

MEDIA RELEASE

23 August 2018

NZME LIMITED HALF YEAR 2018 FINANCIAL RESULTS

Investing for growth

NZME Limited (NZME) today reported financial results for the first half of 2018 that reflected modest declines in revenue in a difficult market and an increased rate of investment in new revenue streams.

H1 2018 highlights

- Trading Revenue¹ declined 3% compared to H1 2017 to \$185.7 million; market share gains continued despite deteriorating economic factors.
- Trading EBITDA¹ of \$23.2 million, down 18% compared to H1 2017, impacted by \$3.1 million investment in Digital Classifieds. Excluding the Digital Classifieds, trading costs declined 2% and Trading EBITDA declined 7%.
- Statutory NPAT declined 53% on H1 2017 to \$3.7 million. Trading NPAT¹ of \$5.5 million and Trading EPS¹ of 2.8 cents, both declined 44% on H1 2017.
- Fully imputed half year dividend 2.0 cents; supplementary dividend for qualifying non-resident shareholders.

NZME's Chairman Peter Cullinane said, "Our underlying business continues to perform well in challenging market conditions, providing us with the capacity to undertake a number of exciting growth projects while still delivering returns to shareholders in the form of a 2.0 cent fully imputed half year dividend".

NZME's audience of 3.3 million New Zealanders² represents almost 80% of the population. The NZ Herald weekly brand audience grew 10%³ on H1 2017 and engagement on nzherald.co.nz, as measured by time spent per visit, increased 8.5%⁴. NZME's Radio audience was stable but the new Digital Classified portals, *OneRoof*, *DRIVEN* and *YUDU*, enjoyed strong audience growth⁴.

NZME Chief Executive Michael Boggs said, "We were pleased, given difficult market conditions, to keep our first half Trading Revenue within 3% of the same period last year. This reflects ongoing share gains and continued strong growth in digital."

Print advertising revenue was impacted by ongoing pressures in print advertising markets exacerbated by weaker business and consumer confidence. Despite these challenges, NZME experienced encouraging growth in readership and audience for its print mastheads. In

¹ Trading measures are non-GAAP measures that are explained and reconciled in the NZME Half Year 2018 Results Presentation dated 23 August 2018. Trading Revenue is presented on a consistent basis with 2017, and excludes the impact of NZ IFRS 15 adjustments. Trading EBITDA excludes exceptional items of \$2.5m.

² Nielsen CMI May Fused Q2 17 to Q1 18 (population 10+ years).

³ Nielsen CMI Q2 17 – Q1 18 AP15+.

⁴ Nielsen Market Intelligence Domestic Traffic (1 Jan 18 – 30 June 18).

addition, nzherald.co.nz attracted more than 3.8 million unique browsers per month⁵, up 13% on H1 2017 and up 5% on 2H 2017. Mobile audience comprised almost 75% of total audience, up from 60% last year⁵.

Radio trends also remain encouraging. NZME continues to pursue the best offer in the market to inform, entertain and attract our audience. A number of talent enhancements in the first half of 2018 supported this objective, including a new drive show on ZM and a new breakfast show on Coast.

Digital advertising revenue continues to grow across all products, again outperforming industry growth rates. Display and mobile revenue grew 20% in the March 2018 quarter compared to industry growth estimated at 13%⁶.

“While we are broadly satisfied with our revenue performance, our earnings were lower partly due to our strategy to increase spending in specific areas to pursue medium term growth. These investments are integral to achieving our medium term growth objectives.

NZME’s three digital classifieds platforms: *OneRoof*, *DRIVEN* and *YUDU*, launched in March 2018. Listings and audience growth has been highly encouraging, confirming the value of NZME’s unrivalled audience reach through its multi-platform operations.

In keeping with our strategy to grow new revenue streams, NZME will deliver paid content capability for its digital mastheads in the second half of 2018. NZME will adopt the “freemium” model with day-to-day news and current affairs provided free of charge and premium in-depth analysis and opinion available on subscription.

NZME and Fairfax appealed the High Court’s adverse ruling on the Stuff Limited (previously Fairfax New Zealand)/NZME merger in H1 2018, with a judgment expected in the second half.

Outlook

In the first half of this year, advertising revenue (excluding the impact of adopting NZ IFRS 15) declined 4% on the same period last year. Advertising bookings for Q3 are consistent with the H1 result, down 4% year-on-year. NZME continues to hold or increase its share of the addressable NZ advertising market. However, agency advertising spend remains challenged and softening economic conditions have the potential to weaken or delay advertising revenue in the second half of 2018.

The benefit of cost initiatives implemented late in the first half of 2018 are expected to be reflected in the second half, although the rate of cost reduction is slowing. NZME will continue to invest in our Digital Classified platforms to add new future revenue streams.

Supported by revenue retention in the existing business, and the development of new revenue streams, NZME’s goal remains to achieve overall revenue and EBITDA growth in the medium term. However, near term will reflect the softened advertising market and the ongoing investment in Digital Classifieds.

⁵ Nielsen Market Intelligence Domestic Traffic 2017-2018.

⁶ IAB / PWC New Zealand Q1 2018 Interactive Advertising Spend Report; digital excluding classifieds, search and directories, and social media (NZ market only).

NZME's strategy is based on a three horizon model, focusing on: (1) optimising core businesses; (2) growing new revenue streams that leverage existing audience and customer relationships; and (3) re-imagining revenue models that address unmet customer needs. NZME has six priority areas of focus 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 improving and leveraging our fixed cost base; continued focus on balance sheet and shareholder returns;
4. Engage and develop our people through leadership and talent succession planning;
5. Grow new revenue streams through the development of *OneRoof*, *DRIVEN* and *YUDU*, 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.

NZME will continue to work hard in these areas and looks forward to updating shareholders on progress.

All H1 2018 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 full year results briefing, to be held at 10:00 a.m. NZT on Thursday, 23 August 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 3.3 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).

⁷ Nielsen CMI Fused Q2 17 to Q1 18 (population 10+ years).