



NEW ZEALAND  
**MEDIA AND**  
**ENTERTAINMENT**

# Full Year 2018 Results

PRESENTATION

For the year ended 31 December 2018

19 February 2019

# DISCLAIMER

**The information in this presentation is of a general nature and does not constitute financial product advice, investment advice or any recommendation. Nothing in this presentation constitutes legal, financial, tax or other advice. This presentation constitutes summary information only, and you should not rely on it in isolation from the full detail set out in the Consolidated Financial Statements.**

This presentation may contain projections or forward-looking statements regarding a variety of items. Such projections or forward-looking statements are based on current expectations, estimates and assumptions and are subject to a number of risks and uncertainties. There is no assurance that results contemplated in any projections or forward looking statements in this presentation will be realised. Actual results may differ materially from those projected in this presentation. No person is under any obligation to update this presentation at any time after its release to you or to provide you with further information about NZME Limited.

NZME adopted NZ IFRS 15 – *Revenue from Contracts with Customers* on 1 January 2018 without restating the FY17 comparatives. Various trading measures are referred to throughout this presentation. These trading measures are non-GAAP measures that

are explained and reconciled in the Supplementary Information on pages 34 and 35. Please also refer to Note 2.1.1 of the Consolidated Financial Statements for the year ended 31 December 2018 for a more detailed reconciliation. You should not consider any of these in isolation from, or as a substitute for, the information provided in the audited Consolidated Financial Statements for the year ended 31 December 2018.

While reasonable care has been taken in compiling this presentation, none of NZME Limited nor its subsidiaries, directors, employees, agents or advisers (to the maximum extent permitted by law) gives any warranty or representation (express or implied) as to the accuracy, completeness or reliability of the information contained in it nor takes any responsibility for it. The information in this presentation has not been, and will not be, independently verified or audited.







## AGENDA

- 04** FY18 Results Summary and FY18 Operational Priorities
- 06** Market Dynamics
- 11** Channel Results
- 17** FY18 Financials
- 22** FY19 Strategic Priorities and Outlook
- 31** Q & A
- 32** Supplementary Information

# NZME FY18

## RESULTS SUMMARY



### Results impacted by

Pro-active investment  
in Digital Classifieds

Agency market  
headwinds



### Statutory NPAT

**\$11.6m**

FY17 \$20.9m ▼ 44%

### Trading EBITDA

**\$54.7m**

FY17 \$66.2m ▼ 17%

### Trading Earnings Per Share

**9.6cps**

FY17 13.6cps ▼ 29%

### Trading Revenue

**\$378.4m**

FY17 \$387.7m ▼ 2%

### Trading NPAT

**\$18.9m**

FY17 \$26.7m ▼ 29%

### Final Dividend

**nil**

FY18 total dividends  
2 cents per share

# NZME FY18

## ACHIEVEMENT OF OPERATIONAL PRIORITIES

<b>Continued audience growth and engagement</b>	<ul style="list-style-type: none"><li>• NZ Herald audience at an all time high with a daily brand audience of more than 1 million (up 5% YoY).<sup>1</sup></li><li>• Engagement on nzherald.co.nz continues to grow with ongoing focus on premium content. Online engagement grew during the year, reaching 3 minutes 16 seconds.<sup>2</sup></li><li>• NZME has maintained audience share in a growing radio market.<sup>3</sup></li></ul>
<b>Return advertising revenue to growth</b>	<ul style="list-style-type: none"><li>• NZME advertising revenue declined by 4% in FY18 impacted by significant headwinds in the New Zealand Agency advertising market across all channels.</li><li>• Strong growth in Print travel segment.</li><li>• Direct radio revenue in growth in H2.</li></ul>
<b>Effective cost and capital management</b>	<ul style="list-style-type: none"><li>• \$3.7m decrease in underlying costs, driven by ongoing efficiency measures.</li><li>• Capital management review finalised. Debt refinanced and extended to 2022.</li><li>• NZME targeting debt reduction of \$10-\$15m per annum from FY19 to bring leverage to between 1.0 and 1.5 times Trading EBITDA.</li></ul>
<b>Develop our talent and people</b>	<ul style="list-style-type: none"><li>• Continued to further develop the profile of the journalism team ahead of the launch of digital subscriptions.</li><li>• Refresh of NewstalkZB talent line up.</li><li>• Improvement in staff engagement metrics year on year.</li></ul>
<b>Grow new revenue streams</b>	<ul style="list-style-type: none"><li>• OneRoof revenue \$0.7m for FY18 since March 2018 launch, \$0.5m generated in Q4.</li><li>• Digital subscriptions launching in Q2 19.</li></ul>
<b>Stuff merger &amp; Industry consolidation</b>	<ul style="list-style-type: none"><li>• Stuff merger opportunity was about efficiency and growth.</li><li>• Continue to actively assess value-adding opportunities to take advantage of industry consolidation.</li></ul>

<sup>1</sup>Nielsen CMI Q4 17 – Q3 18 AP 15+, represents a combination of Print readership and Digital audience. <sup>2</sup>Nielsen Market Intelligence, Domestic Traffic, 2018. <sup>3</sup>GfK Radio Audience Measurement, Commercial Stations, NZME and Partners. Total Market Share T4 2018, AP 18-54.





---

# MARKET DYNAMICS

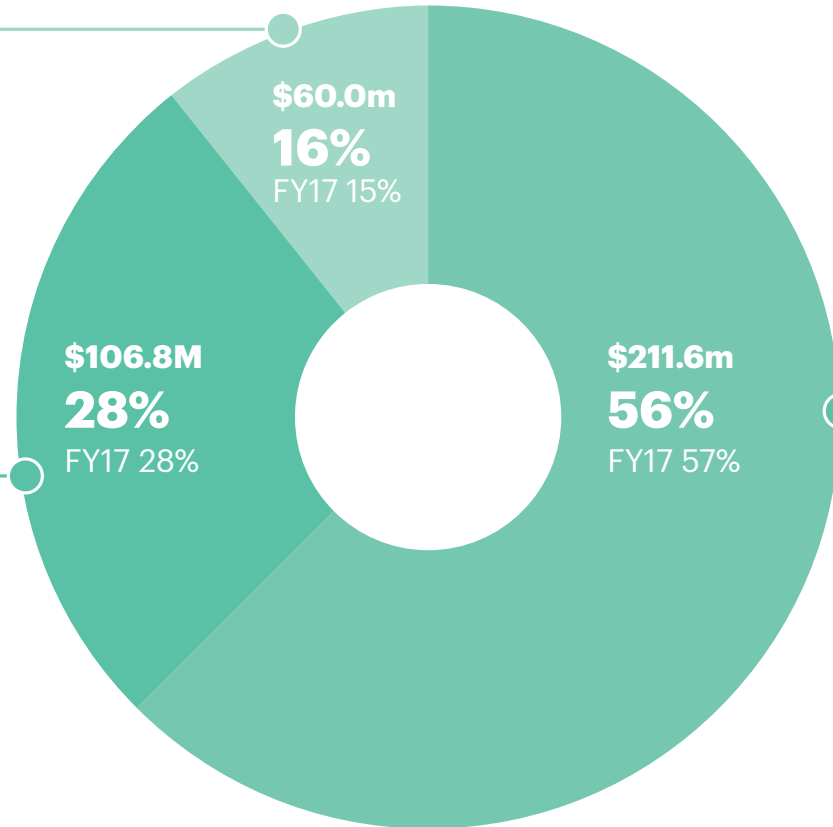




# NZME FY18 PERFORMANCE AGAINST THE MARKET

Digital Display & Mobile Revenue	
<b>NZME</b>	<b>3%</b>
YoY to Q4 18	
<b>Market</b>	<b>5%<sup>1</sup></b>
YoY to Q4 18	
<b>NZME &lt; Market</b>	

Radio Advertising Revenue	
<b>NZME</b>	<b>-3%</b>
YoY to Q3 18	
<b>Market</b>	<b>-3%<sup>2</sup></b>
YoY to Q3 18	
<b>NZME = Market</b>	



**Trading Revenue**  
**\$378.4m**  
 FY17 \$387.7m ▼ 2%

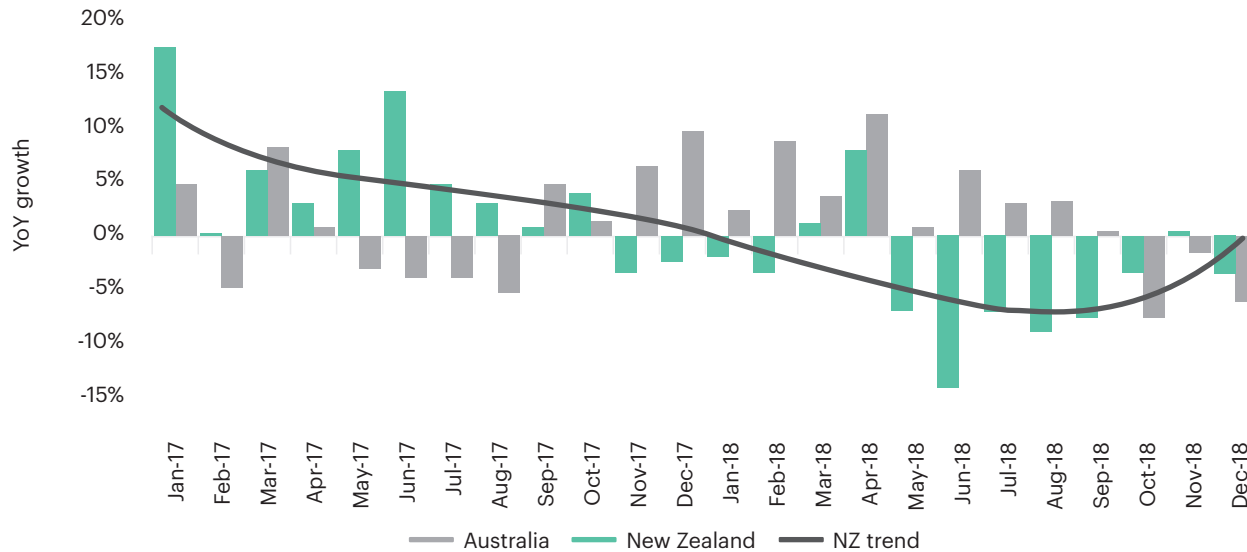
Print Advertising Revenue	
<b>NZME</b>	<b>-6%</b>
YoY to Q3 18	
<b>Market</b>	<b>-16%<sup>3</sup></b>
YoY to Q3 18	
<b>NZME &gt; Market</b>	

<sup>1</sup>IAB / PwC New Zealand Q4 18 Interactive Advertising Spend Report; digital excluding search and directories, and social media (NZ market only). <sup>2</sup>PwC Radio Performance Comparison Report, Q3 18. <sup>3</sup>PwC NPA Quarterly Performance Comparison Report, Q3 18.

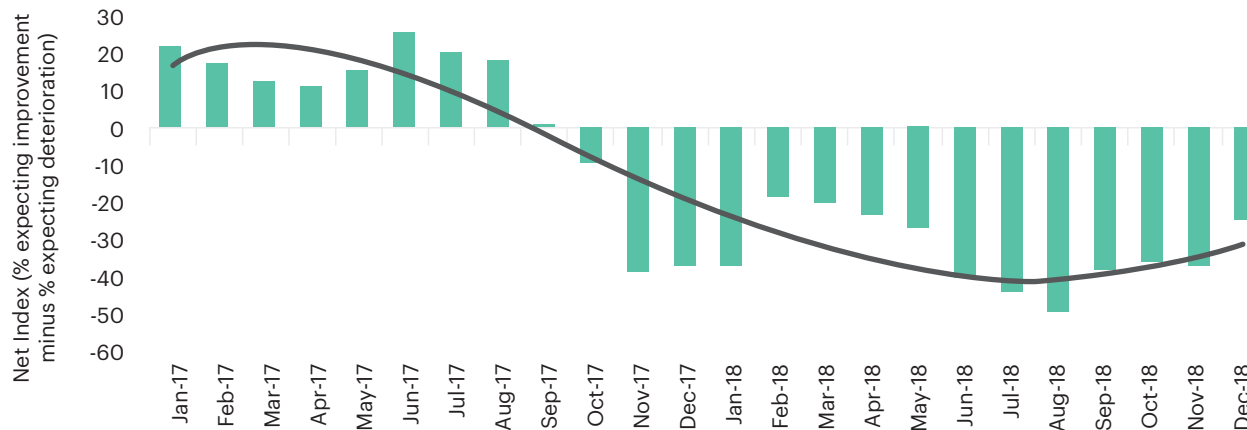


# AGENCY MARKET DECLINED IN FY18

**Total Agency Demand YoY Growth %<sup>1</sup>**



**New Zealand Business Confidence<sup>2</sup>**



- Agency represents approximately 30% of NZME's Print and Radio revenues and 50% of Digital revenues.
- The Agency market declined 4.2% in 2018, impacting all advertising channels except for Outdoor, which grew only 0.5% YoY.
- The market was particularly challenged in H2, reflecting trends in New Zealand business confidence.
- Print Agency market experienced the greatest decline, down 22% YoY.

<sup>1</sup>Standard Media Index <sup>2</sup>ANZ Business Outlook.



New Zealand's Prime Minister, Jacinda Ardern, guest editing  
The New Zealand Herald suffrage edition, September 2018





---

# CHANNEL RESULTS



# NZME

## PRINT

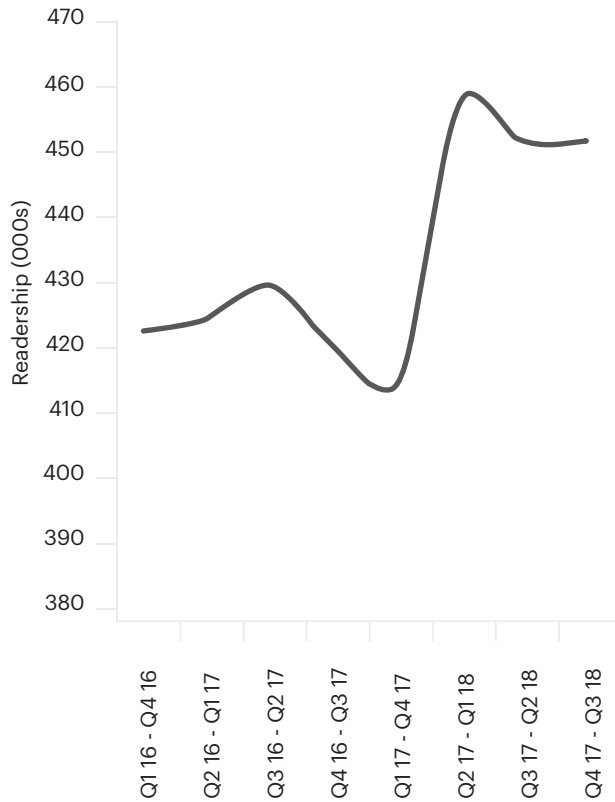
NZME Print (\$m)	FY18	FY17	% Change
Advertising Revenue	114.2	121.0	(6%)
Circulation Revenue	81.5	83.3	(2%)
Other Revenue <sup>1</sup>	15.9	17.0	(6%)
<b>Total Print Revenue</b>	<b>211.6</b>	<b>221.3</b>	<b>(4%)</b>
Direct Print Costs	(72.9)	(75.9)	(4%)
<b>Print Contribution</b>	<b>138.7</b>	<b>145.4</b>	<b>(5%)</b>



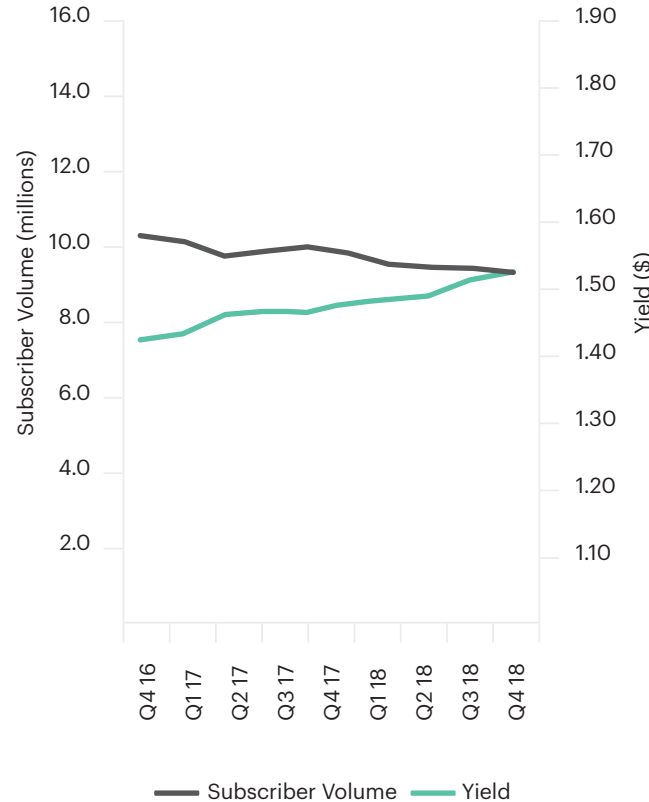
- Total Print revenue decline improved in FY18 to -4% (FY17: -7%). Print revenue decline slowed in H2 18, helped to some extent by an extra week's trading.
- Growth in the travel category, assisted by the cruise ship industry, helped offset the decline in Agency advertising revenue.
- Circulation revenue benefited from the additional week in FY18. Adjusting for this, circulation revenue declined approximately 4% in FY18.
- Subscriber numbers continued to decline at modest rates, to a degree offset by yield improvements.
- Other revenue is primarily third party print and distribution, which remains in decline.
- Direct print costs declined by 4%, reflecting lower volumes and the ongoing benefits from plant upgrades. We continually evaluate our Print portfolio to ensure that each publication remains a net contributor to the business.
- Direct costs include printing costs, distribution costs, agency commission, and occupancy costs.
- Readership remained at strong levels and NZ Herald daily brand audience exceeded 1 million across FY18.

# NZ HERALD READERSHIP AND AUDIENCE TRENDS POSITIVE

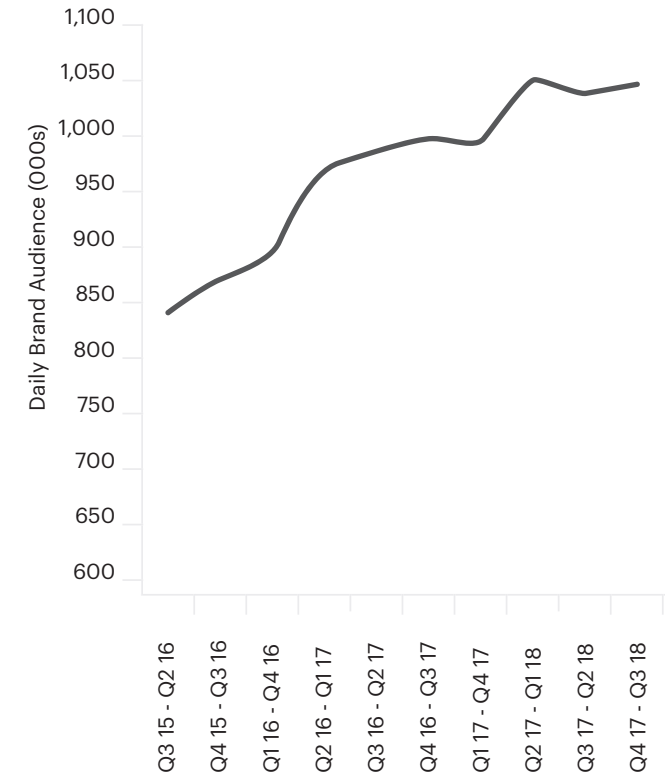
**The NZ Herald Mon-Sat Average Issue Readership<sup>1</sup>**



**NZME Subscriber Volume and Yield<sup>2</sup>**



**NZ Herald Daily Brand Audience<sup>3</sup>**



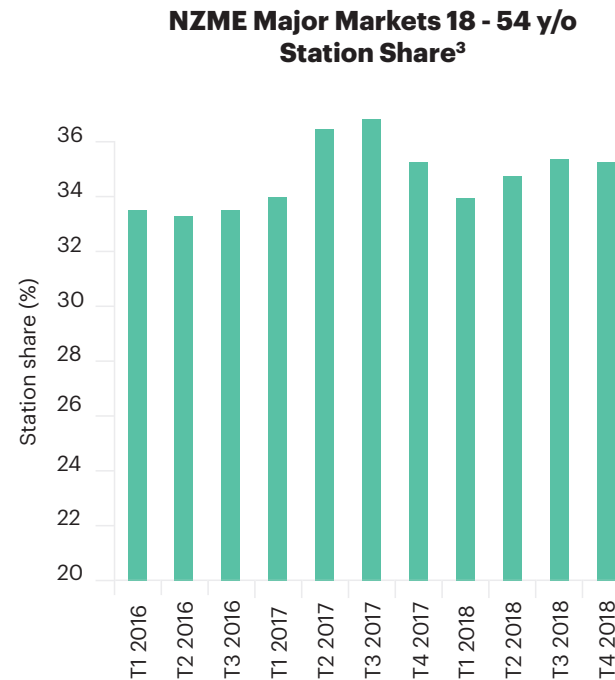
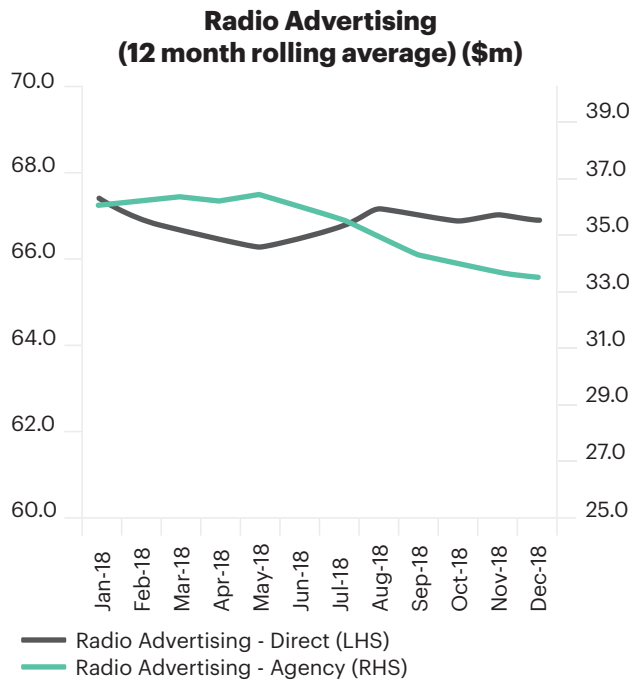
<sup>1</sup>Nielsen CMI Q4 17 – Q3 18, NZ Herald Average Issue Readership trend, AP15+ <sup>2</sup>Subscriber volume drives revenue and represents the count of individual “paid” papers delivered, including the NZ Herald, Herald on Sunday and Regionals (includes paid trials). Subscriber yield includes promotional volumes. <sup>3</sup>Nielsen CMI Q4 17 – Q3 18, AP15+.

# NZME

## RADIO & EXPERIENTIAL

NZME Radio & Experiential (\$m)	FY18 Trading <sup>1</sup>	FY17	% Change
Radio & Experiential Revenue	100.0	103.7	(4%)
Other Revenue (including iHeart and Events)	6.9	6.4	7%
<b>Total Radio &amp; Experiential Revenue</b>	<b>106.8</b>	<b>110.1</b>	<b>(3%)</b>
Direct Radio & Experiential Costs	(31.9)	(31.4)	1%
<b>Radio &amp; Experiential Contribution</b>	<b>75.0</b>	<b>78.6</b>	<b>(5%)</b>

- Radio market was challenging, particularly in H2 18, with Radio & Experiential revenue down 4% in FY18.
- Radio Agency advertising revenue declined 7% in FY18.
- Direct channel returned to growth, growing 2% in H2 18.
- Market share of Radio revenue and audience stable YoY at 39%<sup>2</sup> and 35%<sup>3</sup> respectively.
- iHeart registered users up 18% YoY to 831,000<sup>4</sup>, total listening hours up 16% YoY to 3.2m<sup>5</sup>. iHeart in a strong position to take advantage of growth in digital listening.
- Direct radio and experiential costs increased 1% in FY18. Direct costs include radio licence fees, transmission costs, talent costs and iHeart licence fees.



<sup>1</sup>FY18 Trading result has been adjusted to remove the effect of NZ IFRS 15 to enable a like for like comparison with FY17. <sup>2</sup>PwC Radio Advertising Benchmark Report, Q3 18 <sup>3</sup>GfK Radio Audience Measurement, Commercial Stations. NZME & Partners in Major Markets Trended to T4/2018. Station Share %, AP 18-54. <sup>4</sup>iHeartMedia, 2017-2018; Adobe Analytics, 2018. <sup>5</sup>AdsWhizz and StreamGuys, 2017-2018.



# NZME

## DIGITAL & E-COMMERCE

NZME Digital & e-Commerce (\$m)	FY18 Trading <sup>1</sup>	FY17	% Change
Digital Revenue	48.9	44.9	9%
e-Commerce Revenue	11.0	11.4	(4%)
Total Digital & e-Commerce Revenue	60.0	56.3	6%
Direct Digital and e-Commerce costs	(10.3)	(8.3)	24%
Incremental Digital Classifieds costs	(6.1)	-	-
Digital & e-Commerce Contribution	43.6	48.0	(9%)



## DRIVEN

- ✓ Launched unique tools for buyers and sellers
- ✓ FY19 focus on monetising lead generation

- Digital revenue growth slowed in H2 18, impacted by a contraction in the Agency advertising market.
- Digital Agency revenue grew 15% in H1 and -7% in H2, 3% YoY. In contrast, Direct digital revenue grew 8% YoY.
- The Digital market continues to evolve and NZME expects it to remain a long-term driver of growth<sup>2</sup>.
- GrabOne revenues are stabilising due to a higher degree of personalisation and targeted direct marketing.
- Digital and e-Commerce costs have increased in line with incremental production and fulfilment costs.

### Digital Classifieds

- Digital revenue includes Digital Classifieds and other digital revenue. The highly encouraging OneRoof performance is discussed on page 28 and 29.
- DRIVEN and YUDU continue to show potential but investment in YUDU has been reallocated to support the growth of DRIVEN and OneRoof, which has the greatest revenue potential in the near term. The total investment in DRIVEN and YUDU in FY18 was \$2.2m offset by revenue of \$0.2m.
- Incremental Digital Classified costs are in line with expectations at \$6.1m.
- FY19 Digital Classified costs are anticipated to increase to \$8.0m, the majority of which will be invested in OneRoof.

<sup>1</sup>FY18 Trading results has been adjusted to remove the effect of NZ IFRS 15 to enable a like for like comparison with FY17.

<sup>2</sup>PwC Outlook NZ Entertainment & Media 2018 – 2022.

## **An open letter to New Zealand**

*Dear New Zealand,*

*Today marks 125 years since women won the right to vote in New Zealand, making us the first country in the world to do so. What a proud and powerful moment for a small country to celebrate.*

*It shows that no matter how small we are, we can lead the way with changes that have a positive impact.*

*Many incredible women have paved the way for women's rights - Kate Sheppard, Dame Whina Cooper, Georgina Beyer and Helen Clark are just a few. Today is about celebrating them, their work, and the contributions of all women creating a better future for all New Zealanders.*

*But we also want to acknowledge that to achieve our dreams, New Zealanders need to come together to drive change. So today is truly about all of New Zealand, all of the people that helped get us where we are now.*

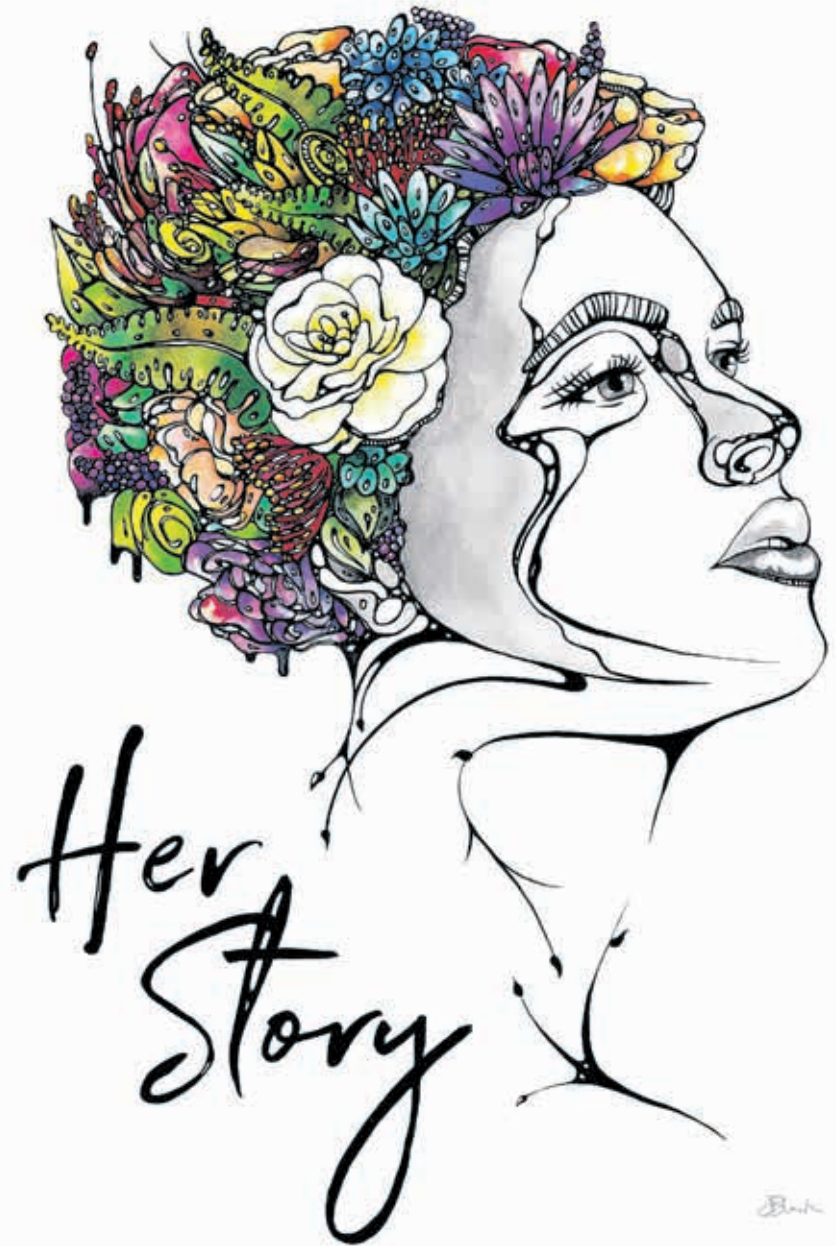
*Because they kept focused, so should we. Because they fought for a better tomorrow, so should we.*

*We need to continue to stand up for equality, to tackle unconscious biases in order to break down barriers, and to fly the flag for other countries to follow our lead.*

*Each little step forward may not seem significant at the time, but the more we do, the more equal we become.*

*How will we know when we have achieved equality? When we can be proud to say that we are truly all held to the same standard - and that is not an impossible dream at all.*

*We are The New Zealand Herald and we're for all of New Zealand.*



*Her Story* is an artistic celebration of 125 years of women's suffrage in New Zealand. Representing strength (through stone) and beauty (through the New Zealand flora and fauna) a female figure breaks free of her surrounds to see a new beginning, full of hope and equality.

Artwork by [Justine Black](#) | [@justineblack](#)





**FY18**  
FINANCIALS



# NZME

## TRADING RESULTS

\$m	FY18 Trading <sup>1</sup>	FY17	% Change
Revenue	378.4	387.7	(2%)
Other Income	4.1	3.7	9%
Total Revenue & Other Income	382.4	391.4	(2%)
Costs	(327.7)	(325.3)	1%
EBITDA	54.7	66.2	(17%)
Depreciation and amortisation	(24.6)	(24.9)	(2%)
EBIT	30.2	41.2	(27%)
Net Interest	(4.6)	(4.4)	5%
NPBT	25.6	36.9	(31%)
Tax	(6.7)	(10.1)	(34%)
Trading NPAT	18.9	26.7	(29%)
Trading earnings per share (cps)	9.6	13.6	(29%)

- NZME was pleased to contain the decline in trading revenue to just 2% (\$9.3m) in FY18 (-4% in FY17) in part due to an extra publishing week.
- Revenue declines in Print and Radio were partially offset by modest growth in Digital.
- Digital Classifieds contributed small but growing revenue in H2 18.
- Costs increased by 1%, reflecting the \$6.1m investment in Digital Classifieds that offset underlying cost savings in the business.
- EBITDA declined \$11.5m (17%) to \$54.7m.
- Excluding the net costs of the Digital Classified business, EBITDA declined 8%.

<sup>1</sup>The statutory results reflect the impact of NZ IFRS 15 *Revenue from Contracts with Customers* on Revenue. For presentation purposes the FY18 Trading result is provided on a basis consistent with the FY17 result to enable a like-for-like comparison. Refer to page 34 of this presentation and note 2.1.1 of the Consolidated Financial Statements for further detail.

# NZME

## COSTS

\$m	FY18 Trading	FY17 Trading	% Change
People costs & contributors	156.5	162.2	(4%)
Print & distribution costs	63.2	66.9	(5%)
Agency commission & marketing	35.9	35.0	3%
Property	21.1	20.8	2%
Content	15.8	13.6	16%
IT & communications	12.4	11.7	6%
Other	16.7	15.1	11%
<b>Total Costs excl. Digital Classifieds Costs</b>	<b>321.6</b>	<b>325.3</b>	<b>(1%)</b>
Incremental Digital Classified costs	6.1	-	-
<b>Total Trading Costs</b>	<b>327.7</b>	<b>325.3</b>	<b>1%</b>

### EXCEPTIONAL ITEMS

\$m	FY18	FY17
Redundancies	5.3	4.3
Write off of Ratebroker	2.2	-
Other	1.7	3.2
<b>Total Exceptional Items</b>	<b>9.2</b>	<b>7.5</b>

<sup>1</sup>Costs excluding incremental Digital Classified Costs

### Costs

- Underlying costs<sup>1</sup> down 1%, largely in the areas of people costs and print and distribution costs. H2 costs impacted by additional publishing week and an increase in contractual property operating expenses.
- Print and distribution costs reduced in line with lower print volumes and efficiency benefits from plant upgrades.
- Marketing costs are higher due to the increase in external marketing of radio brands.
- Increased content costs reflect investment in video production and fulfilment costs.
- A \$6.1m incremental investment in Digital Classifieds was made in FY18 in people, marketing, data and technology licensing.

### Exceptional items

- Redundancy costs of \$5.2m includes cost of restructuring undertaken in Q4 18, the benefits of which will be reflected in people costs in FY19.
- Investment in Ratebroker, the majority of which was non-cash, written off due to under-performance in the business.
- Other exceptional items in FY18 include make good of historical holiday pay obligations, costs associated with one off restructuring projects and residual costs relating to the Stuff merger appeal.

# NZME

## BALANCE SHEET

\$m	Dec 18	Jun 18	Dec 17
Trade, other receivables and inventory	60.6	54.2	57.2
Trade and other payables	(52.0)	(50.0)	(56.9)
Current tax (liability) / receivable	0.9	2.6	(7.6)
Net working capital (excluding cash)	9.4	6.8	(7.3)
Fixed, intangible and other assets	389.6	395.3	401.3
Net interest bearing liabilities	(98.3)	(106.1)	(90.2)
Other liabilities	(14.1)	(14.8)	(14.8)
Net Assets	286.6	281.3	289.0
Rolling 12 month Trading EBITDA	54.7	61.2	66.2
Trading net interest cover	12.0	14.5	15.2
Net debt to trading EBITDA	1.8	1.7	1.4

- The Capital Management Policy, announced in November 2018, supports long-term strategic objectives and operational priorities to maximise shareholder value.
- The objective is to reduce gearing while maintaining investment in growth opportunities and continuing to pay dividends, where trading and investment conditions permit.
- New bank facilities of \$150m were established in November 2018 with an expiry of 1 January 2022. As at December 2018 net debt was \$98.3m and gearing was 1.8 times. NZME is targeting a net debt reduction of \$10 – \$15m per annum to bring the leverage ratio to within the target range of 1.0 to 1.5 times rolling 12-month Trading EBITDA.
- NZME retains significant headroom under its existing facilities. Undrawn bank facilities as at 31 December 2018 were \$51.7m.



# NZME

## CASH FLOW

\$m	FY18 Trading	FY17 Trading
Trading EBITDA	54.7	66.2
Share based payment scheme (non-cash)	0.8	1.7
Movement in payables and receivables	(8.6)	(11.7)
Trading cash from operations	46.9	56.2
Net interest expense	(4.0)	(3.9)
Capital expenditure	(14.1)	(15.1)
Exceptional items	(7.0)	(7.6)
Dividends paid	(15.7)	(18.6)
Tax paid	(14.1)	(5.7)
Movement in net debt <sup>1</sup>	(7.9)	5.3

### DIVIDEND POLICY

Subject to achieving the annual debt reduction target, and having regard to NZME's capital requirements, operating performance and financial position at the time, NZME intends to pay dividends of 30% to 50% of reported NPAT<sup>2</sup>.

- Year end net debt increased \$7.9m from 31 December 2017 due to reduced trading EBITDA (\$11.5m), investment in working capital, tax, and dividend payments.
- A net \$8.6m increase in working capital was primarily related to a decrease in staff incentive accruals due to FY18 performance, an increase in technology prepayments, lower accruals, and higher trade debtors. The increase in trade debtors was in part due to the extra publishing week in December 2018.
- Capital expenditure was in line with expectations. FY19 capital expenditure is expected to be lower at ~\$12m due to the completion of a number of key technology integration projects.
- Exceptional items in the cash flow summary exclude the non-cash impairment of Ratebroker of \$2.2m.
- Tax paid was higher in FY18 due to the timing of FY17 tax payments. FY19 cash tax is expected to be in line with accounting tax expense.

<sup>1</sup>Movement in net debt excludes borrowing costs of \$0.1m in FY18 (and borrowing costs and other financing charges of \$0.4m in FY17).

<sup>2</sup>Full dividend policy is available at [www.nzme.co.nz/investor-relations/dividends/](http://www.nzme.co.nz/investor-relations/dividends/)



---

# FY19 STRATEGIC PRIORITIES AND OUTLOOK

# 2019 STRATEGIC PRIORITIES

FOCUSED ON GROWTH

## 1 Leading the future of news and journalism in New Zealand

 nzherald.co.nz

GET PREMIUM CONTENT  
& IN-DEPTH ANALYSIS WITH  
NEW ZEALAND'S  
HERALD.



Your go to  
nzherald.co.nz

## 2 Increasing radio capability and performance

THE  
HITS

 RADIO  
HAURAKI

Coast

ZM

flava

MIX

RADIO  
SPORT

Newstalk  
ZB

hokonui

 iHeartRADIO

## 3 Creating New Zealand's leading real estate platform








# 1. NEWS

## LEADING THE FUTURE OF NEWS AND JOURNALISM IN NEW ZEALAND





**NZME is New Zealand's leading publisher with The New Zealand Herald's daily brand audience, across print and digital, at more than 1 million<sup>1</sup>. nzherald.co.nz is now on par with stuff.co.nz<sup>2</sup> as New Zealand's #1 local website.**



### FY19 Focus

-  New Zealand's destination for trusted premium news content
-  Launch digital subscriptions
-  Enhancing print subscriber value proposition

### Key success metrics

-  Paid content launch Q2 2019
-  Targeting 10,000 digital subscribers within the first year
-  Increased premium content and digital audience engagement
-  Improved print subscriber retention

 nzherald.co.nz

 The New Zealand Herald

Bay of Plenty Times

ROTORUA 

Whanganui Chronicle

Hawke's Bay 

The Northern 

<sup>1</sup>Nielsen CMI Q4 17 - Q3 18 (population 15+ years) <sup>2</sup>nzherald.co.nz 1.74m, Stuff.co.nz 1.75m monthly UA in December 2018 (Nielsen Online Ratings, December 2018).

# DIGITAL SUBSCRIPTIONS

## PROGRESS AND LAUNCH

### TECHNOLOGY

- Technology platform implemented in partnership with Washington Post Arc.
- Current focus is on optimising user journeys and user experience, testing and delivering print and digital bundles.



### CONTENT

- Access to the best stories from four top global publishers.
- Strong team of premium journalists across business, politics, news, sport, lifestyle and entertainment.



### AUDIENCE

- Audience of 1.7 million<sup>1</sup> to be maintained with Freemium model.
- Majority of content remains free.
- 520,000+ registered users.



Access New Zealand's best journalism

#### Digital starter

\$[ ] per week

Subscribe now

- Unlimited premium content from NZ Herald
- First-class content from leading global publishers
- Daily news and business newsletters straight to your inbox

#### Digital annual

\$[ ] per year  
Best value

Subscribe now

- Unlimited premium content from NZ Herald
- First-class content from leading global publishers
- Daily news and business newsletters straight to your inbox

**DIGITAL ACCESS FREE TO THE MAJORITY OF PRINT SUBSCRIBERS**

### Investment

FY19 net investment in digital subscriptions is expected to be \$1.2m including costs associated with global syndicated content, launch and ongoing marketing support. Forecasting to be EBITDA positive in Year 2.

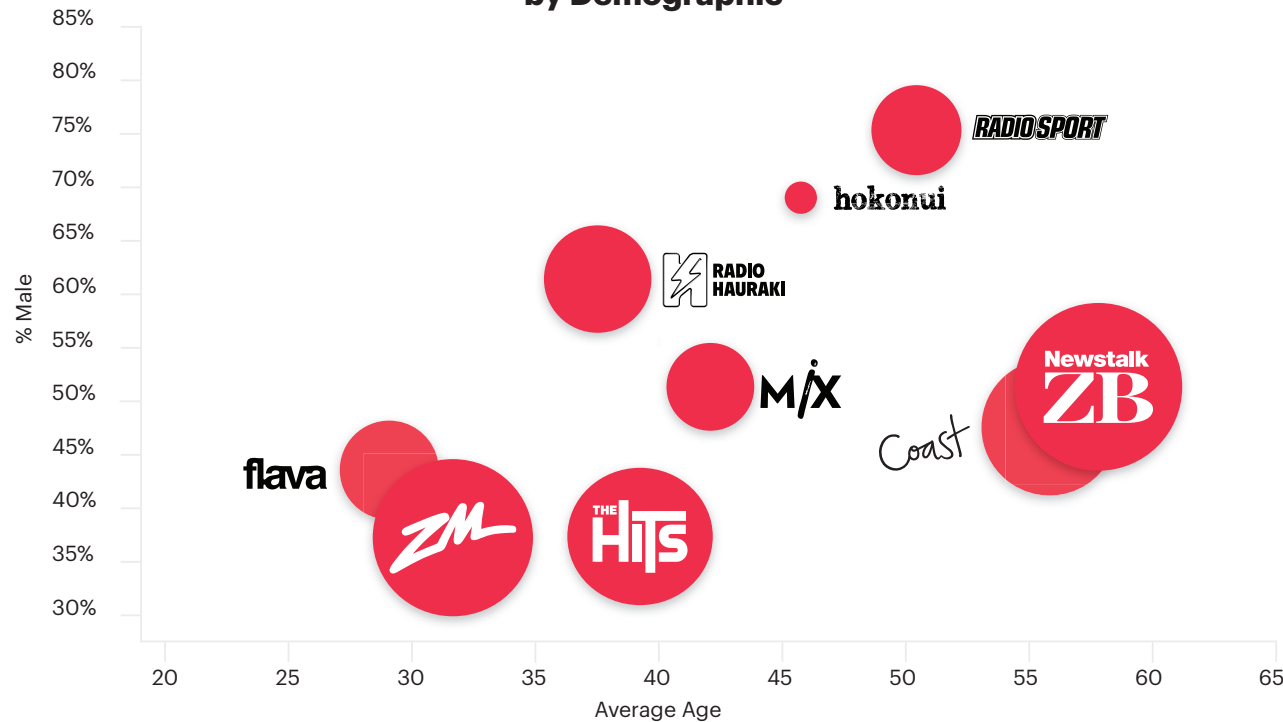
<sup>1</sup>Nielsen Online Ratings, December 2018.

# 2. RADIO

## INCREASING RADIO CAPABILITY AND PERFORMANCE

**NZME is the second largest radio operator in New Zealand, with a weekly radio audience of 2.0 million<sup>1</sup>. NZME has the exclusive licence for the iHeart Radio platform in New Zealand and is well positioned to take advantage of the growing digital radio market.**

**Relative Radio Audience Size by Demographic<sup>1</sup>**



### FY19 Focus



Enhance radio sales skills to support integrated selling



Digital audience and revenue growth leveraging iHeart capability



Successfully develop an engaged following for new shows

### Key success metrics



Radio revenue in growth



Improved audience share in the key 18-54 demographic



Continue to grow iHeart registered users and streaming hours



<sup>1</sup>Gfk Radio Audience Measurement, Commercial stations, NZME and Partners, Cumulative Audience T4 2018.



# NZME

## RADIO & EXPERIENTIAL

### TECHNOLOGY

- New content formats including podcasts and Alexa skills.



### SALES CAPABILITY

- Radio specialists
- Improved radio sales training
- Regional focus
- Cross channel bundling



### AUDIENCE

- New NewstalkZB line-up
- Embed new music shows
- iHeart registered users 831,000+



## CREATING NEW ZEALAND'S LEADING REAL ESTATE PLATFORM

**OneRoof<sup>1</sup> is New Zealand's newest real estate platform incorporating superior user experience and search functionality.**

### LISTINGS

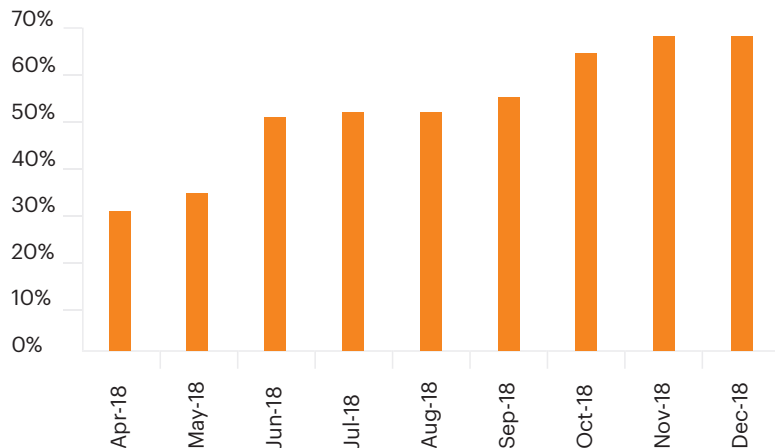
- Launched end March 2018.
- Listings from four out of five major agency groups now on oneroof.co.nz.
- ~66% of Trade Me's nationwide residential "For Sale" listings on site, ~87% of Trade Me's Greater Auckland residential "For Sale" listings.
- Audience engagement with listings increasing (views, saved properties and enquiry rates.)



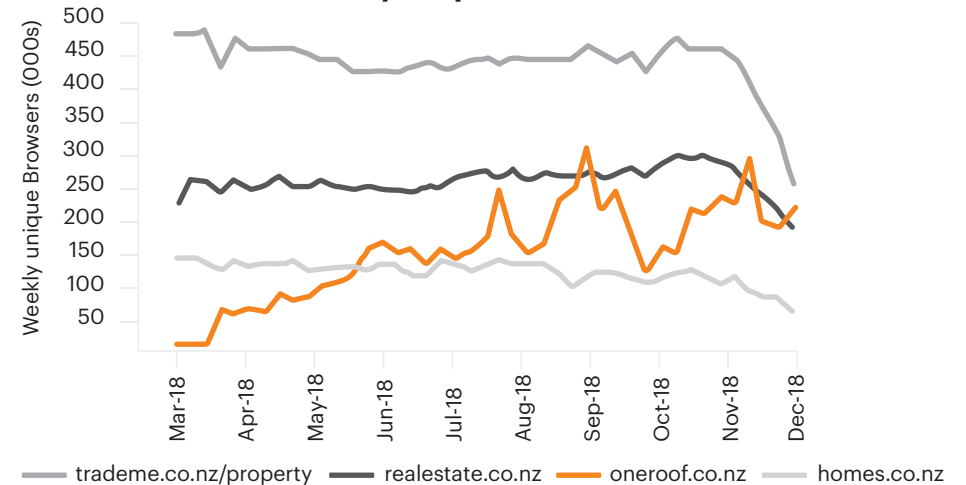
### AUDIENCE

- Strong audience growth supported by integrated content and advertising.
- Exceeded Trade Me Property's audience on 3 December 2018 with the release of the inaugural OneRoof Quarterly Property Report.<sup>2</sup>
- 40% of audience coming direct to site or via organic search, 40% referral rate from nzherald.co.nz. 50%+ of audience is mobile.
- 58,000+ app downloads.

**OneRoof "For Sale" Listings as % of Trade Me Residential "For Sale" Listings**



**Weekly Unique Browsers<sup>2</sup>**



<sup>1</sup>OneRoof is a joint venture between NZME (80% share) and the developer of the platform (20% share). The entity is fully consolidated in the NZME Consolidated Financial Statements. <sup>2</sup>Nielsen Market Intelligence, Domestic Traffic (1 Jan 18 - 31 Dec 18).

## CREATING NEW ZEALAND'S LEADING REAL ESTATE PLATFORM

### REVENUE

(\$m)	FY18
Revenue	0.7
Direct Costs	(3.9)
OneRoof contribution	(3.2)
Other Real Estate Revenue (Print, Digital & Radio, excl. OneRoof)	32.8

- OneRoof revenue of \$0.7m in FY18, \$0.5m in Q4 18.
- Real Estate represents NZME's largest revenue vertical.
- Real Estate products have been co-branded OneRoof to facilitate integrated sales and content offerings.

#### Actively Monetising

- ✓ Premium listings
- ✓ Native content
- ✓ Sponsorship
- ✓ Bundled cross-channel packages
- ✓ Agent profiles

### FY19 Focus



Secure further market listings and launch new property categories (e.g. new homes)



Continue to develop user features and tools to enhance listings engagement



Lead property market commentary and insights



Continue revenue growth through premium listings and agent products

### Key success metrics



Growth in listings as a % of market



Improved audience listings engagement



Meaningful revenue growth





## OUTLOOK

- Advertising bookings for Q1 19 are tracking at -2% YoY compared with -4% for FY18.
- The Agency market remains challenged however trends are improving.
- NZME is continuing to focus on cost reduction. Savings made in Q4 18 will benefit FY19. However, given the ongoing investment in Digital Classifieds and digital subscriptions, net cost reduction is likely to remain modest.
- The launch of digital subscriptions is on track for Q2 19 with modest revenue expectations and estimated net investment of \$1.2m in FY19.
- OneRoof is expected to deliver further listings, audience and revenue growth in FY19.
- NZME will continue to enhance radio sales skills to support integrated selling and Radio revenue growth.
- In line with the Capital Management Policy announced in November 2018, NZME is targeting a reduction in debt of \$10m to \$15m in FY19.
- Industry consolidation is expected to continue to present opportunities for NZME.

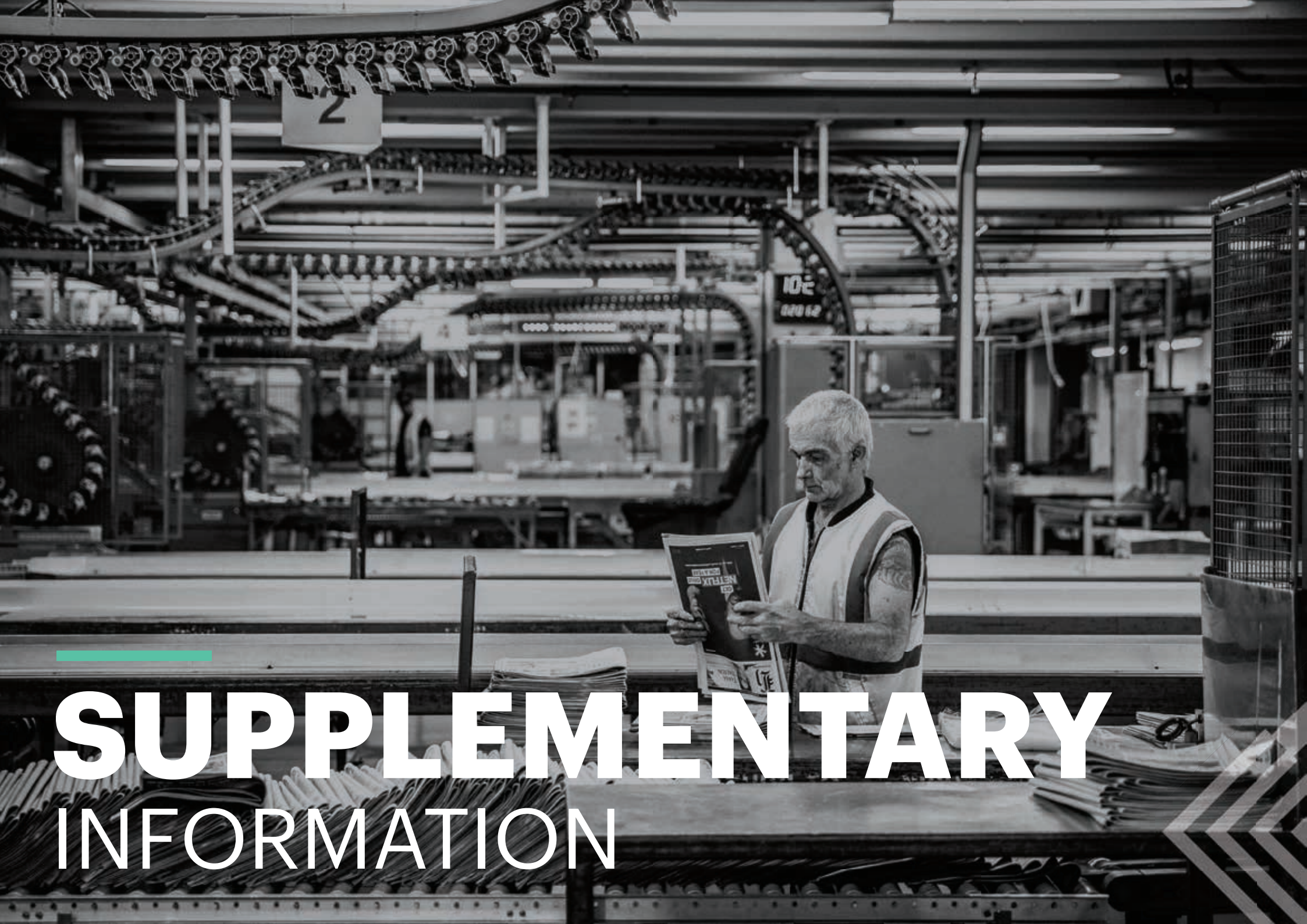


---

# Q & A

Mike Hosking, NewstalkZB Breakfast Host





**SUPPLEMENTARY  
INFORMATION**



# CHANNEL DIRECT COSTS

NEW MEASURE TO ENHANCE UNDERSTANDING OF OUR BUSINESS AND STRATEGY

**DIRECT COSTS HAVE BEEN ATTRIBUTED TO EACH SEGMENT WHERE POSSIBLE AS FOLLOWS:**



**Print direct costs include:**

- Print and distribution costs
- Occupancy costs at the Ellerslie print plant
- Agency commission specifically related to Print products



**Radio direct costs include:**

- Radio licence fees
- Transmission costs
- iHeart licence fees
- Radio talent costs
- Agency commission specifically related to Radio products



**Digital direct costs include:**

- Fulfilment costs
- Production costs
- Merchant fees related to GrabOne
- Costs associated with the Digital Classifieds
- Agency commission specifically related to Digital products



**Centralised costs that have not been attributed to a specific segment include:**

- Head office and back office services (IT, Finance, HR, Marketing etc.)
- Occupancy costs for all properties other than the Ellerslie print plant
- Integrated sales team costs
- Content costs

# NZME FY18

## RECONCILIATION OF TRADING RESULT TO CONSOLIDATED FINANCIAL STATEMENTS

\$m	FY18 Trading	NZ IFRS 15 <sup>1</sup>	Exceptional Items <sup>7</sup>	FY18 Financial Statements
Segment revenue <sup>2</sup>				
- Print	211.6	-	-	211.6
- Radio	106.8	6.5	-	113.3
- Digital	60.0	-	-	60.0
Other Income <sup>3</sup>	4.1	-	-	4.1
<b>Total Revenue and Other Income</b>	<b>382.5</b>	<b>6.5</b>	<b>-</b>	<b>388.9</b>
Costs <sup>4</sup>	(327.7)	(6.5)	(9.2)	(343.4)
<b>EBITDA</b>	<b>54.7</b>	<b>-</b>	<b>(9.2)</b>	<b>45.5</b>
Depreciation and amortisation	(24.6)	-	-	(24.6)
<b>EBIT</b>	<b>30.2</b>	<b>-</b>	<b>(9.2)</b>	<b>20.9</b>
Net interest expense <sup>5</sup>	(4.6)	-	-	(4.6)
<b>NPBT</b>	<b>25.6</b>	<b>-</b>	<b>(9.2)</b>	<b>16.4</b>
Tax <sup>6</sup>	(6.7)	-	1.9	(4.8)
Minority interest	0.2	-	-	0.2
<b>NPAT</b>	<b>19.1</b>	<b>-</b>	<b>(7.3)</b>	<b>11.7</b>
Earnings per share (cps)	9.7	-	(3.7)	6.0

<sup>1</sup>For a detailed explanation of the NZ IFRS 15 adjustment please refer to Note 2.1.1 of the Consolidated Financial Statements.

<sup>2</sup>Segment revenue in the FY18 Financial Statements column agrees with the segment revenue as disclosed in note 2.4.2 of the Consolidated Financial Statements for the period ended 31 December 2018. The FY18 Trading segment revenue excludes the NZ IFRS 15 adjustment to ensure a like-for-like comparison with the FY17 information that is not restated for the effects of NZ IFRS 15.

<sup>3</sup>Other Income consists of revenue from the shared service centre of \$3.4m and other income of \$0.7m as disclosed in note 2.4.2 of the Consolidated Financial Statements.

<sup>4</sup>Costs in the FY18 Financial Statements column agree to expenses from operations before finance costs, depreciation and amortisation as disclosed in the Consolidated Income Statement.

<sup>5</sup>Net interest expense is made up of finance cost of \$4.6m (as disclosed in the Consolidated Income Statement) less finance income of \$80k as disclosed in note 2.4.2.

<sup>6</sup>Trading tax payable has been calculated using NZME's effective tax rate on NPBT, excluding non-deductible exceptional items, of 29%.

<sup>7</sup>Exceptional Items consist of redundancies, the impairment of a financial asset and costs in relation to one-off projects (as disclosed in the note 2.4.2 of the Consolidated Financial Statements).

# NZME FY17

## RECONCILIATION OF TRADING RESULT TO CONSOLIDATED FINANCIAL STATEMENTS

\$m	FY17 Trading Result	Exceptional Items	FY17 Statutory Result
Segment revenue <sup>1</sup>			
- Print	221.3	-	221.3
- Radio	110.1	-	110.0
- Digital	56.3	-	56.3
Other Income <sup>2</sup>	3.7	-	3.7
<b>Total Revenue and Other Income</b>	<b>391.4</b>	<b>-</b>	<b>391.4</b>
Costs <sup>3</sup>	(325.3)	(7.5)	(332.8)
<b>EBITDA</b>	<b>66.2</b>	<b>(7.5)</b>	<b>58.6</b>
Depreciation and amortisation	(24.9)	-	(24.9)
<b>EBIT</b>	<b>41.2</b>	<b>(7.5)</b>	<b>33.7</b>
Net interest expense <sup>4</sup>	(4.4)	-	(4.4)
<b>NPBT</b>	<b>36.9</b>	<b>(7.5)</b>	<b>29.3</b>
Tax <sup>5</sup>	(10.1)	1.7	(8.4)
<b>NPAT</b>	<b>26.7</b>	<b>(5.8)</b>	<b>20.9</b>
Earnings per share (cps)	13.6	(3.0)	10.7

<sup>1</sup>Segment revenue agrees with the segment revenue as disclosed in note 2.4.2 of the Consolidated Financial Statements for the year ended 31 December 2018.

<sup>2</sup>Other Income consists of revenue from the shared service centre of \$3.0m and other income of \$0.7m as disclosed in note 2.4.2 of the Consolidated Financial Statements.

<sup>3</sup>Costs in the FY17 Financial Statements column agree to Expenses from operations before finance costs, depreciation and amortisation as disclosed in the Consolidated Income Statement.

<sup>4</sup>Net interest expense is made up of Finance Cost of \$4.5m (as disclosed in the Consolidated Income Statement) less Finance income of \$0.1m as disclosed in note 2.4.2.

<sup>5</sup>Trading tax payable has been calculated using NZME's effective tax rate on NPBT excluding exceptional items of 29%.

**NZ**  
**ME.**