GTN Limited results for the year ended 30 June 2020

Overview:

- Revenue $160.9 million, (13)% on FY19
- NPAT $0.3 million, (98)% on FY19
- Adjusted EBITDA[1] $14.2 million, (62)% on FY19
- Strong liquidity position with net debt (after cash) of $7.4 million including cash balances of $57.0 million

Sydney, 27 August 2020 – 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 2020.

Overview of FY20 results

(m)[2]	**FY20**	**FY19**	**% Difference**
Revenue	160.9	185.0	(13.0)%
EBITDA[4]	5.5	29.2	(81.0)%
Adjusted EBITDA[1]	14.2	37.5	(62.1)%
NPAT	0.3	15.7	(98.0)%
NPATA[3]	4.9	20.3	(75.8)%
NPATA per share	$0.02	$0.09	(75.4)%

CEO Comment

Commenting on the results, William L. Yde III, Managing Director and Chief Executive Officer of GTN, said "The past fiscal year was the most challenging in the Company's history due to the impact of the COVID-19 pandemic. After a soft first quarter, the Group grew consolidated revenue in 2Q FY20 and was growing revenue at an even faster pace in the third quarter until significant COVID related advertiser cancellations occurred in the latter half of March. The large revenue declines in 4Q FY20 combined with our fixed cost business model led to negative EBITDA and earnings for the quarter, which had a substantial impact on the annual results. However, there are positive developments worth noting from FY 2020:

[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, foreign exchange gains/losses, gains on lease forgiveness and losses on refinancing.
[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 adjusted for the tax effected amortization arising from acquisition related intangible assets.
[4] EBITDA is defined as net profit after tax (earnings) before the deduction of interest expense/income, income taxes, depreciation and amortization.

In Brazil, revenue increased over last year in local currency despite the impact of the COVID-19 pandemic. Brazil was our fastest growing market by a considerable margin and had achieved nine consecutive months of record revenue prior to the outbreak of the pandemic. Consistent with our growth strategy, we opened Curitiba, our eighth Brazilian market during the past fiscal year. While the market has been especially hard hit by the COVID-19 pandemic, we look forward to a return to normalcy.

After a slow start to fiscal 2020, Canada produced some of the largest revenue months in its history when compared to the same month in previous years. We believe that Canada was heading in the right direction prior to the impact of the pandemic.

For the first time, Australia accounted for less than half of the Group's consolidated revenue. The geographic diversification of the Group's revenue and earnings is a positive sign for the future.

We returned over $16.7 million dollars to our shareholders in the form of dividends and share buybacks during FY 2020 while still maintaining a strong balance sheet. At 30 June 2020, our cash balance was $57.0 million and our net debt (including lease liabilities recognized under AASB 16) was only $7.4 million. Our total gearing ratio of net debt to Adjusted EBITDA was 0.52x as of 30 June 2020.

Our strategy to deal with the current difficult environment and put the Company in a position to take advantage of stronger markets in the future is to protect our two most valuable assets, our unparalleled affiliate networks and seasoned sales and management teams. We have also put in place measures to conserve cash and eliminate expenses where possible. In order to accomplish this, we have had to make some difficult choices, such as eliminating Nine Radio from our networks and reducing the number of our entry level salespeople. These cost reductions, combined with our strong balance sheet, will enable our business to be more resilient during this downturn.

As part of our cash management strategy, in May 2020, the Group refinanced its bank facility that was set to expire in February 2021. The new facility has no scheduled principal repayments and the repayment date has been extended to 30 September 2023. Distributions (including dividends and share buybacks) under the revised bank facility are limited to 100% of NPATA. As part of the refinance, our lead lender took over the entire facility, which was previously shared among two lenders. We believe that the bank's willingness to commit additional funds to our bank facility is a strong sign of their confidence in the Company. Consistent with our desire to conserve cash and the distribution limitations of the new bank facility, the Board has decided to not declare a final dividend for FY 2020.

Our balance sheet remains strong and we have maintained our affiliate networks and excellent management teams. These factors combined with strategic cost cuts put us in a position to capitalize on the expected advertising recovery. We are confident that we have ample liquidity, even if the recovery is slow to arrive."

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 generally 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, 27 August 2020 to discuss its fiscal 2020 results.

To register to participate in the conference call, please click on the following link and follow the instructions: **https://s1.c-conf.com/DiamondPass/10008701-invite.html**

Conference Call Replay

The conference call will be archived following the call. It will be available to be heard at www.openbriefing.com.au.

CONTACT:

Scott Cody
Chief Financial Officer & Chief Operating Officer
Ph: +61 2 9963 6760
scott.cody@globaltrafficnet.com

GTN Limited
Level 42, Northpoint
100 Miller Street
North Sydney, NSW 2060

This statement was approved by the Board of Directors of GTN Limited

Additional Financial and Operating Information

1) FY20 revenue (-13% on FY19)

Revenue decreased across all operating segments in FY20 compared to FY19. Revenue decreased significantly in the final quarter of FY20 due to the COVID-19 pandemic. Through March 2020, Group revenue was up 2% compared to comparable period in FY19 despite the impact of the COVID-19 pandemic on the latter part of March 2020 revenue.

FY20 revenue by geographic segment

(m) [2]	FY20	FY19	% Difference
Australia (ATN)	79.0	93.9	(15.9)%
Canada (CTN)	27.0	33.2	(18.8)%
United Kingdom (UKTN)	42.6	45.2	(5.9)%
Brazil (BTN)	12.4	12.6	(1.6)%
	160.9	**185.0**	**(13.0)%**

Note: Further detail on exchange rates is provided in the Annual Report lodged on 27 August 2020.

When measured in local currency, revenue increased in Brazil despite the large decrease in fourth quarter FY20 while revenue decreased in the other markets outside of Australia compared to FY19. Currency had a positive impact on Canada and United Kingdom reported revenue while acting as a headwind on Brazil revenues.

(m) [2]	FY20	FY19	% Difference
Australia (ATN)	79.0	93.9	(15.9)%
Canada (CTN)	24.3	31.4	(22.7)%
United Kingdom (UKTN)	22.7	25.0	(9.3)%
Brazil (BTN)	36.9	34.9	+5.8%

2) Adjusted EBITDA of $14.2 million (-62% on FY19)

(m)[2]	FY20	FY19
Revenues	**160.9**	**185.0**
Network operations and station compensation expenses	(119.3)	(117.1)
Selling, general and administrative expenses	(34.8)	(38.1)
Equity based compensation expense	(0.9)	(0.6)
Foreign currency transaction loss	(0.1)	-
Gain on lease forgiveness	0.1	-
Loss on refinancing	(0.4)	-
Expenses/losses (net of gains) impacting EBITDA	**(155.4)**	**(155.8)**
EBITDA	5.5	29.2

(m)[2]	FY20	FY19
Interest income on Southern Cross Austereo Affiliate Contract	8.2	8.3
Foreign currency transaction loss	0.1	-
Gain on lease forgiveness	(0.1)	-
Loss on refinancing	0.4	-
Adjusted EBITDA	**14.2**	**37.5**

Adjusted EBITDA for FY20 was $14.2 million, a decrease of 62% from FY19 due to a 13% decrease in revenue. Operating expenses (defined as the sum of network operations, station compensation, selling, non-cash compensation, general and administrative expenses) decreased $0.8 million for the fiscal year. The primary driver of the decrease was a $3.3 million decrease in selling, general and administrative expenses primarily related to lower commissions/bonuses due to the lower revenue for FY20 compared to FY19. Station compensation increased $2.6 million (3%) while network operations decreased $0.4 million. Some of the elements of the increase in station compensation included twelve months of Rogers in Toronto (compared to eight months in FY19), an expansion of the relationship with one of the key affiliate groups in Australia and station compensation in Brazil from additional markets.

3) NPATA of $4.9 million (-76% on FY19)

The Group reported NPATA of $4.9 million which is a decrease of 76% from FY19. The decrease in NPATA was primarily due to the tax effected reduced Adjusted EBITDA for the period which is discussed above. In addition, NPATA was positively impacted by an unanticipated $1.6 million United States tax benefit due to the carryback provisions of the CARES Act which was enacted during FY20.

4) Strong liquidity position with net debt after cash of $7.4 million

The Group reported strong cash flow from operations as over 100% of Adjusted EBITDA became operating free cash flow before capital expenditure. The change in working capital for FY20 was primarily due to the collection of the higher accounts receivable balances from before the COVID-19 pandemic as the currently outstanding balances are significantly lower due to the reduced revenues since the onset of the COVID-19 pandemic.

FY20 Cash Flow

(m)[2]	FY20	FY19
Adjusted EBITDA	**14.2**	**37.5**
Non-cash items in Adjusted EBITDA	0.9	0.6
Change in working capital	16.5	4.8
Impact of Southern Cross Austereo Affiliate Contract	2.0	2.0
Operating free cash flow before capital expenditure	**33.5**	**44.9**
Capital expenditure	(3.1)	(3.9)
Net free cash flow before financing, tax and dividends	**30.4**	**41.0**

The Group's cash balance was $57.0 million at 30 June 2020. The Group has outstanding debt principal at 30 June 2020 of $64.5 million (including $4.5 million of leases from the adoption of AASB 16) and net debt (principal less cash balances) of $7.4 million. The ratio of net debt to Adjusted EBITDA was 0.52x at 30 June 2020.

An interim dividend of $0.014 (70% franked) was paid on 31 March 2020. The Board has decided against declaring a final dividend for FY20. This will contribute to the conservation of cash during the COVID-19 pandemic. In addition, under the terms of the new banking facility, distributions (including dividends and share buybacks) are limited to 100% of Group NPATA.

5) Share buyback

During FY20, the Company bought back 8.7 million shares for $6.5 million. To date, the Company has repurchased 9.4 million shares for $7.5 million. The maximum size of the current buyback is ten percent of the shares outstanding at the commencement of the current buyback, however no target share price or minimum repurchase amount has been set. While the share buyback is still in place, the Company has not been repurchasing its shares in order to conserve cash during the current economic downturn.

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

6) Key operating metrics

GTN's FY20 revenue result was underpinned by solid inventory acquisition across its four operating geographies. Spot rate and radio sell-out generally were negatively impacted by the COVID-19 pandemic.

Key operating metrics by market (local currency)

	Notes	FY20	FY19
Australia			
Radio spots inventory ('000s)	1	1,077	1,032
Radio sell-out rate (%)	2	54%	64%
Average radio spot rate (AUD)	3	128	137
Canada			
Radio spots inventory ('000s)	1	686	655
Radio sell-out rate (%)	2	51%	66%
Average radio spot rate (CAD)	3	64	69
United Kingdom			
Total radio impacts available ('000)	4	19,448	19,435
Radio sell-out rate (%)	5	89%	99%
Average radio net impact rate (GBP)	6	1.3	1.3
Brazil			
Radio spots inventory ('000s)	1	418	315
Radio sell-out rate (%)	2	46%	50%
Average radio spot rate (BRL)	3,7	216	258

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]	FY20	FY19
Reconciliation of EBITDA and Adjusted EBITDA to Profit (loss) before income tax		
Profit (loss) before income tax	(0.6)	22.9
Depreciation and amortization	11.8	11.2
Finance costs	2.9	3.6
Interest on bank deposits	(0.3)	(0.3)
Interest income on long-term prepaid affiliate contract	(8.2)	(8.3)
EBITDA	**5.5**	**29.2**
Interest income on long-term prepaid affiliate contract	8.2	8.3
Foreign currency transaction loss	0.1	-
Gain on lease forgiveness	(0.1)	-
Loss on refinancing	0.4	-
Adjusted EBITDA	**14.2**	**37.5**
Reconciliation of Net profit after tax (NPAT) to NPATA		
Profit for the year (**NPAT**)	0.3	15.7
Amortization of intangible assets (tax effected)	4.6	4.5
NPATA	**4.9**	**20.3**