

## MARKET ANNOUNCEMENT

21 June 2018

### Annual Shareholders' Meeting - Addresses

**AUCKLAND, 21 JUNE 2018:** NZME Limited (NZX: NZM, ASX: NZM) ("**NZME**") attaches the Chairman's and CEO's addresses, and presentation which will be delivered at the Annual Shareholders' Meeting being held in the NZME iHeart Lounge in Auckland today, commencing at 3:00pm (NZT).

**ENDS**

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#### About NZME

NZME is a leading New Zealand media and entertainment business that reaches more than 3.2 million kiwis\*. 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](http://www.nzme.co.nz)

## **NZME ANNUAL SHAREHOLDERS' MEETING, 21 JUNE 2018**

### **Order of Events & Script**

**PLEASE NOTE:** this script is to be read in conjunction with the Annual Shareholders' Meeting Presentation dated 21 June 2018.

#### **NZME SHOWCASE VIDEO**

(Refer [www.nzme.co.nz/investor-relations](http://www.nzme.co.nz/investor-relations))

#### **SLIDE 3 (Photo)**

#### **FORMALITIES & CHAIRMAN'S ADDRESS: PETER CULLINANE**

Hello and welcome to NZME's 2018 Annual Shareholders' Meeting, here at NZME Central. My name is Peter Cullinane, Chairman of the Board.

Good afternoon to my fellow NZME board members and executives, our shareholders, media and other attendees. We welcome our visitors here today, thank you for your interest in NZME, it's great to have you here. However, I must remind you that this is a meeting of shareholders and only those shareholders with official registration cards are permitted to speak or ask questions at this meeting.

Shareholders will be given an opportunity to comment and ask questions prior to voting on each resolution, as well as during the general business section of the meeting. If you are a shareholder and you do not have a card, please see the registration desk.

Today's audio and presentation are being streamed online for those who are unable to attend in person. There will be a recording of today's meeting made available online. Thank you to our Vision and Group Creative Teams for that fantastic video showcasing how NZME provides targeted access for advertisers to our diverse and growing audience.

Before we begin, I have a few housekeeping matters to run through. In the event of a fire alarm, please exit through the door just to my left and gather in the western courtyard. Restrooms are located to the left of the lifts in the foyer. Finally, please ensure that your cell phones are on silent.

The Company Secretary has confirmed to me that the Notice of Meeting has been sent to shareholders and other persons entitled to receive it. The Company's constitution prescribes a quorum of three shareholders. As you can see, this requirement has been met, therefore I now declare this meeting open.

Firstly, I would like to introduce those seated up the front with me today, from your left to right; our General Counsel and Company Secretary Allison Whitney, Chief Executive Officer Michael Boggs, and my fellow Board members, Barbara Chapman, David Gibson and Carol Campbell.

Our legal advisors, Chapman Tripp, and our auditors, PwC, are also in attendance today and available to answer shareholder questions.

I'd like to thank our shareholders for their participation in today's meeting.

#### **SLIDE 4 (Agenda)**

Today we will begin with my address, followed by an address from our CEO Michael Boggs. We will then proceed to voting on the ordinary resolutions as set out in the Notice of Meeting. These are:

- Carol Campbell's re-election to the board;
- David Gibson's election to the Board;
- Barbara Chapman's election to the Board; and
- Authorising the board to fix the remuneration of our auditors, PwC.

As Chairman of this meeting I intend to vote all discretionary proxies that we have received in favour of these resolutions.

#### **SLIDE 5 (Propeller)**

I'll begin by illustrating how NZME operates today; as a fully integrated, audience-centric, media business, across print, radio and digital channels. With an unmatched portfolio of leading brands, delivering premium News, Sport and Entertainment content, we are uniquely placed to help advertisers engage with their customers.

Bringing Print, Radio and Digital together, to form NZME, has delivered revenue opportunities, and cost efficiencies. In the medium term, NZME aims to be a growth business and, as such, we continue to explore ways to further improve efficiency, address customer needs, and grow new revenue streams.

With our great assets and people, we are well-positioned to grow shareholder value in this dynamic media landscape.

#### **SLIDE 6 (Results Summary)**

Moving to a summary of our FY17 results, which we were pleased with, I'll just remind you at the outset that FY17 was our first full year operating as NZME Limited.

Our full year 2017 statutory net profit after tax was \$20.9 million, representing earnings of 10.7 cents per share. Our 2016 results were impacted by the demerger from HT&E, formerly APN, and also included several discontinued businesses. Trading NPAT of \$26.7 million, or 13.6 cents per share, is a more meaningful representation of ongoing earnings.

I am pleased to report that in 2017 the Company generated solid trading EBITDA of \$66.2 million, down just 2% compared to pro forma 2016, and despite a weak third quarter due to impacts from events such as the New Zealand General Election.

These results enabled our company to pay a fully imputed final dividend of 6 cents per share in May 2018. This took total dividends paid with respect to the 2017 year to 9 and a half cents per share, in line with our dividend pay-out policy of 60 to 80% of underlying Net Profit after Tax.

#### **SLIDE 7 (Board)**

Sir John Anderson, having led the Board as Chairman since its formation in 2016, retired in December last year. On behalf of the Company I would like to acknowledge and thank Sir John Anderson for his invaluable contribution to NZME, including leading the Board through the demerger of NZME from HT&E Limited and listing on the NZX.

Sir John has made a significant contribution over a long period to the growth of businesses in New Zealand and his extensive business and governance experience was an asset to the Company during NZME's first year as a listed company. All of us at NZME wish Sir John the very best for his retirement.

At the time of Sir John's retirement, the Board appointed myself as Chairman and has since made progress in its recruitment programme, ensuring that the Board has the appropriate mix of skills and experience to implement the Company's growth strategy.

David Gibson, who has a strong background in strategy and finance with over 20 years' experience, was appointed as an Independent Director in December 2017.

Barbara Chapman was appointed as an Independent Director in April 2018, bringing additional skills to the table including governance, people and culture, marketing and technology.

Barbara and David are standing for election today and Carol Campbell, who has been on the Board since NZME's foundation, is standing for re-election by rotation. I might add that all of these Directors bring valuable contributions to the Board and I look forward, with the support of shareholders, to their continued stewardship of your Company.

In addition, I am very pleased to announce the appointment of Independent Director Sussan Turner to the NZME Board effective 16 July 2018. I am delighted to welcome Sussan to the Board. Sussan has extensive corporate and governance experience having held three CEO roles inside the media industry across a 30 year period; the last being that of Group CEO for MediaWorks. She is currently the CEO of Aspire2 Group Ltd and Pro Chancellor at AUT. A great complement to the existing mix of skills and experience on our Board.

Sussan's appointment to the Board marks the completion of NZME's current Board recruitment process.

### **SLIDE 8 (Executive Team)**

NZME has highly experienced, dedicated and talented management and staff, ably led by CEO Michael Boggs. The Executive Team contribute a broad range of skills in the areas of strategy, marketing, digital, editorial, commercial, finance, transactions, operations and legal. They bring significant industry experience to the business and continue to enable us to deliver on our strategy, and value for shareholders.

The Board thanks all of our employees, who have continued to work extremely hard to retain our traditional revenue streams, launch our three new digital platforms, Driven, YUDU and OneRoof, and embrace ongoing business transformation.

Before I conclude my address, I would like to emphasise that our core growth strategy remains unchanged and is focused on delivering shareholder value.

I will now hand over to our CEO Michael Boggs to provide further detail on the performance of the business and strategy looking forward.

### **Slide 9 (Photo)**

#### **CEO'S ADDRESS: MICHAEL BOGGS**

Thank you, Peter.

I am really pleased to be here talking to you as CEO of NZME. I would now like to take you through some of the exciting developments that we have seen across the business during 2017 and in the year to date.

**SLIDE 10 (NZ General Election Coverage)**

As Peter mentioned earlier, NZME's transformation is an ongoing project. We aim to be at the forefront of content delivery to grow and engage our audience in the ever developing media industry.

Let me briefly illustrate our multi-platform content creation and distribution in action, during the NZ general election in September 2017.

Taking an innovative approach to driving audiences over this period resulted in over 3.8 million visitors to nzherald.co.nz during the campaign period, consuming a significant 16.7 million pages of content.

We developed interactive online features allowing voters to compare the main parties' campaign policies, track regional electorate results, and seats "won" in parliament. On election night, we broadcast 5 hours of live television from here at NZME Central, and a number of election headquarters nationwide.

This coverage illustrates the extent of our business integration and our ability to create and deliver great content across our strong brands here at NZME.

**SLIDE 11 (Reach)**

NZME reaches an impressive 3.2 million New Zealanders.

We have multiple engagement points with our readers, listeners, and watchers, and as such they remain engaged with our many platforms over the course of an entire day.

Stable NZ Herald print readership, success of market-specific radio shows, expansion of our radio footprint, and strong digital growth, particularly through the NZ Herald digital platform, allowed us to maintain leading audience reach in 2017.

**SLIDE 12 (Trading Result)**

Re-capping on the 2017 financial year, we continued to experience headwinds in the traditional segments of our business, which is impacted by advertiser transition from print to digital media, and increased competition from offshore media players.

Given these impacts, we were pleased to continue to limit the overall pro forma revenue decline to just 4% in FY17, which is in line with the rate of revenue decline experienced in FY16.

Continued implementation of operational initiatives helped us achieve a 5% reduction in costs year on year.

Consequently, Trading EBITDA of \$66.2 million in FY17 was only 2% lower than the FY16 pro forma.

We are pleased with this result and delivering shareholder returns in the form of fully imputed dividends totaling 9.5 cents per share for the year.

### **SLIDE 13 (Print)**

In 2017, total Print revenue of \$221.3 million was down 7% compared to 2016. Print advertising revenue was down 9% in 2017, consistent with previous trends, however we see this result as reasonable given the reported 12% decline in the New Zealand newspaper advertising market as a whole.

We continue to focus on Print revenue by increasing market share where we can and by maintaining circulation revenues.

As you know The New Zealand Herald is the country's leading newspaper and our most important masthead brand. We are continuing to work hard to extend its readership and ensure it remains the number one choice for print readers and advertisers.

In the latest ABC, and Nielsen results just released today, we are very happy to report an 8% increase in The New Zealand Herald's readership in the year to Q1 18, and that the Herald on Sunday remains the most-read and highest selling Sunday Newspaper in the country.

The strength of our print brands was recently recognized at the 2018 Voyager Media Awards where The Weekend Herald won the top prize of 'Newspaper of the Year', and 'Best Weekly Newspaper'. Our "Break the Silence" youth suicide campaign was also awarded 'Best Editorial Campaign', and many of our journalists awarded, including Matt Nippert taking the Supreme Prize.

### **SLIDE 14 (Radio)**

We were really pleased to see Radio revenue return to growth in the fourth quarter of 2017. This achievement contributed to our overall result for the year, down 4% on FY16. We outperformed estimated growth in the agency segment of the market; however focus continues to remain on returning total Radio revenues to growth consistently.

We completed a number of initiatives in both sales and content in 2017 to support this focus. In sales, in the second half we completed a nationwide transformation, ensuring all direct frontline staff are equipped to sell radio.

We also put in place a new incentive scheme in the second half to optimise the integration of our sales teams. Additionally, a new CRM system and suite of sales tools has further supported integrated sales and enhanced customer engagement.

Audience growth is a key driver of revenue growth. And it is great to report that, since the start of 2017, NZME's share of total New Zealand radio audience has grown by 2%.

We also saw a 5% growth in share in the major market of Christchurch, supported by our ongoing focus on talent enhancement, including localised talent. NewstalkZB remains as the number one commercial radio station in the country, a testament to our focus on premium and in-depth content, and developing and retaining key talent.

Additionally, at the 2018 NZ Radio Awards last month, NewstalkZB presenters, Mike Hosking and Marcus Lush, were both awarded 'Best Talk Presenter' in their show categories. ZM was

awarded 'Best Music Breakfast Show', 'Best Digital Content', and the 'Best Video' award along with Radio Hauraki, amongst many other achievements for NZME's brands.

It is fantastic to see our radio brands achieving recognition in the increasingly important channels of digital and video.

### **SLIDE 15 (Digital)**

We achieved Digital and e-Commerce revenue growth of 8% in 2017, supported by 18% growth in our digital advertising revenue, which we see as a good result compared to estimated market growth of 8%. Revenue growth was aided by continued growth in NZHerald.co.nz's average unique audience, up 6% in the year to Q1 18.

Additionally, the relaunch of nzherald.co.nz, supported by the Washington Post arc software, grew revenue in 2017 through innovative ad executions and increased premium inventory.

The success of this relaunch was recently recognized at the 2018 INMA Global Media Awards held in Washington DC. NZME received Honorable mention in the "Best Brand Awareness Campaign" award, and third place in the "Best Use Of Mobile" award.

NZMEs' investigation into youth suicide in New Zealand, "Break The Silence" was also awarded second place for "Best Public Relations Or Community Service Campaign" at the INMA awards.

In addition, our NZHerald.co.nz site was recently awarded 'Best News Website' at the 2018 Voyager media awards.

The Washington Post arc software suite that supported the site re-launch also provides the functionality for the implementation of a pay-gate for premium and in-depth content, targeted for the second half of this year. A strong focus on increasing the quantity of investigative content produced, and engaging our audience in this content, has been the first step in this process. We look forward to updating you further on this initiative later in the year.

### **SLIDE 16 (Digital Initiatives)**

Also in the digital space, we are all pretty excited by our new classifieds platforms in property, employment and motoring; OneRoof, YUDU and Driven.

We think our leading audience, brands and deep-rooted industry relationships provide a tremendous opportunity to establish these new brands.

We have created market-leading platforms and consumer experiences in each of the three verticals. We are not just about emulating existing online offers. Each of the new sites provides an innovative user experience and proposition that aims to evolve the market, and consumer behaviour.

OneRoof goes beyond simple home listings to give buyers the latest property insights, valuations and unique needs-based-search functionality. OneRoof has grown quickly, already profiling over 50% of total for-sale listings, with more listings added every day.

YUDU is a hub of employment listings, news, advice, trends and insights for job seekers.

YUDU also offers a way for employers to engage with the additional estimated 43% of workers not actively looking for a new job, but open to offers, being the passive component of the market. Employers can also showcase their values, culture, and career opportunities.

Driven, our motoring platform, now carries more than 34,000 vehicle listings, representing an estimated 60% of total dealer listings in market. The site utilises video and editorial content to increasingly engage our audiences. Driven is the destination for motoring enthusiasts and car buyers alike, "the only place you need to go for everything motoring".

These three new platforms were launched in April this year and, as such, it's early days. Revenue from these businesses, as with any startup, will lag costs in the short term. Incremental operating expenses in relation to these new platforms are expected to be \$6 million in FY18.

We believe the opportunity in the digital classifieds space is attractive and justifies our investment of capital and resources. Revenue opportunities from these new platforms are aligned with our objective of becoming a growth business in the medium term.

### **SLIDE 17 (FY18 Strategic Plan)**

Looking forward, I will now outline our strategic plan, which is based around the three horizon model; it focuses on optimising our existing business, while launching new ventures to take advantage of our existing audience and customer relationships, and identifying new business models that address unmet customer needs.

The priorities supporting each horizon are similar to those that we've focused on to deliver shareholder value since the demerger, although we have refreshed some of our priorities to reflect the progress we've made.

Firstly, we remain very much focused on growing audience and engagement. This will be achieved through the amplification of NZME's brands and developing more planned, unique, local and premium content. This will further be supported by innovation such as the Washington Post arc roadmap, with the next steps being further customisation of our content delivery tool, and the implementation of a paid content solution.

Returning total advertising revenue to growth across the business is a focus for the medium term. Maximising the retention of Print revenue, growing Digital revenue and returning Radio revenue to growth, will help us to achieve this goal.

Having said that, as evidenced by market trends, traditional advertising markets have continued to face headwinds in the first half and we anticipate a similar climate for the remainder of 2018.

We continue to explore opportunities to leverage our existing fixed cost base and ensure a strong balance sheet, enabling us to invest for growth, reduce debt, maintain financial stability, and maximise shareholder returns.

While operational efficiency remains a focus, as seen in FY17, the rate of cost reduction is slowing, and therefore EBITDA will be pressured in the near term.

Engaging and developing our people is core to our success with an emphasis on improving leadership, engagement, and succession planning for our people and talent. I would like to echo the Chairman's comments about the efforts of our dedicated people. Aiming to be a



growth business in a challenging industry requires constant innovation and hard work, for which I am grateful.

As we have just covered, we are growing new revenue streams through initiatives such as OneRoof, YUDU and Driven, improved data monetisation, and further developing a paid content proposition. We are investing capital and incremental operating costs in these new initiatives, and revenue will lag costs in the short term.

Our sixth priority is to continue to work on the merger with Stuff Limited, with a view to improving our efficiency and to underwrite the competitiveness of New Zealand content generation and delivery.

As a reminder, the synergies associated with the proposed merger have been estimated to be between \$36.8 and \$55.7 million.

Earlier this month, NZME and Fairfax appealed the High Court's decision not to approve the merger, in the Court of Appeal, with a judgment expected later this year. If unsuccessful, there is a further right of appeal to the Supreme Court, with leave on points of general public interest.

If an appeal is successful, completion of the transaction remains subject to the agreement of commercial terms, finance and shareholder approval.

NZME continues to share the costs of the legal process with Fairfax. The shared costs for this appeal are expected to be less than half a million dollars. We believe this is a worthwhile investment when weighed against the potential benefits of the transaction, for shareholders, and the long term sustainability of a strong New Zealand media sector.

We look forward to updating you further on our progress against these objectives in our half-year results briefing in August.

Finally, I would also like to thank the 3.2 million Kiwis we engage with, our suppliers, business partners, customers and shareholders for their continued support.

Given our market leading brands and audience reach, great people, and unique integrated offering, we are well placed to optimise returns from existing assets, as well as look beyond advertising to re-imagine revenue models that address unmet customer needs.

I will now hand back to our Chairman for the formal business of the meeting.

**SLIDE 18 (Resolutions) – PETER CULLINANE**

Thank you, Michael.

Ladies and Gentlemen, we will now address the matters requiring resolution, which are outlined in the Notice of Meeting.

There will be an opportunity for shareholders to ask questions on each resolution. When I call for questions, please raise your hand if you have a question. We will ask you to move to the microphone at the front on your left. Please clearly state your name, and confirm that you are a shareholder, before asking the question.

I ask that in the interests of fairness to all shareholders attending this meeting that anyone wishing to speak be as concise as possible and be considerate to other shareholders wishing to ask questions.

As the audio of the meeting is being streamed online, remember that you will be heard by an audience outside of this room. Questions raised by shareholders should relate directly to the resolution being considered. There will be an opportunity to ask general questions at the conclusion of the formal business.

I propose that voting on each of these resolutions be conducted by way of a poll. You should all have a voting card which was given to you when you registered. Please mark this card to indicate your vote. If you are here as a shareholder and do not have a voting card, please raise your hand and someone will assist you.

Each resolution set out in the Notice of Meeting is to be considered as an ordinary resolution and, as such, must be approved by a simple majority of the votes cast by shareholders entitled to vote and voting on the resolution. Details of postal and proxy votes received in respect of each resolution will be displayed on screen.

**SLIDE 19 (Resolution 1: Re-election of Carol Campbell)**

Resolution 1 concerns the re-election of Carol Campbell as a Director. The Board recommends Carol to you as a Director of NZME and unanimously supports her re-election.

Before we vote on this resolution I invite Carol to speak to our shareholders.

**CAROL CAMPBELL'S SPEECH**

**PETER CULLINANE TO CONTINUE:**

Thank you, Carol.

Before we move to the vote, are there any questions for the Board concerning the resolution?

*Take questions from floor*

I now move, as an ordinary resolution, that Carol Campbell, who retires by rotation and is eligible for re-election, be re-elected as a Director of NZME.

Voting on this resolution will be conducted by way of poll using your voting cards, where one vote is cast for each share held.

We have received 44.84% of total votes in advance, 98.90% of which are in support of Carol's re-election.

Please mark your voting cards in the way you wish to vote by ticking "FOR", "AGAINST" or "ABSTAIN" in the appropriate place on the voting card.

We will collect your voting cards after voting on resolution 4 is complete.

**SLIDE 20 (Resolution 2: Election of David Gibson)**

Resolution 2 concerns the election of David Gibson as a Director. The Board recommends David to you as a Director of NZME and unanimously supports his election.

Before we vote on this resolution I invite David to speak to our shareholders.

**DAVID GIBSON'S SPEECH**

**PETER CULLINANE TO CONTINUE:**

Thank you, David.

Before we move to the vote, are there any questions for the Board concerning the resolution?

*Take questions from floor*

I now move, as an ordinary resolution, that David Gibson, who joined the Board after the last Annual Shareholders' Meeting, be elected as a Director of NZME.

Voting on this resolution will be conducted by way of poll using your voting cards, where one vote is cast for each share held.

We have received 44.83% of total votes in advance, 99.03% of which are in support of David's election.

Please mark your voting cards in the way you wish to vote by ticking "FOR", "AGAINST" or "ABSTAIN" in the appropriate place on the voting card.

**SLIDE 21 (Resolution 3: Election of Barbara Chapman)**

Resolution 3 concerns the election of Barbara Chapman as a Director. The Board recommends Barbara to you as a Director of NZME and unanimously supports her election.

Before we vote on this resolution I invite Barbara to speak to our shareholders.

**BARBARA CHAPMAN'S SPEECH**

**PETER CULLINANE TO CONTINUE:**

Thank you, Barbara.

Before we move to the vote, are there any questions for the Board concerning the resolution?

*Take questions from floor*

I now move, as an ordinary resolution, that Barbara Chapman, who joined the Board after the last Annual Shareholders' Meeting, be elected as a Director of NZME.

Voting on this resolution will be conducted by way of poll using your voting cards, where one vote is cast for each share held.

We have received 44.84% of total votes in advance, 99.02% of which are in support of Barbara's election.

Please mark your voting cards in the way you wish to vote by ticking "FOR", "AGAINST" or "ABSTAIN" in the appropriate place on the voting card.

**SLIDE 22 (Resolution 4: Auditor's Remuneration)**

In accordance with the Companies Act, PwC will automatically be re-appointed as the auditor of the Company. The resolution authorises the Board to fix the auditor's remuneration for the forthcoming year.

Before we move to the vote, are there any questions for the Board concerning the resolution?

*Take questions from floor*

I now move, as an ordinary resolution, that the Directors of NZME are authorised to fix the auditor's remuneration.

Voting on this resolution will be conducted by way of poll using your voting cards, where one vote is cast for each share held.

We have received 44.86% of total votes in advance, 99.09% of which are in support of authorising the Directors to fix the Auditors remuneration.

Please mark your voting cards in the way you wish to vote by ticking "FOR", "AGAINST" or "ABSTAIN" in the appropriate place on the voting card.

We will now collect your voting cards, thank you. Final resolution results will be released on the NZX and ASX shortly after today's meeting concludes.

**SLIDE 23 (Shareholder Discussion)**

Having now completed the formal business of the meeting we will shortly invite shareholders to raise any questions of a general nature.

I remind you that only registered persons holding shareholder cards today are to speak or ask questions at this meeting.

Again, please raise your hand if you wish to ask a question. We will ask you to move to the microphone at the front on your left. Please clearly state your name, and confirm that you are a shareholder, before asking the question.

As the audio of this meeting is being streamed online, remember that you will be heard by an audience outside this room. Do any shareholders now wish to ask a question?

*Questions & Answers*

**SLIDE 24 (Thank you)**

Thank you for your questions today, it is important to us that our shareholders have open lines of communication with our Board and management. Before we conclude, I would like to reiterate NZME's focus on growing shareholder value. The company's FY18 strategic plan supports this focus by looking beyond advertising, and re-imaging business models to deliver new revenue streams.

We are a leading New Zealand media and entertainment business that provides advertisers with a unique opportunity to access a growing audience via our fully integrated, multi-

platform brands. We believe that we have the right assets and the right strategy for growing long term shareholder value in this dynamic industry.

Thank you again to my fellow Board members, executives and staff for your dedication and hard work, and to our shareholders for your continued support. I now declare this meeting closed. We will be available to meet you as you depart the iHeart lounge today.

**End of Meeting**