

**MARKET ANNOUNCEMENT**

22 June 2017

**Annual Shareholders' Meeting - Addresses**

**AUCKLAND, 22 JUNE 2017:** NZME Limited (NZX: NZM, ASX: NZM) ("**NZME**") attaches the Chairman's and CEO's addresses, and presentation which will be delivered at the Annual Shareholders' Meeting being held in the NZME iHeart Lounge in Auckland today, commencing at 3:00pm (NZT).

- ENDS -

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**About NZME**

NZME is a leading New Zealand media and entertainment business that reaches 3.2 million kiwis\*. 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](http://www.nzme.co.nz)



## **NZME ANNUAL SHAREHOLDERS' MEETING, 22 JUNE 2017**

### **Order of Events & Script**

**PLEASE NOTE:** this script is to be read in conjunction with the Annual Shareholders' Meeting Presentation dated 22 June 2017.

#### **NZME SHOWCASE VIDEO**

**(Refer [www.nzme.co.nz/investor-relations/nzxasx-announcements/2017](http://www.nzme.co.nz/investor-relations/nzxasx-announcements/2017))**

#### **FORMALITIES & CHAIRMAN'S ADDRESS: PETER CULLINANE**

##### **SLIDE 3 (Photo)**

Hello and welcome to NZME's inaugural Annual Shareholders' Meeting as a listed company, here at NZME Central. My name is Peter Cullinane and I will be chairing today's meeting as a Director of NZME in the absence of Sir John Anderson, the Chairman of our Board. Sir John sends his sincere apologies as he is unable to attend today, due to circumstances beyond his control, so I will be speaking in his stead.

Good afternoon to my fellow NZME board members and executives, our shareholders, media and other attendees. We welcome our visitors here today, thank you for your interest in NZME, it's great to have you here. However, I must remind you that only registered shareholders holding shareholder cards are permitted to speak or ask questions at this meeting.

Shareholders will be given an opportunity to comment and ask questions prior to voting on each resolution and under the general business section of the meeting.

Today's audio and presentation are being streamed online for those who are unable to attend in person. Thank you to our Vision and Group Creative Teams for that fantastic video showcasing what NZME is all about.

Before we begin I have a few housekeeping matters to run through. In the event of a fire alarm, please exit through the door just to my left (*point to the left*) and gather in the northern courtyard (*point outside to the left*). Restrooms are located to the left of the lifts in the foyer (*point towards foyer*). Finally, please ensure that your cell phones are on silent. There will be a recording of today's meeting available online.

The Company Secretary has confirmed to me that the Notice of Meeting has been sent to shareholders and other persons entitled to receive it. The Company's constitution prescribes a quorum requirement of three shareholders. As you can see, this requirement has been met therefore I now declare this meeting open.

Firstly, I would like to introduce those seated up the front with me today, from your left to right; our Legal Counsel and Company Secretary Allison Whitney, Chief Financial Officer Mike Moran, Chief Executive Officer Michael Boggs, and my fellow board member, Carol Campbell.

Our legal advisors, Chapman Tripp, and our auditors, PwC, are also in attendance today and available to answer shareholder questions.

I'd like to thank our shareholders for their participation in today's meeting.

##### **SLIDE 4 (Agenda)**

Today we will begin with my reading of the Chairman's address, followed by an address from our CEO Michael Boggs. We will then proceed to voting on the ordinary resolutions as set out in the Notice of Meeting, being my re-election to the board, and authorising the board to fix the remuneration of our auditors, PwC.



As Chairman of this meeting I intend to vote all discretionary proxies that we have received in favour of these resolutions.

### **SLIDE 5 (Transformation)**

The creation of NZME brought together leading New Zealand Publishing, Radio and e-Commerce businesses into a single and unique multi-platform media company. NZME is now an audience-centric business focusing on the pillars of News, Sport and Entertainment.

We were listed on both the New Zealand and Australian stock exchanges almost a year ago, which gives us access to investors throughout these regions.

Bringing Print, Radio and Digital together under a single roof allows us to leverage revenue opportunities from cross-platform advertising and achieve significant operational and cost efficiencies.

Following the completion of our integration, we now have a more efficient and agile business. We are ideally placed to take advantage of exciting new opportunities to entertain and connect New Zealanders and engage audiences for our advertising customers.

### **SLIDE 6 (Results Summary)**

On a Statutory basis, our net profit after tax for the year ended 31 December 2016 was \$74.5 million. This was an increase of nearly 74% over the prior year, benefiting from tax and the sale of our interest in the Australian Radio Network as part of the de-merger from APN.

I am pleased to report that in 2016 the company generated stable trading EBITDA of \$71.9 million from our integrated media and entertainment business, despite the challenges faced in advertising markets.

These results enabled our Company to pay a fully imputed final dividend of 6 cent per share in April 2017. This took total dividends paid with respect to the 2016 year to 9 and a half cents per share, in line with our dividend pay-out policy of 60 to 80% of pro forma Net Profit.

### **SLIDE 7 (Proposed Merger)**

As we face an increasingly fragmented media market, the proposed merger with Fairfax New Zealand has been a priority. We were disappointed that the New Zealand Commerce Commission declined to approve the merger on the 3rd of May, and we subsequently announced on the 26th of May that we would file an appeal in the High Court against the Commission's decision.

A ten day hearing has now been scheduled to begin on the 16th of October this year.

While this process continues, as our CEO Michael Boggs will shortly discuss, our core growth strategy remains unchanged and is focused on delivering shareholder value.

### **SLIDE 8 (Mission)**

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. We have a unique integrated media business that offers advertisers an unrivalled multi-media offering, enabling them to engage powerfully with their customers.

We believe we have the right assets and the right strategy for growing long term shareholder value in this dynamic industry.



### **SLIDE 9 (Executive Team)**

Your company has highly experienced, dedicated and talented management and staff, ably led by CEO Michael Boggs. They continue to deliver premium innovative content and experiences to New Zealanders.

### **SLIDE 10 (Board)**

I would like to thank my fellow Board members; their focus has enabled our company to exceed market growth through a year of industry headwinds, transactions and company transformation.

While a successful merger with Fairfax would deliver a number of additional Board members, the Board has also commenced a search to gain further capabilities in the areas of governance, digital and technology.

The Board would also like to thank all of our employees, who in the last 12 months have worked extremely hard to complete the demerger from APN, a complex business integration, and listings on the New Zealand and Australian stock exchanges. These achievements have been delivered while we have continued to build and excite our audience in order to grow the business and deliver solid financial performance and returns for shareholders.

### **SLIDE 11 (Talent)**

Our company is in good shape to meet the challenges ahead. With exceptional content and distribution capability, we are uniquely positioned to take advantage of many opportunities for realising the shareholder value we see in this exciting and dynamic industry.

I will now hand over to our CEO Michael Boggs for his address.

### **Slide 12 (Photo)**

#### **CEO'S ADDRESS: MICHAEL BOGGS**

Thank you, Peter.

I am really pleased to be here talking to you as CEO at NZME's first Annual Shareholders' Meeting.

### **SLIDE 13 (Propeller)**

NZME has brought together leading New Zealand print, radio and e-commerce businesses to create a unique media business with a growing reach of over 3.2 million kiwis.

We have integrated and transformed these businesses to create an organisation that has a sharp focus on news, sport and entertainment, delivering exceptional content to our audience and broad reach to our advertisers.

We are very proud to be one of New Zealand's leading media companies, with local management, that understands our Kiwi audience.

The integration has established a much more agile business and delivered significant efficiency benefits. We continue to work on these.

### **SLIDE 14 (The Bridge)**

Co-locating print, radio and digital together in Auckland and across the regions allows us to leverage our capabilities to achieve efficiencies in content, production, sales, marketing, customer service and administration.



In front of you now is a picture of “The Bridge”, a hub for the creation and management of news and sport content on level 1 of NZME Central. We have a similar hub for our entertainment brands and these both enable the efficient and seamless distribution of content across NZME’s multiple channels.

We believe there are further significant synergies and opportunities available to us from this multi-platform approach.

### **SLIDE 15 (Trading Result)**

Re-capping on the 2016 financial year, we were pleased with the results in the context of challenging advertising markets.

We saw a 6% decline in trading revenue in 2016 but this result bettered the market and importantly, we were able to hold trading EBITDA steady at \$71.9 million in 2016. We believe this is an excellent outcome for shareholders.

Pro forma 2016 net profit was \$27.8 million, representing Pro forma earnings per share of 14.2 cents. Given the major changes to our corporate structure as a result of the demerger from APN, we consider this pro forma number to be a more useful reflection of our underlying performance than statutory reported profit.

The final 6 cents per share fully-imputed dividend took full year 2016 dividends to 9 and a half cents. We are pleased to deliver these returns to shareholders.

We continue to focus on improving shareholder value.

### **SLIDE 16 (Priorities)**

Despite the disappointment of the Commerce Commission’s decision to decline the proposed Fairfax merger, which I will talk about shortly, I’m pleased to say in 2016 we made very good progress on our key operational priorities;

- NZME grew its audience by 5%, with recently released data showing continued growth and indicating that we are now reaching more than 3.2 million New Zealanders.
- We slowed the decline in print revenue with encouraging improvement in advertising revenue in the second half, and stable circulation revenues year on year.
- We returned radio agency revenue to growth and slowed the decline in direct radio revenues, which continue to be an area of focus.
- We drove digital revenue growth of 24% largely through growth in mobile and video advertising.
- We achieved major cost savings, an important factor in our 2016 results that will continue to be a focus for NZME and, indeed, the whole industry,
- We developed our people and talent, and
- We progressed the proposed merger with Fairfax.

The addition of our new breakfast team on The Hits, pictured here, is part of our strategy to return radio revenue to growth through an improvement in key demographics. We’ve had some good news on this, which I’ll talk about in a moment.

### **SLIDE 17 (Reach)**

Our continued focus on growing audience reach is at the heart of how NZME creates value for shareholders. Our reach is growing; 81% of New Zealanders now choose to engage with us.

NZME currently reaches 88% of Aucklanders, 84% of North Islanders, and 70% of South Islanders with its content.



This national and local presence allows us to offer advertisers both broad access to their target markets, and the ability to target consumers in the most effective method – be it via print, radio, digital, or a combination of these platforms.

### **SLIDE 18 (Print)**

One of our priorities has been to slow the decline in print revenue and, I'm pleased to say, we achieved this in 2016.

As you know The New Zealand Herald is the country's leading newspaper and our most important masthead brand. We are working hard to extend its readership and ensure it remains the number one choice for print readers and advertisers.

In the latest Nielsen and ABC results just released today The New Zealand Herald's readership has continued its upward trend, and the Herald on Sunday remains the most-read and highest selling Sunday Newspaper in the country.

The strength of our print brands was recently recognized at the 2017 Canon Media Awards where The New Zealand Herald won 'Best Daily Newspaper', and the Weekend Herald won 3 awards, including the top prize of 'Newspaper of the Year'.

Given the reported 15% decline in the New Zealand print advertising market, we are encouraged by the fact that our total print revenue was down only 6% in 2016.

### **SLIDE 19 (Radio)**

We have some great talent in Radio and, given the strength of our brands and audiences, this business offers good opportunities for growth in an attractive New Zealand radio market.

As I've already mentioned, in February this year we introduced a new breakfast show on The Hits in Auckland, headlined by high profile, popular NZ presenters Sarah Gandy, Sam Wallace and Toni Street. They're going well. Six weeks after launch we expanded the show to broadcast across most of the North Island.

We're delighted with the reaction from the audience. In the first radio survey of 2017, released last month, The Hits national share increased for the first time in over 2 years.

Not only did we succeed with The Hits, NZME gained a very encouraging 1.9% share of the total market from our main competitor Mediaworks, with our audience growing by 150,000 listeners. In fact, audience growth was achieved by all 8 of our national radio brands in this survey, a fantastic result.

Newstalk ZB continues to hold the largest share of any commercial station in New Zealand, showcasing New Zealand's number one breakfast host, Mike Hosking.

In addition, at the 2017 NZ Radio Awards earlier this month, ZM was crowned 'Network Station of the Year' for excellence in radio broadcasting, and Hauraki once again took 'The Blackie' award for funny and entertaining radio excellence.

Our radio stations Newstalk ZB, The Hits and Radio Sport and their presenters received numerous awards in the Best On-Air and Best News and Sport categories. NZME teams also took home awards that recognised excellence and effectiveness in marketing, digital and social promotion, services to broadcasting and associated crafts.

These results are a clear measure of progress in delivering on two of our seven key priorities; growing audience and developing our people and talent, which we will continue to work hard on going forward.



## **SLIDE 20 (Digital)**

Digital is a really exciting area for the media industry and the market grew by 16% in 2016. We achieved digital revenue growth of 24% in 2016, reflecting our success in mobile and video advertising. When consolidated with e-Commerce, or GrabOne, revenue grew 9% in 2016. This growth was enabled by our teams developing and delivering great content across multiple digital and social media platforms.

An example of this new content is NZ Herald Focus, our news video show launched in April 2016. Following the success of that launch, NZ On Air helped us to fund New Zealand's first regional video service, Local Focus, and some exciting new long-form documentary content.

The quality of the NZ Herald Focus product was recently recognized at the INMA world congress in New York where it was awarded "best launch of a brand or product to create an audience segment". It is fantastic to be recognized on the world stage and is a testament to the hard work of our talented employees here at NZME.

Our NZHerald.co.nz site was also recently awarded 'Website of the Year' at the 2017 Canon media awards.

## **SLIDE 21 (Initiatives)**

Despite our success, we continue to look for opportunities to improve. We launched a redesigned New Zealand Herald website on the 7th of June utilising the highly regarded Washington Post content management system and other publishing tools.

The new design and user experience are responsive and optimized for people on the go. The site features better navigation and sign-posting of content with a clean, full-screen design showcasing great imagery. For advertisers, there are new opportunities and enhanced viewability.

Video is becoming much more important to advertisers, with our native video streams up almost 70% in the year, supported by the New Zealand Herald Focus news show.

We have also seen very strong growth in our social network following, which brings over 40% of our audience to our platforms, and reinforces our content branding.

On top of these achievements, we have been busy developing new revenue streams and enhancing existing products to grow shareholder value. We launched our new iHeart Radio App in January 2017 with a registration wall, enhanced user functionality and improved advertiser targeting. We have had over 200,000 downloads to date and great user feedback.

We launched a new GrabOne website and App in May, further personalising the user experience and enhancing the targeting of deals on site and served via email. We have also recently redeveloped our driven.co.nz classifieds platform with significant improvements to the user interface. I will now play a short video showcasing these, and other new digital initiatives.

## **VIDEO SHOWCASING DIGITAL INITIATIVES (Refer [www.nzme.co.nz/investor-relations/nzxasx-announcements/2017](http://www.nzme.co.nz/investor-relations/nzxasx-announcements/2017))**

## **SLIDE 22 (Merger diagram)**

As Peter outlined, we announced last month that we are appealing the New Zealand Commerce Commission's decision not to clear or authorise our proposed merger with Fairfax New Zealand.

NZME and Fairfax believe the Commission was wrong in fact and wrong in law to decline clearance or authorisation for the merger. There are two grounds for appeal:



1. Firstly, we believe that the markets were defined too narrowly and the analysis of constraints was flawed. An example of this is that Facebook and Google are both more than just distribution channels and compete for not only advertising dollars but also readers.
2. Secondly, we believe that the Commission should not have taken into account unquantifiable plurality detriments. Even if they could, they have put too much weight on loss of media plurality as a detriment when weighed against the quantifiable benefits of the transaction. The Commission estimated these benefits at between \$40 million and \$200 million over 5 years.

We believe the transaction would be positive for New Zealand, our employees and shareholders by enhancing the competitiveness of locally produced content for our news, sport and entertainment markets.

In terms of cost, NZME is sharing the costs of the appeal with Fairfax. When weighed up against the potential benefits of the transaction, which were estimated to be between \$36.8 million and \$55.7 million per annum, we believe the appeal is in the best interests of NZME and its shareholders.

### **SLIDE 23 (FY17 Priorities)**

As has been the case since the beginning of the proposed merger process, it's business as usual for NZME. Our strategy and focus for 2017 is unchanged by this process.

Our mission and strategic pillars are the building blocks of our seven key priorities that we believe will drive shareholder value. These are shown here and include growing audience reach, retaining revenue in print and focusing on returning radio revenue to growth.

We want to grow new revenue streams across the company whilst managing costs and capital well.

Our healthy balance sheet and cash flow are supportive of our growth plans, as well as continuing to provide attractive returns to shareholders.

### **SLIDE 24 (Our People)**

Developing our people and talent will remain fundamental to our success. I would like to echo the Chairman's comments about the efforts of our dedicated employees. It has been a year of enormous change for the industry and NZME.

Management and staff have responded to this challenge, implemented our plans and delivered solid operating and financial outcomes. This is a testament to their hard work and diligence under, sometimes testing, circumstances.

I would also like to thank our amazing New Zealand audiences, our suppliers, business partners, advertising customers, and of course our shareholders, for their continued support.

With our unique multi-channel, integrated media offering, combined with some of New Zealand's leading brands and talent, we have exciting opportunities ahead of us.

I will now hand back to Peter for the formal business of the meeting.

### **SLIDE 25 (Resolutions) – PETER CULLINANE:**

Thank you, Michael.

Ladies and Gentlemen, we will now address the matters requiring resolution, which are outlined in the Notice of Meeting.



There will be an opportunity for shareholders to ask questions on each resolution. When I call for questions, please raise your hand if you have a question. We will ask you to move to the microphone at the front on your left (*point to the microphone on your right*). Please clearly state your name, and confirm that you are a shareholder, before asking the question.

I ask that in the interests of fairness to all shareholders attending this meeting that anyone wishing to speak be as concise as possible and be considerate to other shareholders wishing to ask questions.

As the audio of the meeting is being streamed online, remember that you will be heard by an audience outside of this room. Questions raised by shareholders should relate directly to the resolution being considered. There will be an opportunity to ask general questions at the conclusion of the formal business.

I propose that voting on each of these resolutions be conducted by a show of hands.

You should all have a voting card which was given to you when you registered. Please raise this card in order to indicate your vote. If you are here as a shareholder and do not have a voting card, please raise your hand and someone will assist you.

Each resolution set out in the Notice of Meeting is to be considered as an ordinary resolution and, as such, must be approved by a simple majority of the votes cast by shareholders entitled to vote and voting on the resolution. Details of postal and proxy votes received in respect of each resolution will be displayed on screen.

I now invite Carol to Chair resolution 1.

**SLIDE 26 (Resolution 1: Re-election of Director) – CAROL CAMPBELL:**

Resolution 1 concerns the re-election of Peter Cullinane as a Director.

Before we vote on this resolution I invite Peter to speak to our shareholders.

**PETER'S SPEECH**

**CAROL CAMPBELL TO CONTINUE:**

Thank you, Peter.

Before we move to the vote, are there any questions for the Board concerning the resolution?

*Take questions from floor*

Voting on this resolution will be conducted by a show of hands.

I now move, as an ordinary resolution, that Peter Cullinane, who retires by rotation and is eligible for re-election, be re-elected as a Director of NZME.

All in favour of the resolution, please raise your hand.

*Observe votes*

All those against the resolution, please raise your hand.

*Observe votes*

**SLIDE 27 (Resolution 2: Auditor's Remuneration) – PETER CULLINANE:**

Thank you, Carol.



In accordance with the Companies Act, PwC will automatically be re-appointed as the auditor of the Company. The resolution authorises the Board to fix the auditor's remuneration for the forthcoming year.

Are there any questions for the Board concerning the resolution?

*Take questions from floor*

I now move, as an ordinary resolution, that the Directors of NZME are authorised to fix the auditor's remuneration.

All in favour of the resolution, please raise your hand.

*Observe votes*

All those against the resolution, please raise your hand.

*Observe votes*

### **SLIDE 28 (Shareholder Discussion)**

Having now completed the formal business of the meeting we will shortly invite shareholders to raise any questions of a general nature.

I remind you that only registered shareholders holding shareholder cards today are to speak or ask questions at this meeting.

Again, please raise your hand if you wish to ask a question. We will ask you to move to the microphone at the front on your left (*point to the microphone on your right*). Please clearly state your name, and confirm that you are a shareholder, before asking the question.

As the audio of this meeting is being streamed online, remember that you will be heard by an audience outside this room. Do any shareholders now wish to ask a question?

*[Questions & Answers]*

### **SLIDE 29 (Thank you)**

Thank you for your questions today, it is important to us that our shareholders have open lines of communication with our Board and management. Before we conclude, I would like to reiterate NZME's mission - to be at the centre of what New Zealanders want by sharing great stories, entertaining, engaging and connecting all New Zealanders.

We have an integrated media business that provides advertisers with a unique multi-media offering, through which they are able to engage with our growing audience. We believe that we have the right assets and the right strategy for growing long term shareholder value in this dynamic industry.

Thank you again to my fellow Board members, executives and staff for your dedication and hard work, and to our shareholders for your continued support. I now declare this meeting closed. We will be available to meet you as you depart the iHeart lounge today.

**End of Meeting**