

27 August 2019

NZME LIMITED 2019 HALF YEAR FINANCIAL RESULTS

- Statutory NPAT of \$1.0 million, compared to \$3.7 million in H1 2018, the decrease due to reduced revenue, the impact of NZ IFRS 16 and exceptional items.
- Total revenue of \$181.1 million, down 4% compared to previous corresponding period¹.
- Operating costs² (excluding digital classifieds) reduced by \$4.8 million (3%) – achieved through continued focus on cost out, increased efficiencies and reduced print volumes.
- Operating EBITDA² of \$19.4 million, compared to \$23.2 million in H1 2018.
- Operating NPAT² of \$4.7 million, compared to \$5.5 million in H1 2018, with Operating EPS of 2.4 cents per share, compared to 2.8 cents per share in H1 2018.
- Net debt reduced by \$8.1 million.
- Successful launch of NZ Herald Premium – more than 15,000 paid subscribers, exceeding subscription and revenue expectations.
- NZ Herald daily brand audience up 4.5% to 1,098,000, average issue readership up 3.9% to 477,000³.
- Radio revenue in growth for the half and showing positive momentum.
- Radio talent changes made as part of radio growth strategy.
- Increased radio audience market share to 37.7%⁴ in June 2019, up from 34.9% in December 2018.
- OneRoof continued listings growth and revenue growth momentum to \$1.3 million.

Financial summary (\$m)	6 months 30 June 2019	6 months 30 June 2018	% change
Print, radio and digital revenue	178.3	186.1	(4%)
Other revenue	2.8	3.3	(15%)
Total Revenue	181.1	189.4	(4%)
Operating Costs ⁴ (excl. digital classifieds)	(158.1)	(162.9)	(3%)
Digital classifieds costs	(3.6)	(3.3)	9%
Operating EBITDA⁴	19.4	23.2	(16%)
Depreciation and amortisation	(10.6)	(13.1)	(19%)
Net interest expense	(2.4)	(2.1)	14%
NPBT	6.4	8.0	(20%)
Tax	(1.7)	(2.5)	(32%)
Operating NPAT⁴	4.7	5.5	(15%)
NZ IFRS16 adjustment before tax	(0.7)	-	-
Exceptional items before tax	(4.3)	(2.5)	72%
Tax impact on NZ IFRS16 and exceptional items	1.3	0.7	86%
Statutory NPAT	1.0	3.7	(73%)

1 Previous corresponding period refers to the six months ended 30 June 2018

2 Operating results are presented excluding the impact of NZ IFRS 16 and exceptional items to allow for a like for like comparison between H1 2018 and H1 2019. Please refer to note 2.3.2 and note 2.3.3 of the Consolidated Interim Financial Statements for the period ended 30 June 2019 and slide 28 and 29 of the 2019 half year results presentation for a detailed reconciliation

3 Nielsen CMI Fused Q2 18 - Q1 19, May 2019 (population 10+ years)

4 GfK Radio Audience Measurement, Commercial Stations, NZME & Partners, major markets trended to S2 2019, Monday-Sunday 12mn-12mn, station share % AP 18-54

2019 Half Year Summary

NZME Limited (NZME) is pleased to report its financial results for the six months ended 30 June 2019, achieving some significant milestones in an exciting six months, albeit in a challenging operating environment.

NZME launched its NZ Herald Premium offering in April 2019, giving subscribers access to New Zealand's best journalism, commentary and analysis across business, politics, news, sport, lifestyle and entertainment. This offering has been a huge success with more than 15,000 paid subscribers, exceeding subscriptions and revenue expectations. This provides additional revenue from digital subscriptions and a higher value proposition for our digital advertising customers.

NZME also continues to make significant progress with its digital real estate platform, OneRoof. OneRoof continued listings and audience growth and achieved meaningful revenue growth to \$1.3 million in the six months ended 30 June 2019.

Total Revenue was \$181.1 million for the six months ended 30 June 2019, a decline of 4% compared to the previous corresponding period. Advertising revenue declined 5% to \$130.7 million for the six months ended 30 June 2019. We are pleased to report that radio revenue was in growth in the half year, and even more pleasing are the signs of continued momentum for growth in the second half of the year. However, ongoing pressure on print and digital advertising and a decline in print circulation revenue impacted the results in the period.

NZME achieved an operating cost (excluding digital classified costs) reduction of \$4.8 million (3%) through a continued focus on cost savings, increased efficiencies and a reduction in print volumes.

Operating EBITDA decreased 16% in the period to \$19.4 million. Operating net profit after tax (NPAT) for the six months ended 30 June 2019 was \$4.7 million, a decrease of 15%, while statutory NPAT for the six months ended 30 June 2019 was \$1.0 million (\$3.7 million for the six months ended 30 June 2018).

We have made good progress on our capital management programme and have reduced net debt by \$8.1 million in the six months to \$90.2 million as at 30 June 2019. However, due to the decrease in EBITDA in the period, our leverage ratio has remained at 1.8 times rolling 12 months EBITDA.

In line with our Capital Management Policy, the Board have elected not to pay a dividend for the half year ended 30 June 2019 and will continue to focus on the reduction in net debt and leverage ratio with the aim to return to paying dividends when trading and investment conditions permit.

\$m	6 months 30 June 2019	6 months 30 June 2018	% change
Print	96.6	103.6	(7%)
Radio	53.5	53.4	0.2%
Digital	28.2	29.1	(3%)
Total Segment Revenue	178.3	186.1	(4%)
Other revenue	2.8	3.3	(15%)
Total Operating Revenue	181.1	189.4	(4%)

Print

Print revenue was \$96.6 million in the six months ended 30 June 2019, a decline of 7% compared to previous corresponding period. Print remains NZME's largest revenue segment, representing 53% of Total Revenue, including print advertising revenue, print circulation revenue and other print related revenue including third-party printing.

Print advertising revenue of \$51.1 million was 8% lower than previous corresponding period, but better than the market which experienced a 14% decline in total print advertising spend. NZME increased its print advertising market share from 43.6% for the 6 months to June 2018 to 46.7% for the 6 months to June 2019⁵. Total market agency newspaper advertising bookings were down 7.6%⁶ in the six months to June 2019. However, it is pleasing that these bookings were up 16.7% in the month of June and showing a positive trend.

Circulation revenue of \$38.5 million was 5% lower than previous corresponding period. While volumes decreased 8%, this was partially offset by an improvement in yield. Retention of print subscriptions improved in the second quarter, supported by subscribers having the added benefit of access to the NZ Herald Premium offering.

Other Print revenue, relating to printing and distribution services provided to external parties, decreased 9% to \$7.0 million due to lower third-party circulation volumes.

Direct Print costs decreased 5% to \$34.2 million compared to the previous corresponding period, reflecting lower print volumes down 10% and the ongoing benefits from plant upgrades, offset by wage increases and the higher cost of newsprint and freight.

Print contribution was \$62.4 million for the six months ended 30 June 2019, a decline of 8% compared to the previous corresponding period.

NZME's print offerings (including The New Zealand Herald, regional and community newspapers) continue to have strong average issue readership (AIR) with 1.3 million⁷ readers each week, while The New Zealand Herald AIR increased to 477,000 as at March 2019, an increase of 5.3% from December 2018. The Herald on Sunday remains the widest read Sunday newspaper in New Zealand with 61% market share. The NZ Herald weekly brand audience (including print and www.nzherald.co.nz) grew 3.0% to 1.7 million⁷.

Radio

Radio revenue was \$53.5 million in the six months ended 30 June 2019, a small, but pleasing, increase of 0.2% compared to previous corresponding period.

Radio advertising in the period reflected the competitive radio advertising environment. Total market radio advertising increased 2.1%⁸ in the six months to June 2019, while agency advertising bookings were up 4.6%⁶ in the six months to June 2019. NZME maintained its share of radio revenue as a percentage of total market radio advertising spend at 39.0%⁸ for the six months ended 30 June 2019.

Direct Radio costs increased 0.6% compared to the previous corresponding period to \$16.1 million. Radio contribution was \$37.4 million for the six months ended 30 June 2019.

NZME's Radio audience was stable at 2.0 million listeners⁹ each week while our total market share increased to 37.7%¹⁰ as at June 2019, up from 34.9% as at December 2018 presenting real value proposition opportunity. Newstalk ZB remains the number one radio station in New Zealand with an audience of 560,000, while ZM was awarded the number one radio station for 18-34 year olds at the NZ Radio Awards in May 2019 with an audience of 458,000. Registered users on iHeart Radio grew by 14% over the past year to more than 886,000 listeners¹¹ with 3.8 million listening hours¹² increasing 12% over the past year.

5 PwC NPA Quarterly performance comparison report, Q2 2019

6 Standard Media Index (SMI) NZ June 2019 Data Release

7 Nielsen CMI Fused Q2 18 - Q1 19, May 2019

8 PwC Monthly radio advertising benchmark report, June 2019

9 GfK Radio Audience Measurement, Commercial Stations, NZME & Partners. Cumulative Audience S2 2019, People 10+, Monday-Sunday 12mn-12mn

10 GfK Radio Audience Measurement, Commercial Stations, NZME & Partners, major markets trended to S2 2019, Monday-Sunday 12mn-12mn, station share % AP 18-54

11 iHeartMedia; Adobe Analytics, June 2019

12 AdsWhizz and StreamGuys, June 2019

Radio remains one of NZME's three key strategic priorities for growth and NZME remains focussed on delivering radio revenue growth through building audience across strong brands and digital platforms; and enhancing radio sales skills and execution.

Digital

Digital revenue was \$28.2 million in the six months ended 30 June 2019. This channel has experienced a slow-down in this half after very strong growth in both 2017 and 2018 financial years.

Digital advertising revenue was \$22.0 million, down 8% compared to the previous corresponding period. This slowdown is attributable to the contraction in the overall digital advertising market. Total market general display advertising spend decreased 7.8%¹³ in the quarter ending March 2019, while agency digital display advertising market decreased 3.7%¹⁴ in the six months to June 2019. However, we are pleased to see the digital advertising market showing signs of recovery and growth in the start of the second half.

This decline in digital advertising revenue was partially offset by the growth in two new revenue streams – digital classifieds (predominately OneRoof) and subscriptions to NZ Herald Premium.

NZME operate three digital classified channels - OneRoof (real estate), DRIVEN (autos) and YUDU (jobs). DRIVEN and YUDU continue to show potential, but our priority remains on OneRoof, which has greater revenue opportunity in the near term.

OneRoof continues to go from strength to strength with \$1.3 million revenue in the six months to June 2019. The number of residential for sale listings has increased to approximately 68%¹⁵ of New Zealand residential for sale listings and 89%¹⁷ of Greater Auckland residential for sale listings. OneRoof's average weekly unique browsers have increased 33% from December 2018 to 297,000 in June 2019, and over 100,000 people have downloaded the OneRoof mobile app.

On 30 April 2019 we launched the NZ Herald Premium digital platform. The number of subscribers is ahead of expectations and we are excited about the future of this platform.

Other e-Commerce revenue was \$4.6 million in the period compared to \$5.0 million in the prior year, with the decline offset by cost reductions.

Direct digital costs (excluding digital classified costs) decreased 14% to \$4.3 million, while digital classified costs increased 9% to \$3.6 million, reflecting the acceleration of OneRoof proposition.

We will continue to develop and grow our digital offerings, including OneRoof and NZ Herald Premium subscriptions.

Costs

Operating costs (excluding digital classified costs) decreased \$4.8 million (3%) in the period to \$158.1 million, due to cost savings and efficiencies, lower print volumes and reduced headcount.

Exceptional items were \$4.3 million in the six months ended 30 June 2019 compared to \$2.5 million in the previous corresponding period. Exceptional items in the period include redundancies due to restructuring to achieve cost efficiencies and consolidation across the business, disposal costs and historical holiday pay adjustments.

13 IAB digital advertising revenue – General Display, IAB NZ Digital advertising revenue report, Q1 2019

14 Standard Media Index (SMI) NZ June 2019 Data Release

15 OneRoof's listings as a percentage of residential for sale listings on Trade Me

NZ IFRS16

NZME adopted NZ IFRS16 (Leases) on 1 January 2019. NZ IFRS16 requires most leases to be recognised as a lease liability on the Balance Sheet with a corresponding Right-of-use asset. In the Income Statement, operating lease cost is reclassified to interest expense and depreciation.

The impact of NZ IFRS16 reduces operating costs by \$8.2 million from \$161.7 million to \$153.5 million therefore increasing Operating EBITDA from \$19.4 million to \$27.6 million (excluding exceptional items) due to operating lease expenses now accounted for as depreciation and interest on leased assets.

The corresponding adjustment increases depreciation by \$6.4 million and interest expense by \$2.5 million, decreases tax by \$0.2 million, therefore reducing Operating NPAT (excluding exceptional items) from \$4.7 million to \$4.2 million. NPAT is negatively impacted by higher interest costs in a lease's earlier years, offset by a positive impact in later years.

Depreciation and interest expenses

Excluding the impact of NZ IFRS16, depreciation and amortisation decreased from \$13.1 million in the prior period to \$10.6 million in the six months ended 30 June 2019. The impact of NZ IFRS16 increased depreciation by \$6.4 million due to depreciation on leased assets, resulting in reported depreciation of \$17.0 million compared to \$13.1 million in the previous corresponding period.

Net interest expense increased from \$2.1 million in the prior period to \$2.4 million in the six months ended 30 June 2019 due to renegotiated bank facilities in the year. In addition, the impact of NZ IFRS16 increased interest expense by \$2.5 million due to interest charge on leased assets, resulting in reported net interest expense of \$4.9 million compared to \$2.1 million in the previous corresponding period.

Cash flow

Cash flow from operations was \$18.3 million in the six months to June 2019 compared to \$3.1 million in the six months to June 2018 due to a significant tax payment in the first half of 2018, a positive movement in working capital and the reclassification of lease principal payments to cash flow from investing as part of the implementation of NZ IFRS16. These positive movements in cash flow from operations were offset by higher interest paid and higher exceptional items.

Capital expenditure was \$4.5 million in the six months to June 2019 compared to \$7.1 million in the six months to June 2018 in line with expectations and is expected to be around \$12 million for the 2019 financial year.

CAPITAL MANAGEMENT

Our capital management objective is to reduce gearing while maintaining investment in our growth opportunities. The key target of this policy is to reduce net debt by \$10-15 million per annum until such time as the leverage ratio is within our target range of 1.0 – 1.5 times rolling 12-month EBITDA.

We are pleased to report that we have made good progress and have reduced net debt by \$8.1 million in the six months to \$90.2 million as at 30 June 2019. However, due to the decrease in EBITDA in the period, our leverage ratio has remained at 1.8 times rolling 12-month EBITDA.

The Board have elected not to pay a dividend for the half year ended 30 June 2019 and will continue to focus on the reduction in net debt and leverage ratio with the aim to return to paying dividends where trading and investment conditions permit.

THE BOARD

We were pleased to have Sussan Turner elected by shareholders as an Independent Director at the NZME Annual Meeting in June 2019 (following her appointment to the Board in July 2018). The Board comprises five directors, 60% female, with a strong mix of strategic, financial, media and journalistic skills and experience to support the development and implementation of our strategy and maintain high standards of corporate governance.

OUR PURPOSE

Earlier this year we introduced our NZME Purpose – **Keeping Kiwis in the know**. NZME is built on a legacy of award-winning journalism and broadcasting to deliver news, entertainment and information to Kiwis every day.

Kiwis love being informed and keeping New Zealanders in the know is what NZME does best. We believe it captures why NZME's existence matters. It is why we are important to the people we serve and why our people dedicate their precious time, energy and passion to our company.

OUR SUSTAINABILITY COMMITMENT

We are pleased to provide an update on our journey in the development of Our Sustainability Commitment.

In keeping with NZME's Purpose of Keeping Kiwis in the know, our sustainability commitment focuses on protecting the craft of journalism and broadcasting and continually amplifying our ability to create positive changes in our society.

We have developed our framework with the overarching objective of ensuring we grow a business focused on our Communities, our People and our Environment.

Through responsible reporting and sharing our platforms, we connect and empower our communities. By fostering innovation, engagement and inclusion in our workplaces we support our people to thrive. By taking our environmental responsibilities seriously we support our commitment to care for the world around us.

We have adopted the UN Sustainable Development Goals (UN SDGs) framework and have aligned our identified issues which are most important to NZME and our stakeholders, with the UN SDGs we believe are most relevant to our business, our people and our communities.

We are pleased to release Our Sustainability Commitment framework, which can be found on our website: <https://www.nzme.co.nz/investor-relations/>

In 2019 we will continue our journey and we remain committed to have initial measurement undertaken in 2019 and reporting against the framework commencing in 2020.

2019 STRATEGIC PRIORITIES

In 2019, NZME is focussed on three strategic priorities:

1. Leading the future of news and journalism in New Zealand
2. Increasing radio capability and performance
3. Creating New Zealand's leading real estate platform

Leading the future of news and journalism in New Zealand

NZ Herald Premium gives subscribers access to New Zealand's finest journalism and commentary including exclusive, in-depth and agenda-setting articles, investigative reports, columns, and analysis across business, politics, news, sport, lifestyle and entertainment.

The launch of NZ Herald Premium has been a huge success, and we would like to acknowledge our editorial, technology and marketing teams who undertook a significant amount of preparation, development and hard work to launch NZ Herald Premium and continue to do so to maintain this premium offering for our customers.

We continue to find ways to improve our capability and content, to develop enhanced membership optionality, propensity modelling and focus on continued momentum to increase the number of subscribers and engagement levels.

Increase radio capability and performance

The New Zealand Radio market is highly competitive. NZME is the second largest radio operator in New Zealand, with a weekly radio audience of 2.0 million¹⁶. So far in 2019 we have invested in new talent and shows, particularly on Newstalk ZB and The Hits. Our digital radio platform, iHeart Radio, is well positioned to take advantage of the growing digital radio market.

In the 2019 financial year, NZME will continue to enhance radio sales skills to support integrated selling across each of our radio brands and other media channels. We will continue to develop digital radio and revenue growth through leveraging iHeart Radio capability and will develop new shows to further build radio audience and market share.

We were pleased with the performance of Radio in the first half of the year and this positive momentum continues in the second half.

Creating New Zealand's leading real estate platform

Our third key strategic priority, OneRoof, is also proving to be very successful in our digital capability offering and delivered significant revenue growth momentum in the period to \$1.3 million.

OneRoof has enjoyed strong audience growth since its launch in March 2018, supported by growth in listings and an integrated content and advertising strategy. Audience growth has increased each quarter, with average weekly unique browsers increasing to 297,000 for the month of June 2019, up 33% from December 2018.

In the 2019 financial year, the focus is on securing further market listings, enhanced content personalisation, continued improvement of audience engagement, providing leading property market commentary and insights, and growing advertising revenue across native content.

OUTLOOK

When we review the past six months against our three strategic priorities, we are pleased with the achievement of significant milestones, including the launch of NZ Herald Premium, returning radio revenue to growth, and delivering significant revenue growth momentum in OneRoof.

We are encouraged by a positive start to the second half of the year.

The advertising market shows some signs of improvement and our forward bookings in the third quarter are up 6% compared to the same period last year.

However, we remain cautious of the potential impact of the softening economy and weaker business confidence.

From a capital management perspective, we are also on target to reduce net debt further in the second half in line with our Capital Management Policy.

¹⁶ GfK Radio Audience Measurement, Commercial Stations, NZME & Partners. Cumulative Audience S2 2019, People 10+, Monday-Sunday 12mn-12mn.

NZME is a leading New Zealand integrated media business that provides advertisers with a unique multi-media offering, through which they are able to engage with our growing audience. While the operating environment remains challenging, there are some signs of positive growth and we continue to make good progress on executing our strategy to grow shareholder value.

All 2019 half year results materials can be found at:

<https://www.nzme.co.nz/investor-relations/>

<https://www.nzx.com/companies/NZM/announcements>

ENDS

For further information:

Michael Boggs
Chief Executive Officer
T: +64 29 9698899
Email: Michael.Boggs@nzme.co.nz

Julia Belk
Investor Relations Manager
T: +64 21 2408997
Email: julia.belk@nzme.co.nz

Investor and analyst webcast:

NZME will hold a webcast for investors and analysts at 10:00 a.m. NZDT on Tuesday 27 August 2019, to discuss the 2019 half year results.

Please [CLICK HERE](#) to register for the webcast.

Telephone details will be emailed to you upon registration, but please note only attendees on the webcast will be able to ask a question.

This will be available on replay recording one hour after the call at:

<https://www.nzme.co.nz/investor-relations/webcasts/>