

MEDIA RELEASE

22 February 2018

Solid earnings performance and 6.0 cent final dividend

NZME Limited (NZME) today reports solid earnings performance for the full year ended 31 December 2017. The result from NZME's integrated media and entertainment business featured continued Digital revenue growth, a slowing rate of decline in Print advertising revenue and an improvement in Radio revenue trends over the year. NZME's strong focus on cost control and business integration assisted earnings.

FY 2017 highlights

- FY 2017 Statutory NPAT of \$20.9 million compared to FY 2016 Statutory NPAT of \$74.5 million, impacted by demerger from HT&E Limited (formerly APN News & Media) and discontinued businesses.
- Trading NPAT¹ of \$26.7 million and Trading EPS¹ of 13.6 cents, down 4% compared to Pro forma¹ FY 2016.
- Trading EBITDA¹ of \$66.2 million, down 2% compared to Pro forma¹ FY 2016, benefiting from a 5% reduction in operating costs.
- Trading Revenue¹ declined 4% compared to Pro forma¹ FY 2016 to \$387.7 million.
- Fully imputed final dividend of 6.0 cents declared, bringing full year dividends to 9.5 cents; supplementary dividend for qualifying non-resident shareholders.

NZME's Chairman Peter Cullinane said, "NZME's strategy and the ongoing benefits of integration continued to deliver value for shareholders in the 2017 financial year. The Board is pleased to declare a final dividend of 6.0 cents per share".

NZME's audience grew 2% in FY 2017, reaching more than 3.2 million New Zealanders², with further benefits from the integration strategy evident in cross-pollination of brands. NZME's Print audience has been stable since 2015², while strong growth in Digital audience continues with monthly unique audience to the *nzherald.co.nz* up 12% in FY 2017³.

Operational and content initiatives in Radio in the last twelve months supported 2.7% growth in Radio major market share in the key 18 to 54 year old demographic⁴. Survey highlights included *Newstalk ZB* retained the highest station market share nationally, also winning a number of other key categories⁵; and *The Hits* with Sarah, Sam & Toni growing their audience in every survey since launch in early 2017⁶.

¹ All Trading and Pro forma measures are non-GAAP measures that are explained and reconciled in the NZME Full Year 2017 Results Presentation dated 22 February 2018.

² Nielsen CMI, November fused database: Q4 15 to Q3 17 (population 10 years +). Based on unduplicated weekly reach of NZME newspapers, radio stations, and monthly domestic unique audience of NZME's digital channels.

³ Nielsen Online Ratings, Domestic Unique Audience, 2016-2017.

⁴ GfK Radio Audience Measurement, Commercial Stations. NZME & Partners in Major Markets (top 13 markets). Trended till T4/2017. Station Share %. Mon-Sun 12mn-12mn, 18-54.

⁵ GfK Radio Audience Measurement. Total NZ Survey, NZME & Partners. Trended till T4/2017. Cumulative Audience. Mon-Sun 12mn-12mn, All 10+.

⁶ GfK Radio Audience Measurement, The Hits. Auckland. Trended till T4/2017. Cumulative Audience. Mon-Fri 6am-9am, 25-54.

NZME Chief Executive Michael Boggs said, “2017 included a difficult third quarter, partly due to national elections, however continued focus on our priorities and cost management provided some offset. We are pleased to see the decline in Print advertising revenue slow a little given stable Print readership and the success of our integrated sales strategies.”

NZME’s Radio revenue returned to growth in the fourth quarter, supported by operational and content initiatives implemented over the last twelve months. These included the completion of a nationwide sales team transformation, and the implementation of a new CRM system and sales tools to support integrated sales and enhance customer understanding, both in the second half.

“Strong Digital growth continues, powered in part by our great work in mobile and video advertising. The implementation of the Washington Post arc software, as well as enhancing the user experience, offers further revenue opportunities through innovative ad executions and premium content inventory.

“Print subscriber revenues were stable for the year and we are happy to have outperformed the market in both Print advertising revenue and circulation volume trends. We are increasing engagement with our growing news, sport and entertainment audiences by enhancing content and talent and addressing unmet customer needs by developing new revenue streams,” said Mr. Boggs.

On 7 February 2018, NZME and Fairfax announced their intention to appeal the High Court’s adverse ruling on the Stuff Limited (formerly Fairfax New Zealand)/NZME merger. Subject to a final decision on the scope of appeal, it is expected that the matter will be heard in the Court of Appeal in Q2 2018, with a judgment expected in the second half. There is a further right of appeal to the Supreme Court with leave on points of general public interest. The transaction remains subject to finance and shareholder approval. Merging with Stuff Limited remains a priority to underwrite the competitiveness of New Zealand content generation and delivery.

Outlook

Traditional advertising markets have continued to face headwinds in FY 2017, with a similar climate expected in FY 2018.

While operational efficiency remains a focus, the rate of improvement in cost-out is slowing, consistent with FY 2017, and therefore EBITDA is likely to continue to be pressured in the near term. As previously outlined, NZME is reinvesting in growth initiatives such as *DRIVEN*, *YUDU* and *OneRoof*, with revenue benefits from these expected to be realised over the medium term.

NZME aims to deliver revenue and EBITDA growth in the medium term, supported by revenue retention in the existing business and newly established revenue streams.

NZME’s strategy is based on a three horizon model of optimising core businesses; growing new revenue streams that leverage existing audience and customer relationships; and re-imagining revenue models to address unmet customer needs.

NZME has six key priorities for the current year to enhance shareholder value:

1. Grow audience and engagement through amplification of NZME’s brands and increased focus on planned, unique, local and premium content, supported by technology implementation;

2. Return advertising revenue to growth by retaining Print revenues, driving Digital revenue growth and capitalising on Radio coverage, content and talent enhancements;
3. Effective cost and capital management through reducing and leveraging our fixed cost base; with a continued focus on balance sheet strength and delivering shareholder returns;
4. Engage and develop our people through leadership and talent succession planning;
5. Grow new revenue streams through the launch of *DRIVEN*, *YUDU* and *OneRoof*, improved data monetisation, developing a paid content proposition and identifying new business models; and
6. Progress the Stuff merger to further improve our efficiency and underwrite the competitiveness of New Zealand content generation and delivery.

Mr. Boggs said "I would like to thank the NZME team for all of their hard work in completing our first full financial year as a standalone business; we have come a long way. We will continue to work hard on our key priorities and I look forward to updating shareholders on our progress."

A fully imputed final dividend of 6.0 cents per share is scheduled for payment on Thursday, 3 May 2018 to those shareholders on the register on Wednesday, 18 April 2018.

All FY 2017 results materials can be found at:

www.nzx.com/markets/NZSX/securities/NZM/announcements

ENDS

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Briefing Audio Recording:

There will be an audio recording of the full year results briefing, to be held at 10:00 a.m. NZT on Thursday, 22 February 2018, including Q&A, made available later in the day at www.nzme.co.nz/investor-relations/presentations-webcasts

About NZME

NZME is a leading New Zealand media and entertainment business that reaches more than 3.2 million kiwis⁷. Whether reading, listening, or watching, our audience gets the content they want - where and when they want it. NZME offers advertisers a unique opportunity to access its growing audience via a fully integrated multi-platform presence. NZME is listed on the NZX Main Board (code NZM) with a foreign exempt listing on the ASX (code NZM).

www.nzme.co.nz

⁷ Nielsen CMI, November fused database: Q4 16 to Q3 17 (population 10 years +). Based on unduplicated weekly reach of NZME newspapers, radio stations, and monthly domestic unique audience of NZME's digital channels.