

**NZX/ASX RELEASE**

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**NZME LIMITED 2020 FULL YEAR FINANCIAL RESULTS**

**Focus on strategic priorities delivers solid performance as NZME builds on Covid-19 recovery**

NZME Limited (New Zealand Media and Entertainment - NZME) has today announced its financial results for the full year ended 31 December 2020, reporting Statutory Net Profit After Tax ("NPAT") of \$14.2 million and 3% growth in Operating Earnings Before Interest Tax Depreciation and Amortisation ("Operating EBITDA")<sup>1</sup> to \$67.3 million.

"Our team at NZME continued to focus on delivering for the 3.3 million Kiwis who engage with our platforms<sup>2</sup>. Our commercial partners have also shown extraordinary resilience and together, we have delivered a result we can all be very proud of. This is especially so given the immense and ongoing challenges we have faced since early last year," said NZME CEO Michael Boggs.

In its full year 2020 announcement NZME reports Operating revenue<sup>1</sup> of \$331.2 million, down 11% on the same period in 2019 "reflecting the significant impacts of Covid-19 on advertising".

"The initial shock of Covid-19 on NZME saw advertising revenues across our business fall by close to 50%. But Kiwi business owners understand the value of staying engaged with their audiences and as New Zealand moved through the crisis phase of the pandemic, advertising spend steadily returned. It's very pleasing that we ended 2020 with advertising revenue in some areas approaching levels similar to 2019," said Boggs.

**2020 Full Year Results at a glance:**

- 2020 Full Year Statutory NPAT of \$14.2 million, compared to a Statutory Net Loss After Tax of \$165.2 million in 2019, impacted by \$175.0 million impairment of intangible assets.
- NZME reports 3% growth in 2020 Full Year Operating EBITDA<sup>1</sup> to \$67.3 million.
- 2020 Full Year Operating NPAT<sup>1</sup> of \$22.0 million and Operating Earnings per Share ("EPS")<sup>1</sup> of 11.1 cents, an increase of 2.3 cents per share compared to 2019.
- NZME deemed an Essential Service during New Zealand's Covid-19 lockdown; keeping Kiwis in the know.
- Accessed \$8.6 million (net) in Government Covid-19 Wage Subsidy to retain roles that supported NZME to meet its obligations as an Essential Service.
- Significant audience maintained at 3.3 million<sup>2</sup>, representing 83% of the New Zealand population and nearly 2.6 million digital users per month<sup>2</sup>.
- More than 102,000 NZ Herald Premium digital subscribers, including more than 53,000 paid digital-only subscribers generating revenue of \$6.6 million in 2020.

<sup>1</sup> Operating results presented include the impact of NZ IFRS 16, however exclude exceptional items to allow for a like-for-like comparison between 2019 and 2020 full years. Please refer to pages 35-36 of the 2020 Full Year Results Presentation for a detailed reconciliation. Operating and statutory results includes a \$8.6 million (net) of Covid-19 government wage subsidy received in H1 2020.

<sup>2</sup> Nielsen CMI Fused Q4 19 – Q3 20, November, People 15+.

- OneRoof held the #1 position in residential for-sale real estate listings in Auckland for most of 2020, with more than 89% of listings in New Zealand<sup>3</sup> at 31 December 2020 and contributed \$4.3 million of digital classifieds revenue in the year.
- Growth in revenue market share achieved across all key channels in 2020; to 40.4% in radio advertising<sup>4</sup>, 47.1% in print advertising<sup>5</sup> and 24.3% in digital display<sup>6</sup>.
- Total reader revenue growth of 2% year-on-year as decline in retail outlet sales offset by growth in print and digital subscriber revenues.
- Radio revenue in growth year-on-year prior to the impact of Covid-19 and returned to 2019 levels during Q4 2020.
- Cost initiatives and reduced volumes resulted in a significant decrease in Operating expenses<sup>1</sup> of 14% year-on-year.
- Net Debt reduced by \$40.9 million to \$33.8 million and leverage ratio reduced to 0.6 times Operating EBITDA<sup>1</sup>.

Commenting on NZME's navigation of the Covid-19 challenges to deliver earnings growth during 2020, Chairman Barbara Chapman, credited NZME's people and its leadership.

"Our people stayed steadfastly committed to our purpose of keeping Kiwis in the know. NZME's journalism and entertainment excelled across all of our print, digital and radio platforms. Our teams of entertainers did what they do best, keeping Kiwis connected and their spirits up.

"The NZME executive swiftly led initiatives ensuring NZME continued to deliver on our responsibilities as an Essential Service while prioritising the health and safety of our people.

"The reshaping of our business in 2020 means NZME remains in a good position as the on-going impacts of Covid-19 are felt into 2021 and possibly beyond. As we have stated previously, the government wage subsidy supported the production of quality journalism and broadcasting during an extremely difficult period and helped NZME retain roles that are now supporting the delivery of our strategy," said Chapman.

NZME has reported further momentum in its key strategic priorities with year-on-year growth in radio revenue market share<sup>4</sup> and digital listening via its iHeartRadio platform<sup>7</sup>.

The NZ Herald Premium news subscription service grew to 102,000 subscribers while real estate platform OneRoof continues to grow, now boasting more than 89% of New Zealand's residential for-sale real estate listings<sup>3</sup>.

During 2020 NZME maintained its focus on effective capital management and this resulted in a significant reduction in net debt to \$33.8 million at 31 December 2020 down from \$74.7 million as at 31 December 2019.

<sup>3</sup> OneRoof's listings as a percentage of residential for-sale real estate listings on trademe.co.nz.

<sup>4</sup> PwC Radio advertising market benchmark report, 12 months to 31 December 2020 vs 12 months to 31 December 2019. Note: report excludes independent broadcasters and contra revenue.

<sup>5</sup> PwC NPA quarterly performance comp. report, December 2020, 12 months to 31 December 2020 vs 12 months to 31 December 2019.

<sup>6</sup> IAB digital advertising revenue – General Display, IAB NZ Digital advertising revenue report, Q3 2020. Q4 report not yet available.

<sup>7</sup> AdsWhizz and StreamGuys, December 2020.

"This prudent focus on maintaining NZME's target of a net debt to Operating EBITDA (pre NZ IFRS 16) ratio<sup>8</sup> of 0.5 to 1.0 times and an ongoing focus on costs means NZME is well placed to continue its recovery from Covid-19," said Chapman.

Despite dealing with the impacts of Covid-19, several transformational initiatives aimed at accelerating NZME's momentum in key strategic priorities were completed.

A new audio strategy was designed and implemented ensuring NZME's radio networks and hosts are aligned to deliver audience growth. Further, digital specialist James Butcher was appointed Head of Digital Audio to lead NZME's iHeartRadio and podcasting strategy.

Ongoing investment in audience engagement capabilities in NZME's flagship news website nzherald.co.nz continued, including the re-launch of the NZ Herald app with enhanced personalisation, offline reading options, in-app subscriptions and story commenting was introduced.

Media executive Paul Maher was appointed to OneRoof, providing the platform with dedicated executive leadership. International Kiwi tech entrepreneur Guy Horrocks was appointed to the NZME Board as an Independent Director bringing a background in successfully growing digital businesses, strong capability in the commercialisation of data and a focussed entrepreneurial mindset to NZME.

"Even with all that Covid-19 throws at us - sitting still simply isn't an option. Media is a perpetually fast moving and hyper competitive environment. Continually fine tuning what we do and how we do it is vital to ensure NZME continues to grow audiences, continues to exceed the deep audience engagement levels our commercial partners seek and to ensure we grow shareholder value," said Boggs.

Today NZME has also provided the following outlook for 2021:

- NZME remains alert to the ongoing impacts of Covid-19 and the future economic environment and changing market dynamics.
- While business confidence has improved significantly, advertisers remain cautious regarding their placement of advertising, with more bookings being made 'in the month' than previously experienced.
- On the basis of continued improvement in economic conditions, Covid-19 recovery, improved revenue trends and permanent cost reductions NZME would expect profit growth in 2021.
- Given the significant reduction in debt, and based on this outlook and NZME's capital requirements, the Board expects to be able to return to payment of dividends in the second half of 2021.
- NZME looks forward to providing you with further updates on our strategic priorities at our Annual Shareholders' Meeting in Q2 2021.

Please note the full set of results materials can be found at <https://www.nzx.com/companies/NZM/announcements>

## ENDS

Authorised by the Board of NZME Limited.

<sup>8</sup> Operating results used in these calculations exclude the impact of NZ IFRS 16 and exclude exceptional items. Please refer to pages 35-36 of the 2020 Full Year Results Presentation for a detailed reconciliation. Operating and statutory results include \$8.6 million (net) of Covid-19 government wage subsidy received in H1 2020.

**For investor queries:**

David Mackrell

Chief Financial Officer

T: +64 21 311 911

Email: [david.mackrell@nzme.co.nz](mailto:david.mackrell@nzme.co.nz)

**For media queries:**

Cliff Joiner

GM Communications

T: +64 21 270 9995

Email: [cliff.joiner@nzme.co.nz](mailto:cliff.joiner@nzme.co.nz)

**About NZME**

NZME is a leading New Zealand media and entertainment business that reaches 3.3 million Kiwis<sup>9</sup>. Whether reading, listening, or 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)

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<sup>9</sup> Nielsen CMI Fused Q4 19 – Q3 20 (population 15+ years)