



Yellow™: Yesterday, Today & Tomorrow

A summary of a speech delivered by Bruce Akhurst, CEO, Sensis Pty Ltd, at the Australia-Israel Chamber of Commerce Luncheon in Melbourne, 30 March 2007.

About Sensis

Sensis is Australia's leading information resource.

We manage some of Australia's most popular information brands, such as Yellow™, White Pages®, Trading Post®, UBD® and Whereis®.

13 million Australians use our services over 130 million times a month.ⁱ

Put another way, the number of Australians who will use Sensis between now and the end of this lunch would fill Telstra Dome. Twice!

These Australians are searching a network of over 350 print guides, ten web sites, three voice, one satellite navigation and seven mobile services.

And almost all of these Australians are looking to buy. That makes Sensis a very different media business. We don't attract people reading the fashion pages or watching the news. People for whom advertising is an interruption. Our users are people searching ads because they want to buy something.

That's why almost 600,000 advertisers rely on Sensis to find customers. In fact, there are likely to be many businesses in Australia who literally owe their existence to Yellow™ and our other properties.

Sensis is Telstra's advertising and information business and a key Telstra growth engine. In the last financial year, we delivered 6.9% revenue growth to \$1.8 billion and 10.2% EBIT growth to \$932 million.

That's our fourth year in a row of strong growth, making Sensis one of the fastest growing directories companies in the world.ⁱⁱ

But our role in Telstra goes beyond financial return. Together with BigPond and Foxtel, we provide the content that underpins Telstra's online and mobile data services.

The Evolution of Yellow™

The Yellow™ story began with the first Melbourne print telephone directory in 1880. It contained 44 listings – a far cry from the millions of listings that Yellow carries today.

Many were businesses, such as James Henty and Co., whose phone number was 54.

Yellow Pages® remained a print directory until 1994, when we established the world's first online directory - Yellow Pages® *OnLine*.



Over the next decade, we spread Yellow Pages®' wings into voice and satellite navigation.

Then, in 2006, we really got busy. We re-branded Yellow Pages® to Yellow™ to better reflect its multi-channel capabilities.

We launched the Yellow™ *In the Car* directory for when you're out and about.

We launched the Home At Yellow™ home services web site and Yellow™ Mobile for 3G and Next G mobiles.

And we used Yellow™ content as the basis for a new national accommodation guide – GoStay®.

A Marketplace

Yellow™ is a multi-channel marketplace: millions of Australians interacting with hundreds of thousands of businesses from just about every industry sector, every day.

Yellow™ is so effective at helping people find the suppliers they need that over 90% of metropolitan Australian adults searching Yellow™ print will go on to contact a supplier.ⁱⁱⁱ

And over 70% of those people will end up buying.^{iv}

Imagine for a minute the level of commerce that activity must generate! No wonder so many businesses invest in Yellow™.

Like any marketplace, Yellow™ reflects the social and economic trends of every industry trading within it.

So, for example, has there been a housing boom in Yellow™, as there has been in the housing market itself? In 2001, there were 85,000 searches for building contractors in Melbourne. Last year, there were 440,000. It's grown by a factor of five.^v

How are Melburnians reacting to the drought? In 2001, there were 11,000 searches for tanks and tank equipment. In 2006, there were 106,000.^{vi}

And, are Melburnians leading a more cosmopolitan lifestyle? With 417,000 searches for restaurants in 2001 compared to 3.3 million last year^{vii}, I'd say we definitely are more cosmopolitan.

Yellow™ is an extraordinary marketplace. It exists in homes, businesses, computers, mobile phones and sat nav devices all over Australia.

And it drives an astounding level of economic activity by bringing buyers and sellers together to trade.



There's more to Yellow™ than Yellow™

Given its contribution to the livelihood of Australians, it's not surprising that Yellow™ is a significant financial contributor.

Over the last five years, Yellow™ print revenue has grown by 25%. It now earns well in excess of \$1bn.

At the same time, however, yellow.com.au has now grown to become our largest driver of revenue growth.

2.5 million unique users a month^{viii}, well over 100,000 customers and more than \$100m in revenue a year.

Businesses like Whereis® location and navigation and MediaSmart® online display advertising among many others owe their existence in one way or another to Yellow™.

We first launched the Whereis® digital mapping business in 1997 to service the emerging digital mapping market. Whereis® is now Australia's premier online mapping site and the leader in mobile and satellite navigation mapping.

About three years ago, we began folding our Yellow™ business data into Whereis® maps. You can now not only search for addresses but local businesses as well.

Uptake of Whereis®-powered satellite navigation devices is more than doubling every year.

And whereis.com is used by over 2 million unique browsers a month^{ix} – that's almost tripled in the last two years. In fact, Australians are now downloading more than 70 million Whereis® online maps a month.^x That's astounding!

We were the first company to launch high resolution digital aerial photos of Australia's cities. Now you can get a birds-eye view of Australia's capitals simply by going to whereis.com.

Yellow™'s Future

Our job is to make Yellow™ content available wherever buyers are searching and to help advertisers optimise the returns on the content they provide us. And we'll do this within some very clear guidelines.

We will extend into new services that better meet specific customer needs, such as we have done with Home At Yellow™ and Yellow™ offers.

We will continue to explore the boundaries of technology. We're working now on the models Yellow™ will adopt in digital television.

We will continue to deepen our content and provide better ways of finding it. The high resolution aerial maps covering all major cities are an example of this.



We will integrate even further. There is so much opportunity for us to integrate our services to drive value. Not just online, but in print as well. For example, we recently ran a promotion where Yellow™ *In the Car* was made available free with UBD® street directories. UBD® provides the distribution channel for Yellow™, while Yellow™ adds value to the UBD® purchase.

Our priorities for sellers include finding new ways to reach new markets, in the way we have with satellite navigation and our 1234 voice service.

We will continue to make buying advertising from Sensis easier. Last year we took the step of integrating our print and online sales forces into one cohesive unit. We did this so our advertisers can purchase advertising across a wide range of channels from one rep with one contract.

And we need to become more consultative to improve customer value. This year, our sales people are focused on providing solutions rather than selling products.

And finally, we need to make Yellow™ totally accountable to the advertiser. We now have tools that demonstrate our return on investment very clearly to advertisers. We will continue to refine this, together with our pricing and bundling packages.

Conclusion: The Value of Yellow™

I'd like to close now with some final thoughts on the value of Yellow™.

You may have noticed the strong attraction that global private equity investors have had for Yellow directories businesses over the last five years or so.

Only the other day, it was reported that Telecom New Zealand sold its directories business to a private equity consortium at an enterprise value to EBITDA multiple of 14 times 2007 earnings.

Why would the market attach so much value to predominantly print businesses when print is supposedly yesterday's news?

Clearly, the answer's partially financial.

Yellow Pages businesses are highly profitable and powerful cash generators. We operate on EBITDA margins in the 50% zone.

But, that's the consequence, not the cause of Yellow's™ real value.

When you look closely, the beating heart of Yellow™ is our content. That's the foundation upon which this multi-channel, multi-product market called Yellow™ is built.

It's our ability to reach and work with hundreds of thousands of Australian businesses every year.

To acquire their business content and to formulate, manage and syndicate that content across multiple channels.



And to deliver that content to Australian buyers – anytime, anywhere, using any device they choose.

Yellow™ has 9 million Australians every month looking at nothing but ads.^{xi}

90% of buyers searching this network go on to contact a business. And 70% of them go on to buy.^{xii} That's a great value proposition

It's vital to our broader advertising network and it delivers shareholder value well beyond its own revenue. It sits behind many of our fastest growing services, such as 1234, Whereis®, MediaSmart®, GoStay® and, of course, yellow.com.au and Yellow™ Mobile.

It doesn't matter where you put it, Yellow™ content drives usage - because it's valuable.

Yellow™ is valuable to buyers because it helps them find suppliers and make the right decisions.

It's valuable to advertisers because it helps them find customers – the lifeblood of their businesses.

And Yellow™ content is proving that it's valued by buyers and sellers across almost every technological channel available.

It doesn't matter how technology changes the way Australian buyers and sellers search for each other. Yellow™ content will continue to help them make the connection.

Just as it has been for almost a century.

ⁱ Roy Morgan Single Source Australia Jan – Dec 2006. Base Adults 14+

ⁱⁱ Sensis data.

ⁱⁱⁱ Independent research of 18-64 year olds conducted by TNS in Sydney, Melbourne, Brisbane, Adelaide and Perth (July 2005 - June 2006).

^{iv} Ibid.

^v Yellow data.

^{vi} Ibid.

^{vii} Ibid.

^{viii} Roy Morgan Single Source Australia Jan – Dec 2006. Base Adults 14+

^{ix} Nielsen//NetRatings SiteCensus, average monthly users, Sept - Dec 2007.

^x Sensis data.

^{xi} Roy Morgan Single Source Australia Jan – Dec 2006. Base Adults 14+

^{xii} Independent research of 18-64 year olds conducted by TNS in Sydney, Melbourne, Brisbane, Adelaide and Perth (July 2005 - June 2006).