



ATOMIC 212°

**FAIRFAX / NINE:
A PERSPECTIVE.**

SIMPSONS

**ATOMIC 212°
GROUP**



CONTENTS.

FAIRFAX-NINE MERGER: THE OPPORTUNITIES AND THE FALLOUT	3
.....	
WHAT DOES IT MEAN FOR THE INDUSTRY?	3
.....	
WHAT HAPPENS TO CLIENT SPEND?	3-4
.....	
HOW WILL CONTENT BE AFFECTED?	4

FAIRFAX-NINE MERGER: THE OPPORTUNITIES AND THE FALLOUT.

CONTEXT

The Fairfax-Nine merger may be one of the biggest developments in Australian media history, but the reality is that it was inevitable in the face of the relentless digital onslaught from juggernauts like Google and Facebook. The fact that this was kept quiet, until now, is astounding.

While the Turnbull Government's softening of Australia's media laws in 2017 meant that it was finally permissible that two companies previously regarded as giants of media could come together, this is as much an act of survival as it is an opportunity for Fairfax and Nine.

The broad brushstrokes are that Nine are set to own 51.1 per cent of the new entity – estimated at being worth more than \$4 billion – with the 177-year-old Fairfax name set to disappear, as the company presses forward under the 'Nine' moniker.

As a result, three of Australia's most prominent mastheads – *The Age*, *The Sydney Morning Herald* and *The Australian Financial Review* – will become part of the Nine stable, along with Fairfax's vast portfolio of regional newspapers, and group companies Domain and Macquarie Media.

Of course, this is just the latest in a string of media mergers and acquisitions tearing their way through the local market, starting with CBS' acquisition of Ten in 2017, not to mention the recent announcements of plans for JCDcaux to acquire APN Outdoor and Ooh!Media to buy AdShel.

Obviously there's a massive shift to the way things are done in Australia's media landscape, but the likes of newspapers and TV companies are coming up against digital players like Netflix, which is set to spend \$13 billion on original content this year alone, as well as Facebook and Google – companies whose founders' personal wealth make the Nine merger's \$4 billion valuation look, frankly, small. With half the nation's adspend directed towards digital, it's no wonder local players are developing new strategies to combat the leakage.

Add in AT&T acquiring Time Warner, as well as Disney aiming to buy up 21st Century Fox, and Australia's media companies are very small fish in a massive, global ocean.

This merger was about Aussie companies and content enduring in the face of behemoth businesses. Of course we shouldn't be too pessimistic – this deal would undoubtedly see Nine and Fairfax maintain their position as behemoths, at least in the Australian market.

WHAT DOES IT MEAN FOR THE INDUSTRY?

If this deal passes all the necessary hurdles, we will undeniably see more mergers and acquisitions of media companies, particularly in light of the loosening of tough restrictions on media ownership in 2017.

Australia's other big free-to-air player, Seven, will be sure to be on the lookout for a large partner of their own. In fact, Seven had been deep in talks to merge with Fairfax, before the deal fell over and Nine swooped. This suggests Seven are eager to act quickly, with whispers growing louder that they will merge with News Corp.

While we'll keep our powder dry on that marriage until it is locked in, these changes appear to cement the longstanding evolution of media owners from channel-led to audience-led businesses. Nine hasn't been just a TV station for years, and the purchase of Fairfax will create a truly cross-platform company with the ability to sell far broader audiences to advertisers across far more channels. Long gone are the days when – as Paul Keating once said in the '80s – media companies could either be "princes of print" or "queens of screen" but not both.

Ten, for their part, are now owned by US conglomerate CBS, which would suggest they're less likely to be on the lookout for another partner in the immediate future, although that will obviously depend on the success of the new Nine.

With the news of a merger, there is of course speculation about job losses. However, both Marks and current Fairfax CEO Greg Hywood have sought to allay fears the jobs slashed will belong to journalists, with Hywood claiming there were no plans to combine the two companies' newsrooms, and Marks saying "core content creation" roles, such as journalists, were safe.

Time will tell on that front.

WHAT HAPPENS TO CLIENT SPEND?

Nine's reach is set to grow considerably, and if the deal goes through we can expect to see an aggressive Nine spruiking an extensive offering which really touches the major media channels.

Marks said the merger would create "a unique, all-platform, media business that will reach more than half of Australia each day through television, online, print and radio." As such, Marks is saying the merger will "revolutionise" their advertising offering.

“For our agency partners and advertisers, we will provide an expanded marketing platform with even greater advertising solutions underpinned by a significantly enhanced data proposition,” he said.

It’s a bold claim, but one that appears to stack up. Combining a top-rating free-to-air TV station, some of the nation’s best-respected newspapers, a network of hugely popular radio stations, and a host of Australia’s most visited digital assets makes for a hell of a one-stop-shop for a client. With the ability to reach more than half of the Australian population via multiple channels, the new Nine giant will be highly attractive to advertisers.

If they can deliver on that promise, Nine becomes a seriously attractive proposition – and the expectation must be that they will be aggressive in pursuing new clients to ensure this new way of doing business is as profitable as it appears on paper.

Of course, that’s a very important ‘if’, as the CEO of the Australian Association of National Advertisers (AANA), [John Broome, pointed out](#).

“We’re optimistic that the Nine-Fairfax merger will create more value for advertisers, but we still need to see more detail to ensure that the deal enhances, rather than diminishes, the consumer experience,” Broome said.

HOW WILL CONTENT BE AFFECTED?

One of the biggest concerns from a content perspective is that the merger will lead to a more homogenised news offering and could threaten editorial independence. This is particularly a concern in regional areas. Take Newcastle, where the two major local news outlets – Nine’s NBN and Fairfax’s *The Newcastle Herald* – will now both be owned by the same company.

Fairfax maintain they will keep their journalistic standards, independent of what their parent company may be called, but fewer news outlets certainly points to fewer voices and perspectives, especially for those outside the capital cities.

Marks was at pains to point out that the takeover was not a death-knell for print in Australia, saying Fairfax’s original offering would “remain a core part of the foreseeable future”.

“For us, this is all about ensuring this business has the resources, revenue model and revenue mix – in other words the commercial mix to fund whatever needs to be funded because content ain’t cheap, especially good content ain’t cheap,” he said.

However, other commentators haven’t been so rosy in their outlook.

Senior Research Fellow in the Centre for Advancing Journalism, University of Melbourne, Denis Muller, called Nine “a media conglomerate whose editorial culture is characterised by mediocre journalism”.

“There is a huge question mark over the future editorial quality of the newspapers,” [Muller wrote for *The Conversation*](#).

He also questioned whether Fairfax’s previous joint investigations with ABC’s *Four Corners* would become a thing of the past – [the ABC raised the same concern](#), as Nine would likely be reticent to allow their employees to collaborate with a competitor.

All that said, content goes beyond the realm of news, and Marks said that journalism was not the motivator behind the merger – rather, streaming service Stan and real estate platform Domain were the big drivers.

“The people that have come in and changed our world - the big tech players - our ability to compete with those tech players is to do it through content. Content will be the future of this business,” Marks said.

Nine and Fairfax already had a partnership via Stan, with the local streaming service’s CEO, Mike Sneesby, saying the parent companies joining will help Stan remain the “leading local streaming service” in Australia.

However, between Netflix, Hayu, Amazon Prime Video, Foxtel Now and Ten parent company CBS announcing plans to launch their ‘All Access’ service Down Under by the end of the year – to say nothing of Disney’s proposed service, which is set to hit screens of all sizes in the US in 2019 – streaming is the way of the future.

On that front, the Fairfax-Nine merger is yet another case of combining synergies to stay relevant and competitive in the face of massive overseas companies with far larger reach and budgets.

ATOMIC 212^o

SYDNEY OFFICE

9/23 Hickson Road
Sydney, NSW, 2000

MELBOURNE OFFICE

31 Ross Street
Melbourne, VIC, 3205

DARWIN OFFICE

19 Smith Street Mall
Darwin, NT, 0800