NZX/ASX RELEASE

24 February 2017

Stable 2016 Trading EBITDA and 6 cent final dividend

NZME Limited full year results for the twelve months ended 31 December 2016

FY 2016 highlights

- Statutory NPAT[1] of $74.5 million compared to $42.9 million in FY 2015, impacted by tax and gain on sale of interest in the Australian Radio Network
- Trading EBITDA[1] of $71.9 million, stable compared to FY 2015 of $71.8 million, supported by a 6% reduction in operating costs from integration benefits
- Pro forma NPAT[1] of $27.8 million and Pro forma[1] EPS of 14.2 cents
- Final dividend 6.0 cents fully imputed, making a total of 9.5 cents for FY 2016
- Trading revenue[1] declined 6% in challenging advertising markets, although decline slowed in the second half and was less than the estimated market decline[2]
- Audience reach grew 5% across news, sport and entertainment brands to 3.2 million supported by strong 19% growth in Digital audience[3]
- Decline in Print revenue slowed in second half due to share gains[2] aided by audience growth[3], stabilisation of subscriber numbers and improving yield
- Radio agency revenue returned to growth in H2 2016 aided by an improved agency model, strategies implemented to lift direct revenue
- Digital revenue growth of 24% in FY 2016, largely driven by mobile and video advertising revenue growth, supported by content production initiatives
- Cost savings of 6% in FY 2016 primarily driven by transformation and integration of the Print, Radio and Experiential, Digital and e-Commerce businesses
- Investment in people and capability to pursue full benefits of business integration and unique multi-channel platform for advertisers to engage with New Zealanders
- Progressed Fairfax New Zealand Limited ("Fairfax") merger – New Zealand Commerce Commission ("NZCC") decision due by 15 March 2017

Financial summary

$m	FY 16	FY 15	% Change
Revenue	407.4	433.0	(6%)
Other Income	2.4	0.5	334%
Costs	(337.8)	(361.7)	(7%)
Trading EBITDA[1]	71.9	71.8	0%
Statutory NPAT[1]	74.5	42.9	74%
Pro forma NPAT[1]	27.8	27.5	1%
Final Dividend (cps)	6.0	-	-

[1] The FY15 and FY16 Statutory Results are not reflective of the NZME business going forward due to the impact of the demerger, tax payments, business closures and divestments. Trading EBITDA and Pro forma NPAT more appropriately reflect the company in its new structure. Reconciliation between Statutory, Trading and Pro forma financial measures can be found in Appendix 1.
[2] PwC NPA Quarterly performance comparison report Q4 2014 – Q4 2016. SMI New Zealand Agency Advertising Expenditure Report December 2016. Note: No measure of total radio market revenue has been available in NZ since 2014 (ASA). IAB / PWC New Zealand Q3 2016 Interactive Advertising Spend Report; digital excluding search and directories, and social media (NZ market only).
[3] Nielsen CMI, November fused database: Last twelve months Q1 15 – Q3 16 (population 10 years +). Based on unduplicated weekly reach of NZME newspapers, radio stations, and monthly domestic unique audience of NZME's digital channels. Note: Most recent data point available is last twelve months to Q3 16.

Full year summary

NZME Limited (NZME) today reports stable earnings from its integrated media and entertainment business despite the challenges faced in advertising markets.

Trading revenue[4] declined 6%, reflecting strong growth in Digital and a slowing rate of decline in Print and Radio. After adjusting for the impact of divestments and business closures, Pro forma revenue[4] decline was 4%. Trading EBITDA[4] was flat compared to FY 2015 supported by a 6% reduction in operating costs, primarily driven by business transformation and integration.

NZME has grown its audience reach by 5% in FY 2016 across its news, sport and entertainment brands to 3.2 million[5]. Digital audience growth was particularly strong at 19%[5] in the year, driven by successful product developments and initiatives. In a typical day, by 9am 73% of Kiwis have read, watched, listened to, or otherwise engaged with NZME[5].

In the second half of 2016, NZME made good progress on the delivery of FY16 operational priorities by growing audience[5], slowing the decline in Print revenue, returning Radio agency revenue to growth, driving strong Digital revenue growth, achieving major cost savings, developing talent and progressing the proposed merger with Fairfax.

The creation of NZME brought together major New Zealand Publishing, Radio and e-Commerce businesses to create a unique multi-platform media company. NZME has integrated and transformed into an audience-centric business focusing on News, Sport and Entertainment pillars.

The integration has established a much more agile business and delivered significant efficiency benefits. The model also offers exciting new opportunities for entertaining and connecting New Zealanders and engaging audiences for its advertising customers.

Capital expenditure for the year was $14.9 million and net debt as at 31 December 2016 was $95.9 million. The company has healthy cash flow, sound liquidity and undrawn bank facilities of $48.0 million.

Pro forma[4] EPS was 14.2 cents, supporting the final dividend of 6.0 cents, scheduled for payment on 28 April 2017. This is in line with dividend policy of 60-80% of Pro forma NPAT[4].

The Statutory Result is not reflective of the NZME business going forward, due to the impact of the demerger, tax payments and the inclusion of the previous ownership interest in the Australian Radio business. A reconciliation of Statutory, Trading and Pro forma measures is shown in Appendix 1.

Print

Print advertising revenue comprised 33% of FY 2016 NZME Trading revenue[4]. In FY 2016, Pro forma[4] Print revenue declined 6% to $237.7 million, after excluding the impacts of business closures and divestments.

[4] The FY15 and FY16 Statutory Results are not reflective of the NZME business going forward due to the impact of the demerger, tax payments, business closures and divestments. Trading EBITDA and Pro forma NPAT more appropriately reflect the company in its new structure. Reconciliation between Statutory, Trading and Pro forma financial measures can be found in Appendix 1.
[5] Nielsen CMI, November fused database: Last twelve months Q4 14 – Q3 16 (most recent release) (based on population 10 years +). Based on unduplicated weekly reach of NZME newspapers, radio stations, and monthly domestic unique audience of NZME's digital channels.

After a challenging first half, the decline in Print advertising revenue slowed in the second half. NZME's Print advertising revenue decline was less than half the estimated 2016 market rate of decline[6].

While advertising revenue was down, circulation revenue was stable on FY 2015 as NZME maintained subscriber numbers and improved yield through price increases. Increased distribution of the *Weekend Herald* in tertiary markets, and wider penetration of the *Herald on Sunday,* aided overall readership growth[7].

After a solid first half, 'Other revenue' from printing and distribution services to external parties was lower in the second half on reduced volume.

NZME continues to focus on product development in order to grow audiences and engagement. In H2 2016, the *Herald on Sunday* lifestyle magazine was relaunched to focus on Travel, a stronger commercial proposition. Weekend Herald magazines *Canvas* and *Weekend* were also re-designed in H1 2016 to enhance reader experience.

The Print portfolio was also optimised in FY 2016 through the divestment of the *Wairarapa Times Age* daily and *Whakatane News* weekly newspapers during the year.

Radio and Experiential

Radio and Experiential contributed 28% of FY 2016 NZME Trading revenue[8], and at $114.8 million was 4% lower than FY 2015. Radio agency revenue returned to growth (in the second half) as ongoing benefits of an improved agency sales model were realised. Direct Radio revenues were maintained in Auckland; however some regional markets remain challenged. Returning total direct Radio revenue to growth will be a focus for FY 2017.

NZME's key 18-54 year old demographic market share has remained stable over the last two years[9]. *Newstalk ZB* continues to maintain a leading position in New Zealand radio with the largest share of any commercial radio station[9], showcasing New Zealand's number one breakfast host, Mike Hosking. NZME has held or grown the share of six of its nine Radio stations across major markets during FY16, however certain stations have underperformed[9].

Actions to improve performance include:

- The launch of a new breakfast show for *The Hits* in Auckland in February 2017, featuring high profile talent Sarah Gandy, Sam Wallace and Toni Street;
- The re-launch of *Mix* in January 2017 with new branding and playlist targeting broader demographic appeal;
- A new campaign that began in Q4 2016 to reposition *Coast* to target a younger 40 years plus demographic; and
- Implementing new CRM system, planning, booking and scheduling tools, to better understand customers and better manage the sales pipeline.

Other Radio revenues, including *iHeartRadio* and NZME Events, grew 3% year on year to $6.2 million in FY 2016. Further growth is expected in FY 2017 from the expansion of the *PwC Herald Talks* from just Auckland, to Wellington and Christchurch, and expanding the *Viva Sessions*.

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[6] PwC NPA Quarterly Performance Comparison Report Q4 2016.

[7] Nielsen CMI, November fused database: Last twelve months Q4 14 – Q3 16 (most recent release) (based on population 10 years +). Based on unduplicated weekly reach of NZME newspapers.

[8] The FY15 and FY16 Statutory Results are not reflective of the NZME business going forward due to the impact of the demerger, tax payments, business closures and divestments. Trading EBITDA and Pro forma NPAT more appropriately reflect the company in its new structure. Reconciliation between Statutory, Trading and Pro forma financial measures can be found in Appendix 1.

[9] GfK - Radio Trended Network Data, Commercial Major Markets 2016, Station Share (%), All 10+ unless specified, Mon-Sun 12mn-12mn. Note: T1 2014 – T2 2015 conducted by previous provider TNS, T1, T2, T3 2016 conducted by current provider GfK.

A new *iHeartRadio* App. was launched in January 2017 with a registration wall, enhanced user functionality and improved advertising targeting. *iHeartRadio* registered users grew 22% during FY16 to 518,000.

Digital and e-Commerce

NZME achieved strong Digital revenue growth of 24% in FY 2016, against market growth of 16%[10], largely driven by mobile and video advertising revenue growth. Total programmatic revenue grew 65% year on year driven by the performance of *KPEX*, a joint venture trading desk for Digital advertising, between four New Zealand media businesses (NZME, Fairfax, Mediaworks and TVNZ).

NZME's Digital audience reach grew 19% during FY 2016 to exceed 2.4 million[11] and now has more than 900,000 social followers. A data lake was implemented in FY 2016, consolidating registered user databases across platforms to offer new cross fertilising opportunities to serve advertising customers and grow audience.

NZME's native video streams grew 69%[12] year on year as a result of launching new initiatives and expanding and improving video content for existing brands.

The audience of *NZ Herald Focus*, NZME's news video show, continues to grow. The show often exceeds 1.5 million streams across Digital platforms each week. Following this success, NZ On Air assisted NZME with funding to produce New Zeeland's first regional video service, *Local Focus*, and "*Under the Bridge*", NZME's first long form documentary video.

E-Commerce revenue from *GrabOne* decreased 19% in FY 2016, however the decline softened in H2 2016 due to continued focus on improving user experience, and evolving from a pure 'daily deals' site to an 'always on' model.

Digital developments planned for FY 2017 include a re-design of *nzherald.co.nz* expected to go live in Q1. NZME is installing a Washington Post content management system, and other publishing tools, to enable an improved user experience, increased audience engagement and operational efficiencies in FY 2017.

Capital management

The company has a prudent and sustainable capital structure. The final 6.0 cents fully imputed dividend, totalling 9.5 cents for the year, is consistent with the dividend policy of 60-80% of Pro forma NPAT.

Fairfax merger update

The NZME and Fairfax merger remains subject to regulatory and shareholder approval. NZCC released a draft determination on the merger in November 2016. Its preliminary view was to decline the application. A public hearing was held in December 2016 where interested parties, including NZME and Fairfax, presented their arguments for or against the merger to the NZCC. The NZCC has advised that it expects its final determination to be made on or before 15 March 2017.

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[10] IAB / PWC New Zealand Q3 2016 Interactive Advertising Spend Report; digital excluding search and directories, and social media (NZ market only).
[11] Nielsen CMI, November fused database: Last twelve months Q4 14 – Q3 16 (population 10 years +). Based on unduplicated monthly domestic unique audience of NZME's digital channels
[12] Brightcove analytics, January 2015 - December 2016. Native = viewed on NZME platforms.

As disclosed in the NZME market announcement on 7 September 2016, the merger will be effected by a wholly owned subsidiary of NZME acquiring all of the shares in Fairfax, in consideration for which NZME will pay NZ$55 million in cash. NZME shares will be issued to Fairfax Corporation Pty Limited ("Fairfax Australia"), a wholly owned subsidiary of Fairfax, equal to a 41% shareholding in NZME. The consideration is subject to pre and post-merger completion adjustments outlined in the announcement.

In the event that the merger is approved by the NZCC in March, NZME expects to hold a shareholder meeting to vote on the merger in early June 2017, with a view to completing the transaction by 30 June 2017. In the event that the merger is declined by the NZCC, the parties will consider their next steps (a decision by the NZCC to not approve the merger can be appealed).

New initiatives and development

NZME continues to implement its strategy of building leading edge content, brands and audience reach through innovation across the media channels, including:

- Launching *CreateMe* in FY 2016 to maximize NZME's integrated, multi-platform sales proposition, delivering revenue growth via video, branded content and Experiential products,
- Relaunching the *Herald on Sunday* lifestyle magazine in H2 2016 to focus on *Travel,*
- Launching new *The Hits* breakfast show in February 2017 with high profile talent; Sarah Gandy, Sam Wallace and Toni Street,
- Launching a new *iHeartRadio* App. in January 2017 with registration wall, enhanced functionality and improved advertising targeting,
- Launching a regional video service, *Local Focus,* and first long-form documentary*,* with funds from NZ On Air (an independent broadcast funding agency),
- Currently installing Washington Post publishing tools, including a new content management system, to enable an improved user experience, increased audience engagement and operational efficiencies in FY 2017,
- Redesigning *nzherald.co.nz*, which is due for launch in Q1 2017, and
- Investing in *Ratebroker.co.nz* in December 2016, mortgage, finance and insurance aggregator platform enabling consumers to easily purchase these & other future services directly online.

Outlook

NZME's mission is to be at the centre of what New Zealanders want by sharing great stories, entertaining, engaging and connecting all New Zealanders. NZME has a highly experienced, dedicated and talented management and staff who continue to create and deliver premium innovative content and experiences to New Zealanders.

In order to achieve this, NZME are focused on four medium term pillars of the business: audience, revenue, being agile and people. Management have identified specific initiatives that support these pillars that will be a focus for FY 2017;

- Leverage insights to maximise audience targeting and engagement
- Enhance regional content and expand Digital verticals
- Proactively optimise existing products e.g. new Radio breakfast shows
- Invest in new revenue streams

- Launch new content management system and redesigned nzherald.co.nz
- Leverage integrated data lake to maximise Digital revenue
- Develop leadership, talent, digital, social and data skill sets
- Simplify sales and customer relationship systems

In FY 2017 NZME's operational priorities are consistent with FY 2016:

1. Grow audience reach
2. Continue to retain Print revenue
3. Return Radio revenue to growth
4. Grow new revenue streams
5. Effective cost and capital management
6. Develop our people and retain our talent
7. Complete the Fairfax merger (subject to NZCC and shareholder approval)

NZME will continue to work hard in these areas as they believe they are key drivers of shareholder value.

ENDS

For further information:

Investors:
Michael Boggs
Chief Executive Officer
T: +64 9 367 6123
Email: Michael.Boggs@nzme.co.nz

Media:
Liza McNally
Chief Marketing Officer
M: +64 21 944 989
Email: Liza.McNally@nzme.co.nz

About NZME

NZME is a leading New Zealand media and entertainment business that reaches more than 3 million kiwis[13]. Whether reading, listening, 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

[13] Nielsen CMI, November fused database: Last twelve months Q1 15 – Q3 16 (population 10 years +). Based on unduplicated weekly reach of NZME newspapers, radio stations, and monthly domestic unique audience of NZME's digital channels. Note: Most recent data point available is last twelve months to Q3 16.

NZME NEW ZEALAND MEDIA AND ENTERTAINMENT

APPENDIX ONE: EXPLANATION OF NON-GAAP FINANCIAL INFORMATION

NZME FY 2016 TRADING RECONCILIATION TO FINANCIAL STATEMENTS

The Statutory Result, including the segment note, as reported in the Consolidated Financial Statements for the year ended 31 December 2016 is not reflective of the NZME business going forward, due to the impact of the demerger, tax payments and the inclusion of the previous ownership interest in the Australian Radio Network. In order to show what the result would look like for NZME on a standalone basis, we have presented a number of non-GAAP measures which are further explained and reconciled to the GAAP figures in this Appendix. This presentation should be read in conjunction with NZME's Consolidated Financial Statements.

$m	NZME Trading Result[1]	NZME Related Exceptionals	Acquired & Non-trading items[2]	Financial Statements[3]
Revenue	407.4	-	(1.2)	406.1
Other Income	2.4	1.3	0.4	4.1
Total Revenue & Other Income	**409.7**	**1.3**	**(0.8)**	**410.2**
Costs	(337.8)	(13.0)	(12.8)	(363.6)
EBITDA	**71.9**	**(11.6)**	**(13.6)**	**46.6**
Depreciation and amortisation	(23.8)	-	-	(23.8)
EBIT	**48.1**	**(11.6)**	**(13.6)**	**22.8**
Net interest expense				(9.3)
NPBT				**13.5**
Tax				(64.0)
Profit from discontinued operations				125.1
Statutory NPAT				**74.5**

(1) The NZME Trading Result comprises Trading Revenue, Trading Other Income, Trading Costs, Trading Earnings Before Interest, Tax, Depreciation and Amortisation (Trading EBITDA) and Trading Earnings Before Interest and Tax (Trading EBIT) which are non-GAAP measures. The NZME Trading Result for FY16 shows NZME on a standalone basis for the full year by including the Educational Media business for a full year (which is only included for the second half of the year in the Consolidated Financial Statements as it was acquired as part of the demerger), excluding exceptional items, and without adjusting for earnings from businesses divested during the year (Wairarapa Times Age and Whakatane News) which are also included in the Consolidated Financial Statements.

(2) Acquired and non-trading items include Revenue of $1.2 million and Costs of $0.8 million relating to the Educational Media business, which is offset by Masthead Royalty charges of $12.2 million incurred in H1 and other overhead costs previously paid for by other entities in the Group prior to the demerger.

(3) Revenue of $406.1 million agrees to Total revenues from external customers excluding revenue from shared service centre in Note 2.4.2 of the Consolidated Financial Statements. Other revenue of $4.1 million consists of dividend income, rental income from sub-leases, and revenue from shared service centre, interest income and gain on disposal of properties from the same note. All other items agree to the Consolidated Income Statement.

NZME FY 2015 TRADING RECONCILIATION TO FINANCIAL STATEMENTS

$m	NZME Trading Result[1]	NZME Related Exceptionals	Acquired & Non-trading items[2]	Financial Statements [3]
Revenue	433.0	-	(2.8)	430.2
Other Income	0.5	0.4	0.5	1.5
Total Revenue & Other Income	**433.6**	**0.4**	**(2.3)**	**431.7**
Costs	(358.6)	(15.5)	(26.6)	(400.7)
Adj. to FY15 for standalone costs	(3.1)	-	3.1	-
EBITDA	**71.8**	**(15.1)**	**(25.7)**	**31.0**
Depreciation and amortisation	(23.8)	-	-	(23.7)
EBIT	**48.2**	**(15.1)**	**(25.7)**	**7.3**
Net interest expense				(18.8)
NPBT				**(11.5)**
Tax				1.2
Profit from discontinued operations				53.2
Statutory NPAT				**42.9**

(1) The FY15 NZME segment result in the APN FY15 accounts was $74.9m; this has been adjusted in the Trading Result for $3.1m of standalone costs incurred in H2 16 to provide a like for like comparison. The NZME Trading Result comprises Trading Revenue, Trading Other Income, Trading Costs, Trading Earnings Before Interest, Tax, Depreciation and Amortisation (Trading EBITDA) and Trading Earnings Before Interest and Tax (Trading EBIT) which are non-GAAP measures. The NZME Trading Result for FY15 shows NZME on a standalone basis for the full year by including the Educational Media business for a full year (acquired as part of the demerger), excluding exceptional items, and without adjusting for earnings for business closures during the year (Pacific Magazines), which are also included in the Consolidated Financial Statements.

(2) Acquired and non-trading items include Revenue of $2.8 million and Costs of $1.8 million relating to the Educational Media business, which is offset by Masthead Royalty charges of $22.8 million incurred in H1 and other overhead costs previously paid for by other entities in the Group prior to the demerger.

(3) Revenue of $430.2 million agrees to Total revenues from external customers excluding revenue from shared service centre in Note 2.4.2 of the Consolidated Financial Statements. Other revenue of $1.5 million consists of dividend income, rental income from sub-leases, interest income and gain on disposal of properties from the same note. All other items agree to the Consolidated Income Statement.

$m	FY 16 Pro forma Result[1]	FY 15 Pro forma Result[1]
Trading EBITDA[1]	**71.9**	**71.8**
Standalone costs yet to be incurred[2]	(4.3)	(4.3)
Trading EBITDA[1] after standalone costs	**67.6**	**67.5**
Earnings from divestments	(0.4)	-
Pro forma EBITDA	**67.2**	**67.5**
Depreciation and amortisation	(23.8)	(23.7)
Pro forma EBIT	**43.4**	**43.9**
Interest expense[3]	(4.2)	(5.5)
Pro forma NPBT	**39.2**	**38.4**
Tax[4]	(11.4)	(10.7)
Pro forma NPAT	**27.8**	**27.5**
Earnings per share (cps)	**14.2**	**14.0**
Final dividend (cps)	**6.0**	

(1) The NZME Pro forma result comprises Pro forma Earnings Before Interest, Tax, Depreciation and Amortisation (Pro forma EBITDA), Pro forma Earnings Before Interest and Tax (Pro forma EBIT), Pro forma Net Profit Before Tax (Pro forma EBIT) and Pro forma Net Profit After Tax (Pro forma NPAT) which are non-GAAP measures. The NZME Pro forma Result for FY 16 shows what NZME would look like if only the continuing operations were included. It therefore starts with the Trading Result and is further adjusted to exclude the divestments of Wairarapa Times Age and Whakatane News from the FY16 result, and to include a full year equivalent of additional standalone costs (costs that NZME incurs as a standalone listed entity that it did not have before the demerger). The FY15 Pro forma result is per the Explanatory Memorandum for the Demerger of NZME by APN published on 11 May 2016.

(2) Standalone costs yet to be incurred has been estimated based on the standalone costs disclosed in the Explanatory Memorandum for the Demerger of NZME by APN published on 11 May 2016 and taking into consideration the actual standalone costs incurred during H2.

(3) Net interest expense has been calculated at NZME's current interest rate payable of 3.8% p.a.

(4) Tax payable has been calculated indicatively utilising NZME's current effective tax rate of 29%.

APPENDIX TWO: NZME REVENUES BY SEGMENT

$m	FY 16 Revenue	FY 15 Revenue	% Change
Print			
Advertising Revenue	132.7	147.8	(10%)
Circulation Revenue	86.1	87.0	(1%)
Other Revenue	18.9	18.8	1%
Total Pro forma[1] Print Revenue	**237.7**	**253.5**	**(6%)**
Magazines Revenue[2]	-	5.9	(100%)
Revenue from Divestments[3]	2.6	5.4	(51%)
Total Trading[1] Print Revenue	**240.4**	**264.8**	(9%)
Radio & Experiential			
Radio & Experiential Revenue	108.7	114.2	(5%)
Other Revenue (incl. iHeart and Events)	6.2	6.0	3%
Total Radio & Experiential Revenue	**114.8**	**120.2**	(4%)
Digital & e-Commerce			
Digital Revenue	38.2	30.7	24%
GrabOne Revenue	14.0	17.3	(19%)
Total Digital & e-Commerce Revenue	**52.2**	**48.0**	9%
TOTAL NZME TRADING[1] REVENUE	**407.4**	**433.0**	**(6%)**

(1) Pro forma and Trading Revenue are non-GAAP measures that are explained and reconciled in Appendix 1.

(2) Relates to the unprofitable Pacific Magazines licensed business closed in September 2015. $5.3m of FY16 revenue was previously classified as circulation and $0.6m as advertising revenue.

(3) Revenue from divestments relates to revenues received from the Wairarapa Times Age sold in June 2016 (FY16 $2.3m) and Whakatane News sold in August 2016 (FY16 $0.3m).