

Second Letter to NZME Shareholders

March 26, 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.

Introduction

This is a follow up to my original letter, which was provided to the NZME board dated March 6, 2025 (the “First Letter”), for ultimate publication to NZME Shareholders. The First Letter is included in these materials.

I think it is important that readers understand the contested board nomination process, and read both of the letters in that context. The process requires NZME to distribute a reasonable amount of information on my behalf, and they can respond to it in any way they want. However, I am not offered the chance to review any of what they propose to say. I also do not control how they ultimately distribute the information I have prepared.

I asked NZME to point out if they think any of the analysis in my First Letter is inaccurate and they have not pointed to anything at the time of writing. I am bringing this up because, if they claim something is wrong with my numbers in their distributed material, I wanted to be clear I have not had the opportunity to respond.

It has been over two weeks since I wrote my First Letter. NZME has responded only in an indirect manner, and predominantly through the press. Also, members of the press have offered their own thoughts, and I think it is worthwhile to discuss some of them. NZME may also include some of what I have just described in their response, so I am trying to be proactive, but I have no way of knowing what they intend to include. Further, because they have the opportunity to read this letter in advance, they can subsequently change their material. Not a particularly fair process, in my view.

I initially asked shareholders of NZME for their votes, to replace NZME’s current 5-member board of directors with 4 new directors. It was proposed those 4 directors would then choose one more director from the existing board. As per my First Letter, I am asking for your support JTG’s proposals and for you **to vote in favour of the 4 new directors proposed below**. Each has to be voted for individually at the upcoming shareholder meeting:

- Jim Grenon
- Philip Crump
- Des Gittings
- Simon West

I also ask you to support JTG’s resolutions to **remove all existing directors from office**.

In addition, I ask you to **vote against any other resolutions that seek to nominate any other directors, aside from those nominated by JTG**.

For flexibility, to provide for compromise with some of the shareholder factions, and to end up with more consensus, I would like you to understand that it may be useful to add up to 4 additional board members to the proposed new board of JTG's 4 nominees, including from: the current board or advisory boards of one of NZME's businesses; the senior management, most likely CEO Michael Boggs; and a nominee from the shareholder Osmium Partners, who has separately nominated 2 directors.

While this is different than what was originally proposed in my First Letter, I will in all cases still be elected the chairperson, and me and JTG's 3 initial nominees will be at least half the directors and I will also have the casting vote, if it is an evenly divided board. I don't expect the board will end up with 8 members, but, if it does, it will likely be only in the short term.

Originally, Michael Boggs was not included on the proposed board, and my First Letter may seem critical of him. It was not my intention to single him out with regard to the performance of the company. Yes, he is part of what I consider to be some shortcomings, but I am prepared to give him the benefit of the doubt that he was not the only person involved and try for a fresh start, for all. Although unusual in NZ, it is quite ordinary to have the CEO on the board in many jurisdictions, and I think this vote of confidence will be helpful for both Michael and his staff at NZME. Also, he is not the person who agreed to pay what I feel is excessive compensation to him. Most of this has been bonuses, and the plan is (subject to employment law obligations) to reduce his overall compensation in the future.

The appointment of some of these people may be subject to conditions, for instance, in the case of Osmium Partners, that they own at least 5% of the shares and, in the case of senior management, that they retain their position at NZME.

Every attempt will be made to keep the total board costs to no more than current levels. For instance, the director from Osmium Partners lives in the USA and would have to attend by video conference, unless they want to pay their own travel costs. Directors who are employees of the company (such as Michael Boggs) would not be paid extra for being on the board. It is possible we establish two tiers of board fees, for the more active versus less active members. I may choose to reduce my own fee to allow for new members within the same maximum budget, etc.

The purpose of this somewhat flexible approach to finalizing the board is to try to bring this contest to a conclusion as quickly as possible, because I think that is better for the company and its employees. The flexibility described above allows me to try to accommodate different shareholder groups who can put the support for my proposal very clearly over 50% of the votes that will be cast, so that the existing directors agree to end the turmoil quickly. Under the relevant rules, the new board could still decide to appoint additional directors, such as a person from Osmium even if they are not elected by shareholders.

Update on Shareholder Support

In leading this initiative to change out the current board I have found very supportive shareholders. I do not wish to publicly identify them, because it is not my place to do so, but I can with the existing board. I have not had even one shareholder suggest the existing board should continue unchanged.

The first consideration is how many votes are actually needed to win.

In my First Letter, I said that shareholders representing approximately 37% of NZME shares outstanding, a figure which includes my approximate 10% ownership position, are in support of my proposal.

Following this, I stated publicly there was approximately an additional 10%, made up of various shareholders, offering support for my proposal. It should be noted that discussions with these shareholders are ongoing, and some of them have backpedaled somewhat, so I do not know where this will end up. However, I continue to engage in discussions with these shareholders, receiving valued perspective on the make up of the new board.

Other shareholders have expressed thoughts on the board appointments, and I have to see how many can be accommodated. Regardless of the outcome of these discussions, there are now other shareholders in the mix that total well over 15%. This 15% is in addition to the 10% discussed in the paragraph above. Potential support for the proposal seems to be well in excess of 50% of the shares that will be voted.

At NZME's 2024 shareholder meeting, I note that approximately 80 million proxies were submitted, which represented only 42% of the shares outstanding at the time. I am aware that approximately 40 million of those votes were from shareholders that now support my proposal for a new slate of directors. Reflecting on these figures, I believe my proposal will earn the support of an overwhelming majority of votes at the upcoming annual meeting.

Hopefully the existing board quickly decides it is futile to continue, and ends both the distraction to the company's affairs and the needless expense.

Response to Public Statements Made by NZME and Media Coverage

The following content addresses certain public statements made by NZME or other items circulated in the media. The first 3 points are very ironic to me, for a media company where part of the concern is poor quality media. They epitomize the misleading, self-serving approach I feel NZME has taken with much of its disclosures, as discussed in the First Letter. The remaining points are to address other matters, some of which were not necessarily stemming from NZME, but are nonetheless in the press and worth clarifying.

1) NZME media release indicating strong historical outperformance:

- a. The claims of outperformance in the media release are focused on the previous five-year period share price performance, and total shareholder returns, while ignoring the declining operating performance of the business. To be clear, the operating performance, and what it forbodes for the future, is what I'm concerned with at NZME, not the historical stock price performance. The company's operating performance has been poor over the past several years, illustrated by a 67% decrease in Free Cash Flow between 2021 and 2024.
- b. In my opinion, NZME selected a favourable and deceptive time period for performance measurement of its stock price, with the start coinciding with NZME's historical low share price of approximately \$0.20/share at the onset of COVID. The ending date for this performance measurement coincided with the recent highs in NZME's share price. This type of "cherry picked" disclosure is often viewed by investors, and New Zealand's Financial Market Authority, as a deceptive and misleading practice. It's also true that shareholders could have purchased NZME shares in the last 5 years for a material loss given a peak share price of \$1.79 on multiple days in April 2022.
- c. I suggest NZME's recent share price was supported in part by the 18.7 million shares that I acquired in the market between late August 2024 and March 21, 2025. These purchases represented approximately two thirds of the total NZME shares traded over the same time period.

- d. Furthermore, NZME hasn't commented on the points we raised in our first letter on the degree to which its share price has been supported over the past two years by optimism related to OneRoof, the maintenance of a dividend well in excess of stated policy, and confusing disclosure. I remind shareholders that NZME's dividend policy is to payout 50-80% of Free Cash Flow, while the actual payout ratios exceeded this policy by a wide margin in 2023 at 96% and in 2024 at 149%. Of course, debt has to go up when you distribute more than Free Cash Flow.

2) NZME reference to an independent investment banking firm's report that recommends NZME with an "Overweight" rating as an indication for strong future shareholder returns:

- a. The Jarden report referenced by NZME was published on February 26, 2025 following the release of NZME's year end December 31, 2024 financial results.
- b. I remind shareholders that Jarden was selected by NZME to conduct a strategic review related to OneRoof, prior to the publication of this report.
- c. The Jarden report was also published by the analyst without being aware of my materials to unseat the board, as they weren't public yet. I'm not criticizing Jarden here with these comments, as they were unaware of this upcoming information.
- d. In reaching out to Jarden in mid March to engage in a discussion on my proposal materials, like I had with other major shareholders, I was informed that the firm is conflicted as it relates to NZME.
- e. The Jarden report contained relatively benign comments including OneRoof achieving positive EBITDA, and NZME achieving a 1% increase in overall revenue in 2024, as positive news for shareholders. These comments were in sharp contrast to the fact that NZME missed the analyst's 2024 estimates, including a 35% miss on Free Cash Flow. I have taken the liberty to reproduce the relevant table from the Jarden report below:

Figure 2: FY24 summary financials vs FY23, FY22 and Jarden estimates (NZ\$m, NZc)

Ye 31 December (NZ\$m)	FY22A	FY23A	FY24A	Chg	Jarden est	Chg
<i>Reader revenue</i>						
Print reader	63.9	59.9	58.3	(2.7%)	58.6	(0.5%)
Digital reader	19.8	20.6	22.8	9.7%	22.8	(0.8%)
Total reader revenue	83.7	80.5	80.9	0.5%	81.4	(0.6%)
<i>Advertising revenue</i>						
Radio advertising	105.6	104.0	104.2	0.2%	103.8	0.4%
Print advertising	76.1	65.3	63.5	(2.8%)	62.7	1.3%
Digital advertising	76.5	73.8	80.5	9.1%	81.7	(1.5%)
Total advertising revenue	258.2	243.1	248.2	2.1%	248.2	0.0%
Other revenue	22.9	22.9	21.1	(7.9%)	22.7	(7.2%)
Total revenue	364.8	346.5	350.2	1.1%	352.3	(0.6%)
Operating costs	(299.7)	(290.4)	(296.3)	2.0%	(296.5)	(0.1%)
EBITDA (normalised)	65.1	56.2	53.9	(4.0%)	55.7	(3.3%)
D&A	(16.2)	(16.6)	(17.7)	6.3%	(16.4)	8.0%
Lease depreciation	(11.2)	(12.0)	(12.2)	1.8%	(11.8)	3.5%
EBIT (normalised)	37.8	27.5	24.0	(12.7%)	27.6	(12.9%)
Exceptionals	(0.5)	(2.6)	(29.3)	1,050.0%	(1.5)	1,856.6%
Net interest	(5.7)	(7.2)	(7.3)	1.6%	(6.2)	19.0%
Income tax expense	(8.6)	(5.6)	(3.5)	(36.6%)	(5.4)	(34.6%)
Reported NPAT	23.1	12.2	(16.2)	(232.8%)	14.5	(211.4%)
Adjusted NPAT	23.1	13.4	11.0	(17.9%)	15.0	(26.6%)
Norm EBITDA pre-IFRS16	49.1	39.1	36.3	(7.2%)	38.9	(6.8%)
EPS (adjusted, cps)	11.9	7.1	5.9	(16.9%)	8.0	(26.6%)
DPS ordinary + special (cps)	14.0	9.0	9.0	-	9.0	-
Payout ratio	117.2%	126.7%	152.4%	20.3%	111.9%	36.2%
Operating cash flow	37.5	41.5	37.9	(8.8%)	41.1	(7.8%)
Lease principal	(12.0)	(13.1)	(13.8)	5.2%	(12.4)	11.3%
Op cash flow after leases	25.5	28.4	24.0	(15.3%)	28.7	(16.2%)
Investing cash flow	(14.3)	(11.0)	(12.7)	15.5%	(11.4)	11.0%
Free cash flow	11.2	17.4	11.3	(34.8%)	17.2	(34.3%)

- f. The analyst's higher NZME target price estimate was \$1.25 in 12-months, which was only 4% higher than the price of the stock at the time of the report. The increased price estimate was supported by a reduction in the assumed discount rate applied to future cash flows.
- g. In fact, the analyst made sizeable reductions to forecasted cash flows with Free Cash Flow estimates decreasing by 21.4% for 2025 and 15.8% for 2026.

3) NZME comments that the current board is aligned with shareholders, with "skin in the game":

- a. These comments ignore the stark difference in NZME ownership levels between my proposed board at well over \$25 million, vs the current board at approximately \$300,000.
- b. I have attached the board's comments on this matter below:

Barbara Chapman defended the board on this: "This is a professional board that's highly engaged with this company, [we are] very passionate about it and we all have skin in the game as a shareholder."

4) Confusion in the media related to CEO compensation:

- a. I have seen a wide degree of discrepancy in these numbers in the media. The three-year average compensation paid to Michael Boggs is approximately \$2.25 million as per the following tables that have been extracted from NZME's 2022 and 2024 annual reports:

2022 CEO Compensation

Chief Executive Officer's Remuneration

	Salary (\$) ^A	Bonus (\$) ^B	TIP (\$) ^C	Benefits (\$) ^D	Total (\$)
Michael Boggs	880,454	428,820	802,218	39,278	2,150,771

2023 and 2024 CEO Compensation

Chief Executive Officer's Remuneration

Year	Salary ^A	Benefits ^B	Subtotal	Bonus ^C	Shares (TIP) ^D	Subtotal	Remuneration (paid)
2024	872,859	26,186	899,045	-	992,428	992,428	1,891,473
2023	873,088	35,760	908,848	318,906	1,585,259	1,904,165	2,813,012

5) NZME has raised the question that the proposed slate of new directors may not be independent:

- a. The proposed slate of new directors consists of well qualified, autonomous individuals that satisfy the relevant NZX Listing Rules as independent and we have talked to legal counsel that has confirmed the proposed new board's independence. Each nominee has completed a questionnaire provided by NZME that did not identify any factor that would compromise their independence, under the NZX Corporate Governance Code.
- b. I view the overarching rationale for an independent board is to bring more outside thinking to bear, and also to make sure there are no insider abuses. They serve an important function, but I think any company is likely to do better with at least some board members who are substantially invested and significantly more involved in management.

6) NZME and media comments that editorial independence is a key risk with my proposal:

- a. I have reviewed NZME's current Editorial Conduct and Ethics Policy in detail, and can confirm my agreement with all of the principles that are outlined: Accuracy, Independence, Opinion, Editing, Diversity and Conduct/Integrity. Having the appropriate policies in place is important, but policies also need structure and proper oversight to ensure they are adhered to.
- b. I believe that if standards are not being met then action must be taken. The solution is not in lofty phrases that often mean different things to different people. The solution is in adding processes, training and resources for the journalists at NZME so they are better equipped to produce a quality product that aligns with the editorial policies. Likely this will entail an editorial board, but that is for the board of directors to decide. I do believe the board of directors has to take ultimate responsibility for this important function. It seems like the current board of directors don't agree.
- c. Shareholders should refer to the letter I sent to the E Tū Union on March 22, 2025, for more perspective on this subject.
- d. By way of anecdote, I have been contacted by all sorts of strangers since the announcement of my proposal to change out the board. Amusingly, this extends to one of my associates, Cam Deller, in Calgary, Alberta, Canada, who is working on this. He was skiing at Lake Louise this past weekend and ended up with someone on the chairlift with him from the South Island. Cam just happened

to mention he was working on a project in NZ called NZME. In no time, the Kiwi was ranting about the poor quality and the need for change.

7) **Media Reports on The Takeovers Panel:**

- a. As was reported in the media on March 18, 2025, the Takeovers Panel staff have asked me some questions about my buying into NZME, and the voting support I already have.
- b. I have fully co-operated with the Panel staff's questions. My lawyers (Chapman Tripp) have sent a detailed letter to the Panel staff setting out my communications with other shareholders and other relevant facts, including my lack of any sort of business, personal or ownership relationship with any of them, before I started on this undertaking. My lawyers have also reviewed this material for insertion into this letter.
- c. The Panel has not made any confidentiality orders, so I am free to talk about it. The Takeovers Panel have said there is no express restriction on what I may say about their review (although general restrictions against misleading and deceptive conduct may apply). However, the Panel's position as to whether I have complied with the Code (and whether it agrees with my position set out below) is reserved.
- d. The below is not legal advice but has been reviewed by my legal counsel for any material errors.
- e. The NZ Takeovers Code can be triggered if a person buys shares together with an "associate", if in combination, the purchase exceeds the Code 20% threshold. None of the supporting shareholders had any personal, business or ownership relationship with me, when I started on this journey. But they share the concerns I have about NZME's trajectory.
- f. A leading decision of the Panel, (*Calgary Petroleum*) says:

"The fact that a number of shareholders have agreed to exercise their votes in a particular way does not necessarily make them associates."

Moreover, just after the Code commenced, the Panel's then chair John King said in a commentary (my emphasis):

*"... it has been suggested that if a group of institutions decide, after consultation, to vote against a proposal they may breach the fundamental rule [rule 6]. This is not correct. The fundamental rule is concerned with whether the voting rights which a person holds or controls are increased. **The Code does not inhibit the ability of shareholders to exercise as they think fit the votes that they hold or control and certainly does not prevent discussion, consultation, co-operation and agreement between shareholders in the exercise of those voting rights.**"*

- a. The Panel's decisions in *Kerifresh* and in *Gould Holdings* support the conclusion that there is no basis for finding an association where the shareholders merely engaged in discussions about the exercise of voting rights or agreed to exercise their votes in a particular way.
- b. I have put the resolutions to be considered at the NZME AGM. The supporting shareholders have indicated their present intention to support those resolutions, but have made no commitment to do so. They remain free to vote against those resolutions should they wish to do so. It is a legal requirement, at this stage of the process, that they retain such right.

- c. It is for these reasons I am confident I have not breached the Takeovers Code. I have also taken advice all along the way from my lawyers. I expect the Takeovers Panel to agree with me (that I haven't breached the Code), when they consider a memo from Panel staff later on this week. As this progresses, the rules will allow for more flexibility with shareholders committing their votes once the notice of meeting of shareholders has been published. Shareholders are allowed to contact me and discuss their views on NZME (that is healthy, not a bad thing).

8) Media claims about my current share holding and the cost of my stake in NZME:

- a. The required disclosure to announce my holding of NZME shares stated that I purchased ~8.5 million shares for ~\$9.8 million. My total share holding in that disclosure was approximately 17.5 million shares, which implicitly means I've previously purchased another 9 million shares for an undisclosed amount. Therefore, to be clear, I spent \$9.8M to acquire an additional 4.5% stake in NZME. Most news that I've seen has inaccurately stated this was the cost of my entire holding.
- b. My disclosure form stated that I had a 9.32% holding in NZME. I've since acquired more shares, and my current holding is 9.97% (18.7 million shares).

9) NZME claims, and suggestions in the media, of the importance of "stakeholders" (employees, suppliers, customers, advertisers) to this process:

I recognize that stakeholders are important to the success of NZME, and I intend to carefully consider their perspectives. NZME has a storied history with tremendous brand value across its platform, including the NZ Herald, which is considered the "newspaper of record" for New Zealand. This status requires a careful balance in order to remain relevant to all New Zealand stakeholders while increasing the focus on value for shareholders.

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.