

MEDIA 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

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

FY 2016 highlights

- Statutory NPAT¹ 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 EBITDA¹ 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 NPAT¹ of \$27.8 million and Pro forma¹ EPS of 14.2 cents
- Final dividend 6.0 cents fully imputed, making a total of 9.5 cents for FY 2016
- Trading revenue¹ declined 6% in challenging advertising markets, although decline slowed in the second half and was less than the estimated market decline²
- Digital revenue growth of 24% in FY 2016

NZME has grown audience reach by 5% in FY 2016 across its news, sport and entertainment brands to 3.2 million³. Digital audience growth was particularly strong at 19%³ in the year, driven by successful product development and initiatives.

NZME Chief Executive Michael Boggs said the continued focus on improving performance, investment in people and talent, and delivering on improvement initiatives, has enabled the company to out-perform the market in print and digital advertising revenue growth².

"We continue to transform NZME to lift performance, grow audience and optimise our products. In print we stabilised circulation and grew readership with strategies such as the relaunch of the *Herald on Sunday* lifestyle magazine, to focus on *Travel*, a stronger commercial proposition.

"In radio we launched a new breakfast show for *The Hits* in Auckland, with high profile talent to boost audience; Sarah Gandy, Sam Wallace and Toni Street.

"Following the success of *NZ Herald Focus* (news video show) in our digital division, NZ On Air has funded production of our new regional video service, *Local Focus*, and our first long-form documentary video "*Under the Bridge*".

"This fantastic home grown content has been very well received and helped us lift native video streams by 69%⁴ in the last year, which is important as it's one of the strongest areas of growth in digital advertising.

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 used 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.

⁴ Brightcove analytics, January 2015 - December 2016. Native = viewed on NZME platforms.

“This has contributed to really pleasing digital revenue growth of 24% in FY 2016, largely driven by mobile and video growth across nzherald.co.nz, supported by exciting new platforms such as watchme.co.nz.”

Proposed merger update

The NZME and Fairfax New Zealand Ltd (“Fairfax”) merger remains subject to regulatory and shareholder approval. The New Zealand Commerce Commission (“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 it expects its final determination to be made on or before 15 March 2017.

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).

Outlook for FY 2017

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. The company has highly experienced, dedicated and talented management and staff who continue to create and deliver premium innovative content and experiences to New Zealanders.

“In FY 2017, our aim is to improve shareholder value through further growing audience reach, retaining revenue in print and making sure radio returns growth. We want to grow new revenue streams across the company while managing our costs and capital really well.

“Developing our people and talent will remain fundamental to our success. And of course we want to do everything we can to complete the Fairfax merger.

“With our unique multi-media, integrated offering combined with some of New Zealand’s leading brands and talent, we have an exciting opportunity ahead of us,” Mr Boggs said.

NZME’s stable performance has enabled a fully imputed final dividend of 6.0 cents per share scheduled for payment on Friday 28 April 2017 to those shareholders on the register on Wednesday 11 April 2017.

FY 2016 results materials can be found at:

<https://www.nzx.com/markets/NZSX/securities/NZM/announcements>

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About NZME

NZME is a leading New Zealand media and entertainment business that reaches 3.2 million kiwis⁵. 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

⁵ 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.