

**Macquarie Media Management Limited**

A Member of the Macquarie Bank Group  
ABN 16 115 524 019  
AFS Licence No. 292297

**Macquarie Media Holdings Limited**

ABN 91 116 024 536

**Macquarie Media International Limited**

EC 37694, ARBN 118 577 423

No. 1 Martin Place  
SYDNEY NSW 2000  
GPO Box 4294  
SYDNEY NSW 1164  
AUSTRALIA

Telephone (02) 8232 9440  
Facsimile (02) 8232 4713  
Internet [www.macquarie.com/mmg](http://www.macquarie.com/mmg)

24 January 2007

**ASX RELEASE / MEDIA RELEASE**



**Macquarie Media Group<sup>TM1</sup> – Acquisition of American Consolidated Media**

Macquarie Media Group (**MMG**) today announced that it has entered into an agreement to acquire 100% of American Consolidated Media, Inc. and 100% of Valley Newspapers Holdings, LP (collectively, **ACM**), a publisher of 40 local newspapers which serve all or significant portions of nine regional communities in Texas and Oklahoma, United States. The acquisition has an enterprise value of A\$102 (US\$80) million, and is subject to regulatory approval and other customary closing conditions.

MMG Managing Director, Alex Harvey said “ACM is a very attractive investment for MMG as it meets our key investment criteria. It provides essential local news and information to the communities in which it operates, some of which are among the fastest growing regions of the US, has strong positions and long established histories in those communities and generates stable cash flows from a large diverse base of local advertisers.

“The acquisition is part of a broader strategy to acquire and grow a portfolio of community newspaper businesses in the United States. We have identified community newspapers as an asset class which meets our investment criteria, generating stable cash flows from predominantly local advertisers, with low dependence on circulation and classified advertising, limited capex requirements and potential for earnings improvement through organic growth and consolidation.”

ACM’s publications are the key local advertising medium in their communities. Of ACM’s 40 local publications, five are daily newspapers, 19 are weekly newspapers, and 16 are “shopper” and speciality publications and associated websites. ACM’s publications provide blanket coverage of eight regions across Texas and one region of Oklahoma, many of which demonstrate above-average income growth driven by population growth or regional economic factors. ACM generates almost all its advertising revenue from local advertising and has achieved efficiencies by centralising the majority of its printing and many of the back-office support functions at its daily newspaper operations.

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<sup>1</sup> Trade mark of Macquarie Bank Limited.

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**Macquarie Media Management Limited is not an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia), and Macquarie Media Management Limited’s obligations do not represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 (“MBL”). MBL provides a limited AUD5,000,000 guarantee as required by the Australian Securities and Investments Commission in respect of Corporations Act obligations of Macquarie Media Management Limited as a responsible entity of a managed investment scheme. MBL does not otherwise guarantee or provide assurance in respect of the obligations of Macquarie Media Management Limited, the performance of funds managed by Macquarie Media Management Limited or the repayment of capital.**

The purchase price and associated transaction costs will be funded by MMG with the proceeds of the refinance of Macquarie Regional Radioworks and the issue of MMG securities to a number of ACM's existing investors.

"We are attracted to ACM and the community newspaper sector more generally as its business model is predominantly driven by its integral position in its local communities. ACM is a key and long-standing member of its communities and provides the essential function of news provision and advertising services to its local populus, including businesses. We think this critical role makes it difficult to erode ACM's position," Mr Harvey said.

"These newspapers are often the key media outlet for hyper-local news in communities which have strong local identities and governmental autonomy, and are well placed to capitalise on the online opportunity. We believe there is the opportunity to generate significant operating efficiencies through a consolidation of these businesses led by professional and experienced management. The opportunity has many parallels to the strategy MMG successfully implemented in the regional radio market in Australia.

"ACM founder and Chief Executive Officer Jeremy Halbreich has over 30 years experience managing newspaper businesses, including 12 years as the President and/or General Manager of The Dallas Morning News. His team has successfully grown ACM by acquiring and developing community newspaper businesses and they will continue in their current roles following completion of the acquisition and will drive any future consolidation activity."

MMG Executive Chairman, Tim Hughes said "The acquisition of ACM provides diversification to MMG stapled security holders' distributions by providing exposure to stable cash flows generated from community newspaper advertising in some of the fastest growing regions of the United States."

"The entire ACM management team eagerly looks forward to our new affiliation with MMG as we execute continued growth and expansion of our local community newspaper platform," said Mr. Halbreich, Chairman of the Board, President and CEO of ACM. "ACM and MMG share the same mission, values and operating philosophies and we believe the MMG strategy for media businesses represents the best and most attractive model for shareholder investors, employees, customers and prospective acquisition targets alike," he added.

Financial settlement of the acquisition is expected to occur in early February 2007, being subject to a number of conditions, including regulatory approvals.

ACM was acquired from a shareholder group including Halyard Capital and Arena Capital Partners, New York-based private equity funds, and BancBoston Ventures, a Boston-based private equity fund.

### **Refinance of Macquarie Regional Radioworks**

MMG's investment in ACM will primarily be funded via a drawdown under a senior term loan secured against Macquarie Regional Radioworks. In December 2006, Macquarie Regional Radioworks entered into agreements to refinance its existing debt facilities with an A\$310 million senior term loan and an A\$18 million working capital facility. Approximately A\$200 million has been drawn under the senior term loan to refinance existing debt including the bridge facility used for MMG's acquisition of its 13.8% interest in Southern Cross Broadcasting. The remainder of the senior term loan will be drawn to fund MMG's acquisition of ACM and other acquisitions that may be identified in the future.

## About Macquarie Media Group

MMG is an investment vehicle listed on the Australian Stock Exchange with the objective of acquiring, owning and managing a portfolio of media businesses globally with strong market positions, stable earnings and potential for growth. MMG is a longer-term investor which is committed to supporting and enhancing the ongoing growth and success of its portfolio companies by combining strong management expertise from quality media operators with the Macquarie Group's strategic guidance, global resources and deal origination and execution expertise. Managed by the Macquarie Group, MMG currently has a market capitalisation of approximately A\$980 (US\$770) million.

MMG currently owns a 100% interest in Macquarie Regional Radioworks, owner and operator of the largest commercial radio portfolio in Australia by number of licences, reaching over 60% of the population outside the mainland capital cities; a 60% interest in Taiwan Broadband Communications, one of three leading cable television broadcasters in Taiwan, providing basic and digital television, broadband internet and telephony services to over 650,000 subscribers in five franchise areas; and a 13.8% interest in Southern Cross Broadcasting.

For further information, please contact:

**Clare Battellino**

Investor Relations Manager

Tel: (61 2) 8232 8059

Mob: (61) 412 646 386

Email: [clare.battellino@macquarie.com](mailto:clare.battellino@macquarie.com)

**Karen Halbert**

Public Affairs Manager

Tel: (61 2) 8232 6755

Mob: (61) 412 119 389

Email: [karen.halbert@macquarie.com](mailto:karen.halbert@macquarie.com)

**Alex Doughty**

Corporate Communications (USA)

Tel: (1 212) 221 1710

Mob: (1 646) 824 1708

Email: [alex.doughty@macquarie.com](mailto:alex.doughty@macquarie.com)



**Macquarie Media Group<sup>TM1</sup>**



# **Acquisition of American Consolidated Media**

**24 January 2007**



# Disclaimer



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Macquarie Media Group ("MMG") comprises Macquarie Media Trust (ARSN 116 151 467) ("MMT"), Macquarie Media Holdings Limited (ABN 91 116 024 536) ("MMHL") and Macquarie Media International Limited (EC 37694, ARBN 118 577 423) ("MMIL").

Macquarie Media Management Limited (ABN 16 115 524 019) (AFS Licence No. 292297) ("MMML") is the responsible entity of MMT and manager of both MMHL and MMIL and is a wholly owned subsidiary of Macquarie Bank Limited (ABN 46 008 583 542) ("MBL").

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# Acquisition Overview



- Macquarie Media Group (MMG) to acquire 100% of American Consolidated Media (ACM) for A\$102 million
- ACM publishes 40 local newspapers which serve the communities of nine regional areas of Texas and Oklahoma
- Platform to acquire and grow a network of community newspaper businesses
- Completion expected to occur in early February 2007, subject to US competition approvals

**SPORTS**  
Calallen extends unbeaten streak this season to five after beating G-P

**NEWS**  
Military funding for South Texas approved by House

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**THE NUECES COUNTY RECORD STAR**  
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Serving the Robstown, Aransas, and rural Nueces County areas

Vol. XXVIII, No. 37 10 The NUECES COUNTY RECORD STAR Thursday, October 5, 2006 75 Cents

**St. Thomas prepares for Czechfest**  
Celebrate help for church

**Football Saturday Scoreboard**

Howard Payne 47	Texas A&M 31	Urbancic 3	Midland 29	Colorado 15
Louisiana Col. 45	TCU 21	OKlahoma St. 41	Kansas 20	
Texas 35	Central Florida 31	OKlahoma 28	Iowa State 10	LINC 21
Travis Tech 31	Houston 31	Missouri 19	Kansas State 31	Oregon State 33

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Your daily news source since 1900

**WEATHER**  
Today: High: 86 Low: 62  
Tomorrow: High: 88 Low: 60

**United Way Community Goal \$225,000**  
GIVE TO THE UNITED WAY - CALL 965-5529 DONATIONS TO DATE: \$135,000

**STEPHENVILLE EMPIRE-TRIBUNE**  
Stephenville, Texas - City of Champions

Sunday October 29, 2006 \$1.50

**Voters faced with numerous choices**

**Miller, Casbeer to work hard during final days**

**Local party chairmen focus on exhausting final stretch**

**'I am a Texan now and ...'**



# Consolidation Strategy



- Community newspapers provide hyper-local news, information and advertising platform to the communities in which they operate
- The US community newspaper industry is large (more than ~1,200 daily and ~6,600 weekly community papers) and has highly fragmented ownership
- Opportunity exists to build a larger portfolio of publications to improve market coverage and extract operational efficiencies
- Benefits of consolidation and scale include centralisation of printing and head office functions, newsprint pricing, sales and marketing initiatives, scale in realising online opportunities and product improvement
- MMG currently involved in a number of discussions on other community newspaper businesses, including some exclusive negotiations
- Strong pipeline of acquisitions provides opportunities to significantly increase the earnings base of the network

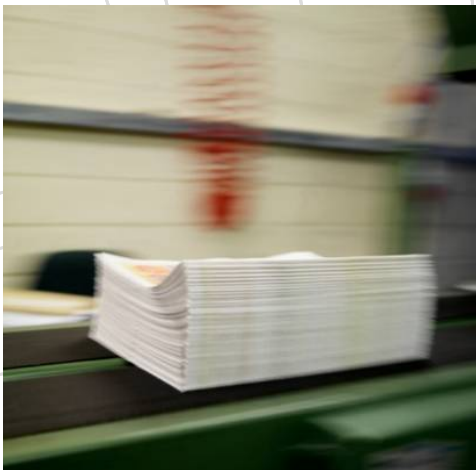




# Management Expertise



- ACM management team is experienced in successfully growing and acquiring community newspaper businesses
- Founded and grown ACM by acquisition over the last 8 years
- Senior team has a combined 100 years' experience in the newspaper sector
- Agreed to re-invest their proceeds from the sale of ACM in MMG stapled securities







# Investment Rationale



- ACM and other community newspaper businesses meet MMG's investment criteria

## Stable earnings & strong free cash flows

- Stable earnings from a large diverse base of local advertisers
- Strong free cash flow generation, with low levels of ongoing capex
- Low exposure to classifieds, in particular verticals such as high-skills employment
- Circulation not a key revenue driver

## Strong market Positions

- Key provider of 'hyper-local' media with targeted focus on very local news and information
- US counties have comparatively high levels of governmental autonomy, generating strong local identity and demand for local media
- Television and radio cover much broader areas and therefore do not target the local advertising dollar



# Investment Rationale



## Barriers to entry

- ACM's established local franchises and hyper-local news networks are difficult to replicate
- Relatively small size of markets and low cost nature of community newspaper advertising provides barrier to entry
- ACM's strategy of providing blanket coverage of its communities provides a barrier to new entrants

## Potential for further earnings improvement

- Opportunity for operational efficiencies via consolidation led by professional management
- Scope for acquisitions – US community newspapers have highly fragmented ownership with a relatively high concentration of independent ownership
- ACM's markets are characterised by above-average total income growth, driven by population increases or regional economic factors
- Organic revenue growth from new product launches and product improvement, rate card increases and online strategy



# Overview of ACM



- ACM's publications are the key source of local news, information and advertising in their communities
- Produces 40 publications including 5 daily papers, 19 weekly papers, 16 "shopper" and speciality publications and associated websites
- Provides coverage of all or significant portions of nine regions of Texas and Oklahoma, some of which are among the fastest growing regions in the US
- Average weekly distribution of ~555,000, reaching a readership population of ~1.7 million through its combination of paid and free publications
- Organic revenue growth through household growth, product improvement, syndicated content initiatives and online opportunities
- Efficient portfolio due to centralisation of print and other back-office support functions for majority of its publications at its daily paper operations



# Business Model



- Stable earnings driven by a large diverse pool of local advertisers and a controllable cost base

## Revenue Drivers

- Display and classified advertising by local businesses & individuals
- Population and retail growth
- Economic factors across nine distinct regions
- Total market coverage
- New product launches
- Product improvement
- Rate card optimisation
- Online strategy

## Expense Drivers

- Employment costs
- Newsprint supply and demand
- Centralisation of printing
- Delivery and fuel costs
- Efficient head office



# Sources and Uses of Funds



Sources	A\$m	%
Radioworks debt	93.9	89.1
Issue of MMG securities to ACM investors	11.5	10.9
<b>Total Sources</b>	<b>105.4</b>	<b>100.0</b>

Uses	A\$m	%
Purchase price	101.5	96.3
Transaction costs and working capital	3.9	3.7
<b>Total Uses</b>	<b>105.4</b>	<b>100.0</b>

Converted at the current exchange rate of USD1.00 : AUD1.2688



# Radioworks Refinancing



- Macquarie Regional Radioworks (**Radioworks**) agreed terms for the refinancing of existing debt facilities in December 2006
- Senior term facility of A\$310 million and a working capital facility of A\$18 million
- A\$200 million drawn to refinance existing debt (including A\$166.5 million bridge facility for acquisition of a 13.8% interest in Southern Cross Broadcasting)
- ACM acquisition funding of A\$93.9 million to be drawn against the remainder of the senior term facility







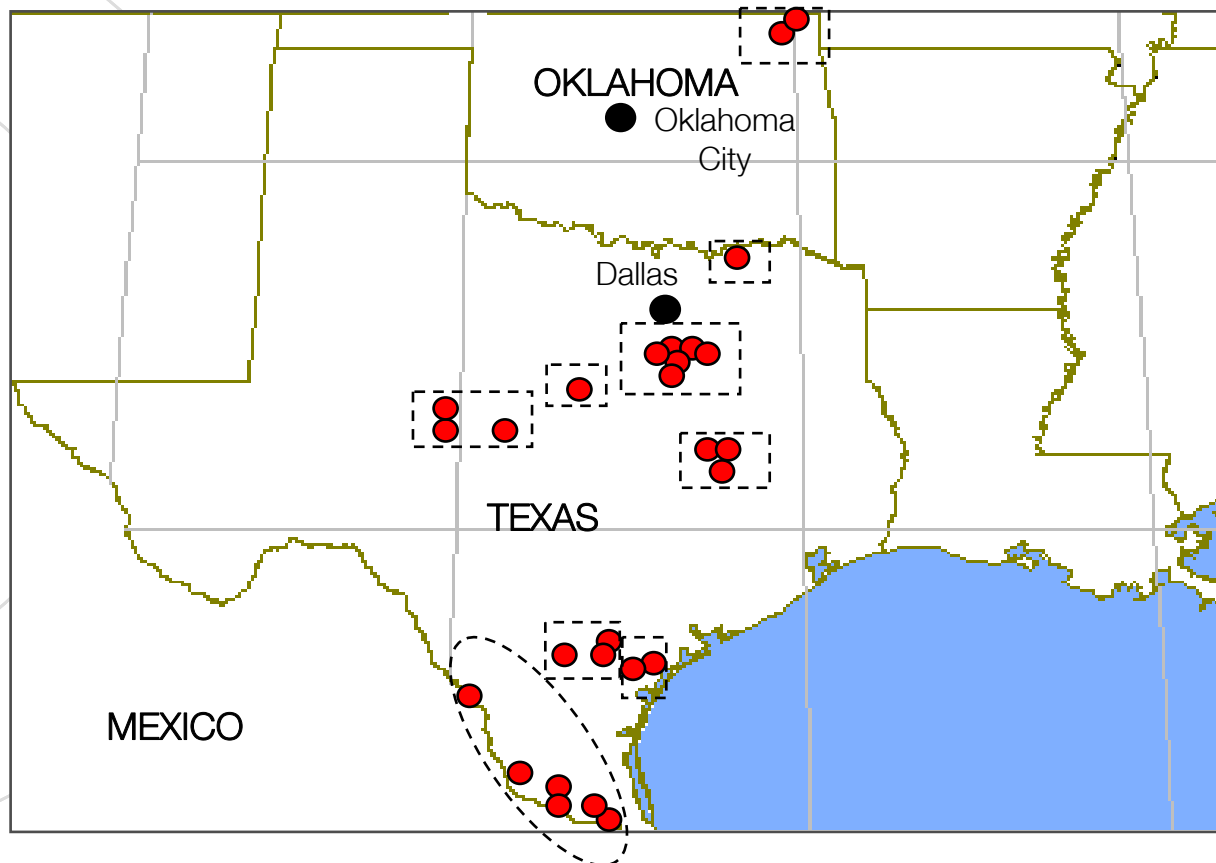
# Appendix



# ACM Coverage Areas



- ACM operates in high growth regions across Texas or more isolated regions with limited advertising alternatives





# Historical Financials



Year ending, 31 December, A\$m	2004	2005	LTM (Nov 06)
Revenue	31.6	32.3	35.6
Operating expenses	(21.5)	(21.2)	(24.1)
<b>Newspaper cash flow</b>	<b>10.1</b>	<b>11.1</b>	<b>11.5</b>
Newspaper cash flow margin (%)	31.9%	34.4%	32.3%
<b>EBITDA</b>	<b>8.0</b>	<b>8.7</b>	<b>8.9</b>
EBITDA margin (%)	25.3%	27.0%	25.1%
Capital expenditure (recurring)	0.2	0.2	0.2
Capital expenditure (growth)	0.2	-	0.6
<b>Total capital expenditure</b>	<b>0.4</b>	<b>0.2</b>	<b>0.8</b>

1. Unaudited management accounts, after pro forma adjustments (including the full-year impact of acquisitions in the year they were acquired)

2. Recurring capital expenditure excludes one-off expenditures but includes full-year impact of acquisitions in the year they were acquired

3. Growth capital expenditure includes one-off expenditures

4. Converted at the current exchange rate of USD1.00:AUD1.2688