



NEW ZEALAND
**MEDIA AND
ENTERTAINMENT**

SHAREHOLDER NEWSLETTER

Interim Results for the six months ended 30 June 2019

NZME

H1 2019

Results Summary

TOTAL REVENUE

\$181.1m

H1 18 \$189.4m ▼ 4%

STATUTORY NPAT

\$1.0m

H1 18 \$3.7m ▼ 73%

OPERATING EBITDA¹

\$19.4m

H1 18 \$23.2m ▼ 16%

EBITDA

\$23.3m

H1 18 \$20.7m ▲ 13%

Operational Highlights

- 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 477,000²
- Radio advertising 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% in June 2019, up from 34.9% in December 2018³
- OneRoof continued listings and audience growth with revenue growing to \$1.3 million in the 2019 first half
- 3.0% reduction in the underlying cost base⁴
- Net debt reduced by \$8.1 million

TOTAL MONTHLY AUDIENCE

3.3 million²

PRINT

1.3 million²
Weekly Readers

RADIO

2.0 million⁵
Weekly Listeners

DIGITAL

2.4 million²
Users per Month

¹. 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. ². Nielsen CMI Fused Q2 18 - Q1 19, May 2019 (population 10+ years). ³. GfK Radio Audience Measurement, Commercial Stations, NZME and Partners in major markets trended to S2 2019, Monday-Sunday 12mn-12mn, station share % AP 18-54. ⁴. Excluding impact of NZ IFRS16, exceptional items and digital classified costs. ⁵. GfK Radio Audience Measurement, Commercial Stations, NZME and Partners. Cumulative Audience S2 2019, People 10+, Monday-Sunday 12mn-12mn.

LETTER FROM THE CHAIR & CEO

27 August 2019

In 2019 we introduced our purpose for NZME – Keeping Kiwis in the know.

New Zealand Media and Entertainment is built on a legacy of award-winning journalism and broadcasting. We deliver news, entertainment, and information to keep Kiwis in the know every day.

NZME is pleased to report its financial results for the first half of 2019, which was a solid result given the market headwinds. Digital initiatives grew strongly with positive growth indications for advertising revenue.

NZME has had a very exciting six months, achieving some significant milestones in the period.

On 30 April 2019 we launched the NZ Herald Premium digital platform and, with more than 15,000 paid subscribers, this initiative is exceeding subscription and revenue expectations. Radio advertising revenue was in growth for the half and shows positive momentum. Our real estate digital classifieds platform, OneRoof, continued listings growth driving revenue growth in the period.

Total Revenue was \$181.1 million in the six months ended 30 June 2019, a decline of 4% compared to the previous corresponding period¹. We are pleased to report radio revenue in growth in the period. However, ongoing pressure on print and digital advertising and a decline in print circulation revenues impacted the results in the period.

Operating expenses² decreased \$4.8 million (3%) due to a continued focus on cost savings, efficiencies and a reduction in print volumes.

Operating EBITDA² decreased 16% in the period to \$19.4 million.

Operating net profit after tax (NPAT)² 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 in the six months ended 30 June 2018).

Growing audience, readership and market share

The NZME audience of 3.3 million New Zealanders each month represents 77% of the total population.³

NZME's print offerings (including The New Zealand Herald, regional and community newspapers) continue to have strong average issue readership with 1.3 million readers³ each week, while the NZ Herald weekly brand audience (including print and www.nzherald.co.nz) grew 3.0% to 1.7 million.

NZME's Radio audience was stable at 2.0 million listeners⁴ each week, while our total audience market share increased from 34.9% as at December 2018 to 37.7%⁵ as at June 2019. 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 listeners⁶ with 3.8 million listening hours⁷, increasing 12% over the past year.

Our extensive online offering remains strong with 2.4 million users per month including nzherald.co.nz, GrabOne, our radio websites, along with our new digital classified websites OneRoof, DRIVEN and YUDU.

NZ HERALD PREMIUM

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.

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 May 2019 Fused Q2 18 to Q1 19 (population 10+ years).

⁴ GfK Radio Audience Measurement, Commercial Stations, NZME and Partners. Cumulative Audience S2 2019, People 10+, Monday-Sunday 12mn-12mn.

⁵ GfK Radio Audience Measurement, Commercial Stations, NZME and Partners in major markets trended to S2 2019, Monday-Sunday 12mn-12mn, station share % AP 18-54.

⁶ iHeartMedia; Adobe Analytics, June 2019.

⁷ AdsWhizz and StreamGuys, June 2019.

The launch has been a huge success and we are delighted to report that we now have more than 15,000 paid digital subscribers and this is growing by the day. This is a testament to the quality of the content available both through our own journalism and our access to international media, and recognises the value Kiwis are placing on quality journalism.

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.

ONEROOF

Our real estate digital classifieds platform, OneRoof, is also going from strength to strength and is a demonstration of our quality content, ability to differentiate our product in the market and our digital capability.

OneRoof has enjoyed strong audience growth since its launch, 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 297,000⁸ for the month of June 2019, up 33% from December 2018.

OneRoof saw significant revenue growth momentum in the period to \$1.3 million.

CAPITAL MANAGEMENT

Our capital management objective is to reduce gearing while maintaining investment in 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 Operating EBITDA in the period, our leverage ratio has remained at 1.8 times rolling 12-month EBITDA.

The Board have elected not to pay an interim 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.

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 remain committed to have initial measurement undertaken in 2019 and reporting against the framework commencing in 2020.

BOARD APPOINTMENTS

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.

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.

On behalf of the Board and Executive Team, we would like to thank our shareholders, our people and our customers for their continued support to build a legacy of award-winning journalism and broadcasting and to deliver news, entertainment and information to Kiwis every day.





Peter Cullinane
Chair





Michael Boggs
Chief Executive Officer

KEEPING KIWIS IN THE KNOW.

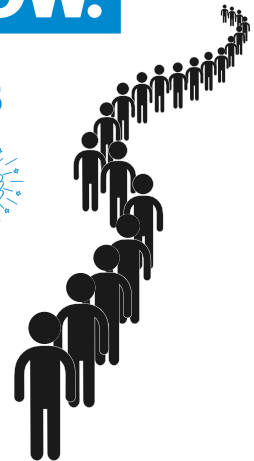
OUTSTANDING READERSHIP RESULTS



NZ Herald weekly
brand audience
(print + digital)

1,718,000

**+3%
YOY**



NZ Herald
average issue
readership

477,000

**+4%
YOY**

Daily newspapers
(print) weekly reach*

1,023,000



More than the weekly reach
of our competitors combined

NZME print is only North Island,
whereas competitors are nationwide

Includes NZ Herald, Northern Advocate, Bay of Plenty Times,
Rotorua Daily Post, Whanganui Chronicle, Hawke's Bay Today

NZ RADIO AWARDS



Station of the year:
ZM

Best music
breakfast show:
ZM

Best Talk Presenter
(Breakfast or Drive):
Mike Hosking

Best Talk Presenter
(Other): **Marcus Lush**

Outstanding
Contribution Award:
Simon Barnett

Services to
Broadcasting Award:
Larry Williams

NZ Herald Premium 15,000 PAID SUBSCRIBERS

12 month target
reached in less
than 6 weeks



NZME. NEW ZEALAND
MEDIA AND
ENTERTAINMENT



NZ
ME.