Remarks of Robert Thomson
Chief Executive, News Corp

Fiscal 2014 Full Year Earnings Call

August 7, 2014

We have now completed one full fiscal year as the "new" News Corp, and it is fair to say that the "*sensibility of a startup*" has characterized our pursuit of digital and global expansion for our distinctive portfolio of companies – a portfolio that is diverse in both revenue mix and geographic spread.

We will be building on the company's proud tradition and the progress attained over the past year, during which we made disciplined strategic acquisitions, targeted divestments and tactical investments in technological and international initiatives. The company is at the very center of the global debate over the value of content and the creation of platform permutations for the delivery of that content.

Throughout the year, we have also been disciplined on costs and aimed to deliver value to our customers, advertisers and investors. One year into our existence, the real measure of our progress lies in the answer to this question:

"*Are we better off, better positioned today than when the journey began?"*

For News Corp, the answer is a resounding "*yes*."

We said on Investor Day that we would become more digital and global, and we are. We have increased market share in a number of our businesses, most notably REA and HarperCollins.

We said that we would be "*acutely and astutely cost-conscious*," and we have been, and will continue to be. Our costs this year are down and we will assiduously search for additional savings.

We said that "*technology is a canvas for our content*," and that has never been more true than it is today.

We said that the percentage of our revenue that comes from non-advertising sources "*will increase significantly over 5 years*," and one year in, we can see that prediction being borne out. In fact, today non-advertising sources account for more than 50% of our revenues, and that has provided us added support in a sometimes challenging advertising marketplace and an uneven economic recovery.

For the year, revenues were $8.6 billion, a 4 percent decrease, while EBITDA improved 12 percent to $770 million. Most important, our free cash flow improved almost $300 million to $365 million.

Let me be more specific about our acquisitions, cost-consciousness, investments, digital and global initiatives, and the challenges we've faced.

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Our acquisitions, and we are in an early phase of our expansion, have echoed our determination to grow digitally and globally, and show that we will not be rushing naively to overpay for underachieving companies:

• Just last week, we completed the acquisition of Harlequin, which will give HarperCollins a jumpstart on international digital expansion and a platform for future growth. We believe this was a prudent and disciplined move that will benefit HarperCollins and News Corp. This very day our HarperCollins executives are in Canada working constructively with the talented Harlequin team.

• Our first acquisition was Storyful, the world's leading social media news agency, which has already launched FB Newswire with Facebook, and last week celebrated 1 billion views of its videos on YouTube.

Now we are focusing on monetizing that traffic, and using Storyful's unique authentication expertise for the benefit of our businesses and of our clients.

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We also continue to recast our portfolio, consistent with our cost-conscious focus:

• And so we sold the Dow Jones Local Media Group and the Community Newspapers Group to focus on core, branded properties in the US.

• And we sold a live events business at HarperCollins early this year, which we viewed as not core to our mission.

• We are resizing the cost base in News and Information Services with savings that are made more realizable by the extra focus and increased cooperation in the new News. This has been achieved through a combination of operational and back office initiatives, including a wide range of contract negotiations and health and pension reforms, among many other steps…

• We also expect to achieve natural efficiencies across our businesses as we migrate to digital, with consolidation of servers and software, and the repurposing of platforms. This trend is evident at HarperCollins, which is well down the path of digital migration – and which will certainly benefit from Harlequin's success and skills online.

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We have made smart, targeted investments, including:

• Partnerships with real estate sites in China and Hong Kong, through REA, the leading online real estate services company in Australia. The deals give us a connection with the still maturing market in China and will bring Chinese investors closer to property opportunities in Australia and elsewhere.

And speaking of REA, I'd like to point out their robust numbers, and the ongoing benefit from secular tailwinds as agents are increasingly aware of the high ROI that REA can offer.

REA recently announced the purchase of a minority stake in iProperty for $100 million. iProperty has burgeoning online property advertising operations in Southeast Asia, and just reported revenue growth of over 40 percent.

We are excited about potential global opportunities in this sector.

• Also this year, we announced plans to add $50 million to our investment in SEEK Asia, a growing employment listings business, as we expand our presence in Southeast Asia, a region which we believe holds tremendous growth potential.

• Last year, we launched BallBall, which offers exclusive soccer highlights from the five major European leagues to audiences in Indonesia, Japan and Vietnam through desktop, laptop, mobile and tablet platforms.

• And also on the investment front, this past year we successfully launched the Global Programmatic Advertising Exchange, which has helped us cut out third-party networks and allowed us to work directly with advertisers who want to reach our premium audiences.

Owning our data and protecting the privacy of our customers are imperatives. While still early, we are certainly pleased with the pricing improvement and extra revenue that we have generated.

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We remain firm believers in the power of print, but we are committed to using technology to make our content more accessible, mobile and profitable, and that is why we have been driving digital throughout News Corp.

• In the UK, The Sun launched Sun+, the digital version of the country's most popular newspaper, and we are focused on enhancing engagement with the imminent launch of a new tablet app.

• Our News UK publications have integrated innovative sports video clips and apps, and expanded into online luxury shopping, catering to the needs of an extremely desirable demographic.

• In particular we've been pleased with The Times, which grew in volume, revenue, pricing and market share, thanks to great journalism and sustained technological toil. A newspaper launched in 1785 has definitely made a successful transition into the digital age.

• In Australia, we're pleased to show very strong digital growth for our paid digital subscriber base over the past year, now exceeding 200,000. And The Australian, which has just celebrated its 50th birthday, released a new iPad app.

Today, The Australian has more paying customers than at any time in its history, and a larger audience than ever, with more than 3 million readers each month.

We are planning to relaunch our paid digital mastheads in Australia, with a simplified subscription offering. We'll also begin integrating these digital publications with a unique form of interactive advertising that will take advantage of the strengths of different formats.

No matter how esteemed the publication, our teams are continuously working to improve the experience for our readers and advertisers.

• Also in Australia, Foxtel announced "triple play" bundling and launched "Presto," its new online movie service, which is in its infancy. Foxtel is focused on monitoring market conditions to respond to competitors and to opportunities, and on driving penetration to increase the value of this great asset.

• Here in the US, Dow Jones released key enhancements to Factiva, and the Wall Street Journal bolstered its digital leadership through new video programming and the launch of WSJ.D, along with verticals focused on economics, marketing and Washington policy.

• Also in the US, I am particularly pleased to note that in-store advertising has shown impressive growth at News America Marketing. There is much discussion about owning the point of sale, but the point of purchase is crucial and that is the strength of our in-store team.

• Amplify launched its new digital curriculum in English Language Arts for grades 6-8, and we are excited about the quality of the offering as we engage with school districts around the country.

• In publishing, e-book sales at HarperCollins this quarter were 23% higher versus the prior year, thanks in part to the success of the "Divergent" trilogy, which underscored the power of book blockbusters in a digital environment. And HarperCollins was at the forefront of the industry in forming partnerships with online e-book subscription services, Oyster and Scribd.

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Of course, any candid review of the year must include the challenges we have faced, including:

• Advertising headwinds in Australia and elsewhere. The ability to make confident forecasts is undermined by the erratic patterns that have characterized trading, particularly in print - which is seriously undervalued as a platform by advertisers. Print is a concentrated, intense reading experience with unique affinity in our digitally distracted age.

• Our professional information business at Dow Jones is still in the process of being recast following a period of difficulty, about which we have been quite frank. Clients are responding favorably to the new product, pitch and pricing, but the development work is not yet done. The rate of decline has certainly eased, but we expect some softness for a quarter or two.

In balancing the opportunities and challenges, we believe there is more upside in the opportunity than downside in the challenge. Our core message is untarnished and unvarnished.

We promised that we would work with "*restless energy*" on behalf of investors, who understandably expect that creativity is balanced by fiscal discipline and that the expansion does not just mean an expanding cost base.

Despite headwinds, we still experienced significant growth in free cash flow, and we showed stable profit margins, demonstrating the strength and diversity of our asset base. We remain focused on driving topline performance, and generating sustained and sustainable returns for our shareholders.

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In summary, one year into our existence, News Corp is unified by our pursuit of premium content and the building of iconic brands, brands that are potent platforms in a digital age. We understand the deep affinity between those brands and our audiences - that affinity is the nexus of revenue and of profitability.

This is a company where calculated risks are taken, instincts followed and objectives pursued with passion, purpose and principle.

We are, as our Executive Chairman Rupert Murdoch said on Investor Day, "*an eclectic and unconventional company*," in an age where such attributes hold great value.

We remain fully aware of the challenges we face, whether the vagaries of the macro-economic cycle in the countries where we work, the ebb and flow of advertising and readership rates, and the mass media mass migration, which continues to unfold.

Those challenges will be met with a focus on costs, and on digital and global growth. We are intent upon fashioning an ever-more rewarding future for our audiences, our employees and our investors.

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