News giant Reach reports falling profits amid ‘unprecedented’ printing costs

Reach has reported print revenue down 3.9% to £223.4m, with circulation and advertising down 5.1% and 9.9% respectively.

However, half year results for the media group – which owns The Mirror, OK magazine and Manchester Evening News among many others – also showed digital revenue up 5.4% from £68.8m to £72.5m year-on-year. Overall revenue was down 1.6%.

Adjusted operating profit of £47.2m was down 31.5% – or £21.7m – reflecting an ‘unprecedented increase’ in newsprint cost, which was up by 65% on a like-for-like volume basis. Energy prices fuelled all-time high newsprint cost, with no improvement forecast during the rest of this year.

Statutory operating profit, however, was up 20.6% from £28.6m to £34.5m year-on-year, driven by a reduction in operating adjusted items of £12.7m – down from £40.3m during the first half of last year.

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Chief executive Jim Mullen commented: “While the macro-environment is naturally presenting challenges, we’re committed to investing in the data and digital capabilities that are shaping the future of our business.

“Our ongoing strategic transformation strengthens us financially and operationally while we continue to deliver positive change through our editorial impact.

“We have acted swiftly to address the headwinds facing the business and expect the further cost efficiencies and cover price increases to mitigate the impact of newsprint inflation and reduced advertiser demand which are affecting the whole sector.

“Our strategic shift towards greater customer engagement and data-driven revenue is driving a more sustainable and profitable future,” he continued, adding: “The strength of our balance sheet and cash generation underpin both a growing dividend and continued investment as we transition to an increasing mix of higher quality digital earnings.”

The group’s board also made two new appointments: Priya Guha and Wais Shaifta.

Guha brings leadership expertise in the tech and innovation space, while Shaifta has a track record in e-commerce and customer engagement.

Additional cover price increases across print publications generally strengthened circulation revenue, without hitting print volumes during the first half of 2022.

Lower digital growth was experienced in the second quarter, with less ‘brand-safe advertising space’ due to the war in Ukraine and a market-driven reduction in advertiser demand. This was reflected in lower yields for open market programmatic revenues.

Adjusted operating cash flow of £39.2m – compared to £82.6m during the same half year period last year – represents cash conversion of 69%.

The group’s retained cash decreased by £21.9m to £43.8m, after payment of final dividend and a penultimate payment for the acquisition of The Express and Star.

A further reduction in pension accounting deficit to £69.1m, down from £117.2m year-on-year, is still yet to achieve a resolution of Reach's 2019 triennial review of pension commitments.

Despite this, the board has raised interim dividends by 4.7% to 2.88 pence per share.

As for the forecast, the stock exchange statement suggested data-driven revenues will to continue to outperform during the second half of this year, although yields on open market programmatically driven revenues will remain depressed. "We therefore expect total second half digital growth to remain subdued."

Total operating costs should continue to fall during the rest of this year, with cost management actions mitigating the impact of inflation and preserving ongoing investment plans.

"We do not anticipate an improvement in the existing rate of newsprint during the second half," read the statement. "In the context of an uncertain macro and political climate, we remain mindful of the risk of further deterioration in economic conditions."

Elsewhere in the half-year report, Reach stated that website page views and UK audience were up 8% and 2% respectively

Around 25% of the total UK audience is now registered, with these users now over 11 million – up from five million in 2020.

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