

NZX/ASX RELEASE

21 November 2018

Outcome of capital review and trading update

- Board adopts a new capital management and dividend policy including a debt reduction target of \$10 - \$15 million per annum.
- Debt facilities refinanced with a facility limit of \$150 million, with annual step downs from 1 January 2020 in line with Board's intention to reduce debt over time.
- Expected full year 2018 Trading EBITDA of \$52 million to \$56 million.
- In light of the above the Board does not anticipate declaring a final dividend for the 2018 financial year.

AUCKLAND, 21 November 2018: The Board of NZME Limited (NZX:NZM, ASX:NZM) ("NZME") is pleased to advise that it has concluded its review of NZME's capital structure and dividend policy and confirms the refinancing of its existing debt facility.

Investing for the future

The review was undertaken to ensure that NZME's approach to capital management was supportive of its long-term strategy and operational priorities. Developing new revenue streams to offset structural decline in some advertising markets and maximising long-term shareholder value remains a key focus. NZME also continues to maximise the efficiency of the business to support ongoing operating competitiveness as well as reinvestment in growth initiatives.

Capital management and dividend policy

After considering a number of capital management approaches to support the company's growth and long-term strategy, the Board has determined to adjust its capital management policy to emphasise a reduction in gearing while maintaining investment in growth initiatives and paying dividends where trading and investment conditions permit.

The Board has determined that an appropriate leverage ratio¹ for NZME is 1.0 to 1.5 times rolling 12-month Trading EBITDA.

This target leverage range takes into consideration a number of factors including the characteristics of the NZME business, the company's growth strategy, the structural changes in the industry, and gearing levels among its listed industry peers.

The Board is focused on balancing the delivery of shareholder returns and reducing leverage. As such, the Board has adopted the following capital management and dividend policy:

- A target reduction in net debt of \$10 – \$15 million per annum until such time as the leverage ratio is within our target range of 1.0 to 1.5 times rolling 12-month Trading EBITDA.
- Subject to achieving the annual debt reduction target, and having regard to NZME's capital requirements, operating performance, financial position and cash flow at the time, NZME intends to pay dividends of 30% to 50% of reported NPAT.

¹ The Leverage Ratio is defined as Net Debt divided by rolling 12-month Trading Earnings Before Interest Tax Depreciation and Amortisation ("Trading EBITDA"). At 30 June 2018, NZME's Leverage Ratio was 1.7 times, reflecting net debt of \$106.1 million and 12-month rolling Trading EBITDA of \$61.2 million.

The full details of the revised dividend policy are available on NZME's website (www.nzme.co.nz).

Debt refinancing

NZME is pleased to advise that it has refinanced its debt facilities resulting in a term extension from 1 January 2020 to 1 January 2022. In line with the Board's intention to reduce debt over time and minimise funding costs while maintaining appropriate headroom flexibility, the new facility of \$150 million will step down by \$10 million annually from 1 January 2020.

The interest margin on the facilities has increased by approximately 60 basis points reflecting market movements. The facilities remain subject to customary undertakings and compliance with financial covenants.

Trading update

Advertising revenue in Q3 2018 was down 4%, in line with the Outlook Statement provided in our half year results presentation in August 2018. Advertising bookings in Q4 2018 are currently showing an improvement on Q3 2018 trends. NZME's full year Trading EBITDA expectation is in the range of \$52 million to \$56 million. Net debt is estimated at \$100 million at year end.

Taking into account the debt reduction target in NZME's revised capital management and dividend policy, the Board does not anticipate declaring a final dividend with respect to the 2018 financial year.

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About NZME

NZME is a leading New Zealand media and entertainment business that reaches more than 3.2 million kiwis². 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

² Nielsen CMI Fused: Q3 17 to Q2 18 (population 10+ years)