minimise their impact.
- Further multiple compression given that overseas publishers are trading at significantly lower multiples than Fairfax.
- Higher borrowing costs associated with the dislocation in global credit markets.
- Risk that staff cuts will impact the quality of the content.

The key upside risks include:

- The potential for greater than expected synergies to be extracted from the integration of recent acquisitions and cost savings initiatives
- A quicker recovery in consumer markets than currently in prospect.

# Appendix 1

## Important Disclosures

Additional information available upon request

### Disclosure checklist

Company	Ticker	Recent price*	Disclosure
Fairfax Media Ltd	FXJ.AX	2.98 (AUD) 26 Aug 08	8

\*Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies.

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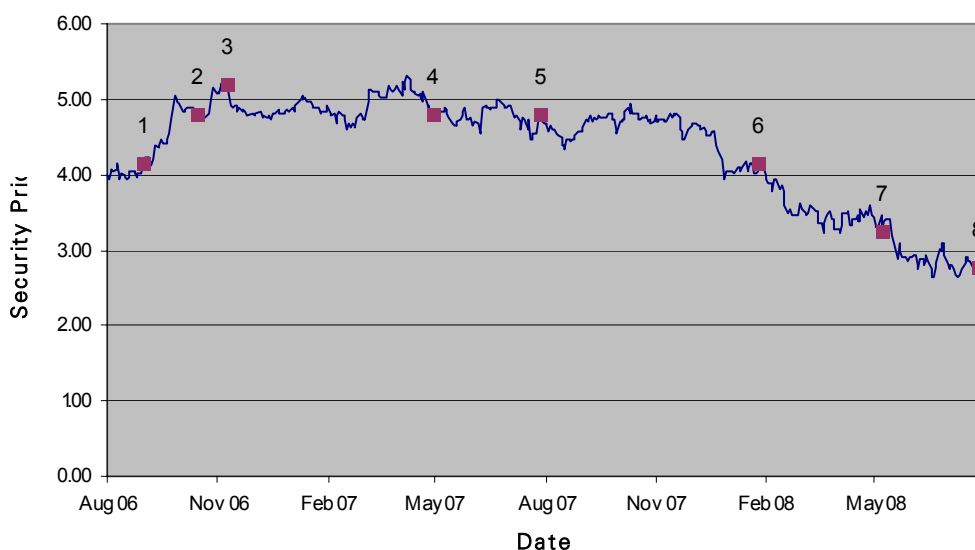
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### Historical recommendations and target price: Fairfax Media Ltd (FXJ.AX)

(as of 8/26/2008)



#### Previous Recommendations

- Strong Buy
- Buy
- Market Perform
- Underperform
- Not Rated
- Suspended Rating

#### Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

\*New Recommendation Structure as of September 9, 2002

1. 27/9/2006:	Hold, Target Price Change AUD3.95	5. 23/8/2007:	Hold, Target Price Change AUD4.85
2. 10/11/2006:	Hold, Target Price Change AUD4.35	6. 21/2/2008:	Hold, Target Price Change AUD4.35
3. 6/12/2006:	Hold, Target Price Change AUD4.75	7. 3/6/2008:	Hold, Target Price Change AUD3.50
4. 25/5/2007:	Hold, Target Price Change AUD5.00	8. 21/8/2008:	Hold, Target Price Change AUD2.95

**Equity rating key** **Equity rating dispersion and banking relationships**

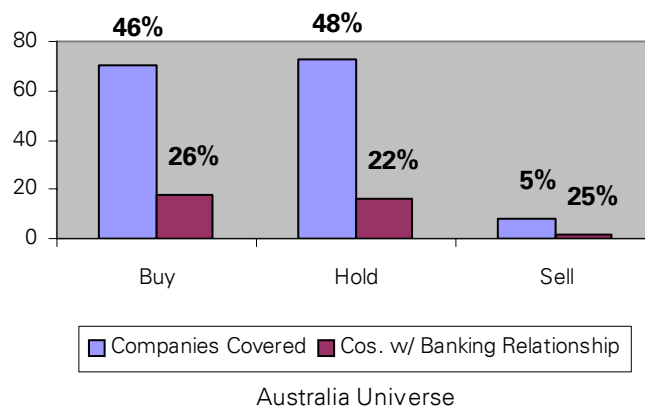
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**Hold:** We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

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  - Hold: Expected total return (including dividends) between -10% and 10% over a 12-month period
  - Sell: Expected total return (including dividends) of -10% or worse over a 12-month period



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