

# NEXT DIGITAL

## NEXT DIGITAL LIMITED

### RESULTS FOR THE YEAR ENDED 31 MARCH 2018

#### Financial Highlights

#### Results

	2017/18 HK\$M	2016/17 HK\$M
Revenue	1,495.5	1,783.8
Loss for the year	(476.9)	(394.0)
Basic Loss Per Share	HK(19.6 cents)	HK(16.2 cents)

For the year ended 31 March 2018, the Group's overall revenue decreased by 16.2% to HK\$1,495.5 million (2016/17: HK\$1,783.8 million) of which HK\$594.5 million and HK\$901.0 million (2016/17: HK\$649.7 million and HK\$1,134.1 million) were attributable to Digital Business Division and Print Business Division respectively.

The Group earned most of its revenue from Hong Kong, of which, its operations accounted for HK\$884.5 million (2016/17: HK\$1,075.7 million) or 59.1% (2016/17: 60.3%) of its total revenue during the year. Revenue from Taiwan was HK\$569.3 million (2016/17: HK\$673.0 million), which accounted for 38.1% (2016/17: 37.7%).

The Group made a segment loss of HK\$479.7 million during the year under review, compared with a segment loss of HK\$418.9 million in the previous year, representing an increase in loss of 14.5% or HK\$60.8 million.

The Digital Business Division recorded a segment loss of HK\$44.6 million, compared with a segment loss of HK\$1.2 million in the previous year.

The segment loss of the Print Business Division amounted to HK\$435.0 million, compared to the previous year's loss of HK\$417.7 million.

This was mainly attributable to poor market sentiment and cautious advertisement spending, driven by slow-moving economies in Hong Kong and Taiwan and keen global competition of online programmatic advertising. In addition, the Group underwent restructuring procedures, which resulted in the layoff of relevant employees of the publications and incurred the payment in lieu of notice of HK\$21.9 million (2016/17: HK\$40.0 million). Also closely associated to this decrease was the drop in circulation income of the Group's publications, mainly attributed to readers' preference of free online media over printed properties and fierce competition from free newspapers and content from various online mediums.

Accordingly, the Company recorded a basic loss per share of HK19.6 cents for the year against a basic loss per share of HK16.2 cents in the last year.

## **DIGITAL BUSINESS DIVISION**

The Division's external revenues, consisting primarily of online advertising revenue, together with content licensing payments, games and content sponsorship, and in-app purchase of virtual products, amounted to HK\$594.5 million during the year under review. This represented a decrease of 8.5% on the previous year's figure of HK\$649.7 million, of which, around 72.3% was generated in Hong Kong while the remaining was from Taiwan and other regions. The Division recorded a segment loss of HK\$44.6 million during the year under review compared with a segment loss of HK\$1.2 million in the previous 12 months. During the year, the Group was faced with strong competition not only from local digital media channels, but also global platforms and social media that are vying for the same advertisers' spending as *Apple Daily*. This dampened our topline momentum for the time being. But we understand content resources are the fundamental basis of development of the media industry. We will continue to maintain the fearless spirit of Next Digital to discover and create more interesting and engaging content for readers and then source more business opportunities from advertisers and potential partners.

Although the digital platform of *Apple Daily* in both Hong Kong and Taiwan has maintained its market leadership position, the Division's external revenue, which consists of subscription fees, online advertising revenue, content licensing payments, content sponsorship and in-app purchase of virtual products, amounted to HK\$474.6 million during the year under review, representing a decrease of 7.4% or HK\$37.7 million, against the figure of HK\$512.3 million recorded in the same period last year. The drop in revenue is mainly attributed to a downturn in advertising spending of major categories, and the proliferation of programmatic buying in the industry, which has drastically affected advertising rates.

The Group has been integrating all its magazines, *Next Magazine*, *Eat & Travel Weekly*, *Ketchup*, *Auto Express*, *Trading Express* and *JF Digital* on an integrated *Apple Daily* platform, so that cross platform synergies can be realized through a "super app". As such, the number of readers and page views of the Group's magazines are all consolidated with that of *Apple Daily* and is showing a healthy growth that augers well for the Group's future.

During the year under review, the *iBeacon* service recorded positive feedback and interest from various local small and medium sized merchants. As of 31 March 2018, we had close to 1,200 merchant shops in Hong Kong electing to participate in potential advertising campaigns with us.

The Group's online games business has stabilised over the reporting year. It is involved in a number of creative collaborations to develop online games and animation contents and is expected to produce even more interesting and exciting new games.

## **PRINT BUSINESS DIVISION**

During the year under review, the total revenue of the Print Business Division stood at HK\$901.0 million, representing a decrease of 20.6% or HK\$233.1 million against the figure of HK\$1,134.1 million for the last corresponding year.

*Apple Daily* and *Taiwan Apple Daily* remained the largest contributors to the Division's revenue, which amounted to HK\$636.2 million and accounted for 42.5% of the Group's total revenue. Against the figure of HK\$788.0 million for the same year last year, this represented a decrease of 19.3% or HK\$151.8 million.

Although the newspaper printing operation was adversely affected by the decline in print runs of *Apple Daily*, it continues to make contributions to the Group. Its revenue during the year under review amounted to HK\$143.6 million, a decrease of 15.0% or HK\$25.3 million over the figure of HK\$168.9 million achieved in the corresponding year last year.

Printing operations derived HK\$77.5 million in revenue (total revenue minus transactions related to printing the Group's own publications) from external customers, including printing jobs for local and overseas newspapers, during the year under review. This was 18.5% or HK\$17.6 million less than the figure of HK\$95.1 million it earned in the last corresponding months.

Despite facing formidable factors such as intense and rival competition in the industry, changes in reader behaviour and a decrease in overseas printing orders, the commercial printing operation recorded a revenue from external customers of HK\$93.8 million in the year ended 31 March 2018, which was 32.9% or HK\$23.2 million more than its revenue of HK\$70.6 million in the same year last year.

## **PROSPECTS AND OUTLOOK**

Digitalization has caused a tsunami-like wave in the media industry, causing all players to completely reinvent the steering wheel and contemplate next steps to survive. Although new technologies and intense competition have had a negative impact on advertising and circulation revenue, traditional print media is still considered mainstream. It is a core strength the Group has commandeered over the years and we will continue to preserve our leading position in the print media industry through maintaining stringent cost control, making improvements in work flow efficiencies, as well as restructuring and streamlining management and operational processes.

As important as it is to stabilise our core printing business, it is also essential to expand and strengthen our digital business. The team is dedicated to enhancing our online presence through continuously improving our integrated digital platform and creating original and engaging content via new technologies. Through constant innovating, the Group has and will continue to accumulate a loyal viewer base and in turn, open up potential business opportunities and partnerships.

Faced with one of the most turbulent times in media history, the Group made some difficult decisions in terms of restructuring and streamlining. However, these changes were necessary to prepare the Company for a brighter future. Our employees are and will always be our most valuable assets and we now have the team in place produce high quality, engaging and creative digital and print content for all audiences, which will create additional business opportunities. We have reviewed our employee benefits meticulously to retain and attract high quality people in the Group and are constantly making enhancements to make the office an enjoyable and inspiring place to work.

The rebalancing of the economy to the services and consumption sectors, along with the Belt and Road Initiative, will open up new opportunities to the media industry. The Group is prepared on all fronts to seize these opportunities through a suite of innovative products and services, while diversifying revenue sources and realising and potential synergies internally and externally.

## **Company Profile**

Next Digital is the largest listed multi-media group in Hong Kong with business spanning across Hong Kong and Taiwan. The Group's main business activities are the publication of newspapers, magazines and books in Hong Kong and Taiwan in digital and/or printed forms. It also sells advertising space in those formats and receives subscriptions on the web versions. Furthermore, it provides printing and reprographic services, and develops mobile and online games and apps.

For further information, please contact:

### **Corporate Affairs Department**

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