Letter to NZME Shareholders

March 6, 2025

From: JTG 4 Limited (JTG), a company owned by Jim Grenon ("I" in the below text), the proposed chair of a new NZME board in a contested election.

Through my company JTG, I am asking shareholders of NZME for their votes, to replace NZME's current 5-member board of directors with 4 new directors. These new directors then propose to choose a 5th director from the existing board. This letter is intended to introduce the proposed new board members, and explain the reasons for this proposed wholesale change, namely, to address what I see as years of poor performance, bloated costs and weak public disclosure. These are matters that shareholders who I have already canvassed care greatly about when it comes to having confidence in the future prospects.

NZME has recently announced its intention to add another member to the board with additional expertise. The proposed new board would not do that. We can contract for any required expertise. In contrast, our proposal will effect a complete overhaul of the board and result in greater alignment with shareholders.

I own approximately 10% of NZME personally and one other proposed member of the board is connected with a considerable shareholding approximately 3.5%. It is expected the proposed new board would appoint me Chair. I have spearheaded this proposed change so there is more information in this letter on me than the other proposed directors. The observations in here are mostly mine, based on studying information produced by NZME, and my business judgement.

I moved to Auckland, from Calgary, Canada, in 2012 as part of the Investor Immigrant program. I have lived here since, with my children attending school and university. My background is legal training combined with finance, business operations and investments. I am well immersed in NZ and world news, from both local and overseas sources.

My career has been developing businesses in a number of industries, since 1988. The size of the companies and the breadth of industries I have been very involved with over the years ranges from start ups, to very large and complex organizations. I am supported by my team at TOM Capital Management Inc, in Calgary, Canada, plus some groups I work with locally. More information on my background, and the bios of the other proposed directors, is included later. All the other directors are independent of me, and each other, and have extensive experience which will be useful to the goal of being a very active and enquiring board.

I do not propose to act as an average, passive, board chair. I propose to be very active at the management level, leading a board and team that will delve into the operational details so as to be able to challenge management. Some other board members may also assist with the technical work. This approach to governance is the only realistic way to ensure NZME gets a fresh set of eyes questioning every aspect of operational effectiveness and shareholder value creation. I have a depth of experience and success doing this in other companies in Canada, including a wide range of companies such as Foremost Income Fund, a manufacturer of specialized industrial equipment, and Invoice Delivery Services, an internet-based provider of procure-to-pay solutions for the medical industry. I also have some media experience, as noted in my bio. The approach I propose is very different from most boards but has been proven to drive shareholder value.

While the proposed new board will embark on a much more time-consuming mandate, it is proposed to leave the directors' fees the same.

Over the past several months I have engaged with four other major shareholders, who, including my ownership position, represent approximately 37% of the shares outstanding, and have communicated they intend to support my proposal. I hope you will add your vote to theirs.

So, what is it that attracted our attention at NZME? I will go through the major points below. In summary, I feel substantial change is needed that the current team is not going to pursue for two main reasons. One, they should have done so already and, two, it is against their interests as beneficiaries of NZME's high-cost structure, most obviously at the management level.

The issues facing NZME will be easier to follow if you understand that I view NZME as having two core businesses; the radio and print media. In addition, NZME has had other businesses over the years which are complementary in that they benefit from the extensive media reach of the radio and print platforms. This includes OneRoof, which is the third business NZME currently owns.

I note NZME has just announced a strategic review of how to maximize the value of OneRoof. The proposed new board is fully in favour of that and would have done something similar. The only proviso is that we would want to make sure the value is realized for the benefit of shareholders and not used to prop up the core businesses. Likely the preferred route for the new board would be to have the shares of OneRoof distributed out to current shareholders for it to be its own public listing.

I would also note that, without the value of OneRoof, which we feel has contributed substantially to the strength of the share price over the last year, it is all the more important to optimize the performance of NZME's core businesses.

1) The combined operational performance of the two core businesses has been mediocre, to sliding, for the past 8 years, despite a temporary period of COVID-era gains.

The results had been tapering off for years before COVID and have continued a downward trend since. The core businesses benefitted temporarily during COVID. For one thing, facing a crisis was the impetus for eliminating $20M of annual costs that had been in place for years. For another, there was considerable government assistance during this period ($9.9M in wage subsidies and $1.4M in a Media Relief Package), and an extraordinary amount of direct, COVID-related government advertising. I have no way of knowing the advertising number in spite of its importance to earnings, and that is part of my complaint about disclosure (see below) but I would be surprised if it was not at least $20M, in extra margin, through the COVID period.

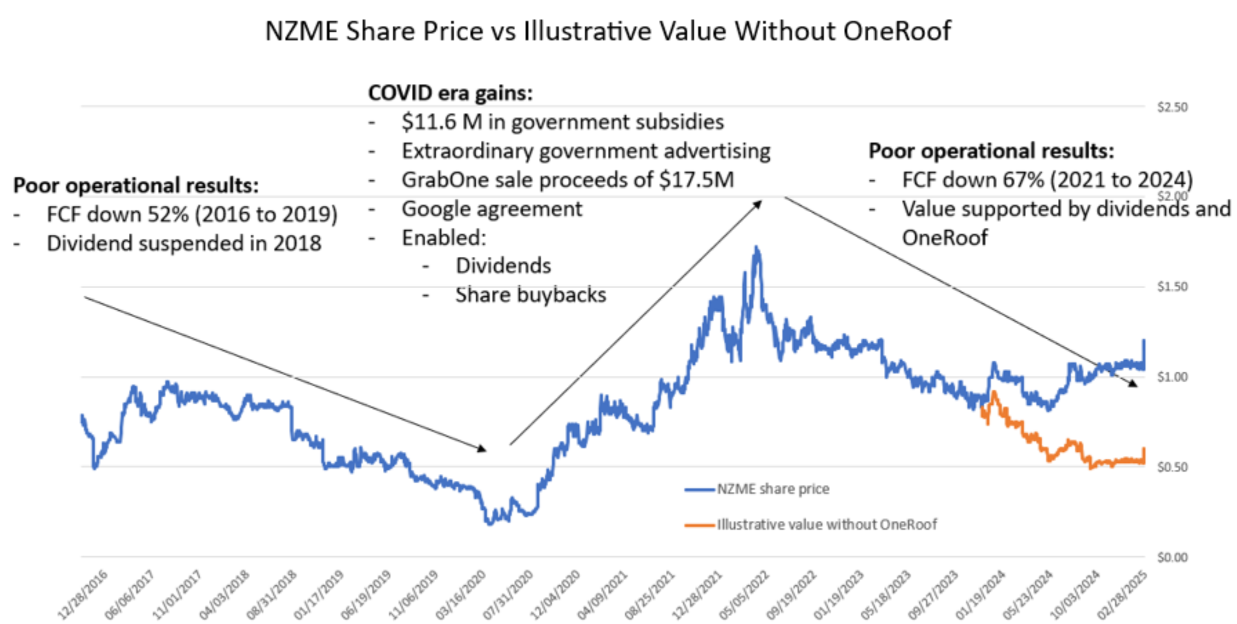
To me, the annual results of NZME for these years strongly suggest all of these factors, plus the public's heightened desire for news at that time, combined to contribute considerably more to NZME's results than the reduction of commercial advertising that was caused by COVID. There was also the sale of GrabOne (an example of a complementary business as discussed above) during COVID that generated $17.5M in cash and a one time, tax free, gain. These temporary benefits resulted in extra dividends, share buy backs and a significant appreciation of the share price in the second half of 2020 to early 2022.

These tailwinds began to unwind in the second half of 2022 and, in 2023, the company's core operational results resumed their downward trend. The company's publishing segment, which contributes approximately 60% of total revenue, delivered consistent period over period declines in both revenue and profit margins in 2023 and 2024. The company's Audio segment has delivered stable revenues, but its profit margins have eroded in 2023 and 2024. Finally, while it is encouraging to see revenue growth and positive EBITDA in the OneRoof results in 2024, and the market values it highly on a prospective basis, its actual impact on NZME earnings is relatively minor so far.

A symptom of these declining operational results is the $24M value impairment that NZME was forced to take in 2024. This write down was caused because the auditors were not convinced the business plan presented to them justified the asset value.

The most recent share price increase was driven by NZME's 2024 results announcement that included the maintenance of the dividend and news to seek strategic options for OneRoof. I think it's noteworthy that a significant number of shares came up for sale, and, had I not been a large buyer (over 10 million shares) during this period there would have been downward pressure on the share price.

2) I believe the value of the NZME stock is currently driven primarily by two things. One is the stand-alone value of OneRoof, which many seem to think is $0.50 per share or more, and the other is the dividends (which are also somewhat of a proxy for the success of the operations). The disclosure on these two critical elements is, in my opinion, lacking or even misleading.



OneRoof is thought to have considerable earnings upside, as well as current value on sale. However, it is not clear how much OneRoof, which isn't yet generating the projected earnings, relies on the core businesses. It is also easy and tempting to allocate less costs to it, such as the promotion supplied by the core businesses. The reason it is tempting is because positive results from OneRoof would likely be viewed, by the market, as being worth a much higher multiple than the same incremental profit in the core businesses. I think this should be very clearly disclosed in a way that has some third-party verification.

NZME recently announced the commencement of a strategic review of OneRoof to investigate potential value realisation opportunities. The proposed new board supports this and will be pushing to maximize the OneRoof value for shareholders by some type of transaction, most likely by transferring it out to shareholders, that allows those that value it most to participate in it as a pure play. At the same time, this will make the core businesses their own pure play. Typically, pure plays result in maximizing value.

Other opportunities to create value in platforms such as OneRoof will be a continuing part of the strategy. The objective will be to leverage the extensive promotional reach of the core business rather than investing significant cash.

With respect to the dividend, **NZME's stated policy is to pay out 50-80% of Free Cash Flow (FCF).** This seems reasonable, and might even be said to be on the conservative side, since FCF is after sustaining capital expenditures. Such a policy can leave shareholders with a feeling that the dividend is secure, and I suggest that is the purpose of the policy. **However, what is not being said, at least not clearly, is that the policy was well exceeded in respect of 2023 and 2024 results (we calculate a 96% and 149% payout respectively).** We are not suggesting the dividend should have been reduced, we are merely saying that, if the policy is to be exceeded, shareholders should be advised. Shareholders who are analytical can determine this, but ordinary individual shareholders could easily be confused. I also point out that the $11.3M in FCF generated in 2024 has over $3M of prepaids, which will runout and perhaps $3.6M after tax, from Google (see "Public Disclosure" below).

3) Public disclosure is weak, with a slant that I interpret as supporting the status quo. Just finding the disclosure is my first complaint since it is not even well organized on the website.

Weak disclosure makes it hard for the market to value the company. Examples will be pointed out below, but the starting point is that NZME frequently focusses on EBITDA, when this number is not very meaningful in NZME's circumstances. First off, there are several different versions of EBITDA used and it isn't always clear, particularly when results are discussed for the different businesses, which EBITDA is being used. For example, management utilizes Operating EBITDA in its promotional materials, which is often meaningfully different than what is calculated from its statutory financials. Also, the company vacillates between the use of pre and post IFRS16 EBITDA (excluding or including leasing expenses, for those not familiar with the term), and Operating EBITDA, making comparisons more difficult and confusing. Finally, while segment EBITDA can be helpful, these figures are not adjusted for corporate overhead costs, which overstates the performance. Most importantly, using any form of EBITDA as the primary performance metric can easily mislead the average investor that the shares are selling at a low multiple.

I think the much more important performance metric is FCF as per the dividend test NZME has adopted. FCF is unambiguous and includes all cash costs such as interest, taxes and lease payments as well as the capital that is required to maintain operations. These deductions from EBITDA (they prefer to highlight Operating EBITDA), to arrive at the FCF, average $41M over the last two years. So, losing $10M of EBITDA might be less than 20% of EBITDA, but would be a much higher portion of the FCF, which was $17.3M in 2023 and $11.3M in 2024.

Additionally, the company is silent on the financial impact of the agreement with Google. I view the amount Google is paying NZME to be an attempt to stave off government legislation, as opposed to an agreement Google is getting value from and that they are therefore costs they are happy to incur. From NZME's perspective, I view it as a payment that is virtually all profit, but one with a large risk of being cancelled and which would not be easily replaced. The amount has not been disclosed officially by NZME, but I have heard, from sources I believe reliable, it has been $4-5M per year over the last 2 years. While this is not a significant part of the revenue, it is a very significant amount of the pretax profit and FCF. I think the Google payment is important enough to warrant disclosure. Even more so now that U.S. President Trump is threatening Australia and others with tariffs for the kind of legislation I think Google is trying to ward off with these payments.

It is obvious to anyone living in New Zealand that the government advertising through COVID was off the charts. I feel some effort to explain the magnitude was warranted, but did not occur.

Finally, I consider it is impossible to determine how the senior management incentive plan works, with the vague description.

I believe NZME has adopted an unnecessarily complicated and potentially self-serving approach to public disclosure, sometimes with too much exuberance unsupported by hard numbers.

Disclosure will be improved under the proposed new board.

4) There has been a consistent pattern of over promising and under delivering since COVID.

The company is generally promotional in its public disclosure, often providing an optimistic outlook in its initial guidance early in the year. Following initial guidance, the company has consistently reduced its guidance targets over the last 2 years.

2023 EBITDA ($M)

26-Apr-23	Initial guidance	$59 - $64
25-Aug-23	Revised guidance	$59
07-Nov-23	Revised guidance	$57 - $59
21-Feb-24	"Operating EBITDA"	$56.2
21-Feb-24	EBITDA per financial statements	$54.6

2024 EBITDA ($M)

11-Apr-24	Initial guidance	$57 - $61
27-Aug-24	Revised guidance	$57
11-Nov-24	Revised guidance	$53 - $55
26-Feb-25	"Operating EBITDA"	$54.2
26-Feb-25	EBITDA per financial statements	$50.1

Note that the publicised Operating EBITDA chosen by management is well in excess of the audited number. The difference is "extraordinary" items. It seems like something should be included from these extraordinary costs, since they average over $4M per year, for the past five years.

OneRoof now appears to be coming into its own, and as noted, the market is giving it considerable value. However, the thesis in this section is over promising and under delivering. So, OneRoof is being used as an example for the targets proposed versus the actual results achieved. The following table summarizes NZME's three-year strategic performance targets for OneRoof that were set in 2020. I note that while the company provided regular updates to shareholders on its progress towards these targets in 2020, 2021 and 2022, it did not continue this practice in 2023. This forced shareholders to use various other NZME disclosures to determine the degree of success with some of these targets. I have done that below by adding the 2023 Achievements and a Success? column.

Metric	2023 Target set in 2020	2020 Achievement	2021 Achievement	2022 Achievement	2023 Achievement	Success?
Residential Listings	96% of listings (100% of non-private)	89%	91%	89%	89%	No
Audience	Reduce gap to #1	459k, gap to #1 of 250k	497k, gap to #1 of 396k	564k, gap to #1 of 152k	606k, gap to #1 of 187k	Yes
Listings Upgrade %	50% of Auckland residential listing 22% of regional residential listings	17.6% Auckland 3.9% Regional	23.5% Auckland 5.4% Regional	38.4% Auckland 14.8% Regional	44%% Auckland 20% Regional	No
Revenue	Digital > Print	24% / 76%	38% / 62%	46% / 54%	54% / 46%	Yes
EBITDA Margin Target *(pre NZ IFRS16)*	**15 - 25%**	**8%**	**7%**	**-9%**	**-10%**	No

NZME successfully achieved 40% of their performance targets for the OneRoof segment, but missed the most relevant EBITDA margin target by a significant degree.

OneRoof's 2024 financial performance is a recent example of management over promising and EBITDA confusion. For example, in the company's June 2024 Investor Presentation, NZME highlights OneRoof "EBITDA" performance of $1.2M in Q1 2024. They note it is post IFRS16 (ignores leasing costs), but they don't say how much the adjustment would be. This $1.2M amount was emphasized with guidance for strong growth to continue throughout the year. This outlook would suggest annual EBITDA results should have been more than 4 times $1.2M. That is, it should have been considerably more than $4.8M.

In reality, the full year 2024 Operating EBITDA, post IFRS 16 (the EBITDA that results in the highest possible number) shows $2.7M. Pre IFRS 16 Operating EBITDA, which is the more meaningful EBITDA, was $2.0M. I further note that we have no way of knowing how much of the $4.5M of "exceptional" expenses that have been deducted from the audited EBITDA to calculate the Operating EBITDA, or how much of the $12.7M in capital costs, is related to OneRoof. Also, there is $5.0M of unrecovered corporate overhead, none of which is allocated to OneRoof (or the other two businesses, for that matter). $5.0M of corporate overhead, that is not considered a cost of any of the businesses, raises its own questions.

5) Recognizing the Evolution of Media - Cost Discipline.

Cost discipline seems to be driven by targeting savings when FCF is being squeezed, as opposed to determining the optimal cost structure to produce the desired content. I believe the current board is not sufficiently focused on achieving permanent cost efficiencies. It puzzles me how the costs could have so quickly and dramatically been reduced, by $20M per year, when COVID came along but otherwise NZME was apparently fine to continue with such costs. Meanwhile, did anyone notice the product suffer from these cost reductions? I also note, while the head count stayed down, these cost improvements faded overtime.

NZME's wage costs approach $150M a year, with 528 employees (of their approximately 1,200) earning greater than $100,000 and 93 earning greater than $200,000.

There are also high levels of employee turnover with, on average, over 200 new employees added each year for the past three years. That does not suggest a happy work environment and we want to improve on that. I have noted the previous and current cost reduction exercise seems to be reducing the lower cost staff.

At the top end, the CEO compensation is much too high relative to the size and complexity of the business, averaging over $2.25M per year for the past three years.

Our cost review will start at the basics and be very thorough, including capital expenditures about which little is disclosed. NZME's current cost reduction approach seems to be about keeping one step ahead of declining revenues, not taking the hard decisions to be best in class as a cost-effective producer.

Being a cost-effective producer is critical as new media alternatives continue to emerge, many of which, based on my personal experience, have a far lower cost structure, often with little employee turnover. NZME has come from an old media, high-cost structure and has to evolve to survive and thrive.

All around the world it has been very economically challenging for traditional print and radio media, for many years. But I think NZME, being a leading print and radio media force in a very small, isolated and somewhat protected market, can have a bright future.

We expect to find significant cost reduction in the high-cost employees and executive ranks. It is easy to understand why existing management has been resistant in this area. We also hope to find many in the existing NZME staff that can work and thrive in the new paradigm, which will provide opportunities for some to advance.

This type of transition can be stressful on staff but it can be ameliorated with lead time and programs to help people adapt. In any event, is the current environment any better, since they already have periodic layoffs and enormous staff turnover?

From a shareholder's perspective, if there is a long-term cost plan laid out, it helps the public market to understand and build in value today, for tomorrow's plans, not unlike the prospective value given to OneRoof.

6) Journalism.

My intention is that more quality content should be produced, not less. This is needed to attract new subscribers. Public trust in the NZ Herald has declined by over 25% since 2020, according to a recent report by the Auckland University of Technology research centre for Journalism, Media and Democracy. Furthermore, this AUT report also illustrates a trend forming where individuals are not financially supporting the NZ Herald as much as they previously were and are increasingly more willing to support other news sites.

On a more positive note, I applaud the progress NZME has made within its Audio segment with industry leading audience ratings.

In contrast to NZME's recent announcement to "set a new tone and build positive social momentum for New Zealanders", our proposal will lift the company's journalistic standards, resulting in the production of higher quality news content, characterised by independent, trustworthy and balanced perspectives. There will also be material for entertainment value as well. Then all the content will be used in any number of ways to generate profit.

7) The Board is now Financially Aligned.

The proposed board is connected with shareholdings of well more than $25M, compared to the holdings of the current board of more like $300,000. So, while some of these names of the proposed board might be new to you, the proposed new board are much more financially aligned with your interests than the current board.

Of course, we want NZME to be a good place to work, and to have pride in its product, but the drive to make money for the shareholders is going to be notched up. The emphasis on social leadership will be notched down. The objective is to act like an owner-operator.

The value of NZME's brands need to be preserved and then maximized to drive future shareholder returns.

8) Below are the bios of the 4 proposed new board members:

Jim Grenon

Jim is a successful executive and investor. He has significant experience with organizational growth, operational improvements and corporate turnarounds.

Jim began his business career in 1982, after a short stint as a lawyer, with Royal Lepage, a large Canadian real estate firm in the investment and troubleshooting division.

Jim turned to investment banking in 1986 at Peters & Co Limited, an oil and gas focused, institutional securities firm. With that experience, he was a co-founder, in 1988, of a small group of operationally focused investors that took control of a number of small struggling companies. Among a number of successes was Canadian Natural Resources Limited (CNRL), which is currently one of Canada's largest public companies with a $100 billion market capitalization.

Jim has extensive directors experience on public boards, over a number of decades, with approximately 10 companies, including CNRL (an oil and gas producer), Foremost Income Trust (a manufacturer of sophisticated industrial equipment) and Ensign Resources Services Inc. (a drilling and service company for the oil and gas business).

Jim is the founder (in 1995) and primary investor in the TOM Capital group of companies, in Calgary, Canada (search for TOM Capital Management Inc., Calgary). Jim owns a number of private companies that include numerous manufacturing businesses, biofuels development, cloud-based payment systems, and real estate operations and development. He has previously been very involved in the management of these but is now just an active shareholder.

Jim established a web-based news service called Centrist in 2023. Working with Centrist provided relevant expertise with New Zealand media operations and the transition to digital news.

Jim earned a Bachelor of Law from the University of Manitoba (1980) while initially focusing on Economics in his studies.

Philip Crump

Philip is an accomplished lawyer with over 25 years of experience in New Zealand and the United Kingdom. He practised at Russell McVeagh in Auckland before becoming a Partner at Kirkland & Ellis in London, where he was recognised as a leading lawyer by Chambers & Partners and Legal 500.

More recently, Philip has been an editor, journalist and commentator at NZME and independently. Philip holds a Bachelor of Arts in English Literature and Māori Studies and a law degree from the University of Auckland (1997) where he was the Editor-in-Chief of the Auckland University Law Review in 1996.

Philip was appointed to the Board of NZ on Air in 2024 and to the Waitangi Tribunal in 2025.

Des Gittings

Mr. Gittings has had an extensive career, both locally and internationally, focusing on the execution of business strategies and organizational goals.

Des joined Caniwi Capital Partners in 2009 heading up the Private Equity division, successfully growing a portfolio of investments which now deliver significant annual returns to the group. Des currently holds the position of CEO for Caniwi Capital Partners.

Early in his career Des headed to UK working for investment banks and private sector Companies focusing on business acquisition, systems implementation, restructuring and new business development across a variety of sectors.

Des has had over 20 years' experience on a number of private Company Boards and currently serves as Chairman of Fiber Fresh Feeds, and holds Directorships with Petroleum Equipment Services, NZ Electronic Shelf Labelling, Beard Brothers Limited and ProjectManager.Com.

Des is a qualified Chartered Accountant (CA ANZ) with a Bachelor of Management Studies (Accounting and Finance) from the University of Waikato.

Simon West

Simon West is a results-driven senior executive with extensive experience in corporate governance and leadership.

He has over 20 years operating as a CEO or in Executive Director roles, specializing in risk analysis, strategic positioning, and business model restructuring to maximize shareholder value. His expertise lies primarily in the retail sector, often in private equity, and with a focus on turnaround situations, including most recently 12 months as Chief Commercial Officer at The Warehouse Group, where he was responsible for supporting the divestment of Torpedo7 and discontinuation of TheMarket.com.

In addition to his executive roles, Simon has significant corporate governance experience. His previous directorships include seven corporate boards, notably Trade Me Limited (NZX/ASX) before its privatization in 2019, and the Adairs Group (ASX).

Simon holds a Bachelor of Management Studies with First-Class Honours from the University of Waikato.

9) Follow Up and Disclaimer

Shareholders interested in more information can make contact by email to my team at TOM Capital with their questions and/or to set up a conversation:

- Cam Deller – dellerc@tomcapital.com
- Aleck Grenon – grenona@tomcapital.com

I (Jim Grenon) am solely responsible for preparing this letter and I have done so in good faith and taken reasonable care doing so. The other proposed directors did not contribute to my analysis, other than from a very macro perspective. To the maximum extent permitted by law, no warranty or representation (express or implied) is given as to the accuracy, completeness or reliability of the information contained herein, to the future financial performance of NZME, or to any other matter. The information in this letter has not been, and will not be, independently verified or audited.

The information in this letter is of a general nature and does not constitute financial product advice, investment advice, legal, financial, tax or any other recommendation or advice.

To the maximum extent permitted by law neither I, nor any other person, accepts any liability whatsoever to any person for any loss arising from the information provided.

Note that this disclaimer is based on the same disclaimer NZME used in a recent investor presentation.

For the purposes of clause 9(5) Schedule 1 Companies Act 1993, JTG 4 Limited can be contacted at c/o BDO level 4, Building A, BDO Centre, 4 Graham St, Auckland, 1010, New Zealand.