

**CONSUMER MAGAZINES  
STUDY**  
Brazilian Market - 2000 to 2010

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## 1 METHODOLOGY

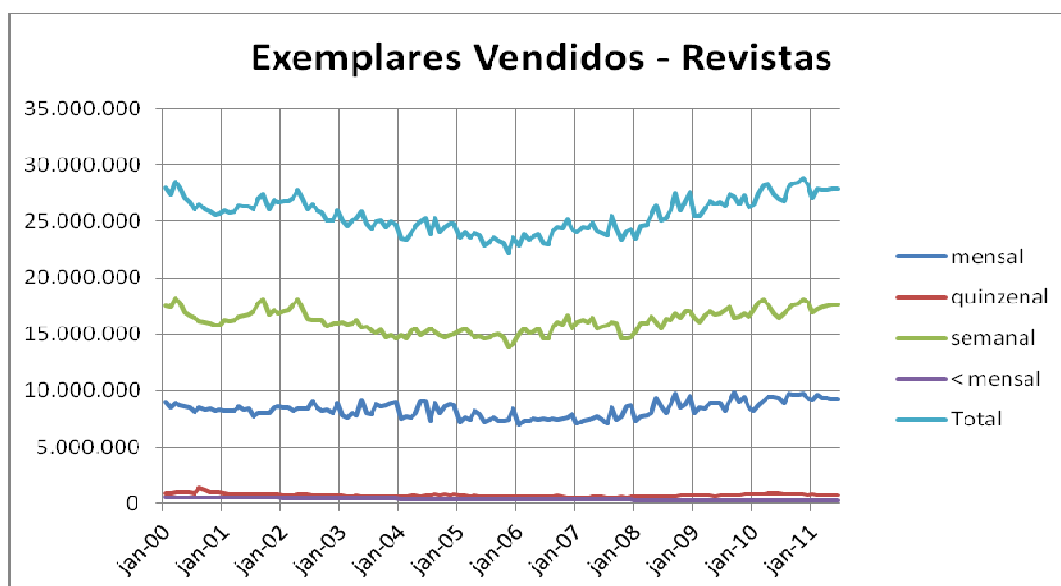
Traditionally, the Instituto Verificador de Circulação (IVC) publishes the aggregate circulation by adding the average circulation of consumer magazines, newspapers and B2B magazines separately. However, due to the diversity of frequencies within each category, this sum may not be the most appropriate to consumer magazines.

In this study, we seek separate analyses according to the frequency, taking into consideration that weekly magazines have a frequency four times higher compared to the monthly magazines, which in turn have a frequency 12 times greater than the annual, to cite just two examples. This way, the numbers here disclosed may differ from figures published previously by IVC.

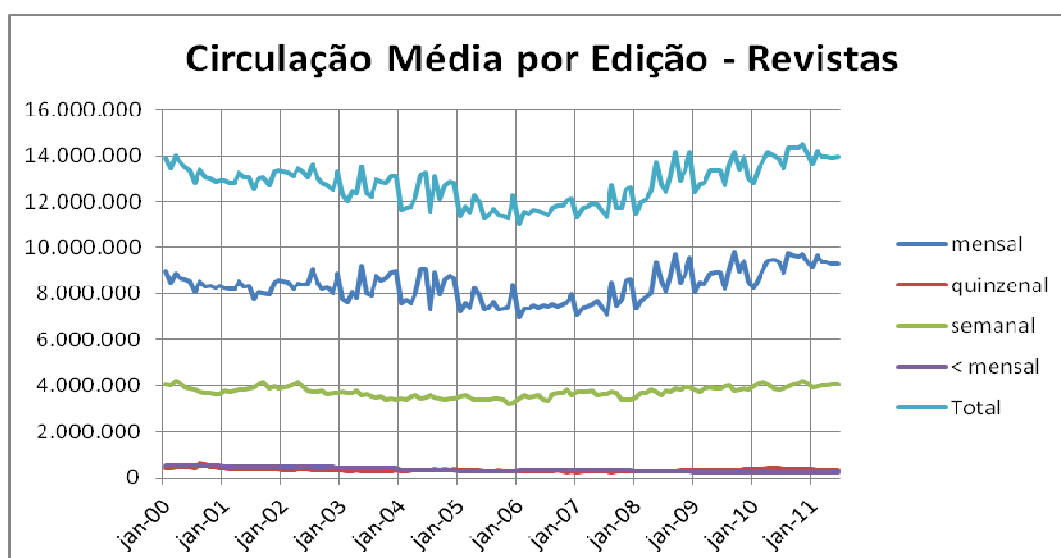
For the analysis of the year 2011 aspects such as number of titles, price and revenues, were extrapolated from available information. It is noteworthy that for the other information, the analysis covers the period between 2000 and 2010. Throughout the year, there are seasonal factors that vary with each type of publication. However, these variations do not significantly change the analyses presented here, as we focused on long-term trends.

## 2 EVOLUTION OF THE NUMBER OF COPIES OF 2000 TO 2010

The chart below presents circulation data considering the numbers of copies sold. The analysis comprises the period between January 2000 and December 2010. We distributed the circulation of magazines with less than monthly frequency (annual, semiannual, quarterly, bi-monthly and quarterly) evenly throughout each year, to avoid distortions.



In the following chart you can see the circulation data totaled in the traditional manner, i.e., summing up the monthly averages of magazines regardless of number of editions per month.



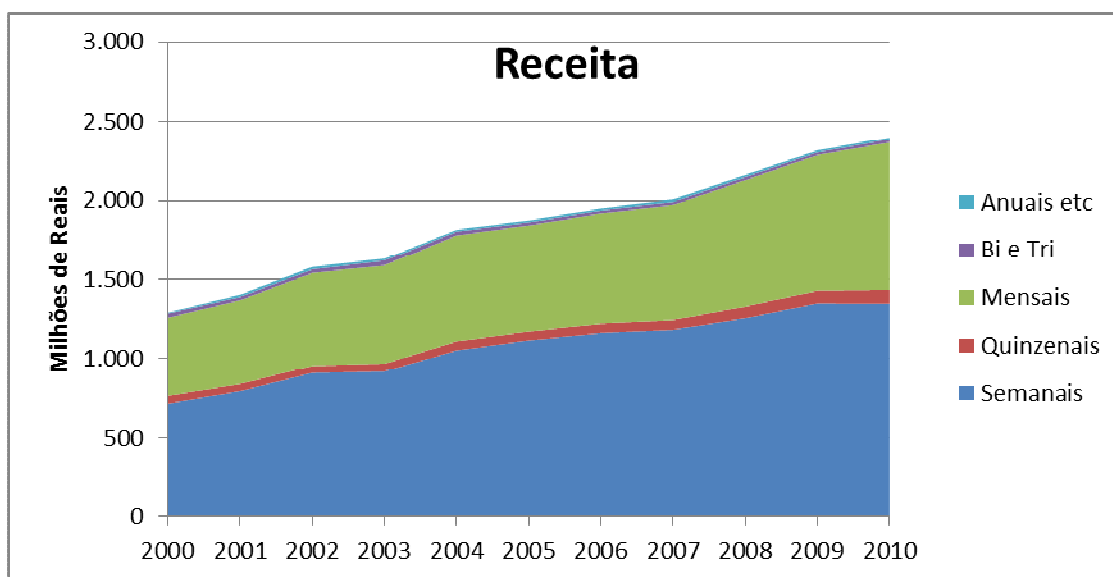
One can realize that, when considering copies sold, the weekly magazines represent two-thirds of the total. If you look at the average monthly circulation addition one will have the erroneous impression that the weekly magazines represent only a third of the total.

One can also notice that the main volumes belong to weekly and monthly magazines. The circulation of by-weekly, by-monthly, quarterly, semi-annual and annual publications are much smaller.

For the purpose of our analysis from this point onwards, we'll discuss just copies sold of annual volumes, focusing the analysis on monthly and weekly magazines.

### 3 ANNUAL GROSS REVENUES BY PERIODICITY

The chart below presents the annual gross revenue in real currency, according to each class of magazine frequency.

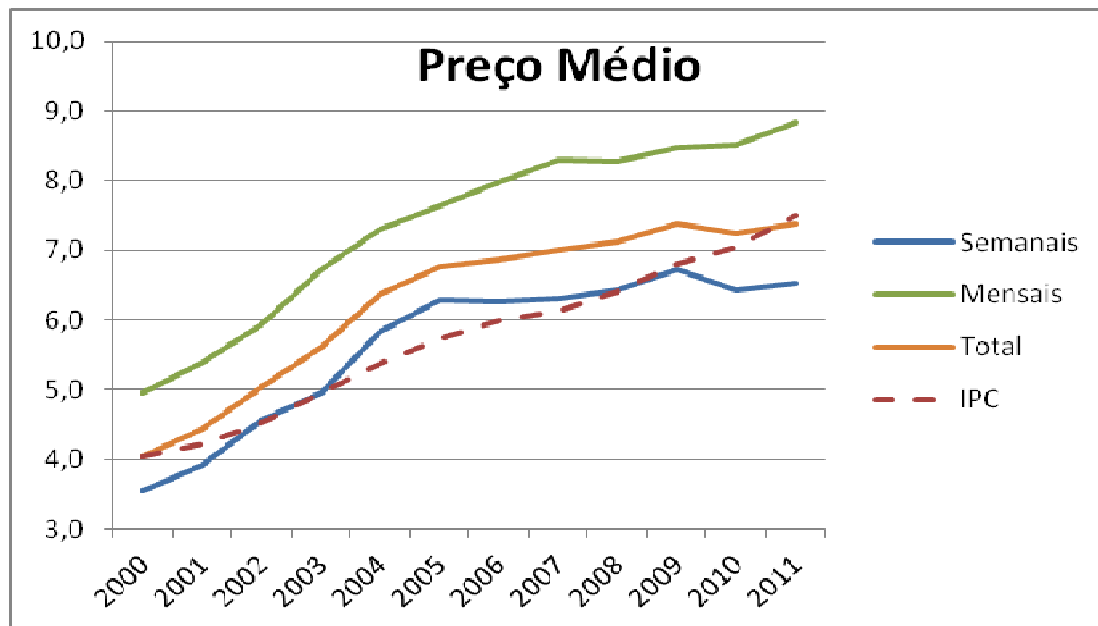


In percentage terms, the participation of weekly and monthly on the total is very similar to the beginning of last decade, 56% and 39% respectively.

Combining the two trends presented so far, gross sales and copies sold, one can observe that the revenues had continuous growth while the circulation declined at first, until an inflection point around 2005/2006, for a period of growth afterwards.

### 3.1 AVERAGE PRICES

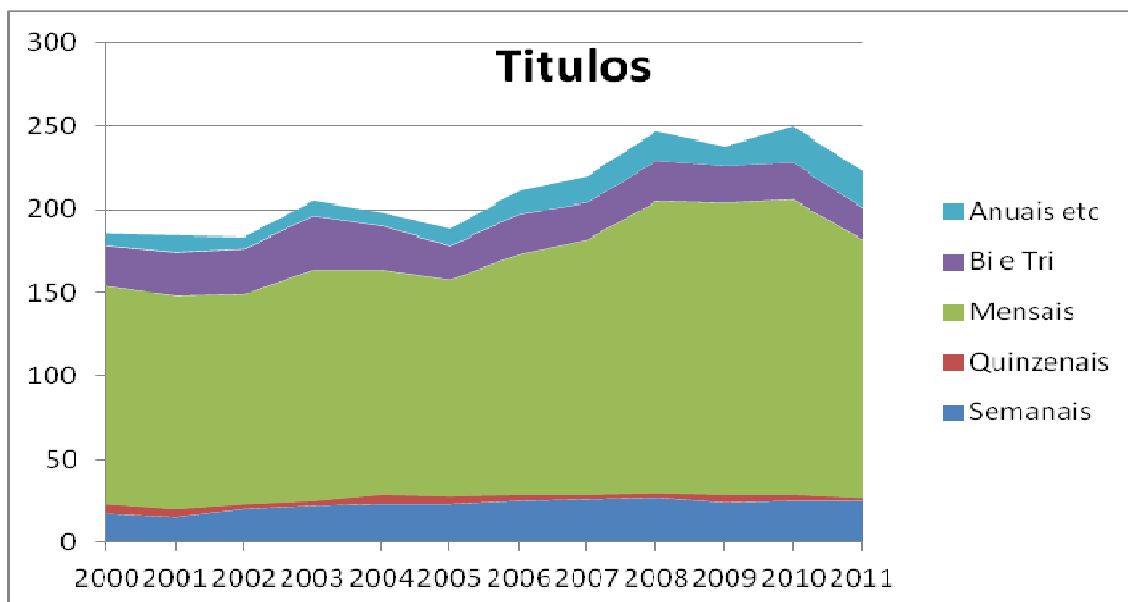
With this regard, one realizes the increased unit price until 2005. From there, having settled better profitable levels and a healthier business, volume growth resumed. The following chart shows the average unit price of two categories, monthly and weekly. It was also added, for comparison purposes, inflation applied to the average price at the beginning of the series.



The detailed analysis of this data will be more appropriate if done separately for weekly and monthly categories, because it derives from diverse factors, as we shall see below.

## 4 NUMBER OF TITLES TREND

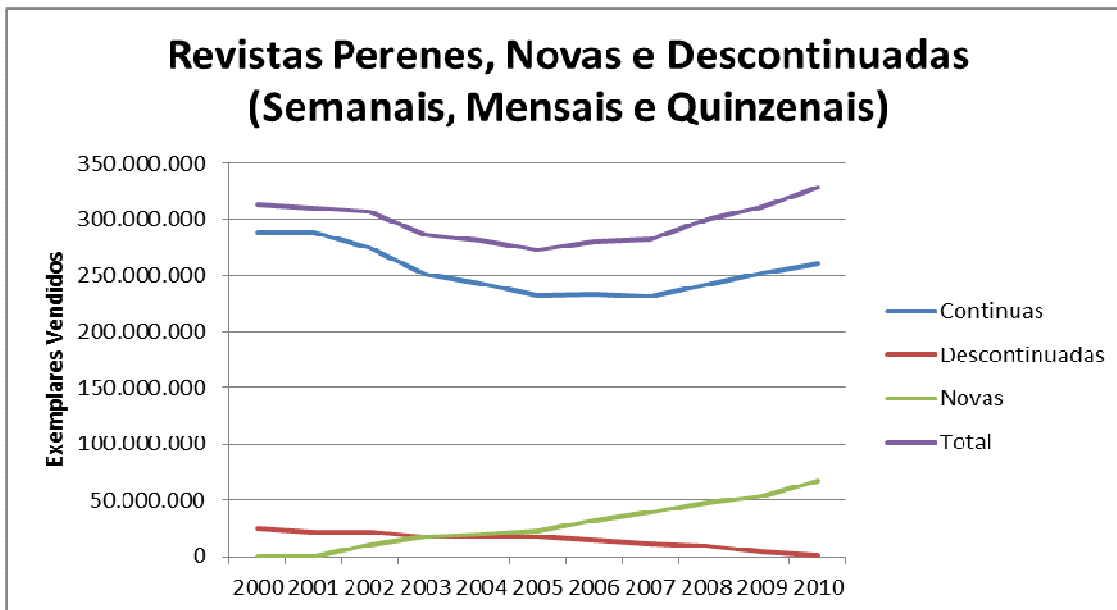
Before we look at the two categories, weeklies and monthlies, we can observe the trends of affiliated titles in the following chart.



The decline in the year 2011 vs. 2010 is due, in its vast majority, to the discontinuation of the Símbolo Publishing House titles in the first half of 2010.

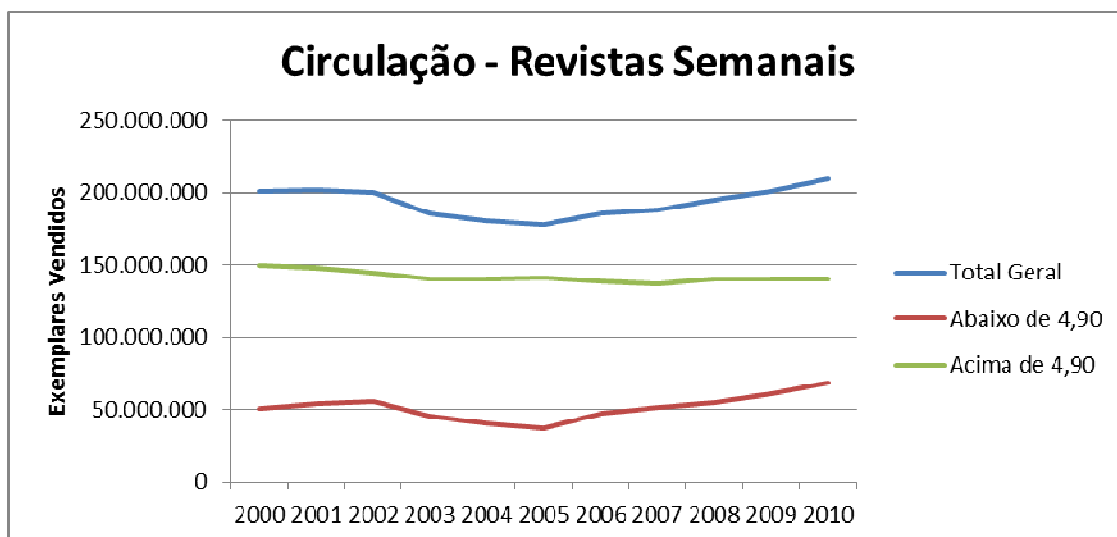
More interesting still is what the graph does not show: from 185 titles that were present in 2000 only 80 remain to this day; 305 new titles have been created, but of these 162 were discontinued, scoring 223 titles today.

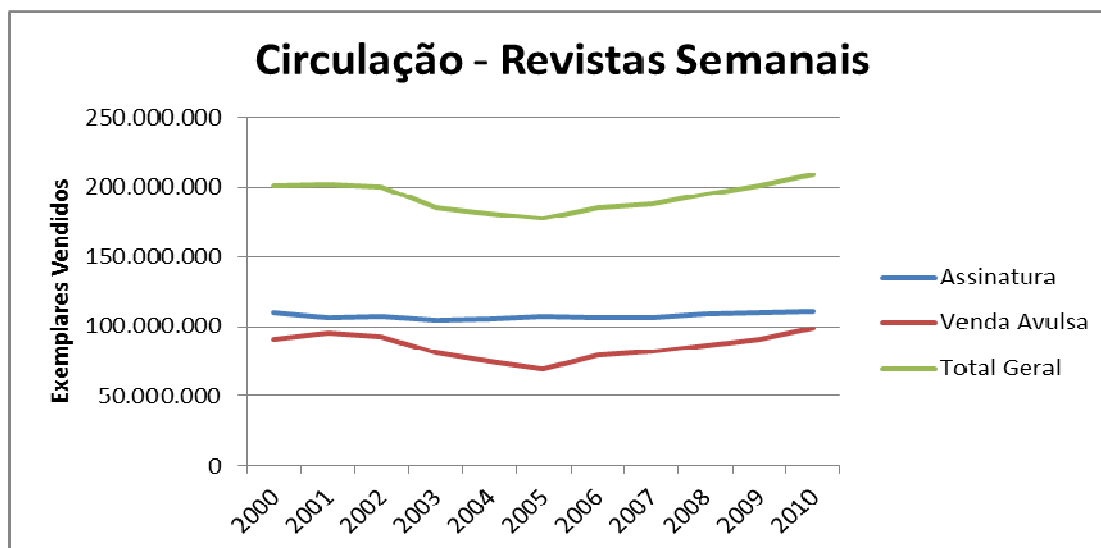
These data demonstrate the existence of a very dynamic market, with a lot of experimentation and investment on the part of editors. The evolution of copies on these categories can be seen in the chart below.



## 5 WEEKLY MAGAZINES

We will present charts with the circulation of weekly magazines, segmented into two categories of cover price: up to \$ 4.99 and above \$ 5.00. Following one can see the chart on single copy sales and subscriptions.

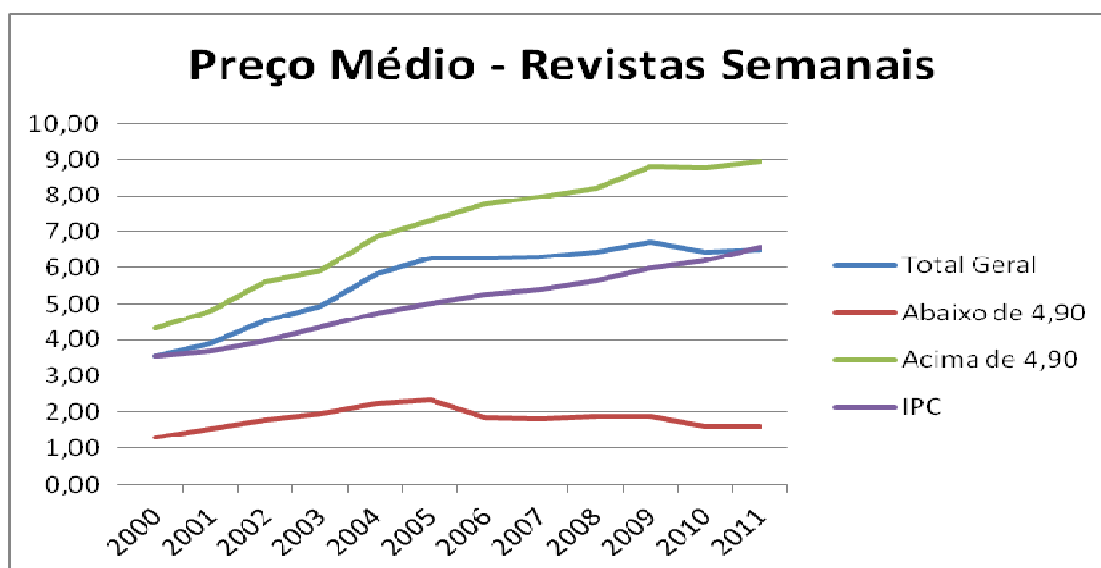




It can be seen that the growth of weekly magazines, starting in 2006, was mainly due to the popular segment of less than R\$ 4.99 cover price, which relies basically on newsstand sales and with almost no subscription sales.

A similar phenomenon was observed in the newspaper industry, as per previously published analysis by IVC. The average growth between 2005 and 2010 was 3.34%, being 13.3% on the popular segment, while publications with price above R\$ 5.00 remained flat.

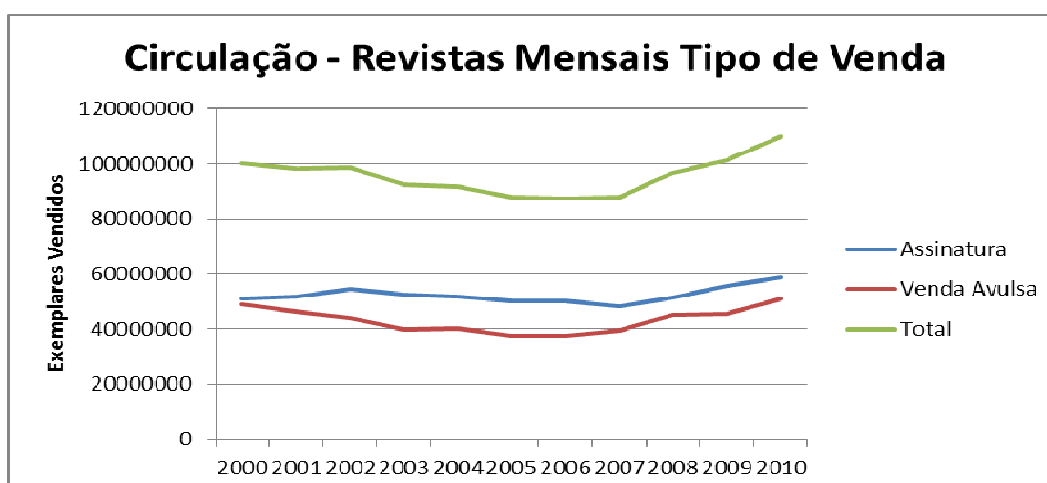
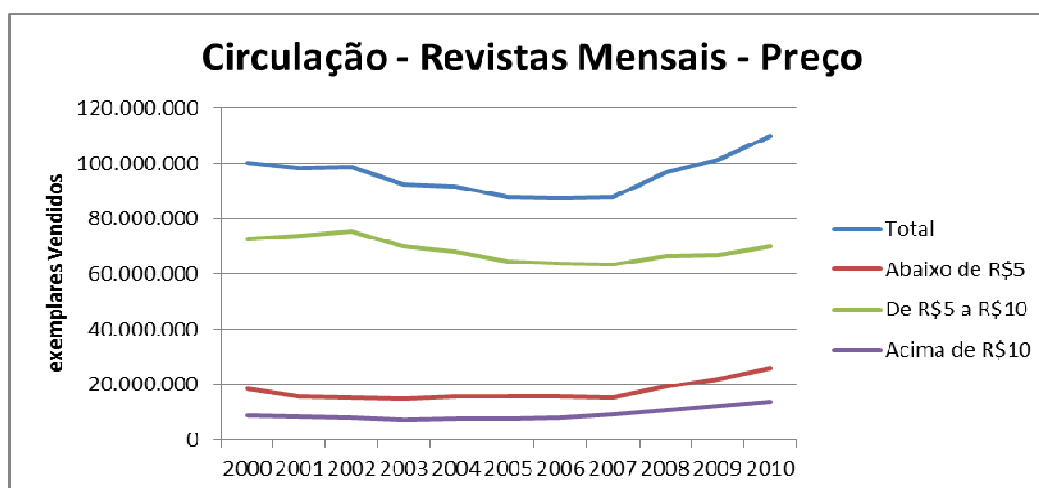
The following chart shows the trends of the average prices compared to the consumer price index (IPC) from Getulio Vargas Foundation (FGV) to take inflation into account.



One can note that until 2005 the cover price trended above inflation, increasing business margins. From 2005 onwards, the price increase of the magazines with cover price above R\$5.00 continued in line with inflation. However, the popular magazines have not increased in line with the inflation. This price positioning, combined with the growth of the popular segment, led the average price of weekly magazines to stabilize between \$ 6 and \$ 7, in the period between 2004 and 2011.

## 6 MONTHLY MAGAZINES

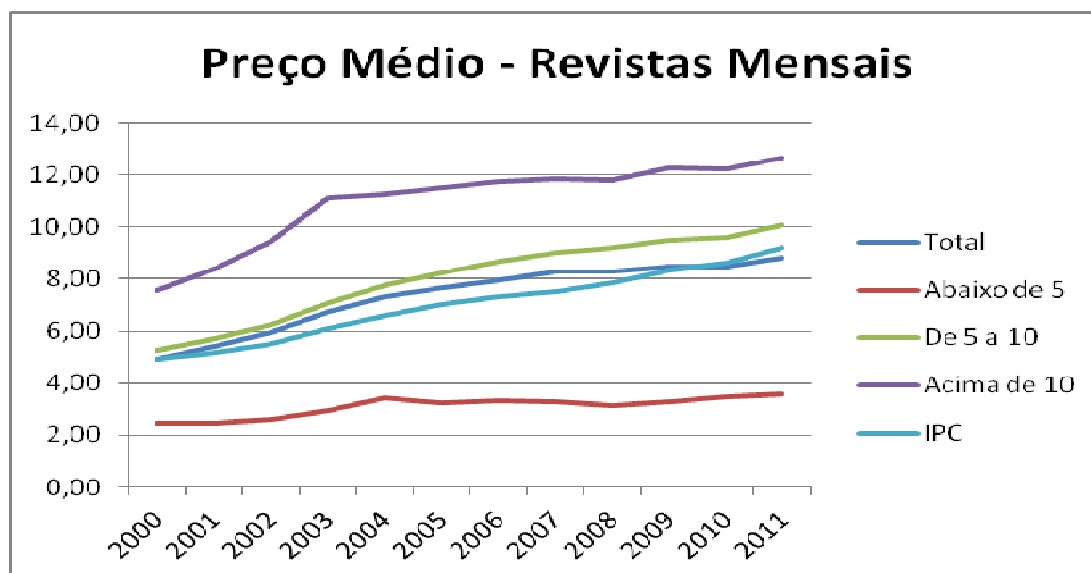
Just as we did with the weekly magazines, we will present the following charts of circulation by cover price segment. In this case, however, we split it into three segments: below R\$5, between R\$5 and R\$10 and above R\$10.



The average growth from 2007 was 5.7% per year. However, it was stronger in the segments below R\$5 (13.8%) and above R\$10 (13.7%) when compared with the segment of R\$5 to R\$10

(2.1%). On subscriptions one can observe an average growth of 5.0% between 2007 and 2010 while newsstand sales grew 6.6%.

In the chart below, we can see the behavior of prices versus inflation.



In the case of popular magazines, with cover price below R\$5, we observed the same behavior popular weekly publications, i.e. growth until 2004 and then stability. For the more expensive magazines, over R\$10, the cover price grew strongly until 2003 and afterwards basically corrected for to inflation. The price of the magazines of the intermediate segment grew slightly above inflation throughout the period.

The trend of popular monthly magazines was very similar to that observed in weekly magazines. Both grew circulation strongly while adjusting prices below inflation after 2005.

The medium segment, with prices between R\$5 and R\$10, is the largest in volume and grew prices above inflation with moderate circulation growth. These characteristics are similar to those observed in the segment of weekly magazines above R\$5.

Additionally, we split a "Premium" group, with cover price above R\$10, usually referred to as "segmented magazines". This group displayed a very strong growth of circulation combined with price increases above or along inflation.

## 7 CONCLUSIONS

The scenario of the last decade on the magazines market presented two distinct periods with different characteristics. In the first period, from 2000 to 2005, one can see a recovery of margins of products, transforming the publishing houses in healthier companies and prepared to grow. Some have not survived to this period. Circulation in this period declined.

In a second period, from 2006 until today, the publishers have invested in two major markets with growth both on circulation and revenues. The first market invested on by publishers, similar to what occurred with the newspapers, was the popular magazines, with average prices between R\$3 and R\$4. The characteristics of this market are prices corrected below inflation and sales concentrated on newsstand, with little or no subscriber base. This market was developed in the weekly magazines category from 2007 and, in the monthly, from 2008.

The second market with significant growth and investment is the monthly “segmented magazines” with cover price above R\$10. Price was adjusted above or along with inflation, with sales on newsstand and subscriptions. This market was developed from 2005 onwards.

Digital editions did not show any important trend in the period. The most relevant events in this area, especially the tablets emergence, have not yet impacted circulation.

Considering the undeveloped potential of tablets in the Brazilian market, it is still difficult to estimate the when and how much it will impact circulation figures. However, it is expected that digital editions of publications will increase their share.

The fundamentals of magazines business in Brazil are not expected to change and the growth trend observed in recent years should continue. Finally, the 2008 international economic crisis did not display significant impact in this market except for the discontinuation of a publishing house, whose main titles were acquired by other companies.