

PRELIMINARY RESULTS 2023.

Full Year Results Presentation | 5 March 2024

Reach

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Jim Mullen

Chief Executive Officer

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A path to progress.

2023	RESILIENT FINANCIAL PERFORMANCE	RESOLVED LONG-TERM UNCERTAINTIES	2024	PRIORITIES
	• Customer Value Strategy (CVS) driving higher quality revenues represent 43% digital revenues (2022: 38%) • Traded digital strongly digital RPM improving: Average revenue per 1000 Pages >10% YOY • Increased diversification and resilience from affiliates, ecommerce, Mantis, USA, youth • Challenging digital backdrop – page views down 24%, open market yields down 25% • Strong print performance driven by circulation and advertising revenues • Bold action taken on costs delivered 5.7% saving operating costs • Maintained high operating margin 17% and cash generation	Historical Legal Issues: • Clarity on time limitation • Expedite case resolution • Estimate that settlements and costs will be around £20m less than previously provided for Pension: • Concluded the 2019 & 2022 triennial pension review MGN Pension Scheme • Pathway to fully funding schemes with pension commitments reducing c.£40m from 2028		• Focus on continued delivery Customer Value Strategy • Diversify revenues and secure audiences • Maintain resilient print performance to underpin the dividend • Deliver 5–6% operating cost saving • Maintain strong operating margin • Maintain healthy balance sheet

Darren Fisher

Chief Financial Officer

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Summary – resilient financial performance.

Revenue

£569m

2022: £601m

Adj. operating Profit

£97m

2022: £106m

Operating margin

17.0%

2022: 17.6%

Adj. operating cash flow

£91.9m

2022: £92.1m

Adj. EPS per share

21.8p

2022: 27.1p

Digital revenue

£127m

2022: £150m

% Data-driven revenue

43%

2022: 38%

YOY like-for-like operating cost reduction

(5.7)%

Cash conversion

95%

2022: 87%

Dividend per share

7.34p

2022: 7.34p

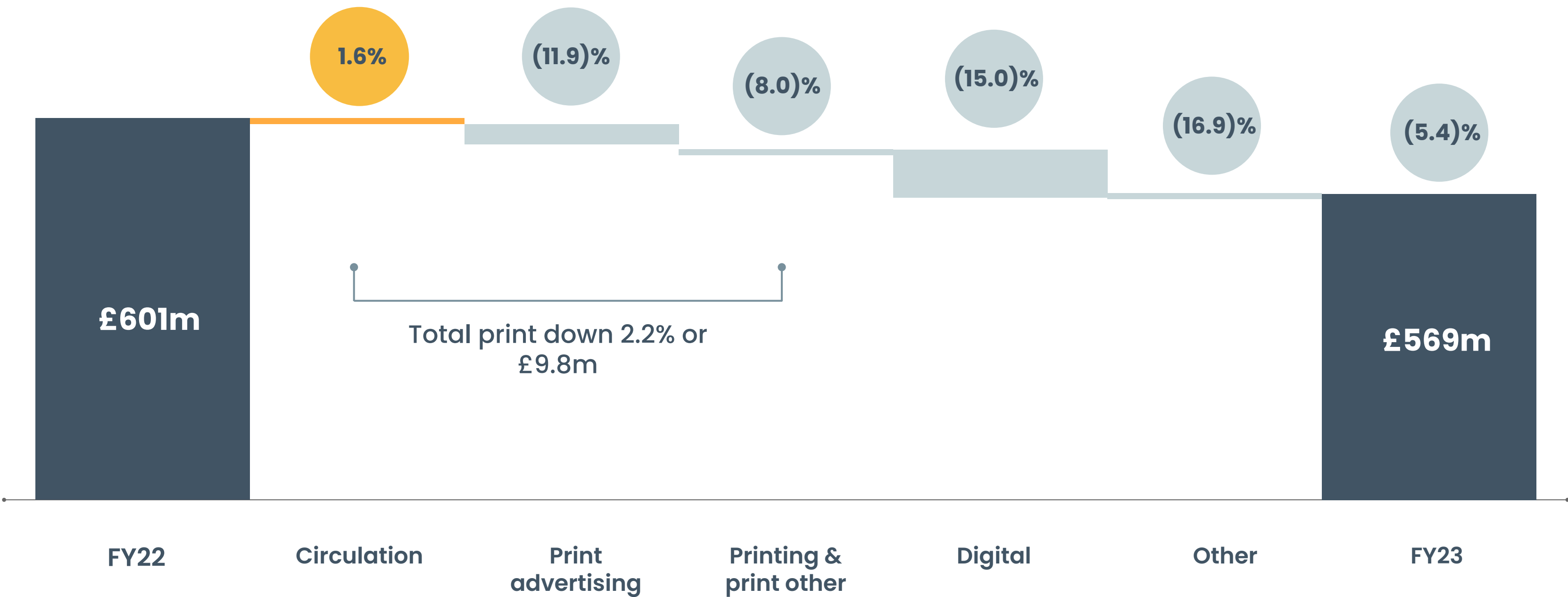
FY23 Financial summary.

Adjusted Results	FY23 £m	FY22 £m	Var £m	Var %
Print	438.8	448.6	(9.8)	(2.2)
Digital	127.4	149.8	(22.4)	(15.0)
Other	2.4	3.0	(0.6)	(16.9)
Revenue	568.6	601.4	(32.8)	(5.4)
Operating profit	96.5	106.1	(9.6)	(9.0)
Operating margin	17.0%	17.6%	(60 bps)	
EPS	21.8p	27.1p	(5.3)	(19.5)
DPS	7.34p	7.34p	0	0
Adj Operating cash flow	91.9	92.1	(0.2)	-
Net cash / (debt)	(10.1)	25.4	(35.5)	-

- Print circulation resilient
- Decline in referral traffic impacting digital. Data driven revenues resilient
- Lower operating costs from efficiency programme
- Strong operating margin 17%
- Healthy cash conversion 95%
- Full dividend 7.34p (FY22 7.34p)

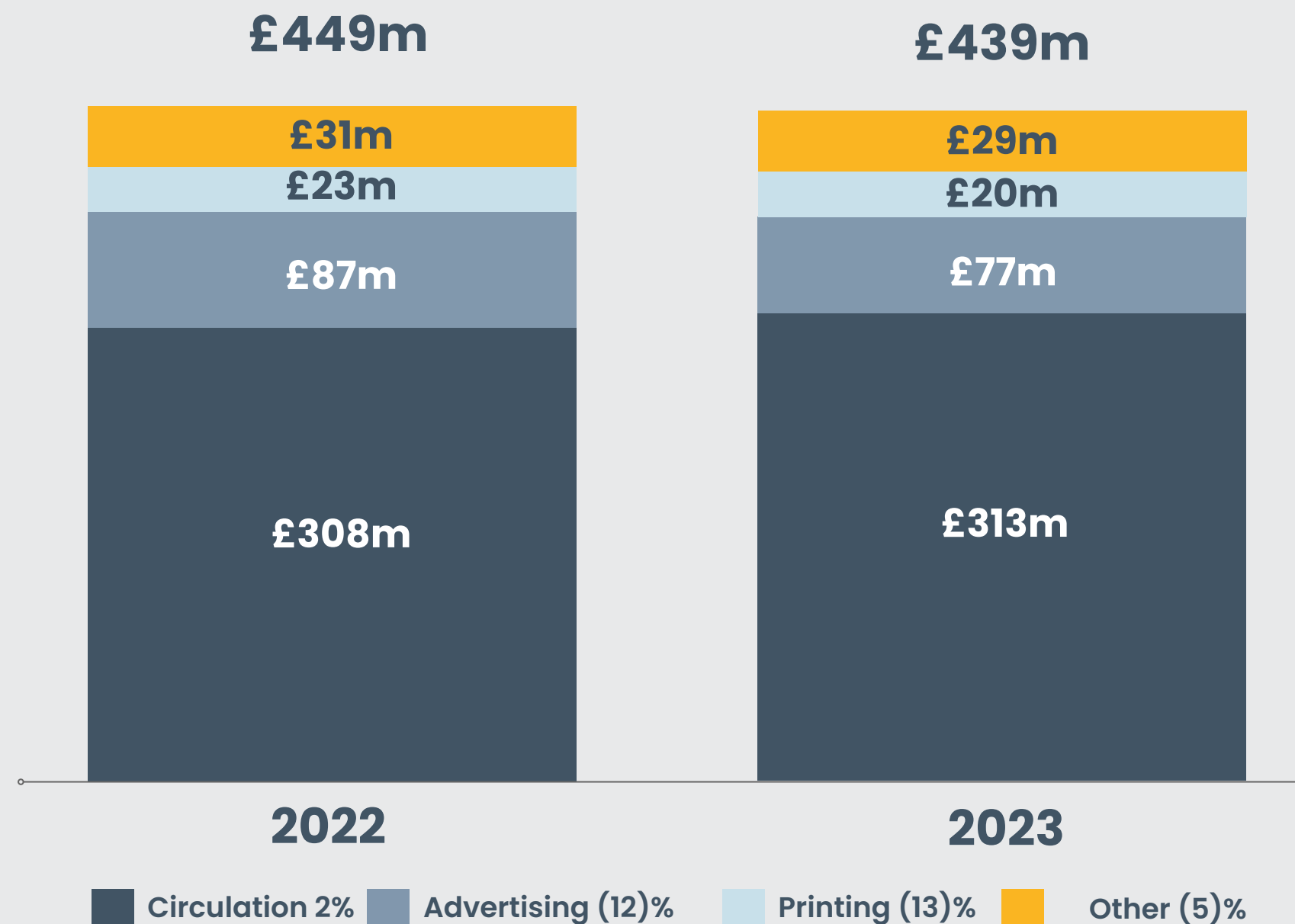
Revenue.

Print resilient, data driving careful decisions



Print revenue.

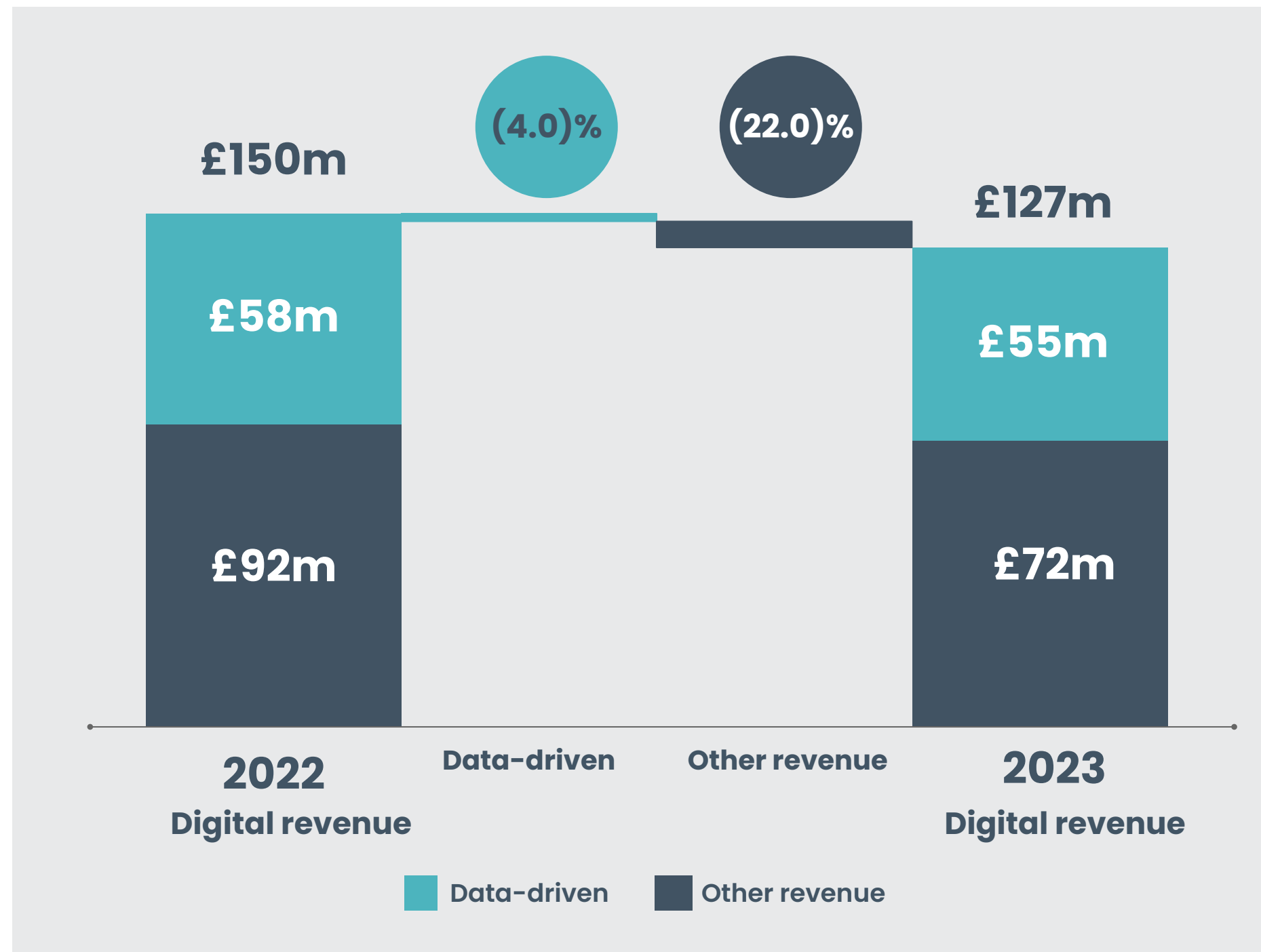
Circulation revenue robust and reliable.



- Overall print volumes declined 17%
- Circulation revenues supported by data to determine price increases and levels of availability
- Advertising revenue outperforms circulation volume decline due to resilience in regional and larger campaign advertising
- Significant profit and cash driver to meet financial commitments, pay dividends and invest in digital

Digital revenue.

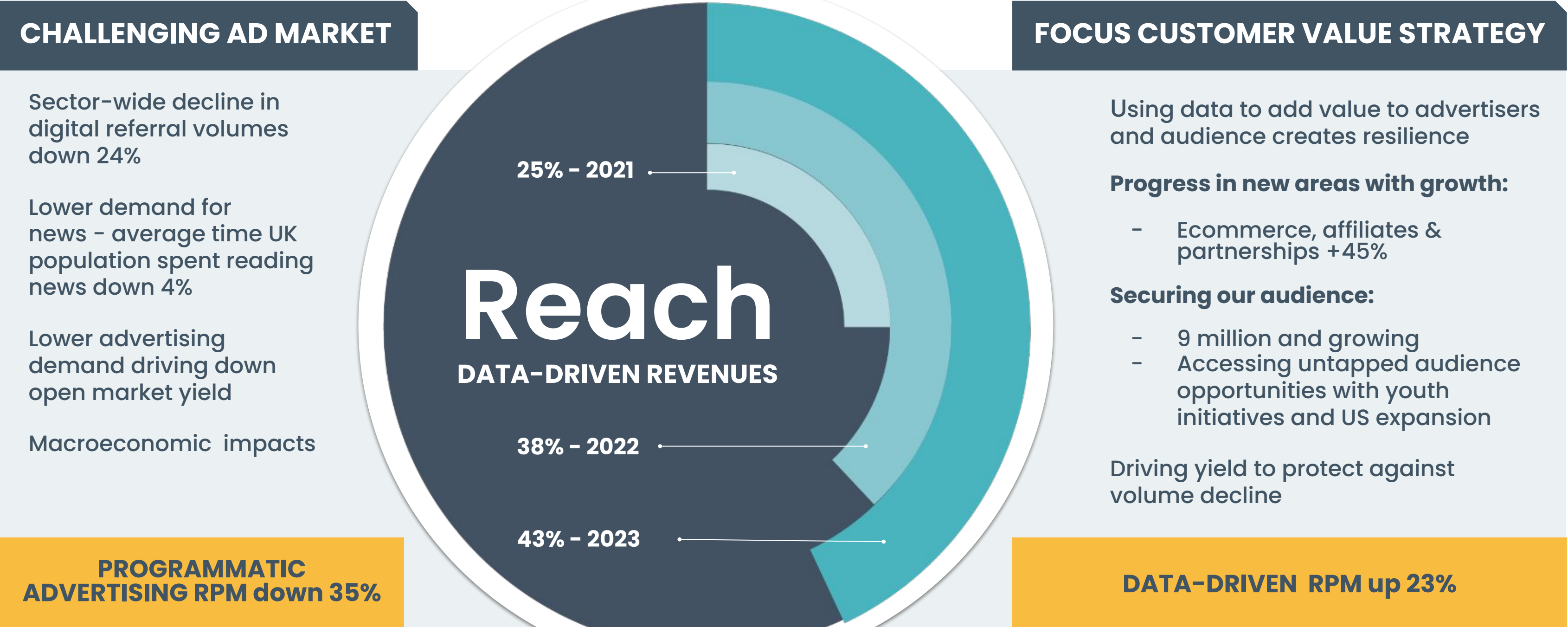
Data-driven revenue makes up 43% of digital revenue



- Data-driven revenue supported by improving yield which compensates volume decline
- Strong growth over the year from ecommerce, affiliates and partnerships
- Decline in 'Other' from lower open market yield and loss of referral traffic from the major platforms

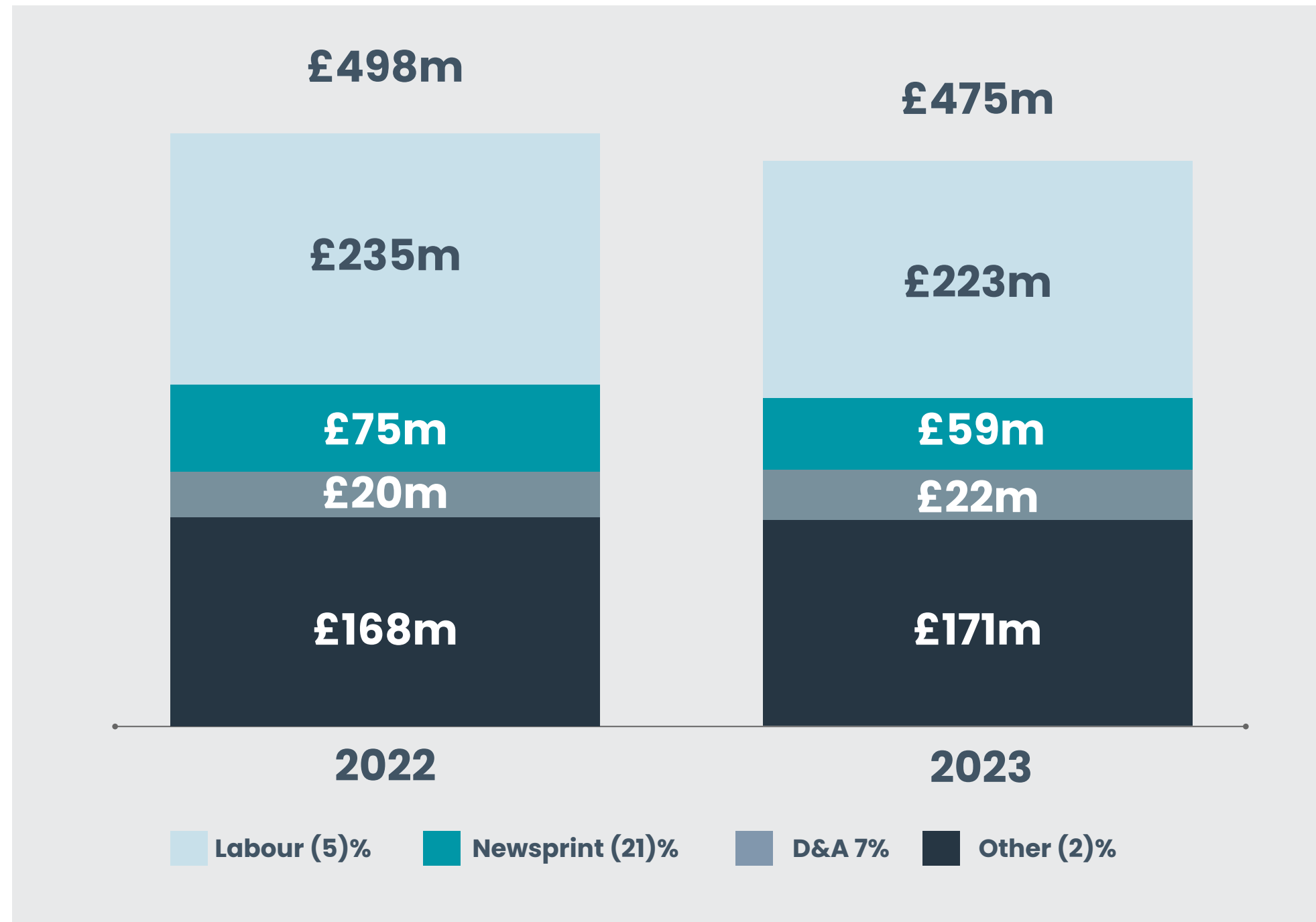
Challenging market impacting digital performance.

Customer value strategy driving value



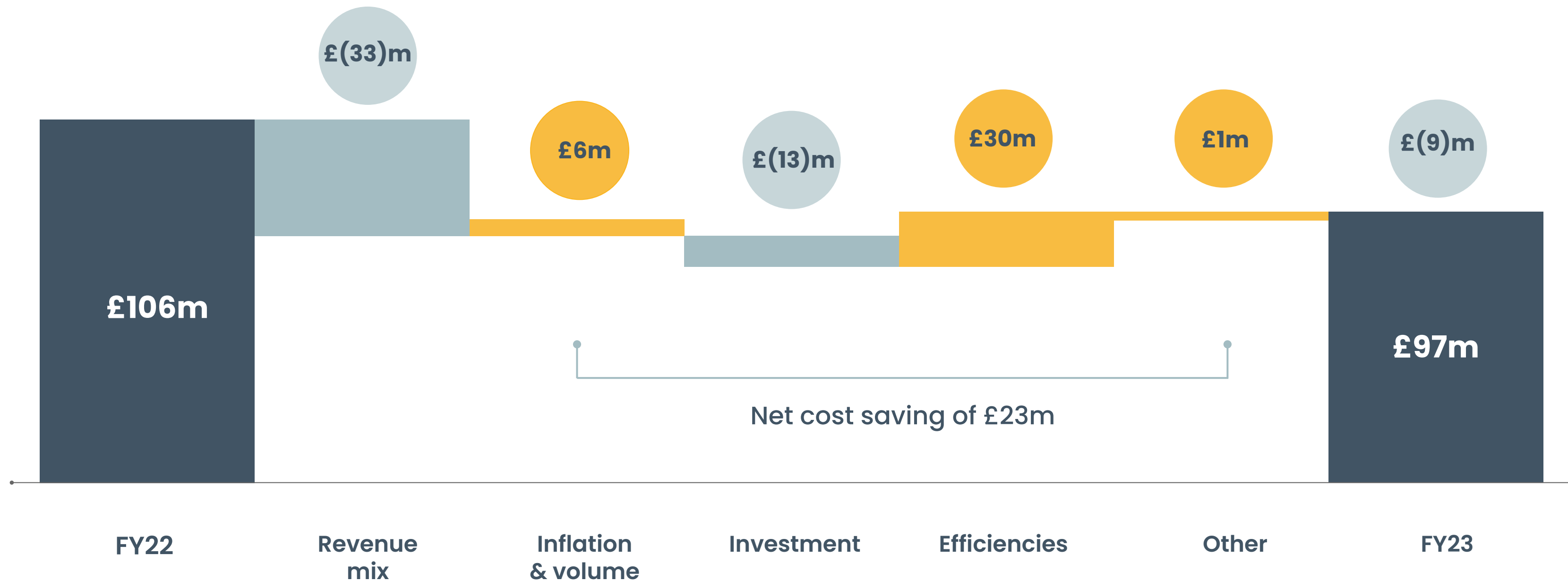
Decisive action on operating costs.

Adapted quickly to changing environment

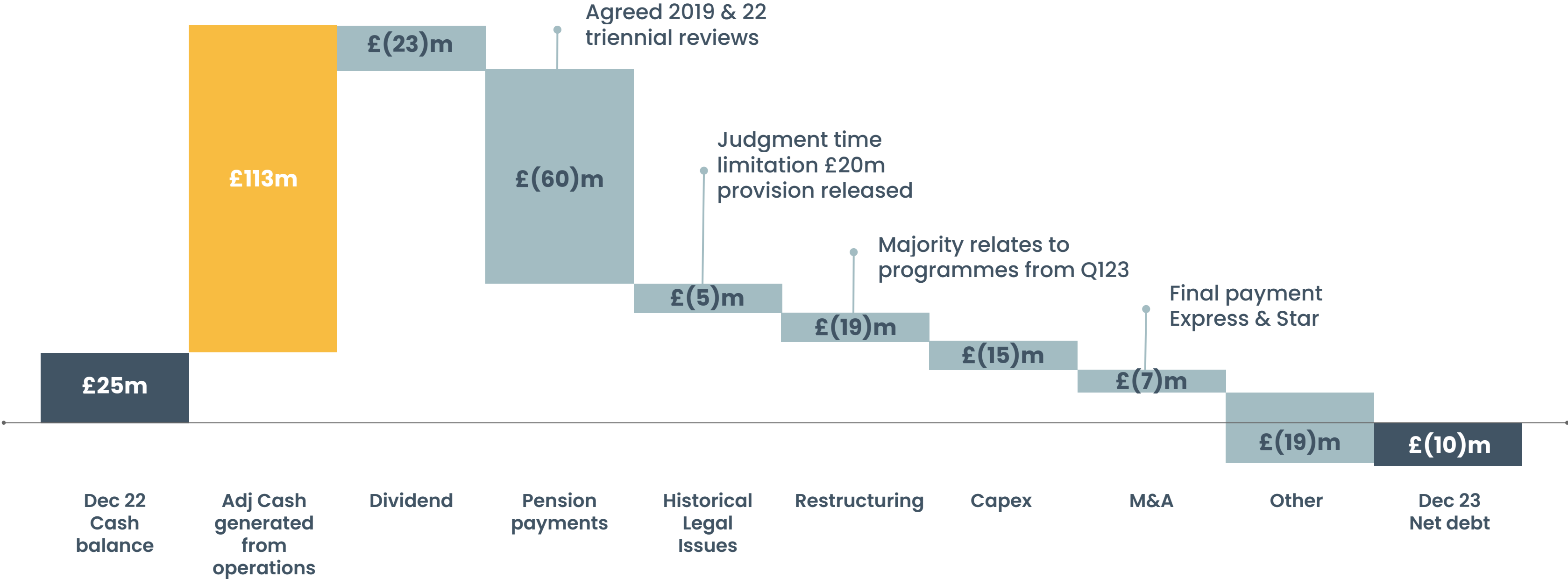


- Operating costs 4.6% lower, on LFL 52 week 5.7% lower
- Labour costs represent half of operating costs and have declined 5% from the cost restructuring and reduced headcount
- Smaller volumes reducing overall newsprint costs and a small impact from the unwinding of some of the prior year's inflationary pressures
- Components of 'other' includes IT, production and other staff related costs and distribution

Profit bridge.



Full year 2023 Use of cash.



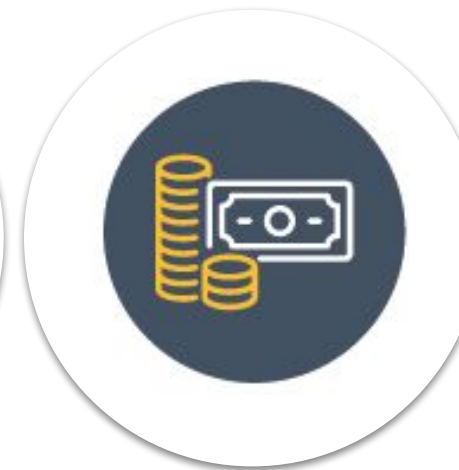
Capital allocation.

Cash & balance sheet supports creation of more sustainable business

Resilient print
profits, sustainable
cash generation
and strong
balance sheet



Organic
investment



Pension
funding



Dividends for
shareholders



M&A

Financial guidance.

2024

Print:	Expect similar trend in circulation volumes
Digital:	Page view decline impact Q1, positive momentum thereafter
Costs:	5–6% reduction in operating costs
Depreciation:	Expect slightly lower charge to 2023 (2023: £22m)
Cash:	Working capital broadly neutral excluding impact from HLI Capex low teens (2023: £15m) Pension contributions similar to 2023 (2023: £60m) Expect an acceleration in the resolution of HLI claims Restructuring outflow in the region of £13m Property sales expected to generated > £10m cash

On track to deliver market expectations



Jim Mullen

Chief Executive Officer

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2023 Key milestones.

Resolved the long-term uncertainties

Pivotal year for the Group

Removes uncertainty for investors, employees and management. Improves visibility on the Group's long-term cash obligations

Uncertainty

HLI

Year commenced
First claim paid **2014**
Outflows since 2020
£35m exclusive costs

Pensions

Year commenced
Dispute since 2020
Outflows since 2020
£234m exclusive fees

Milestone

HLI

Judgment time limitation
reduced future expected outflow by £20m

Pensions

Agreement to achieve fully funded position avoiding additional costs of regulatory intervention

Looking ahead

HLI

Estimated obligations – **£18m**
Estimated year unwinds – **2025**

Pensions

Future estimated obligations – **£277m**

Material step down – **2028**

Estimated year unwinds – **2030**

Our data-led business model.

Creating a data-led digital business



- Circulation revenue growing from data driven decision
- Strong print underpins cash generation
- Created sizeable digital asset and diversified our audience demographic
- Scale: 49m active unique profiles and 1.3 billion first-party events recorded monthly
- Building direct audiences with interactive content and special interest initiatives – 4.5m users receive newsletter

Print: Our foundations.

Maintaining this considerable revenue stream and profit generator



Resilient revenue despite falling demand

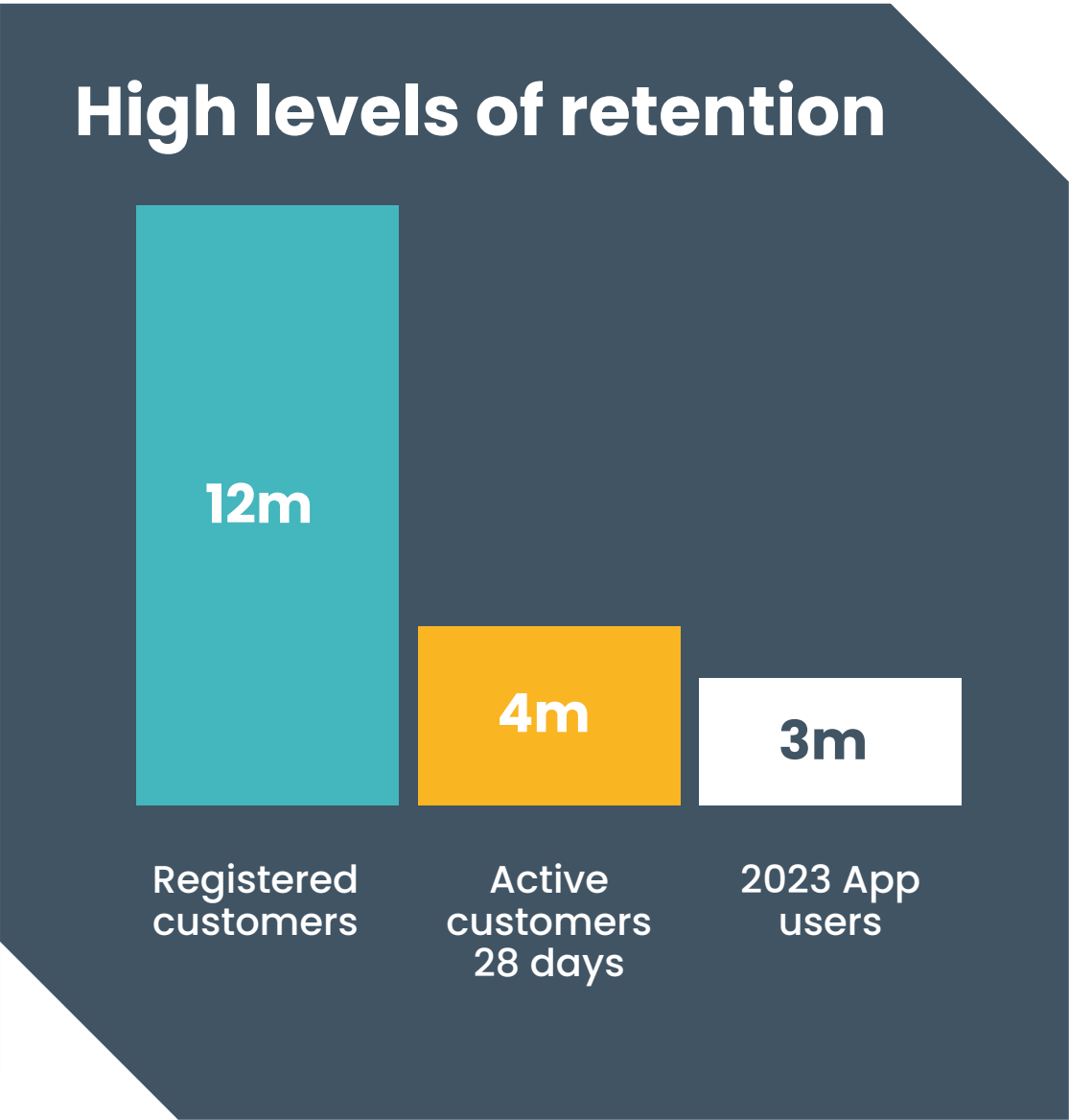
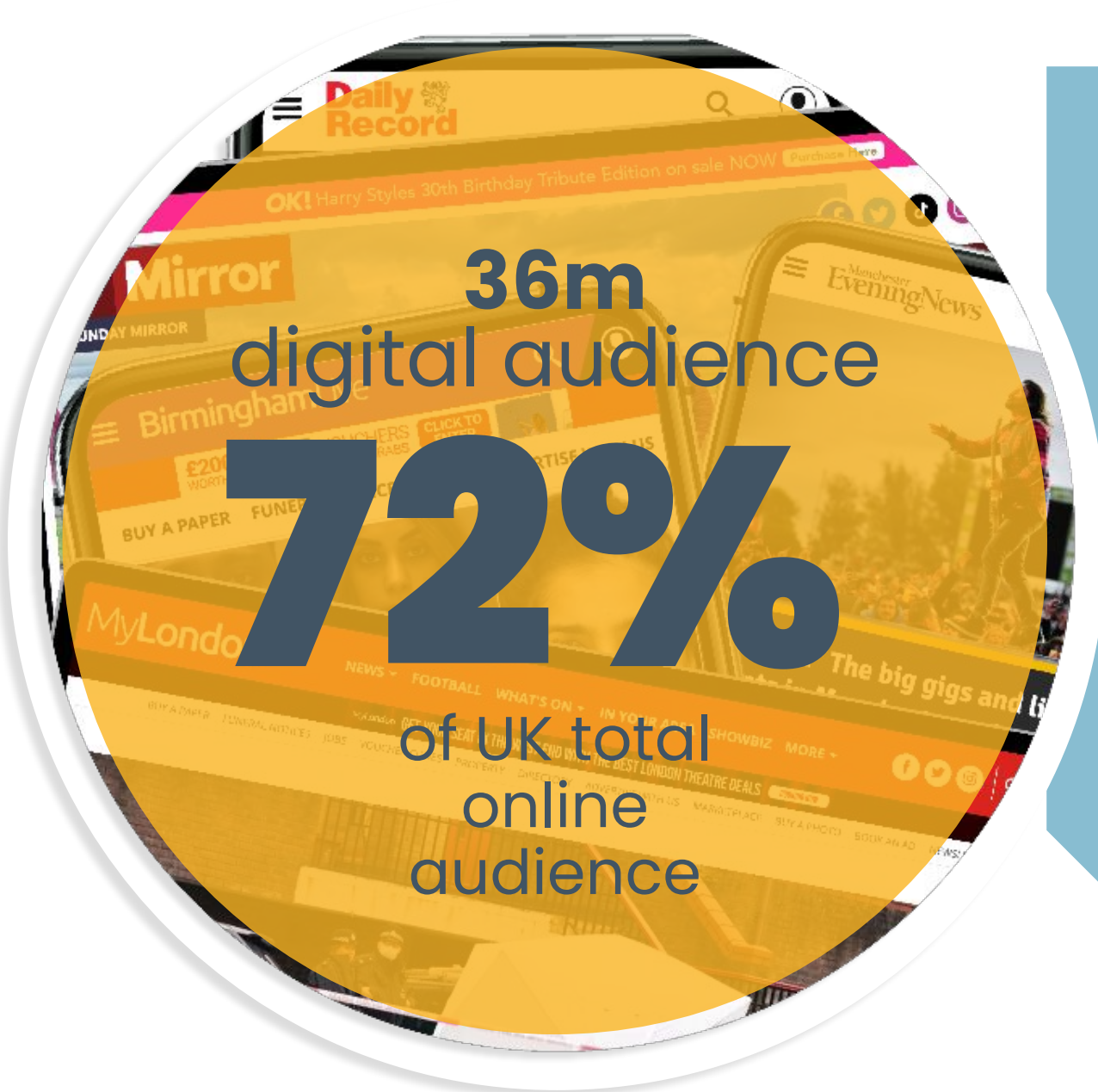
- Carefully planned price increases and promotional activity
- Yield management improvements from pagination maintenance
- Development of new stream of standalone newsprint and magazine special publications
- Print advertising outperforming volume decline

Operational improvements

- Evolve production systems
- Efficient stockholding and working capital management
- Optimised distribution routes
- Solar panel installations across all print sites

Large audience offers further opportunities.

Further supports our depth of data



Securing our audience.

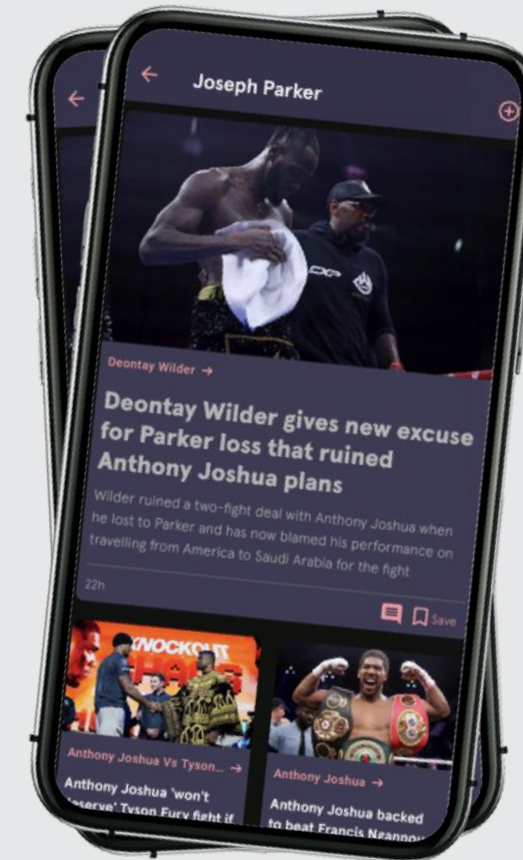
The growing importance of first-party data as ad market develops

Direct relationships



Newsletters Logged-in **WhatsApp**
Push(web push) **IYA** Branded search **Direct**

Content recommender



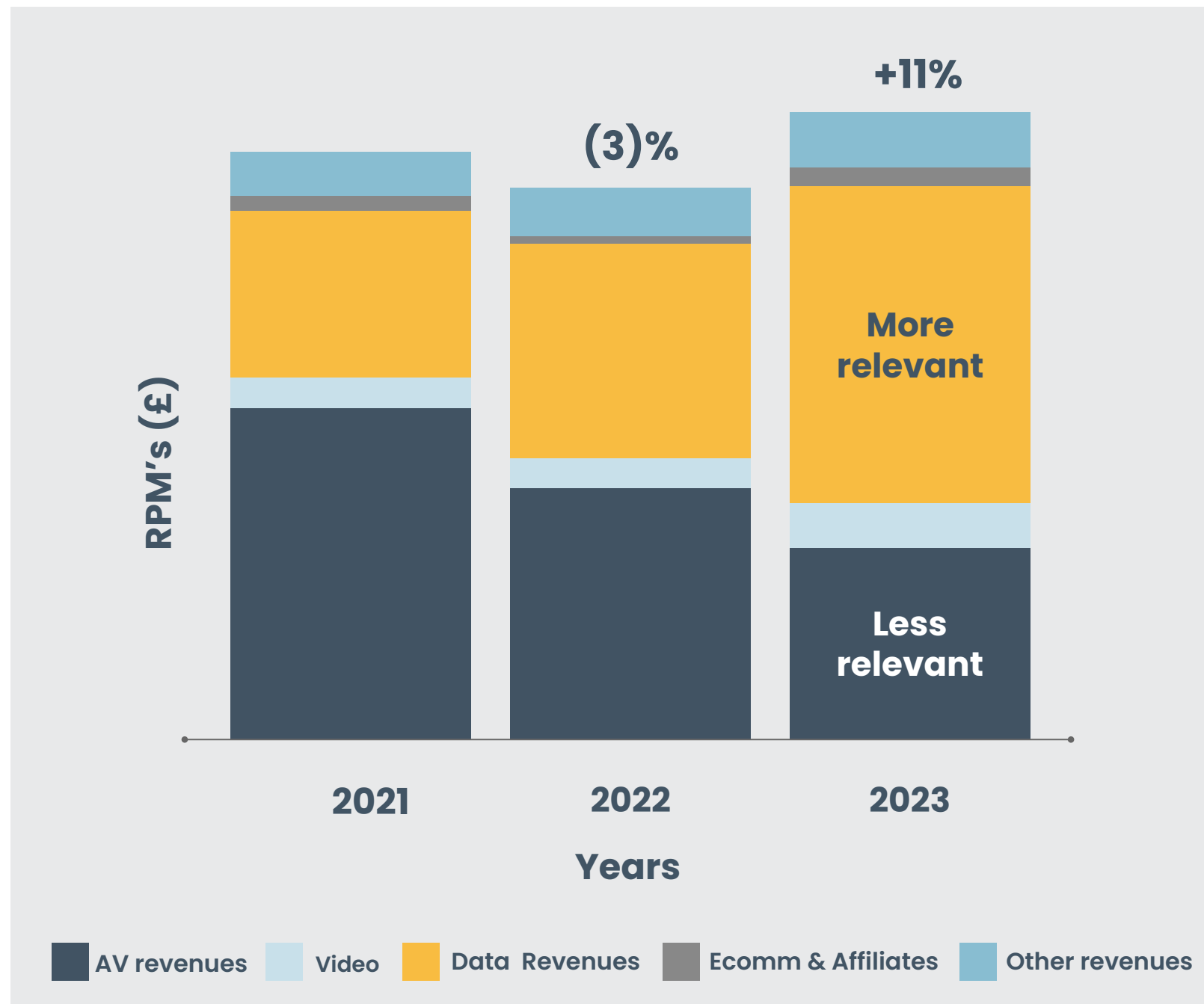
Personalised article
recommendations based
on article and reader data

Secure audience strategy

- Secure audience increasingly active growth +5% YOY
- 95% consent to data collection
- Reduces exposure to open market
- >9m sign ups to receive content directly to their devices
- >1m receiving content by WhatsApp
- Content recommender drives >2bn page views p.a.
- WhatsApp and web push material growth opportunities

Driving a higher **yield mix**.

Growing quality of digital business model



Customer Value Strategy (CVS)

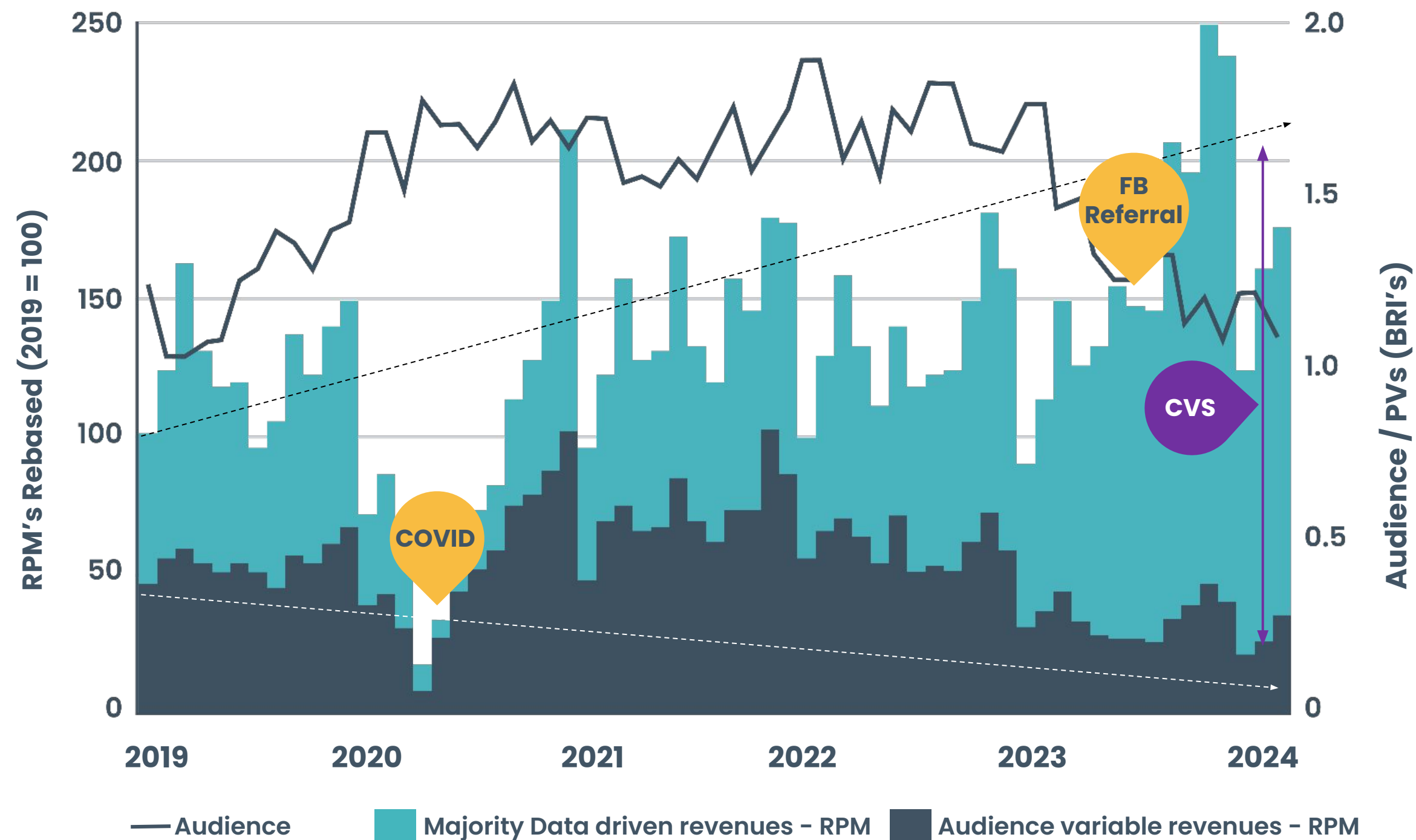
- Data and information drives more targeted and effective advertising
- Over the LTM RPM increased 23% for data driven revenues
- Data-driven revenues yield >10x Open market yield

Audience variable (AV) revenues

- Majority open market programmatic
- AV is sensitive to the macro environment
- RPM for this segment declined 35% LTM and becoming less relevant

Customer value strategy.

Since inception CVS driving value creation despite the challenging market backdrop



- Divergence between the growing data driven RPM and declining audience variable RPM - majority open market programmatic
- RPM growth 39% from FY20-FY23

Case study Strong advertising campaigns.

How with data we can do more for our partners

Food retailer example:

- Traditionally print-based category, campaigns ranged from grocery to clothing offers
- Total advertising revenue growth food category **+15% YOY**
- Pivot to digital solutions – Digital revenues growth **2x food category**
- Data via Mantis for contextual and demographic targeting to these campaigns Strong partner feedback
- Attracts high levels of engagement CTR average increase **2x**



Our 2023 Christmas campaign with Reach was a real success.

It was a true partnership from start to finish, and we were particularly impressed with the content creation and formats which allowed us better cut through to our target audiences

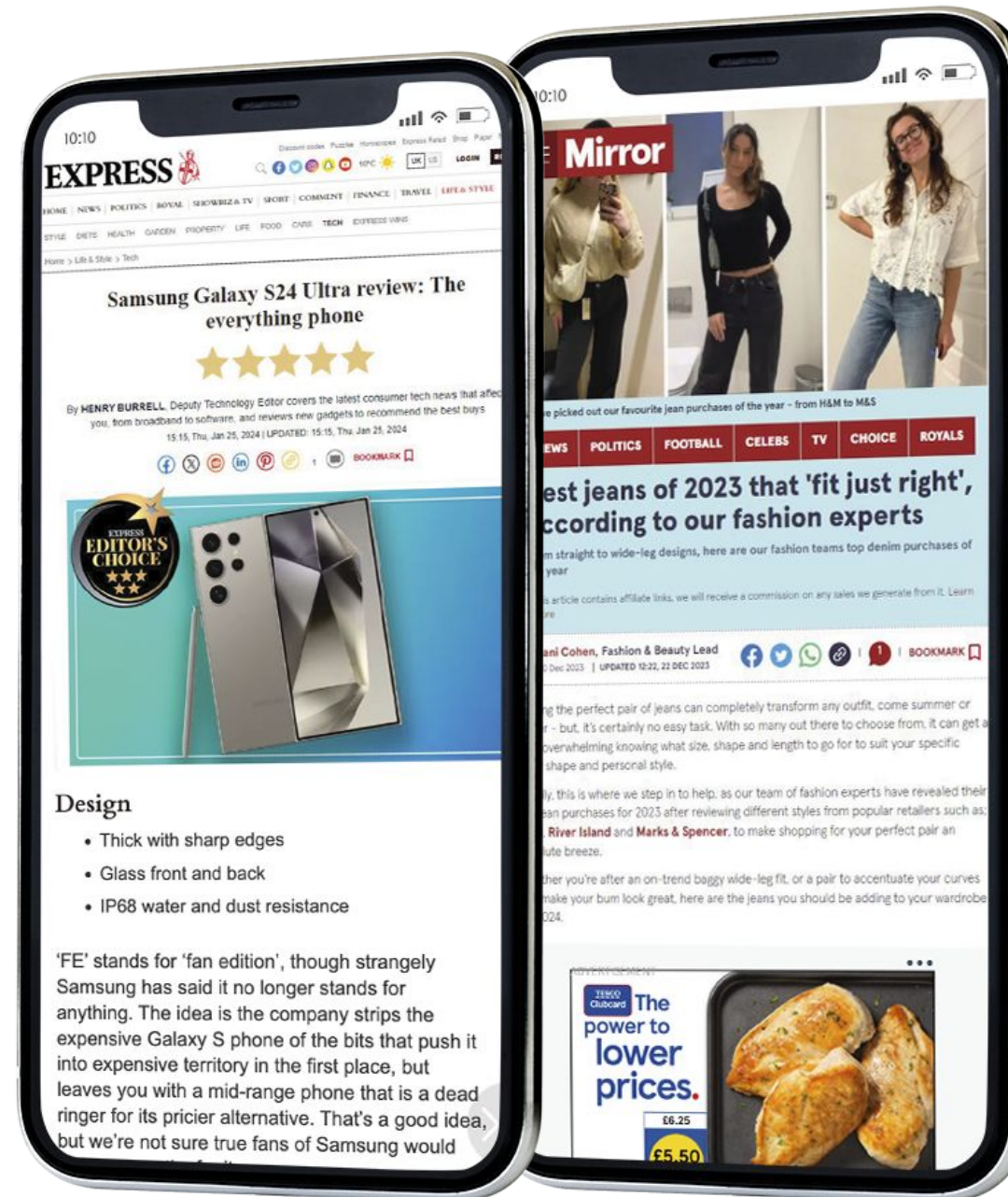
Richard Walker,
Managing Director, Iceland

Case study Affiliates, Ecommerce & partnerships.

Deliver strong revenue growth, increased 45% year-on-year

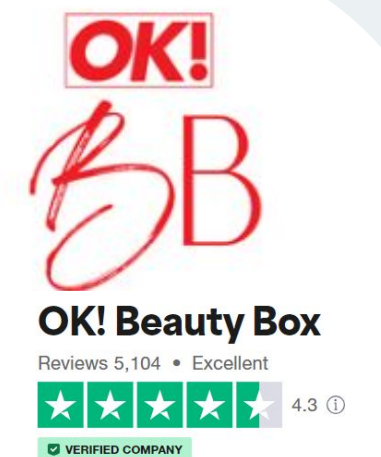
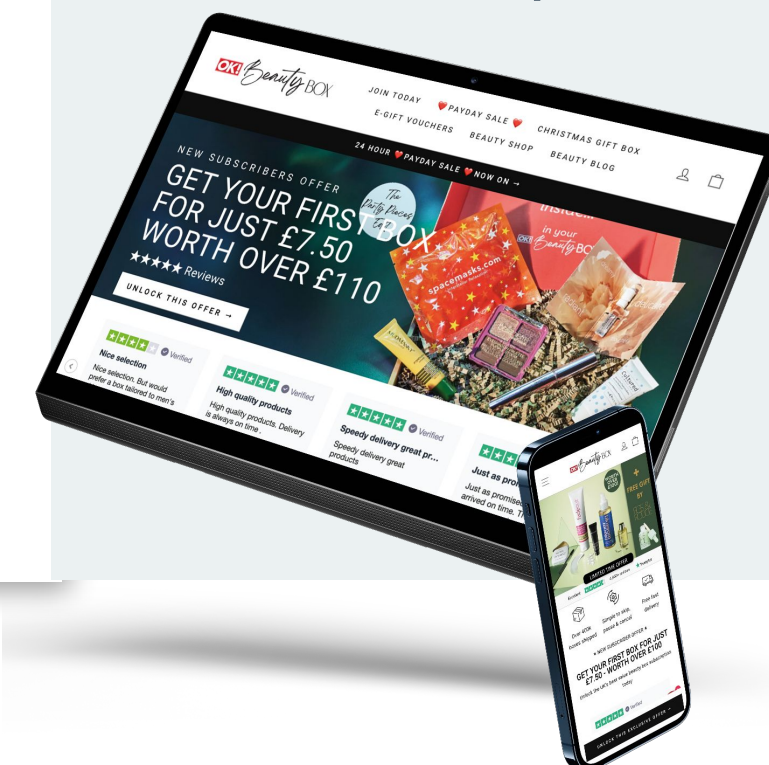
Affiliates – progress 2023

- All KPIs increasing with scale
- Exponential growth
➤ **2.5x** transactions
- Expanded partners
➤ **50 linked sites**
- Strong engagement with content ➤ **30% CTR**
- Significant headroom for growth
- Expanding the team



Ecommerce – Beauty Box

- Data-driven customer-centric brand
- Customer database nearly 100k and **13k active subscribers**
- OK! BB hit revenue ➤ **£2m** 2023 (2020: 0)
- Loyal customers **low churn** rates <10%
- Increasing commercials ie: calendar 'one-off' specials



Developing the **playbook**.

Continue to transform the business for the digital landscape

Audience initiatives

Superfans
New ways to engage on topics that matter most

Yimbly
Building on success of Beauty Box – a marketplace offering a niche shopping experience

US & Curiously
Expanding our markets – attracting a wider demographic and entering new geographies leveraging CVS playbook



Mantis

Publishers' toolset. Opportunity as a curator and a publisher

Ways of working

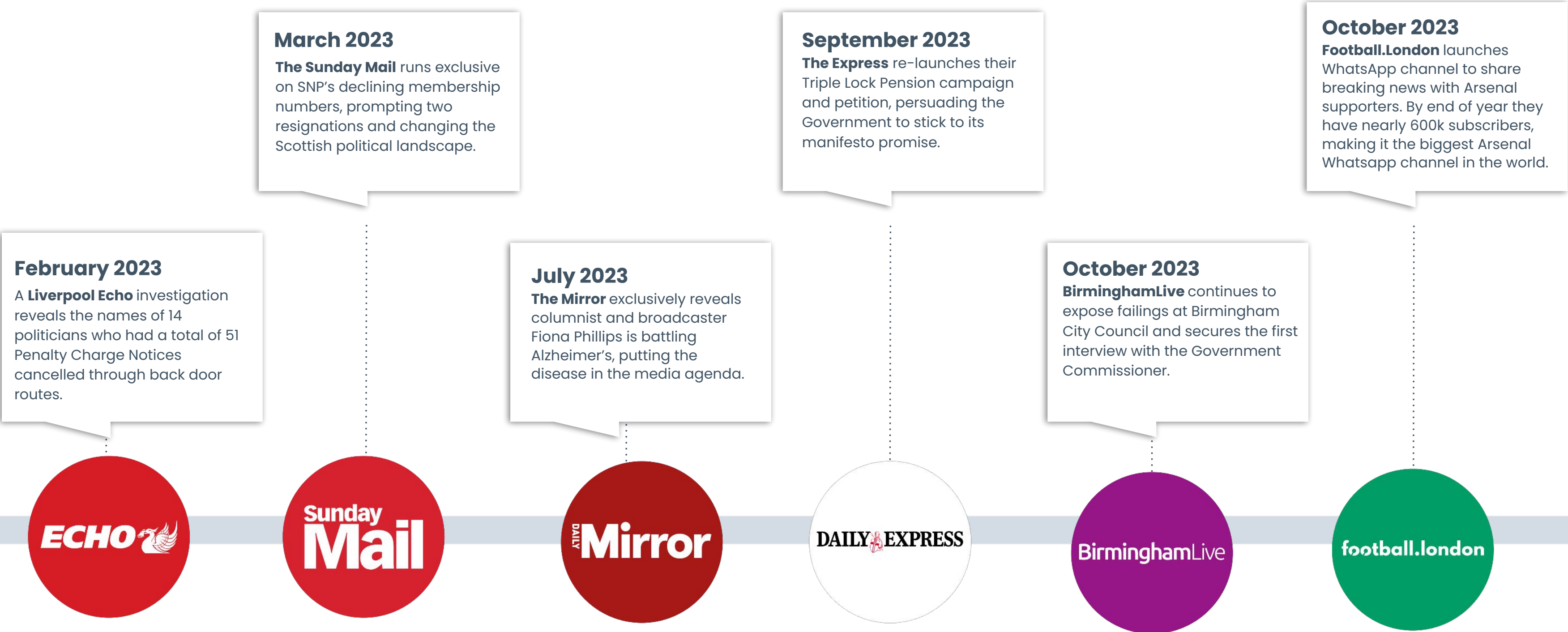
Expanding use of AI
Tools to assist editorial
Drive productivity

Reach Studio team
Pooling resources
Increased video content

Digital first
All titles digital first using data to drive engagement and distribution

We serve our customers with brilliant journalism.

Delivering the stories that matter



Outlook.

- **Clear strategy which is working**
- **Increased mix of higher quality data-driven digital earnings**
- **Strong position as ad market loses third-party cookies**
- **Momentum returns to digital business**
- **Track record of driving efficiencies – cost actions underpinning the outlook**
- **Dividend supported by print business**
- **End in sight for financial obligations which will drive materially higher levels of cash**

A nighttime photograph of a city skyline reflected in a body of water. The sky is a deep blue and orange from the setting or rising sun. Several buildings are visible, with their lights glowing. The water in the foreground is calm, creating a clear reflection of the buildings and the sky. The overall mood is serene and urban.

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Appendix

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Definitions.

Metric	Description
Adjusted operating profit	Operating profit before adjusting items
Adjusting Items	Items are adjusted on the basis that they distort the underlying performance of the business where they relate to material items that can recur or relate to historical liabilities. Other items may be included in adjusted items if they are not expected to recur in future years.
Adjusted operating cash flow	Aligned with the definition of adjusted operating profit to exclude the cash flow impact of restructuring payments and other items classified as adjusted items in the income statement.
Customer registrations	Registered customers are customers who have provided an email address and/or phone number in order to receive a service
RPM	Revenue per 1,000 pages (£)

Like for like – 52 week.

Revenue	53 week period FY23	LFL – 52 week period FY23
Circulation	1.6%	0.0%
Advertising	(11.9)%	(13.0)%
Printing	(12.7)%	(13.7)%
Other	(4.5)%	(4.6)%
Print revenue	(2.2)%	(3.5)%
Year-on-year Operating cost saving	(4.6)%	(5.7)%

- The results have been prepared for the 53 weeks ending 31 December 2023 and the comparative period has been prepared for the 52 week period ending 25 December 2022
- The revenue and costs have been adjusted to show the numbers on a like for like basis, the additional week added £6.2m to revenue and £0.8m to operating profit

Pensions.

	2023 £m	2022 £m	Change £m
Fair value of scheme assets	1,733.0	1,710.3	22.7
Present value of scheme liabilities	(1,835.6)	(1,860.0)	24.4
Impact of IFRIC 14	(0.2)	(1.2)	1.0
Net scheme deficit	(102.8)	(150.9)	48.1
Net scheme deficit after deferred tax	(77.1)	(113.9)	36.8
	2024-26 £m	2027 £m	2028 £m
Estimated committed pension payment	180	60	20

- The estimated committed pension payments are based on the current funding schedule and are subject to future valuations and movements in the underlying assets and liabilities

Strong focus on cash.

Consistently healthy levels of cash conversion

Profit to cash	FY23 £m	FY22 £m
Adj. Operating Profit	96.5	106.1
Depreciation & amortisation	21.6	20.2
Adj. EBITDA	118.1	126.3
Working capital movement	(3.9)	(12.3)
Lease payments	(5.3)	(6.7)
Other	1.3	0.9
Capex	(15.4)	(13.3)
Associates	(2.9)	(2.8)
Adj. Operating cash flow	91.9	92.1
Profit to cash ratio	95%	87%

- Depreciation & amortisation in line with prior year and no change to asset lives
- The majority of the reduction in working capital requirements is driven from lower levels of stock for print
- Other includes the add back of non cash items ie: share based payments
- The majority of capex relates to capitalisation of technology labour cost

Group income statement.

	Statutory results £m	Operating adjusted items £m	Pension finance charge £m	Adjusted results £m
2023				
Revenue	568.6	–	–	568.6
Operating profit	46.1	50.4	–	96.5
Profit before tax	36.7	50.4	5.9	93.0
Profit after tax	21.5	42.4	4.5	68.4
Basic earnings per share (p)	6.8	13.6	1.4	21.8
2022				
Revenue	601.4	–	–	601.4
Operating profit	71.3	34.8	–	106.1
Profit before tax	66.2	34.8	2.3	103.3
Profit after tax	52.3	30.3	1.9	84.5
Basic earnings per share (p)	16.8	9.7	0.6	27.1

- Operating adjusted items relate to the items charged or credited to statutory not adjusted operating profit.
- Pension finance charge related to the defined benefit pension schemes

Operating adjusted items.

	2023 £m	2022 £m
Provision for Historical Legal issues	20.2	(11.0)
Restructuring charges	(26.9)	(15.5)
(Impairment of sublease)/sublet of closed print site	(19.4)	16.6
Other property related costs	(8.0)	(4.6)
Pension administration expenses and past service costs	(5.5)	(14.8)
Other items	(9.3)	(4.1)
Operating adjusted items included in administrative expenses	(48.9)	(33.4)
Operated adjusted items included in the share of results of associates	(1.5)	(1.4)
Total operating adjusted items	(50.4)	(34.8)

Provisions.

	Share-based payments £m	Property £m	Restructuring £m	Historical legal issues £m	Other £m	Total £m
As at 25 December 2022	(0.9)	(9.4)	(6.6)	(43.0)	(3.0)	(62.9)
Charged to income statement	(0.1)	(10.3)	(27.0)	(5.9)	(0.8)	(44.1)
Released to income statement	0.3	0.2	0.1	26.1	0.1	26.8
Reclassification	–	(2.0)	2.0	–	–	–
Utilisation of provision	0.2	2.4	18.8	4.6	1.5	27.5
As at 31 December 2023	(0.5)	(19.1)	(12.7)	(18.2)	(2.2)	(52.7)