Axel Springer starts very successfully into the new business year

To press release overview

For the first time, more than half of total pro-forma revenues generated from digital activities / Consolidated revenues up 4.4 percent from Q1 2013 / 13.6 percent increase in EBITDA / EBITDA margin comes to 17.1 percent

Axel Springer started the financial year 2014 with solid revenue and earnings growth. The Group benefited from the positive performance of its digital activities in all three operating segments. Lower revenues in the print business were more than offset by dynamic growth in Axel Springer's digital business models. Thus, consolidated revenues were 4.4 percent higher than the corresponding figure for the first quarter of 2013. For the first time ever, the Group's digital media accounted for more than half of total revenues on a pro-forma basis, due to the consolidation of newly acquired companies as well as organic growth. Consolidated EBITDA was 13.6 percent higher than the corresponding year-ago figure, thanks in particular to further increases in the profit contributions of the Group's digital activities. The Group's profitability also improved and reached a high level with an EBITDA margin of 17.1 percent.

Dr. Mathias Döpfner, Chief Executive Officer of Axel Springer SE: "Operationally, we got off to a very good start in 2014. The fact that we generated more than half our revenues and earnings in our digital activities for the first time ever is a symbolic milestone."

In accordance with IFRS accounting rules, Axel Springer presents the results of continuing operations in the consolidated financial statements for the first quarter of 2014. Thus, these figures no longer include the activities covered by the transaction with FUNKE MEDIENGRUPPE. They also do not include the activities of Ringier Axel Springer Media AG in the Czech Republic. Both these transactions were finalized in April 2014. Therefore, the sale proceeds from these two transactions are not yet included in the consolidated financial statements for the first quarter. In addition, the comparison figures for the first quarter of last year were adjusted for these discontinued operations.

At EUR 692.3 million, Axel Springer's consolidated revenues were 4.4 percent higher than the corresponding year-ago figure (EUR 663.4 million). This increase was mainly driven by the continuous growth of the Group's digital media business. Even adjusted for consolidation and currency effects, consolidated revenues were 2.4 percent higher than the corresponding year-ago figure.

Adjusted for non-recurring effects and purchase price allocation effects, Axel Springer's earnings before interest, taxes, depreciation, and amortization (EBITDA) amounted to EUR 118.4 million, reflecting a 13.6 percent increase over the corresponding figure for the first quarter of 2013 (EUR 104.2 million). While all three operating segments contributed to this increase, Classified Ad Models registered the greatest earnings growth. The EBITDA margin of 17.1 percent was 1.4 percentage points higher than it was in Q1 2013 (15.7 percent).

Generally speaking, the Group's business performance and operating results in the first three months of 2014 fulfilled the expectations that were expressed at the time of publication of the Annual Report in early March 2014. For the full year 2014, the Executive Board still expects consolidated revenues to rise by an amount in the mid single-digit percentage range. The Executive Board anticipates that the expected drop in circulation revenues will be more than offset by higher advertising revenues and higher other revenues. All three operating segments of Paid Models, Marketing Models, and Classified Ad Models are expected to generate higher revenues in 2014. Axel Springer expects the EBITDA to rise by an amount in the low double-digit percentage range in 2014. Whereas Paid Models and Classified Ad Models are expected to generate higher EBITDA contributions, the Executive Board anticipates that the EBITDA of the Marketing Models segment will be on the level of the prior-year figure, due to the planned expenditures for establishing new digital business models.

Digital media account for more than half of pro-forma revenues

Axel Springer made rapid progress in the digitization of its business in the first quarter of 2014. The pro-forma revenues of the Group’s digital media activities rose to EUR 372.8 million in the first quarter (PY: EUR 343.1 million), reflecting an organic growth rate of 8.7 percent. On a pro-forma basis, therefore, Axel Springer generated 52.8 percent of its total revenues in its digital activities (PY: 49.6 percent).

Thanks to the growing internationalization of the digital business, moreover, the Group’s international revenues of EUR 296.7 million were 7.0 percent higher than the corresponding year-ago figure (EUR 277.4 million). Accordingly, the proportion of total revenues generated in the Group’s international markets rose to 42.9 percent (PY: 41.8 percent).

At EUR 406.2 million, advertising revenues were 6.3 percent higher than the year-ago figure (EUR 382.3 million). Axel Springer generated about three quarters (74.5 percent) of its advertising revenues in its digital activities. Circulation revenues declined by 4.2 percent to EUR 182.1 million (PY: EUR 190.1 million). Whereas the circulation revenues generated in the Group’s international markets were markedly less than the corresponding year-ago figure, the circulation revenues generated in Germany were 0.3 percent higher than the year-ago figure, thanks to the effects of copy price increases and the growing contribution of digital content subscriptions. Other revenues rose by 14.4 percent to EUR 104.0 million (PY: EUR 91.0 million).

Adjusted consolidated net income well above the corresponding figure for Q1 2013

Adjusted for non-recurring effects, Axel Springer’s consolidated net income for the period from January to March 2014 amounted to EUR 61.6 million, reflecting a marked increase over the corresponding year-ago figure (EUR 46.4 million). Thus, Axel Springer generated adjusted earnings per share of EUR 0.52 (PY: EUR 0.37). Consolidated net income rose to EUR 65.6 million (PY: EUR 53.4 million), and earnings per share improved accordingly to EUR 0.58, as compared to EUR 0.46 in the first quarter of last year.

Sustained growth momentum of digital activities in all operating segments

At EUR 353.8 million, the revenues of the **Paid Models** segment were on the level of the corresponding figure for the first quarter of 2013 (EUR 353.6 million). Adjusted for consolidation effects, they were slightly lower, by 0.9 percent, than the comparison figure. Circulation revenues declined by 4.2 percent to EUR 182.0 million (PY: EUR 190.1 million), while the advertising revenues of EUR 143.9 million were practically unchanged from the year-ago figure (EUR 143.5 million). Adjusted for consolidation effects, they fell slightly, by 1.5 percent. The Paid Models segment increased its EBITDA by 6.2 percent to EUR 57.3 million (PY: EUR 53.9 million). This increase was mainly attributable to the earnings contributions of the newly consolidated companies N24 and Runtastic. The EBITDA margin of the Paid Models segment improved slightly to 16.2 percent (PY: 15.3 percent).

Compared to the first quarter of last year, the **Marketing Models**segment increased its revenues by 10.1 percent to EUR 188.9 million (PY: EUR 171.5 million). Due to increases in the areas of performance marketing and reach based marketing, the advertising revenues of this segment rose by 7.9 percent to EUR 156.0 million (PY: EUR 144.5 million). Despite higher expenditures for establishing new business models, segment EBITDA rose by 10.6 percent to EUR 26.4 million (PY: EUR 23.9 million). The EBITDA margin of 14.0 percent was on the level of Q1 2013 (13.9 percent).

The **Classified Ad Models** segment generated revenues of EUR 111.2 million in the first three months of 2014, reflecting an increase of 11.8 percent over the comparison figure (PY: EUR 99.4 million). This increase was driven both by the positive operating performance and by consolidation effects related to the first-time consolidation of Saongroup and YourCareerGroup. Adjusted for consolidation effects, the revenue growth came to 4.9 percent. Advertising revenues rose by 12.7 percent to EUR 106.2 million (PY: EUR 94.2 million). Adjusted for consolidation effects, advertising revenues were 5.4 percent higher than the corresponding year-ago figure. Segment EBITDA of EUR 48.2 million was considerably higher, by 19.9 percent, than the year-ago comparison figure (EUR 40.2 million). The EBITDA margin of 43.4 percent was 2.9 percentage points higher than the already very strong EBITDA margin earned in Q1 2013 (40.4 percent).

The operating results of the **Services/Holding** segment were largely unchanged from the respective comparison figures. At EUR 38.4 million, segment revenues were nearly unchanged from the year-ago figure (EUR 38.8 million). Segment EBITDA came to EUR -13.6 million, as compared to EUR -13.9 million in the first quarter of 2013.

The revenues of discontinued operations declined by 7.3 percent to EUR 136.8 million in the first quarter of 2014 (PY: EUR 147.6 million). This decrease resulted from both lower circulation revenues and particularly also from lower advertising revenues. At EUR 22.0 million, the EBITDA of discontinued operations was 22.1 percent less than the year-ago figure (EUR 28.2 million).

Substantial increase in free cash flow

In the first quarter of 2014, Axel Springer increased its free cash flow by 32.3 percent to EUR 79.0 million (PY: EUR 59.7 million). The Group reduced its net debt from EUR 471.3 million at year-end 2013 to EUR 435.4 million at March 31, 2014. At the end of the first quarter, the Group had access to available credit facilities in the amount of EUR 800.0 million (December 31, 2013: EUR 770.0 million). Axel Springer can use these funds both for general business purposes and for financing possible acquisitions. Axel Springer’s equity ratio at March 31, 2014 came to 47.8 percent (PY: 47.0 percent). At 13,085 employees, the average workforce was higher than the corresponding figure at the end of Q1 2013 (12,837), particularly as a result of additional employees in the segments of Marketing Models and Classified Ad Models.

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