Times Media details restructuring progress

Times Media's profit from operations before exceptional items grew by 18% to R86m for the six months ended September 2012, it said in a voluntary trading update on Friday.

After exceptional items, profit from operations amounted to R16m from R74m last year. Revenue rose to R2,898bn from R2,854bn previously.

The exceptional items included an increase in the Media division's post-retirement medical aid provisioning by R15m and impairments of R30m related to a review of the carrying value of certain Retail Solutions intangibles and plant.

In addition, the Exclusives.co.za operating platform was fully impaired following a review of the online business model. The Entertainment division sold a non-core property at a R2m profit.

A review of the customised SAP system developed for ELS and AMD signalled that its sub-par performance required its carrying value to be impaired in full. Further to its exit from the gaming market, the Home Entertainment business wrote do the balance of its gaming stock assessed as being unrecoverable.

Operational and management control

Avusa incurred transaction costs of R10m in connection with the Times Media scheme of arrangement. These costs do nc include the costs incurred by Times Media Group in connection with the transaction. Following implementation of the scheme, the cancellation of Avusa's share incentive plans resulted in an accounting profit of R14m.

Times Media Group took over operational and management control of Avusa and its underlying operations from the beginr of October 2012.

It constituted a newly-formed board of directors and has begun the process of restructuring the company's management team and underlying businesses.

Times Media Group's financial year end is 30 June and accordingly, the company's interim financial results will cover the months to end December 2012, it said.

The group said despite trading conditions remaining difficult and volatile, the media division reported significantly improvec profits due to a modest recovery in advertising revenues.

Newspapers recorded strongest growth

Newspapers recorded the strongest growth, with the *Sunday Times* and dailies showing significant improvements.

During the period, Times Media began moving its Gauteng printing from The Newspaper Printing Company (TNPC) to a th party. "The transfer is scheduled to be completed in the first quarter of calendar 2013, at which point we will benefit from t full cost savings envisaged when we decided to close down the TNPC printing plant (owned with Independent News & Med South Africa)," it said.

"Despite market conditions remaining extremely tough, circulation and readership of our titles remained steady. The steep rise in fuel prices offset some of the gains made in addressing our cost of sales, but we remain vigilant and continue to se innovations to keep costs under control," it added.

The magazine business benefited from cost-cutting measures introduced in the previous reporting period. South African Homeowners circulation returned to prior levels following a change in our distribution partner.

The contribution from the digital businesses was boosted by a greatly improved performance of the Live websites. These a on the verge of achieving break-even as a result of strict cost controls and aggressive growth in advertising and content revenues.

The retail solutions division's revenue growth was constrained by continuing weak economic conditions, with price increas where achieved, often below the rate of inflation.

The book retail businesses of Van Schaik Bookstore and Exclusive Books performed well in a tough market, it said.

Remodelling and rejuvenation

The first six months of trading in the entertainment division were mixed in respect of results and performance. The busines environment remains volatile, making predictions and forecasting difficult. The transition effects of format changes, digitisation and consumer expectations continue to drive the remodelling and rejuvenation of the business.

The music business has adopted a turnaround strategy to attract new artists, drive frontline content and deliver efficiencie added.

Times Media also announced that Kuseni Dlamini has been appointed as the permanent chairman of the company, with immediate effect.

Looking ahead, the group said although the broader operating environment is anticipated to remain challenging over the n 12 months, the management of Times Media Group have instituted a number of structural changes. Management is curren reviewing each business unit within the Group to determine the most appropriate positioning of each operating company.

Management believe the turnaround will take time given the number of smaller companies and the complexities involved in these various businesses.

A key area of focus of management will be the company's revenue and operating margins and the reduction of debt, it sai

"The board of directors of Times Media Group believes the business is appropriately capitalised and efficiently leveraged with sufficient flexibility to support the company's turnaround strategy. With a diverse portfolio of assets, and a strong management team, the board is confident the business is now well positioned to deliver on its turnaround strategy," it concluded.