

MEDIA RELEASE

19 February 2019

NZME LIMITED FULL YEAR 2018 FINANCIAL RESULTS**Progress on strategy in a challenging market**

NZME Limited (NZME) today reported financial results for the full year 2018 that reflected good progress on its strategy of growing new revenue streams, despite modest declines in revenue from traditional sources in a difficult New Zealand advertising market.

FY 2018 key points

- Trading Revenue¹ declined 2% in FY 2018 to \$378.4 million.
- Trading EBITDA¹ of \$54.7 million, down 17% compared to FY 2017, impacted by incremental operating costs for the new Digital Classifieds of \$6.1 million. Excluding Digital Classifieds, Trading costs¹ declined 1% and EBITDA declined 8%.
- Statutory NPAT declined 44% on FY 2017 to \$11.6 million. Trading NPAT¹ of \$18.9 million and Trading EPS¹ of 9.6 cents, compared to \$26.7 million and 13.6 cents respectively in FY 2017.
- To support investment in growth and strengthen the balance sheet, no final dividend declared, as previously signalled to the market. Total FY 2018 dividends of 2.0 cents per share, fully imputed.

NZME's Chairman Peter Cullinane said, "Trading conditions remained challenging in FY 2018 but despite this, our revenue decline slowed. We have made significant progress to strengthen the Company by investing in a number of promising new revenue opportunities to grow long-term shareholder value. We continue to actively assess opportunities for improvement and growth that arise from the ongoing media industry consolidation".

NZME's audience of 3.3 million New Zealanders² represents 80% of the New Zealand population. The NZ Herald daily brand audience exceeded 1 million³ and engagement on nzherald.co.nz, as measured by time spent per visit, improved across FY 2018⁴. NZME's Radio audience and revenue share was stable in a weaker Agency market.

NZME Chief Executive Michael Boggs said, "We are pleased with the results given the economic headwinds we faced in our business 2018. Given this backdrop, retaining revenue in Print was a standout. We are also excited about the strong audience and listings growth in OneRoof, and its early stage contribution to revenue."

NZME's advertising revenue faced ongoing structural pressures in print advertising, intensified by weaker business and consumer confidence, which impacted New Zealand Agency advertising demand in Radio, Digital and Print.

¹ Trading measures are non-GAAP measures that are explained and reconciled in NZME Full Year 2018 Results Presentation dated 19 February 2019. 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 \$9.2m.

² Nielsen CMI October Fused Q4 17 to Q3 18 (population 10+ years).

³ Nielsen CMI Q4 17 – Q3 18 AP 15+, represents a combination of Print readership and Digital audience.

⁴ Nielsen Market Intelligence Domestic Traffic (1 Jan 18 – 31 Dec 18).

Despite these pressures, there were bright spots in Print advertising, such as the Travel category, assisted by the cruise ship industry. An improved final quarter saw the rate of decline in Print advertising revenue slow from previous years.

Radio revenue was impacted by weak Agency demand, despite Direct Radio revenue returning to growth in H2 2018. In FY 2018, NZME maintained its 39% share of the radio advertising market⁵ and continued to focus on having the best offer in the market to inform, entertain and attract listeners.

NZME's radio audience share was stable in FY 2018 at 35%⁶. NZME's leading brands maintained their strong presence, with *NewstalkZB* remaining the number one radio station in New Zealand. iHeart Radio grew its registered users by 18% over the year to more than 831,000⁷.

Digital advertising revenue growth slowed in FY 2018, impacted in the second half by weak Agency demand. The Digital market continues to evolve but retains highly attractive fundamentals and NZME expects the channel to remain a long-term driver of growth⁸.

Since launch in late March 2018, NZME's real estate classifieds portal, OneRoof, made significant progress, growing real estate listings and audience to support the generation of \$0.7 million in revenue in FY 2018, with \$0.5 million of this in Q4 2018.

"Our revenue numbers were encouraging given just how tough some parts of the market were in FY 2018. Spending on growth initiatives continues to impact earnings ahead of revenue generation but these investments offer very exciting prospects as we progress our strategy", said Mr Boggs.

Outlook

The trend for advertising bookings in Q1 2019 has improved with bookings tracking at 2% lower than the previous corresponding period, compared with a 4% year on year decline experienced in the same period in FY 2018. The Agency market remains challenged, however, trends are improving.

The launch of digital subscriptions is on track for Q2 2019, with modest revenue expectations in FY 2019. OneRoof is expected to deliver further listings, audience and revenue growth in FY 2019.

NZME is continuing its focus on cost reduction, which will support ongoing investment in Digital Classifieds and digital subscriptions. Consequently, net cost reduction is likely to be modest.

In line with the capital management policy announced in November 2018, NZME is targeting a reduction in debt of between \$10 million and \$15 million in FY 2019.

⁵ PwC Radio Advertising Benchmark Report, Q3 18.

⁶ GfK Radio Audience Measurement, Commercial Stations. NZME & Partners in Major Markets Trended to T4/2018. Station Share %, AP 18-54.

⁷ iHeartMedia, 2017- 2018; Adobe Analytics, 2018.

⁸ PwC Outlook NZ Entertainment Outlook 2018 – 2022.

FY 2019 Strategic priorities

NZME's long term 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.

In FY 2019, NZME intends to focus on horizon 2 – revenue growth – in three main areas:

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

nzherald.co.nz will continue to deliver the majority of day-to-day news and current affairs free of charge to an audience of 1.7 million⁹, and the launch of digital subscriptions in Q2 2019 will give readers the opportunity to access premium content on subscription, including the best content from four top global publishers.

NZME will continue to enhance radio sales skills to support integrated selling. It will pursue digital audience and revenue growth through leveraging iHeart capability and will develop new shows to further build radio audience.

OneRoof will focus on securing further market listings and property categories, ongoing development of user features and tools to enhance listings engagement, and leading New Zealand's property market commentary and insights.

All FY 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. NZDT on Tuesday, 19 February 2019, 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 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).

⁹ Nielsen Online Ratings, December 2018.