# GTN Limited results for the year ended 30 June 2019

**Overview:**

- Revenue from continuing operations $185.0 million, unchanged from FY18
- Revenue increased in both local currency and AUD in all geographies outside of Australia
- NPAT from continuing operations $15.7 million, (37)% on FY18
- Adjusted EBITDA[1] from continuing operations of $37.5 million, (22)% on FY18 (mid-point of guidance of $37 million to $38 million)
- Final dividend declared of $0.032 to holders of record on 6 September 2019 (70% franked)
- Strong liquidity position with net debt (after cash) of $12.8 million including cash balances of $50.7 million

**Sydney, 29 August 2019 – GTN Limited (ASX: GTN) (Company** or **GTN),** one of the largest broadcast media advertising platforms by audience reach in Australia, Brazil, Canada and the United Kingdom today announced its results for the year ended 30 June 2019.

**Overview of FY19 results**

| (m)[2] | FY19 | FY18 | % Difference |
|---|---|---|---|
| Revenue[5] | 185.0 | 185.0 | -% |
| EBITDA[4] | 29.2 | 39.7 | (26.4) % |
| Adjusted EBITDA[1] | 37.5 | 48.1 | (22.0) % |
| NPAT[5] | 15.7 | 24.8 | (36.6) % |
| NPATA[3] | 20.3 | 29.2 | (30.6) % |
| NPATA per share | $0.09 | $0.13 | (30.6) % |

**CEO Comment**

Commenting on the results, William L. Yde III, Managing Director and Chief Executive Officer of GTN, said "While we are disappointed with the dip in revenue in Australia, which was the main contributor to the lower earnings for the year, there are still many positives. Revenue was up in all our other markets in both local currency and AUD, and these markets, which are growing faster than Australia, now comprise

[1] Adjusted EBITDA is defined as EBITDA adding back the non-cash interest income related to the long-term prepaid affiliation agreement with Southern Cross Austereo which is treated as a financing transaction, transaction costs and foreign exchange gains/losses.
[2] Amounts in tables may not add due to rounding. Percentage change based on actual amounts prior to rounding.
[3] NPATA is defined as net profit after tax from continuing operations adjusted for the tax effected amortization arising from acquisition related intangible assets.
[4] EBITDA is defined as net profit after tax from continuing operations (earnings) before the deduction of interest expense/income, income taxes, depreciation and amortization.
[5] Results are for continuing operations only. The Company's United States operating segment was disposed of in March 2018.

almost half our consolidated revenue. Despite the challenging year, all our markets continue to generate positive cash flow for the Company.

After a strong first quarter, Australia revenue softened which led to a 7% drop in revenue for the fiscal year. Australia revenue was impacted by both a difficult market and, as previously advised, the loss of several key clients. As flagged in our trading update on 26 June 2019, we have sought to reverse the decline in revenue by hiring a manager focused exclusively on our television revenue as well as a dedicated manager focused on advertising accounts that have not yet engaged ATN, employing more sales representatives, and promoting Marketing Strategy Director Kelly McIlwraith to Commercial Sales, Marketing & Strategy Director. Kelly, who now has responsibility for all Australia revenue, previously focused on enhanced research initiatives such as the successful roll-out of Neuro Insight to numerous GTN clients.

Australia EBITDA was also impacted by increased station compensation as we entered into a multi-year renewal with one of our key station groups. We now have cost certainty with our three most important station groups through next fiscal year and beyond. We are confident that we can grow revenue over the life of these contracts which we expect will lead to EBITDA increases in the future.

Canada EBITDA was negatively impacted by additional station compensation and operating costs due to expansion of two of our primary radio station group deals as well as adding Rogers in Toronto, which is the most important market in the country. However, revenue grew nicely in the second half in local currency (up 10.4%) making Canada our fastest growing revenue segment for the second half of the fiscal year.

Brazil once again was our fastest growing market on an annual basis with a 12% revenue increase in local currency in fiscal 2019. Brazil also had strong revenue growth in the second half of FY19 (more than 10%), which was just behind Canada for highest revenue growth during the period. Unfavorable currency fluctuations offset most of this growth as revenue growth in AUD was only 3.7%. During fiscal 2019, we opened the Campinas market and in February opened Brasilia, the capital of Brazil, bringing our Brazilian markets to seven. We anticipate that Curitiba will be the next market we launch. While opening additional markets has had a negative impact on EBITDA and sell-out rates during the past fiscal year, we believe these actions will have long-term benefits. We also believe there continues to be significant growth available in Brazil from signing additional radio station affiliates in our existing markets, opening new markets and increased utilization of our current inventory.

The United Kingdom posted an increase in revenue in both local currency and AUD which led to an increase in EBITDA. Although we believe the UK is a more mature market compared to our other markets, the market continues to be a significant source of cash flow to the Company."

## Share Buyback

Since announcing an on-market share buyback in February 2019, GTN has repurchased almost 721,000 shares representing 23% of the shares traded during the time the Company was actively purchasing shares. The maximum size of the buyback is the lower of $20 million or ten percent of the shares outstanding, however no target share price or minimum repurchase amount has been set.

Following the end of the blackout period post the release of this announcement the buyback will be restarted.

Macquarie Securities (Australia) Limited is the Company's broker for the buyback.

## About GTN Limited

GTN Limited (ASX: GTN) began operations in Australia in 1997 and has grown to become the largest supplier of traffic information reports to radio stations in Australia, United Kingdom, Canada and Brazil (four of the 10 largest advertising markets in the world) and one of the largest broadcast media advertising platforms by audience reach in these operating geographies.

In exchange for providing traffic and information reports, and in certain cases monetary compensation, GTN receives commercial advertising spots adjacent to traffic, news and information reports from its large network of affiliates. These spots are bundled together by GTN and sold to advertisers on a national, regional or specific market basis.

GTN's advertising spots are short in duration, adjacent to engaging information reports and are often read live on the air by well-known radio and television personalities during peak audience hours. GTN’s broad audience means it is able to deliver effective radio advertisements with high frequency and expansive reach, enabling advertisers to communicate with high-value demographics cost effectively.

For more information, visit the Company’s website at www.gtnetwork.com.au.

**Conference Call**

GTN Limited will host a conference call at 10:30 a.m. Australia Eastern Standard time on Thursday, 29 August 2019 to discuss its fiscal 2019 results.

Conference ID Code: 5057947

Dial-in numbers:

- Australia (toll free): 1800 123 296
- Australia (toll): +61 2 8038 5221
- New Zealand: 0800 452 782
- Hong Kong: 800 908 865
- Singapore: 800 616 2288

**Conference Call Replay**

The conference call will be archived following the call. It will be available to be heard at http://openbriefing.com.au/CompanyProfile.aspx/466414.

**CONTACT:**

Kieran Ingrey, Newgate Communications: 0432 507 439

# Additional Financial and Operating Information

## 1) FY19 revenue from continuing operations (Flat on FY18)

Revenue exceeded FY18 in the three Company markets outside of Australia (Brazil, Canada and United Kingdom) by 8% but was offset by a 7% decrease in Australia revenue.

### FY19 revenue by geographic segment

| (m) [2] | FY19 | FY18 | % Difference |
|---|---|---|---|
| Australia (ATN) | 93.9 | 100.8 | (6.8) % |
| Canada (CTN) | 33.2 | 29.8 | +11.2 % |
| United Kingdom (UKTN) | 45.2 | 42.2 | +7.2 % |
| Brazil (BTN) | 12.6 | 12.2 | +3.7 % |
| | **185.0** | **185.0** | **-%** |

***Note: Further detail on exchange rates is provided in the Annual Report lodged on 29 August 2019.***

When measured in local currency, revenue increased in all markets outside of Australia compared to FY18. Currency had a positive impact on Canada and United Kingdom reported revenue while acting as a significant headwind on Brazil revenues.

| (m) [2] | FY19 | FY18 | % Difference |
|---|---|---|---|
| Australia (ATN) | 93.9 | 100.8 | (6.8) % |
| Canada (CTN) | 31.4 | 29.4 | +6.9 % |
| United Kingdom (UKTN) | 25.0 | 24.3 | +3.0 % |
| Brazil (BTN) | 34.9 | 31.2 | +11.9 % |

## 2) Adjusted EBITDA of $37.5 million (-22% on FY18)

| (m)[2] | FY19 | FY18 |
|---|---|---|
| Revenues | **185.0** | **185.0** |
| Network operations and station compensation expenses | (117.1) | (109.8) |
| Selling, general and administrative expenses | (38.1) | (34.8) |
| Equity based compensation expense | (0.6) | (0.7) |
| Foreign currency transaction loss | - | (0.1) |
| **Operating expenses** | **(155.8)** | **(145.4)** |
| EBITDA | 29.2 | 39.7 |
| Interest income on Southern Cross Austereo Affiliate Contract | 8.3 | 8.4 |
| Foreign currency transaction loss | - | 0.1 |
| **Adjusted EBITDA** | **37.5** | **48.1** |

Adjusted EBITDA for FY19 was $37.5 million, a decrease of 22% from FY18 due to higher costs along with flat revenue growth. The largest component of the cost increase was additional station compensation associated with a renewal of a key affiliate group in Australia, the Rogers Toronto affiliation in Canada, an increase in variable compensation in the United Kingdom due to the higher revenue as well as market consolidation and additional compensation in Brazil related to both opening new markets and expanding existing markets. The increase in sales, general and administrative expenses related primarily to increased employee costs outside of Australia, including commissions and bonuses related to increased revenue in those markets, contractual increases to executive management and severance payments. Operating expenses outside of Australia also increased due to the weakening of the Australia dollar compared to the Canadian dollar and British pound.

**3) NPATA of $20.3 million (-31% on FY18)**

Comparative NPATA was negatively impacted by $1.3 million additional depreciation expense (in addition to the Adjusted EBITDA shortfall) resulting from the adoption of AASB 16 effective 1 July 2018. Under AASB 16, most operating leases (except short term and low value leases) are capitalized and added to the balance sheet. The right of use asset created is depreciated over the length of the lease or useful life of the asset, whichever is shorter.

**4) Strong liquidity position with net debt after cash of $12.8 million**

The Group reported strong cash flow from continuing operations as over 100% of Adjusted EBITDA became operating free cash flow before capital expenditure.

**FY19 Cash Flow**[5]

| (m)[2] | FY19 | FY18 |
|---|---|---|
| **Adjusted EBITDA** | **37.5** | **48.1** |
| Non-cash items in Adjusted EBITDA | 0.6 | 0.7 |
| Change in working capital | 4.8 | (2.8) |
| Impact of Southern Cross Austereo Affiliate Contract | 2.0 | 2.0 |
| **Operating free cash flow before capital expenditure** | **44.9** | **48.0** |
| Capital expenditure | (3.9) | (3.3) |
| **Net free cash flow before financing, tax and dividends** | **41.0** | **44.6** |

The Group's cash balance was $50.7 million at 30 June 2019. The Group also has a $15 million bank facility which is undrawn as of 30 June 2019.

The Group has outstanding debt principal at 30 June 2019 of $63.6 million (including $3.6 million of leases from the adoption of AASB 16) and net debt (principal less cash balances) of $12.8 million. The ratio of net debt to Adjusted EBITDA was 0.34x at 30 June 2019.

An interim dividend of $0.024 (100% franked) was paid on 29 March 2019. A final dividend of $0.032 was declared on 29 August 2019 to holders of record as of 6 September 2019. The final dividend will be 70% franked.

## 5) Key operating metrics

GTN's FY19 revenue result was underpinned by solid inventory acquisition across its four operating geographies.

## Key operating metrics by market (local currency)

| | Notes | FY19 | FY18 |
|---|---|---|---|
| **Australia** | | | |
| Radio spots inventory ('000s) | 1 | 1,032 | 958 |
| Radio sell-out rate (%) | 2 | 64% | 73% |
| Average radio spot rate (AUD) | 3 | 137 | 138 |
| **Canada** | | | |
| Radio spots inventory ('000s) | 1 | 655 | 630 |
| Radio sell-out rate (%) | 2 | 66% | 63% |
| Average radio spot rate (CAD) | 3 | 69 | 69 |
| **United Kingdom** | | | |
| Total radio impacts available ('000) | 4 | 19,435 | 19,307 |
| Radio sell-out rate (%) | 5 | 99% | 97% |
| Average radio net impact rate (GBP) | 6 | 1.3 | 1.3 |
| **Brazil** | | | |
| Radio spots inventory ('000s) | 1 | 315 | 216 |
| Radio sell-out rate (%) | 2 | 50% | 60% |
| Average radio spot rate (BRL) | 3,7 | 258 | 275 |

1. Available radio advertising spots adjacent to traffic, news and information reports.
2. The number of radio spots sold as a percentage of the number of radio spots available.
3. Average price per radio spot sold net of agency commission.
4. The UK market measures inventory and units sold based on impacts instead of spots. An impact is a thousand listener impressions.
5. The number of impressions sold as a percentage of the number of impressions available.
6. Average price per radio impact sold net of agency commission.
7. Not adjusted for taxes or advertising agency incentives that are deducted from net revenue.

# Appendix A

# Reconciliation of non-IFRS disclosures

| ($m)[2] | FY19 | FY18 |
|---|---|---|
| **Reconciliation of EBITDA and Adjusted EBITDA to Profit before income tax from continuing operations** | | |
| Profit before income tax from continuing operations | 22.9 | 34.2 |
| Depreciation and amortization | (11.2) | (9.5) |
| Finance costs | (3.6) | (4.8) |
| Interest on bank deposits | 0.3 | 0.4 |
| Interest income on long-term prepaid affiliate contract | 8.3 | 8.4 |
| **EBITDA** | **29.2** | **39.7** |
| Interest income on long-term prepaid affiliate contract | 8.3 | 8.4 |
| Foreign currency transaction loss | - | (0.1) |
| **Adjusted EBITDA** | **37.5** | **48.1** |
| **Reconciliation of Net profit after tax from continuing operations (NPAT) to NPATA** | | |
| Profit for the year from continuing operations (**NPAT**) | 15.7 | 24.8 |
| Amortization of intangible assets (tax effected) | 4.5 | 4.4 |
| **NPATA** | **20.3** | **29.2** |