To whom it may concern,

My name is Shane Bradley and I wish to make a submission regarding the proposed merger of NZME / Fairfax

Firstly I would like to table up front that I have been in JV's with both NZME's predecessor APN, and Fairfax since 2006.

Finda.co.nz - I founded this business, APN invested in 2006 and together we sold this business to Yellow Pages Group.

Sella.co.nz - I founded this business and sold to APN in 2012

AdHub - I founded this business and sold to APN in 2012

GrabOne - I founded this business with APN as a 50/50 JV in July 2010 - APN assumed full ownership in Feb 2013.

Neighbourly - I co-founded this business along with Casey Eden in 2013 - Fairfax invested in the business and currently have a 45% share.

<u>Background:</u>

You could say that I have a fairly unique perspective of both businesses having been a partner of theirs for the majority of the last decade. I have also been in the Media landscape just long enough to remember the "Good Old Days" through to now what I could call "Burning Platform days".

I got involved with APN in 2006, which was at a similar time that they were going through a private equity bid which valued them at $3.8bn - the takeover offer was $6.02 per share. At the time this wasn't unusual as Private Equity had made offers for other media companies such as Channel 9, 7 Media Group and the now infamous Yellow Pages Group sale from telecom to a Private Equity consortium for $2.24 billion.

In late 2006, Fairfax purchased (merged) with a company called Rural Press, to create a business with an enterprise value of $9bn.

All of these takeovers didn't end well - and any shareholder who owned shares then has seen the destruction of much shareholder value.

APN is a much reduced company and with the changes it has gone through its hard to work out exactly what a like for like market cap would be as its Australian business is solely a radio company with some outdoor assets - no print assets. The Print assets in australia were sold and the NZ company demerged. The demerged company is what became NZME and has a market cap of $98m……. Considering that the original NZ company Wilson & Horton was purchased for $809m in December 2001, thats alot of destruction in shareholder value, and even more when you consider that there are a bunch of radio assets that were purchased and are part of NZME that weren't in that $809m back in 2001.

Fairfax has a market cap of $1.8bn - of which, a significant portion of the value is said to be tied up in its digital Real estate business called Domain.

I say this not as a history lesson, but personally I have been astounded to see and what changes have occurred from 2006 to 2016. If you think about it Facebook was just 2 years old in 2006….. Google was much smaller than it is now. Infact, if I look back in time (the internet is a wonderful thing) I see that in April 2006 Facebook raised $25m at a $500m valuation, and just 3 months later Yahoo offered $1bn for Facebook, but dropped the price to $800m - Facebook rejected.

As of today, 16th November, Facebook has a market cap of $327 billion USD. So in 10 years it's grown 400 to 800 x?? While both NZME and FFX have gone into reverse.

Google (now parent company called Alphabet) has a $518 billion USD market cap.

In 2006, just 10 years ago, both companies were mere blips on the horizon, today they control vast sums of revenue on the internet, the majority of advertising on the internet would go through these 2 platforms.

ComCom announcement.

The Commission states that one media outlet **would control 90% of NZ's print media market** - while that might be true, it's important to look at the state of that market. I'd rather own 10% of a solid business in a growing market than 90% of a business that is in a declining market staring at a very cloudy future. It's similar thinking to not allowing two horse and cart manufacturers to join up when the Car was gaining traction.

I'm not sure of the last time I purchased a printed newspaper, certainly not in the last 6 years. I asked around my office of 40 or so people, and not one had bought a paper in the last 12 months.

Yes, we all read the online versions of the paper (for free I might add), but at the same time I would personally read another 5 or so publications each day, Sydney Morning Herald, Australian Financial Review, Guardian in the UK, NYT, Washington Post, Wall street Journal - that's where I would get most of my news from.

Allowing both companies to merge would allow them to both continue to invest in new models to replace the fast evaporating printed market. Sure they can both do it now, but combined they would have more firepower to incubate, invest in and launch new products.

In your decision you state that **"NZME & Fairfax each play a substantial role in influencing New Zealand's news agenda".**.... While I do not disagree with that statement, I would say alot of other outlets have a large role as well - Mediaworks, NBR, TVNZ, National

Radio and others all provide diverse opinions. At the end of the day, NZ is a small country and alot of the time to be honest, I couldn't tell the difference between alot of articles on either Fairfax or NZME sites. There is only so many ways you can report on certain stories. Likewise, in both businesses publications you will often find very different views on various national matters.

I would also say that both NZME and Fairfax take cues from international media companies for world wide news. This wouldn't change under a merger scenario.

Likewise, the plethora of blogs, podcasts, video blogs, facebook posts that are out there now will continue to see a multitude of diverse views being talked about nationwide. If I think now of some of the smaller publications I read, things like thespinoff.co.nz, that is something that wasn't there a few years ago - yet now I would visit it probably twice weekly at least. It has simply never been easier for a single human being to get their voice heard by millions - just ask Donald Trump!!

You state **"Our view is that the removal of this competitive tension would likely lead to a reduction in the quality and quantity of NZ news".**..... To this point I would simply state, who eventually pays for the news to be created. The model 20 years ago was fairly straight forward, the model now isn't. Print advertising for both NZME & Fairfax is falling through the floor, first it was the classified revenue that dried up, so both companies moved to the display advertising market, and while a reasonable amount of dollars is involved in this it is simply not enough to replace the print advertising and keep producing the news. On top of this, both google and Facebook are taking an increasing amount of this "new" digitial revenue - I think it was in August 2016 that of all new digital revenue created, Facebook and Google took 92% of this….. That leaves everyone else fighting over 8%..... And do not get me started on the employee counts of both companies in this country. They would be lucky to employ 20 people combined…… then structure their entities in such a way that NZ, as a country, sees minimal benefits.

Both NZME & Fairfax have made a multitude of efforts to invest in or start new ventures to either add to or replace their current revenues. I myself have joined with these companies to launch new models that are proudly kiwi made, but I can speak from experience that taking on some of these world wide platforms is bloody hard. I remember when we were running GrabOne, we had a development team of just on 20 people, which sounds huge, but when you consider we were up against Groupon, a worldwide business that had 750 people in its development team, some days it felt like we were fighting a war with knives and they had heat seeking missiles.

Even today, we have launched a product called Neighbourly, in 3 years it is now used by 400,000 homes in NZ, yet this has been off the back of a development team of 8…… if you look at something like Facebook which would have literally thousands of developers some days you do feel a bit despaired thinking of the challenges ahead!

But, one of my favourite sayings is by a great New Zealander, Ernest Rutherford

"We didn't have the money, so we had to think!"

NZME & Fairfax are individually trying to take on these massive corporations, hell we all are in this great little country of ours. Doing it apart seems insane to me, doing it together means we might have a shot at winning.

Do I think a merger of NZME and FFX simply solves everything, makes them an amazing company thats here for another 100 years, absolutely not, but it will give both entities another few years to figure out the new order of the world. Our country is unique in the sense that we only have 4.5 million people, but with such small scale, it means we need to do things a bit different to survive in this new world, sure 20 years ago for someone to come in and take on the printed editions of both companies was a massive undertaking, that meant not many people would try simply because the costs of launching a new paper were too much risk for the rewards. Now, Google can get an engineer based in San Francisco, to tweak a few things, point Google.co.nz at NZ, and then hire a princely dozen people to sit in a auckland based serviced office, then syphon off the majority advertising revenue being created, and send that via an off shore corporate tax structure meaning they end up paying stuff all to run this country. As ridiculous as it sounds Google actually reported a loss of $601,463 in calendar 2015!!

In all of this to me, the situation and decision is very clear - this is not a case of NZ having these 2 businesses still running or 1 of these businesses, it is a choice between having 1 or none of these businesses in the very near future. Personally I would rather have 1 NZ media business than none.

Shane Bradley