NZME. NEW ZEALAND MEDIA AND ENTERTAINMENT

MEDIA RELEASE

24 August 2017

Stable earnings and 3.5 cent interim dividend declared

NZME Limited half year results for the six months ended 30 June 2017

NZME Limited (NZME) today reports stable earnings from its integrated media and entertainment business driven by retention of Print revenue, Digital revenue growth and effective cost management.

H1 2017 highlights

- H1 2017 Statutory NPAT of $7.8 million. H1 2016 Statutory NPAT impacted by the demerger from APN (now HT&E) and discontinued businesses, and was $60.8 million.
- Trading NPAT[1] of $9.9 million, up 1% from H1 16 Pro forma NPAT[1], and Trading EPS[1] of 5.0 cents in line with Pro forma[1] H1 2016.
- Trading EBITDA[1] increased 1% on H1 2016 to $28.2 million, supported by revenue retention and cost reductions.
- Trading Revenue[1] declined 3% on Pro forma[1] H1 2016, with growth in Digital revenue outweighing the dollar decline in Print advertising revenue for the second consecutive half year, partly offset by declines in other Print, Radio and e-Commerce revenues.
- Fully imputed interim dividend of 3.5 cents declared; supplementary dividend for qualifying non-resident shareholders.

NZME's Chairman Sir John Anderson said "NZME's continued focus on innovation and the ongoing benefits of integration have delivered great value for shareholders in the first half of 2017. The Board is pleased to declare an interim dividend of 3.5 cents per share".

In H1 2017, Trading EBITDA[1] was up 1% compared to Pro forma[1] H1 2016, supported by a 4% reduction in operating costs from integration benefits, variable cost reductions and other cost initiatives.

The NZME audience continues to grow; now reaching more than 3.3 million New Zealanders, up from 3.2 million at Q4 2016[2]. It is estimated that 82% of New Zealanders now read, watch, listen to, or otherwise engage with NZME's brands[2]. Print audience was stable, while digital audience grew 14% year on year[2].

Following the launch of new talent and programming changes to address demographic opportunities in Q1, a momentum change in radio survey results saw NZME gain 4.1% share of the key 18-54 year old major market demographic in the first two surveys of 2017[3].

NZME Chief Executive Michael Boggs said continued focus on the company's seven key operational priorities has resulted in an improvement in revenue trend compared to FY 2016, and combined with effective cost management, stable earnings for the half year.

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[1] All Trading and Pro forma measures are non-GAAP measures that are explained and reconciled in the NZME Half Year 2017 Results Presentation dated 24 August 2017.

[2] Nielsen CMI, May fused database: Q1 16 to Q1 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] GfK Radio Audience Measurement, Commercial Stations. NZME & Partners in Major Markets Trended till T2/2017. Station Share %.Mon-Sun 12mn-12mn, 18-54.

"We continue to focus on creative ways to grow and leverage our news, sport and entertainment audiences, improve our targeting and develop new revenue streams. We are really pleased with the performance of print in the first half. *The New Zealand Herald's* readership has remained on an upward trend, and the *Herald on Sunday* remains the most-read and highest-selling Sunday Newspaper in the country.

In Radio we have seen a positive momentum change in survey results, reflecting operational initiatives to grow our audience and revenue, including *The Hits* new breakfast shows, programming changes and implementing a new CRM system.

In Digital, we launched a redesigned *NZ Herald* website in the first half, utilising the highly regarded Washington Post content management system and other publishing tools. For advertisers, there are new opportunities to engage with readers and enhanced ad viewability."

NZME and Fairfax New Zealand Ltd ("Fairfax") announced in May 2017 that they would appeal the New Zealand Commerce Commission's decision not to clear or authorise their proposed merger. This process begins on 16 October 2017 with a nine day hearing and still remains subject to shareholder approval.

Merging with Fairfax remains a priority to further improve efficiency, and to underwrite the competitiveness of New Zealand content generation and delivery, in an increasingly fragmented market.

Outlook

In terms of current trading, the headwinds seen in recent years in traditional advertising markets have continued in 2017, with no respite immediately evident. First half revenue was slightly better than expected, largely due to NZME's strategy to capitalise on incremental audiences driven by the occurrence of two significant events; the America's Cup and Lions Series.

Trading revenue for the first six weeks of the second half was down approximately 5% on the same period last year, highlighting a slower market overall.

The rate of cost reduction is expected to ease, and EBITDA will therefore likely be pressured in the near term. In addition to efforts to retain revenue in the existing business, NZME will pursue a range of growth initiatives, with the intention of achieving revenue and EBITDA growth in the medium term.

NZME's mission is to be at the centre of what New Zealanders want by sharing great stories, entertaining, engaging and connecting all New Zealanders. NZME has identified initiatives in seven priority areas of focus for the current year, which are considered drivers of shareholder value:

1. Grow audience reach by focusing on leveraging the Washington Post platform and tools to enhance audience analytics, content performance and advertiser targeting;
2. Continue to retain Print revenue by further innovating the print proposition and leveraging integrated sales;
3. Return Radio revenue to growth by capitalising on improved ratings results and the sales team transformation to deliver revenue;
4. Grow new revenue streams through the digital classifieds verticals of property, employment and motoring;

5. Effective cost and capital management through operational enhancements across the business, such as completion of the closed loop colour printer project;
6. Develop our people and talent by further improving engagement and continuing with talent succession planning; and
7. Progress the Fairfax merger, subject to successful appeal and shareholder approval.

"We have an integrated media business that provides advertisers with a unique multi-media offering, through which they are able to engage with our growing audience. We believe that we have the right assets and the right strategy for growing long term shareholder value in this dynamic industry." Mr Boggs said.

A fully imputed interim dividend of 3.5 cents per share is scheduled for payment on Friday, 27 October 2017 to those shareholders on the register on Tuesday, 17 October 2017.

All H1 2017 results materials can be found at:
www.nzx.com/markets/NZSX/securities/NZM/announcements

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Briefing Audio Recording:
There will be an audio recording of the half year results briefing, to be held at 10:00 a.m. NZT on Thursday 24, August 2017, 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 3.3 million kiwis[4]. Whether reading, listening, 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

[4] Nielsen CMI, May fused database: Q2 16 to Q1 17 (population 10 years +). Based on unduplicated weekly reach of NZME newspapers, radio stations, and monthly domestic unique audience of NZME's digital channels.