NZX/ASX RELEASE

25 February 2020

NZME LIMTED 2019 FULL YEAR FINANCIAL RESULTS

Strong second half performance delivers solid platform for 2020

2019 Annual Results Highlights:

- Strong audience of 3.2 million[1] representing 80% of the New Zealand population and a NZ Herald weekly brand audience of 1.7 million[2].
- Over 46,000 NZ Herald Premium subscribers including over 21,000 paid premium digital subscribers, generating $1.7 million revenue in the first 8 months since launch.
- Radio revenue growth of 5% in the second half of the year, up 2% year on year to $110.9 million in the 2019 financial year.
- Strong momentum in Digital Classifieds and NZ Herald digital premium subscription revenue, contributing to total Digital revenue of $60.4 million in 2019.
- 2019 Statutory Net Loss After Tax of $165.2 million, compared to Net Profit After Tax of $11.6 million in 2018, impacted by impairment of intangible assets of $175.0 million recognised as at 31 December 2019.
- 2019 Operating Net Profit After Tax ("NPAT")[3] of 19.7 million and Operating EPS[3] of 10.0 cents, an increase of 4% compared to the previous corresponding period[4].
- Operating EBITDA[3] of $50.6 million, down 7% on prior year. 2018 benefitted from an extra publishing week compared to 2019 – adjusting for this, 2019 EBITDA decreased by 5% against a comparable period in 2018, with the second half 2019 EBITDA up 4% against the comparable second half in 2018[5].
- Cost savings and increased efficiencies across the business delivered a reduction in operating expenses[3] of 4% compared to the previous corresponding period.
- Incremental digital classifieds expenses were $7.1 million, an increase of $1.0 million – delivering an increase of digital classified revenue from $0.9m in 2018 to $3.2m in 2019.
- Net Debt reduced by $23.6 million to $74.7 million and leverage ratio reduced to 1.5 times Operating EBITDA.

---

[1] Nielsen CMI Fused Q4 18 - Q3 19, People 10+.
[2] Nielsen CMI Fused Q4 18 - Q3 19, People 15+, represents a combination of Print readership and Digital audience.
[3] Operating results are presented excluding the impact of NZ IFRS 16 and exceptional items to allow for a like for like comparison between 2018 and 2019 financial years. Please refer to slide 33 and 34 of the 2019 annual results presentation for a detailed reconciliation
[4] Previous corresponding period refers to the 12 months ended 31 December 2018
[5] Refer to the Supplementary Information on Slide 36 of the 2019 full year results presentation for an analysis of 2019 Operating Results compared to 52 weeks Operating Results in 2018.

Financial summary $million	2019	2018	% Change
Operating Revenue[6]	**371.7**	**388.9**	**(4%)**
Operating Costs[6]	(321.0)	(334.2)	(4%)
Operating EBITDA[6]	**50.6**	**54.7**	**(7%)**
Operating NPAT[6]	19.7	18.9	4%
Statutory Net (Loss)/Profit After Tax	(165.2)	11.6	-

2019 FULL YEAR FINANCIAL SUMMARY

NZME Limited (NZME) is pleased to announce its financial results for the full year ended 31 December 2019, including growth in radio and new digital revenue streams. This is underpinned by strong radio audience market share and growth in digital classifieds and digital premium subscription revenues.

However, a challenging advertising market continued to have an impact on print and digital advertising, together with declines in print circulation revenue. NZME reported Total Operating Revenue of $371.1 million in the year, a decline of 4% compared to the previous corresponding period.

Despite the market challenges, NZME has made significant progress in each of its three key strategic priorities in the 2019 financial year - a commitment to lead the future of news and journalism in New Zealand, to increase radio capability and performance and to create New Zealand's leading real estate platform – and have delivered measurable results for the business.

NZME launched NZ Herald Premium on 30 April 2019. We have made significant progress with over 46,000 subscribers including over 21,000 paid digital subscribers, reflecting New Zealanders appreciation for high quality journalism and the demand for access to international reporting. This new revenue stream contributed $1.7 million in NZ Herald digital subscription revenue in the eight months since its launch.

We are pleased to deliver on our strategic priority to increase radio performance and capability with an increase in radio revenue growth of 2% compared to 2018 with growth of 5% in the second half. Radio audience market share increased to 35.9%[7] in December 2019 (up from 34.9% in December 2018) and radio revenue market share increased to 39.5%[8] for the 12 months to December 2019 (up from 39.0% for the 12 months to December 2018).

NZME made significant progress in its new digital revenue streams. OneRoof continues to grow from strength to strength with over 75% of residential for sale real estate listings in New

[6] Operating results are presented excluding the impact of NZ IFRS 16 and exceptional items to allow for a like for like comparison between 2018 and 2019 financial years. Please refer to slide 33 and 34 of the 2019 full year results presentation for a detailed reconciliation.
[7] GfK Radio Audience Measurement, Commercial Stations, NZME and Partners in major markets, S4 2019, Monday-Sunday 12mn-12mn, station share %, AP 18-54.
[8] PwC Radio advertising market benchmark report, December 2019.

Zealand and 95% of residential for sale real estate listings in Auckland[9]. OneRoof revenue grew to $2.8 million in the year, up from $0.7 million in 2018.

A continued focus on cost savings and increased efficiencies across the business resulted in operating expenses reducing by 4% compared to the previous corresponding period.

Operating EBITDA[10] declined 7% to $50.6 million, impacted by the decline in revenue but an improvement on the EBITDA decline of 17% in 2018. 2018 also benefitted from an extra publishing week, with 53 weeks compared to 52 weeks in 2019. Adjusting for this, 2019 EBITDA decreased by 5% against a comparable period in 2018 and grew by 4% in the second half of 2019 compared to the equivalent period in 2018[11].

Statutory Net Loss After Tax was $165.2 million, compared to a Statutory Net Profit After Tax of $11.6 million.

As a result of a comprehensive review of intangible assets, the Directors have resolved to impair the carrying value of non-amortising intangible assets by $175.0 million as at 31 December 2019. The impairment assessment recognises that the difference between the value of the company implied by its share price and the accounting value of equity has increased to a level that can no longer be supported without an accounting adjustment. This is an accounting charge only with no change to cash flows and no impact on bank covenants.

Operating Net Profit After Tax[10] was $19.7 million and Operating Earnings Per Share (EPS) was 10.0 cents in 2019, an increase of 4% compared to prior year due to lower operating revenue offset by cost savings and lower depreciation charge in the period.

Capital expenditure was lower in 2019 at $11.8 million, compared to $14.1 million in 2018.

Net debt was $74.7 million at 31 December 2019, a significant reduction from $98.3 million as at 31 December 2018. Net debt to Operating EBITDA was 1.5 times for the 2019 financial year, a decrease from 1.8 times for the 2018 financial year and demonstrating significant progress in our capital management objectives to reduce debt and leverage ratio.

AUDIENCE AND ENGAGEMENT

NZME's combined radio, digital and print audience of 3.2 million[12] New Zealanders represents 80% of the New Zealand population. NZME print readership is 1.3 million[12] weekly print readers, with the NZ Herald weekly brand audience of 1.7 million[13] people and our NZME digital platforms reach 2.3 million[12] digital users per month.

---

[9] OneRoof listings as a percentage of residential for sale listings on TradeMe.

[10] Operating results are presented excluding the impact of NZ IFRS 16 and exceptional items to allow for a like for like comparison between 2018 and 2019 financial years. Please refer to slide 33 and 34 of the 2019 full year results presentation for a detailed reconciliation.

[11] Refer to the Supplementary Information on Slide 36 of the 2019 full year results presentation for an analysis of 2019 Operating Results compared to 52 weeks Operating Results in 2018.

[12] Nielsen CMI Fused Q4 18 - Q3 19, People 10+.

[13] Nielsen CMI Fused Q4 18 - Q3 19, People 15+, combination of Print readership and Digital audience.

NZME'S Radio audience remains strong at 2.0 million[14] weekly listeners. Newstalk ZB retains its spot as New Zealand's number one radio network[15] with the Mike Hosking Breakfast Show the most popular breakfast show, and the arrival of Simon Barnett and Phil Gifford in the afternoon having a positive impact on Newstalk ZB audience market share. Fletch, Vaughan and Megan, hosts of ZM Breakfast, continue to lead the way with young Kiwis as the #1 breakfast show for all New Zealanders Under 40[15].

Our digital platforms continue to show potential with OneRoof experiencing strong audience engagement of 241,000[16] monthly unique audience in December 2019 with over 75% of residential for sale listings in New Zealand[17]. DRIVEN online audience increased 10% from 2018 numbers to 127,000[16] monthly unique audience in December 2019, searching over 40,000 vehicle listings.

CHANNEL PERFORMANCE

$ million	2019	2018	% Change
Print	192.4	211.6	(9%)
Radio	110.9	108.2	2%
Digital	60.4	60.0	1%
Total Segment Revenue	**363.7**	**379.8**	**(4%)**

Print Performance

Print Revenue $million	2019	2018	% Change	% change compared to 52 weeks in 2018
Print advertising revenue	102.2	114.2	(10%)	(10%)
Circulation revenue	76.3	81.5	(6%)	(5%)
Other print revenue	13.9	15.9	(13%)	(12%)
Total print revenue	**192.4**	**211.6**	**(9%)**	**(8%)**
Direct print costs	(69.4)	(77.0)	(10%)	
Print contribution	**123.0**	**134.6**	**(9%)**	

Print revenue was $192.4 million in 2019 – including print advertising and circulation revenue – a decline of 9% from 2018. While this was disappointing, this is reflective of the challenging print environment in New Zealand. As mentioned above, 2018 also benefitted from an extra publishing week compared to 2019. Adjusting for this impact, total print revenue declined 8% against a comparable 52-week period in 2018.

[14] GfK Radio Audience Measurement, Commercial Radio Stations, NZME and Partners, Cumulative Audience, S4 2019, People 10+
[15] GfK Radio Audience Measurement, Commercial Radio Stations, NZME, S4 2019, Share (%).
[16] Nielsen Online Ratings, December 2019
[17] OneRoof's listings as a percentage of residential for sale listings on TradeMe.

Print advertising revenue decreased 10% to $102.2 million but performing slightly better than the market which saw total market print advertising decrease 13.7% in the 12 months to December 2019, resulting in an increase in NZME print advertising market share to 46.9%[18].

Print circulation revenue declined 6% to $76.3 million. Excluding the extra publishing week in 2018, print circulation revenue declined 5%, due to print volume decrease of 8% and partially offset by a 4% increase in yield. Despite this decrease in circulation, print readership of the NZ Herald remains strong with average issue readership of 465,000[19], an increase of 12,000 on the same period last year.

Other print revenue, relating to printing and distribution services provided to external parties, decreased 13% primarily due to Stuff printing some of their own publications, previously printed by NZME. 2020 will see a further reduction of third-party print revenue of approximately $4 million, but substantially offset by print expenses.

Direct print costs include printing and distribution costs, occupancy costs at the Ellerslie print plant and agency commission specifically related to print products. Direct costs exclude integrated head office, content generation and sales costs. Direct print costs declined 10% in 2019 to $69.4 million, reflecting a reduction in print volumes of 8% combined with increased print efficiencies.

Radio Performance

Radio Revenue $million	**2019**	**2018**	**% Change**
Total radio revenue	**110.9**	**108.2**	**2%**
Direct radio costs	(39.4)	(38.3)	3%
Radio contribution	**71.5**	**69.9**	**2%**

We are pleased to report radio growth in 2019 of 2% compared to the previous corresponding period, with particularly strong growth of 5% in the second half of 2019.

NZME is proud of its strong radio brands which have delivered radio revenue growth through building audience listening and engagement across brands and digital platforms and enhancing radio sales, skills and execution. Radio audience market share increased to 35.9%[20] in December 2019 from 34.9% in December 2018.

NZME increased its New Zealand radio advertising revenue market share to 39.5%[21] for the 12 months to December 2019 compared to 39.0% in the 12 months to December 2018. The New Zealand agency radio advertising demand grew 3.8% in the year to December 2019[22].

[18] PwC NPA quarterly performance comparison report, December 2019
[19] Nielsen CMI Fused Q4 18 - Q3 19, People 15+
[20] GfK Radio Audience Measurement, Commercial Stations. NZME and Partners in major markets, S4 2019. Monday-Sunday 12mn-12mn, station share %, AP 18-54.
[21] PwC Radio advertising market benchmark report, December 2019.
[22] Standard Media Index (SMI) NZ Data Release, December 2019.

iHeart Radio grew its registered users by 14% in the year to 944,000 registered users[23] and average monthly listening hours grew 18% year on year to 3.9 million hours[24]. iHeart revenue from advertising and podcasts increased an outstanding 40% year on year and now make up about 2% of total radio revenue.

Direct radio costs include radio licence fees, transmission costs, iHeart licence fees, radio talent costs, and agency commission specifically related to radio products. Direct radio costs increased 3% in 2019 to $39.4 million. Radio contribution was $71.5 million, an increase of 2% from $69.8 million in 2018.

Digital Performance

Digital Revenue $million	**2019**	**2018**	**% Change**
Advertising revenue	45.9	48.0	(4%)
Classified revenue	3.2	0.9	257%
Subscription revenue	1.7	-	-
GrabOne revenue	9.7	11.0	(12%)
Digital Revenue	**60.4**	**60.0**	**1%**
Direct digital costs	(12.6)	(12.2)	3%
Incremental digital classified costs	(7.1)	(6.1)	17%
Digital contribution	**40.7**	**41.7**	**(2%)**

NZME digital revenue was $60.4 million in 2019, up slightly from $60.0 million in 2018.

Digital advertising was impacted by a decline in the total digital display agency advertising market of 2.4% in the year to December 2019[25]. As anticipated, we saw reduced audience and page impressions during the implementation of NZ Herald Premium. This audience how now returned to previous levels.

The decline in digital advertising revenue was offset by a $2.3 million increase in digital classified revenue from OneRoof (real estate) and DRIVEN (autos).

OneRoof continues to grow in listings, audience and revenue with over 75% of residential for sale listings in New Zealand[26], 241,000 monthly unique audience[27] and over 150,000 app downloads. OneRoof generated $2.8 million of revenue in 2019, up from $0.7 million in 2018, and we expect OneRoof to continue to grow in 2020.

DRIVEN is also proving to be a strong digital classified platform with over 40,000 for sale vehicle listings and 127,000 monthly unique audience[27] attracting car buyers and motoring enthusiasts who value specialist insights into the automotive industry. DRIVEN delivered revenue of $0.4

[23] iHeartMedia, Adobe Analytics, December 2019.
[24] AdsWizz and StreamGuys, December 2019.
[25] Standard Media Index (SMI) NZ Data Release, December 2019
[26] OneRoof's listings as a percentage of residential for sale listings on TradeMe
[27] Nielsen Online Ratings, December 2019

million in 2019, up from $0.2 million in 2018, and we see future growth potential with an established monetisation model from listings commencing in January 2020.

This year we took the strategic decision to refocus our approach in the employment sector to better suit the evolving needs of recruiters and jobs seekers. We made the decision to close the YUDU site and leverage the power of NZ Herald online for our employment market strategy, launching JobMarket within the NZ Herald website in December 2019.

Digital subscription revenue was $1.7 million following the successful launch of NZ Herald Premium subscriptions on 30 April 2019.

We are extremely pleased with the strong growth in NZ Herald Premium subscriptions and now have over 21,000 paid premium digital subscribers – exceeding subscriber and revenue expectations. We also have an additional 25,000 eligible print subscribers who have activated their premium subscription with their print bundle packages.

NZME is the first global customer of The Washington Post's Arc Digital Subscription Product and it has been a resounding success. We have further developments on the horizon including a new NZ Herald app, corporate subscription options, and new payment gateways all planned for 2020.

GrabOne revenue decreased 12% in the year to $9.7 million due to a decrease in average weekly site visits and a decrease in the average weekly conversation rate. However, we did see an increase in the average order value.

Direct digital costs (excluding digital classified costs) include fulfilment costs, production costs, merchant fees related to GrabOne, and agency commission related to digital products. Direct digital costs, excluding digital classified costs, increased 3% in 2019 to $12.6 million.

Incremental digital classified costs increased $1.0 million (17%) to $7.1 million in 2019, as we continue to develop our digital classified platforms, namely OneRoof and DRIVEN. This increase in expenditure delivered an increase of $2.3 million digital classified revenue to $3.2 million in 2019.

FINANCE AND CORPORATE

Costs

Due to a continued focus on cost out and efficiencies, Operating Costs[28] excluding digital classified expenses decreased 4% to $313.9 million in 2019. The main areas of savings were achieved in print and distribution costs which decreased 9% due to lower print volumes of 8% combined with increased printing efficiencies. People costs decreased 4% reflecting the reduction in headcount in the year, while operational savings were also achieved in property and IT expenses.

---

[28] Operating results are presented excluding the impact of NZ IFRS 16 and exceptional items to allow for a like for like comparison between 2018 and 2019 financial years. Please refer slide 33 and 34 of the 2019 full year results presentation for a detailed reconciliation.

Exceptional items (excluding impairment of intangibles) were $9.9 million in 2019 including redundancy costs of $6.0 million and one-off project costs and other exceptional items of $3.0 million including disposal costs, historical holiday pay obligations and costs in relation to the potential acquisition of Stuff.

As mentioned above, an impairment to the carrying value of non-amortising intangible assets of $175.0 million has been recognised as at 31 December 2019. This is classified as an exceptional item in the year and excluded from operating results. This is an accounting charge only with no change to cash flows and no impact on bank covenants. The result of this impairment reduces the carrying value of net assets from $1.46 per share as at 31 December 2018 to $0.59 per share as at 31 December 2019.

Cash flow

Cash inflow from operations was $47.0 million in 2019, compared to $21.8 million in 2018.

Operating EBITDA[29] decreased in the period but was offset by a positive movement in working capital compared to 2018. Operating cash flow increased compared to prior year due to NZ IFRS 16 reclassifying $11.5 million of lease payments to financing cash flows in 2019. Excluding this reclassification, operating cash flows in 2019 was $13.7 million better than in 2018 due to reduced tax paid and improved working capital.

Tax paid was lower in 2019 at $4.5 million, compared to $14.1 million in 2018 which was higher due to timing of 2017 tax payments falling into 2018.

Capital expenditure of $11.8 million in 2019 was in line with expectations and a decrease from $14.1 million in 2018, due to the completion of key projects in 2018.

Cash outflow from financing activities increased from $5.6 million in 2018 to $32.5 million in 2019 due to a repayment of debt facilities of $21.0 million in 2019 compared to drawdown of debt facilities of $10.5 million in 2018, and payments to suppliers on lease liabilities of $11.5 million now included under financing activities under NZ IFRS 16. These increases were offset by dividends of $15.7 million paid in 2018 which were not paid in 2019.

Net debt reduced by $23.6 million in 12 months to $74.7 million as at 31 December 2019, including $89.1 million of drawn borrowings (2018: $110.0 million) and $14.4 million of cash and cash equivalents (2018: $11.7 million).

Capital management

NZME is pleased to report progress in our capital management objectives of reducing debt and gearing while maintaining investment in growth opportunities.

Net debt was $74.7 million at 31 December 2019. The ratio of net debt to rolling 12-month Operating EBITDA was 1.5 times at 31 December 2019, a reduction from 1.8 times as at 31 December 2018.

---

[29] Operating results are presented excluding the impact of NZ IFRS 16 and exceptional items to allow for a like for like comparison between 2018 and 2019 financial years. Please refer to slide 33 and 34 of the 2019 full year results presentation for a detailed reconciliation.

The Board have elected not to declare a final dividend with respect to the 2019 financial year. NZME continues to target a net debt reduction of between $10 million and $15 million per annum, to further reduce the leverage ratio to within the target range of 1.0 to 1.5 times rolling 12-month Operating EBITDA.

INDUSTRY CONSOLIDATION

2019 was a significant year for New Zealand media and a year that signaled some potentially extraordinary changes ahead in the New Zealand media landscape.

The impact of big international players continued to put pressure on the New Zealand advertising market. In an already highly competitive local media market, there simply aren't enough advertising dollars and not a large enough audience market to sustain New Zealand's current industry structure.

What has been pleasing to see is the great importance that New Zealanders place on the need for quality local journalism, for trustworthy information, and for the opportunity to engage as communities in the stories that impact close to home.

In November 2019 we disclosed our involvement in discussions for a potential acquisition of Stuff. We firmly believe that NZME is most logical owner of Stuff. An acquisition of Stuff is aligned with NZME's strategic priorities, our commitment to protecting the craft of journalism, and is expected to deliver the following strategic benefits to NZME:

- Creation of a stronger and more sustainable media presence;
- Enhanced audience and advertising proposition;
- Cost savings and synergy benefits arising from the merger of back office (non-editorial) functions; and
- Increased financial scale.

NZME has proposed a transaction that would involve the Stuff newsroom being transferred to a NZME subsidiary company in which a Kiwi Share would be held by the Government. This proposed Kiwi Share arrangement imposes certain obligations on NZME and Stuff to address the competition concerns that were ultimately upheld by the Court of Appeal in 2017. We are actively engaged with the Government regarding the Kiwi Share arrangement and are encouraged by the progress to date.

While no agreement in relation to the transaction has been reached, we continue to progress towards obtaining the required regulatory approvals.

The proposed transaction is subject to the Government's agreement to hold the proposed Kiwi Share, NZ Commerce Commission clearance, agreement with Nine, shareholder approval and finance.

We look forward to updating you on this in due course.

OUTLOOK

We are encouraged by the 2019 second half performance which provides momentum into 2020 – driven by continued growth in Radio, Digital classifieds, and Digital subscriptions.

New Zealand businesses are showing an increased confidence about the future. However, we remain cautious of the potential impact of trading and economic uncertainty following the coronavirus outbreak.

Advertising bookings for Q1 2020 are tracking 2% below Q1 2019.

The improved New Zealand real estate market is expected to benefit print and OneRoof.

We continue to focus on containing costs through increased efficiencies and continue to target lower net debt and a reduced leverage ratio to be within our target range in line with our Capital Management Policy.

We expect industry consolidation to drive activity in New Zealand and are excited about the opportunities this may bring for NZME in 2020.

The full set of 2019 annual results materials can be found at:
www.nzx.com/markets/NZSX/securities/NZM/announcements

ENDS

Briefing Audio:

NZME will host a webcast for investors and analysts, hosted by Michael Boggs (Chief Executive Officer) and David Mackrell (Chief Financial Officer) commencing at 10.00am NZT today, Tuesday 25 February 2020 to discuss the 2019 Full Year Results.

Please CLICK HERE to register for and access the webcast.

Once registered, you will be able to join the webcast either online or by telephone. Please note only participants online will be able to ask questions. If your computer does not have a microphone, you can use the Zoom app on your smart phone or join the audio with a phone call. Enter the webcast online, then choose "Join by Phone" when prompted about audio and enter the supplied Webinar ID when dialing.

A replay recording of the webcast will be available on our website one hour after the call at:
https://www.nzme.co.nz/investor-relations/webcasts/

Investor enquiries:

Julia Belk
Investor Relations Manager
T: +64 21 2408 997
Email: julia.belk@nzme.co.nz

Media enquiries:

Rowena D’Souza
Communications Manager
T: +64 21 2465 961
Email: rowena.dsouza@nzme.co.nz