



# GTN Limited

Wilson's Rapid Insights  
Conference 2022  
Presentation



November 2022

# Today's presenter

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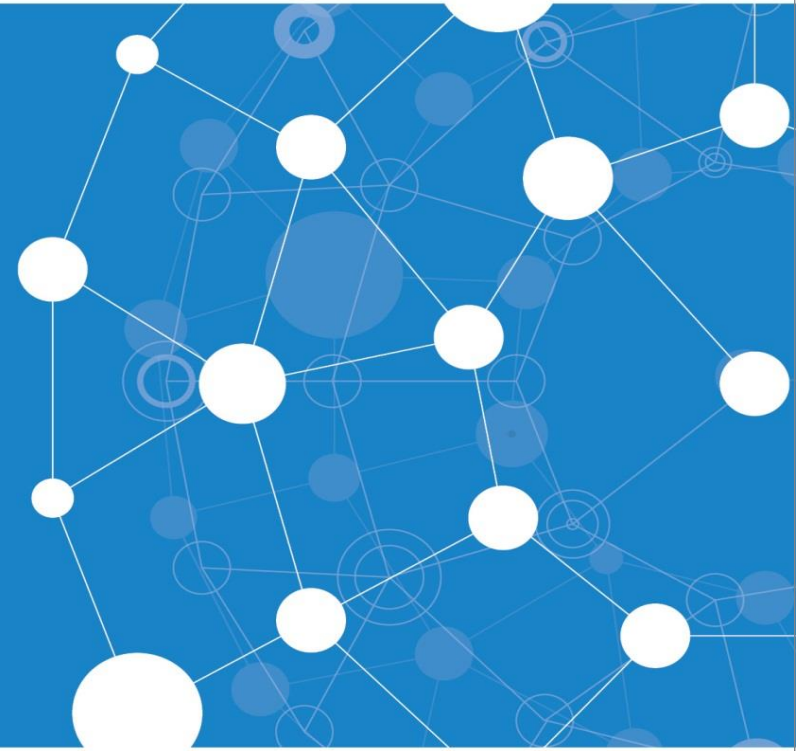


## **Bill Yde (Managing Director and CEO)**

- Over 40 years of experience in the radio and media industry
- Co-founded The Australia Traffic Network (“ATN”) in 1997, later co-founding GTN and has served as Chief Executive Officer and President since its inception in 2005.
- Prior to forming ATN founded Wisconsin Information Systems, Inc. (trading as the Milwaukee Traffic Network) in 1994, and expanded its operations to create traffic networks in Milwaukee, Oklahoma City, Omaha and Albuquerque before the business was sold to Metro Networks, Inc. (now part of iHeartMedia, Inc.).
- Previously owned and operated radio and television stations in major markets in the United States

# Section 01

Overview of GTN



# GTN's global advertising platform

GTN's global advertising platform is a combination of established, market leading businesses and large newer market opportunities



<b>FY2022 Revenue</b>	<b>A\$m</b>	78.1	26.8	46.0	9.2
<b>FY2021 Revenue</b>	<b>A\$m</b>	68.5	24.2	44.4	6.2
<b>FY22 vs FY21</b>		14.0%	10.7%	3.6%	47.4%
<b>Number of Radio Affiliates</b>	<b>#</b>	146	117	229	91
<b>Number of TV Affiliates</b>	<b>#</b>	13	6	-	-
<b>GTN Radio Audience</b>	<b>m</b>	11.5 <sup>(3)</sup>	15.6	28.0	26.5 <sup>(2)</sup>
<b>GTN TV Audience</b>	<b>m</b>	5.0	12.5	-	-
<b>FY2022 radio spots inventory</b>	<b>'000</b>	1,031	681	19,284 <sup>(1)</sup>	486
<b>FY2022 sell-out rate (radio)</b>	<b>%</b>	51%	46%	99% <sup>(1)</sup>	38%
<b>FY2022 average spot rate (radio)</b>	<b>Local ccy</b>	A\$134	C\$72	£1.3 <sup>(1)</sup>	BRL 217

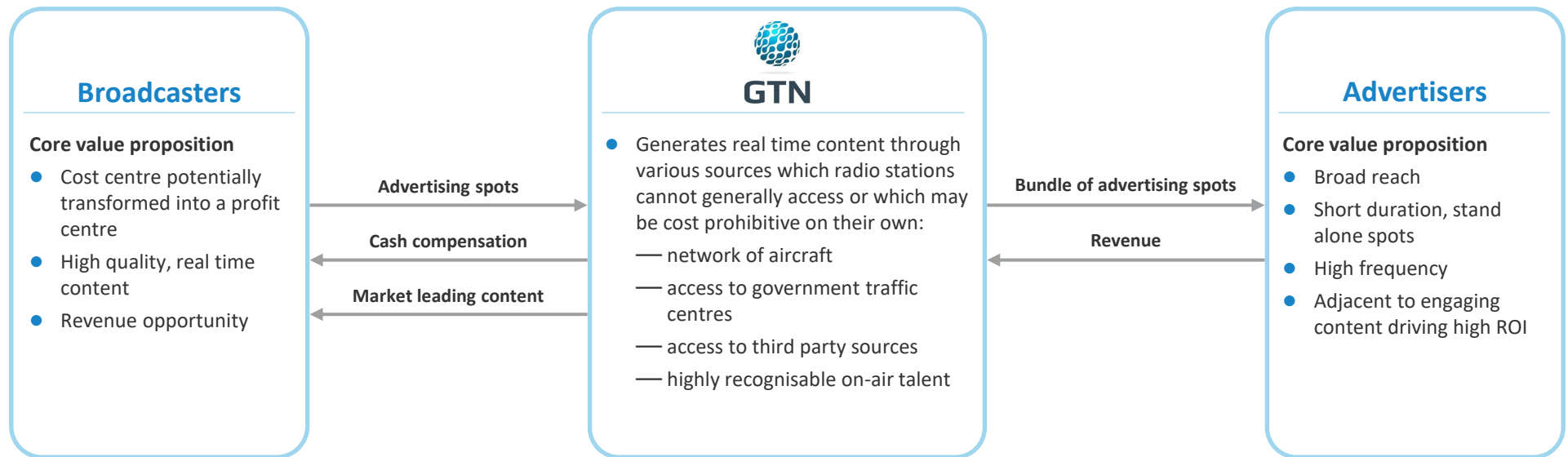
(1) The UK market measures inventory and units sold based on impacts instead of spots. An impact is a thousand listener impressions.

(2) Campinas market not rated by Ipsos so audience not included in total.

(3) Excludes non-rated regional markets

# A unique business model

GTN's unique business model seeks to provide value for both broadcasters and advertisers. GTN has successfully replicated this model in all of its current operating jurisdictions



- Provide high-quality reports to broadcasters with accurate and timely information
- Advertising spots are obtained in exchange for information reports and in certain cases, cash compensation
- Advertising is sold on a network basis – spots are bundled together and sold on national, regional or specific-market basis
- GTN's bundled sale across the Affiliate network enables GTN to sell spots at a higher rate than many individual broadcasters could sell the spots themselves

# Value for advertisers

Platform enables advertisers to make a single, cost effective, high impact advertising buy with broad reach

## Large platform and effective format designed to maximise advertisers' ROI

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### Broad reach, covering a large number of high value demographics

- Reach large number of high value demographics
- Audience consistency – less exposed to ratings swings
- Primarily aired during morning and afternoon commute period (peak audience)
- Spots sold on a national, regional or specific market basis

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### High audience engagement

- Stand alone advertisements
- Adjacent to engaging reports
- Short duration (typically 10 seconds)
- Read live by well-known personalities

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### Delivers high ROI for advertisers

- Reach, frequency and engagement combine to maximise efficacy of ads
  - Enhance recall
  - Minimise switching

# Embedded within broadcasters' business models

GTN becomes embedded in broadcasters' operations, particularly by converting a cost centre into a profit centre, demonstrated by long-standing relationships with a large number of Affiliates

## Strong value proposition to broadcasters

- Cost centre potentially transformed into profit centre
  - Elimination of non-core operating cost
  - Stable, recurring cash flow through station compensation
- GTN can sell spots at a higher rate than many individual broadcasters
- High quality reports
- Tailored content

## Established positions within the operations of Affiliates

- Multi-year affiliate contracts covering all Affiliate stations in the relevant market
- Staggered contract expiries impede prospective competitors from building out a national network to compete

## Large Affiliate network

- Consistently grown Affiliate network across its operating geographies
  - ~575 radio Affiliates
  - ~19 TV Affiliates

## Long term relationships with Affiliates

- Some contracts date back to 1997 and have been renewed multiple times
- Long track record of renewing contracts

### Affiliate contract tenure

Austereo (SCA)	10+ years
ARN (HT&E)	10+ years
NOVA	10+ years
Global	10+ years
Bauer	10+ years
Corus	10+ years

- Secured 30 year affiliate contract with Southern Cross Austereo in 2016

# GTN business model

GTN has demonstrated (in multiple geographies) the ability to achieve revenue growth and margin improvement once a national platform is established, whilst maintaining a relatively constant cost base



- Station compensation is payment to affiliates in exchange for inventory
- Network operations includes aviation costs and on-air announcers
- Largely fixed in nature

- Selling includes sales and marketing expenses. Includes fixed and variable elements (e.g. commissions and bonuses)
- General and administrative expenses are largely fixed in nature



# GTN growth cycle: Revenue follows audience

Additional affiliates typically result in a net cost to the business until additional inventory is monetised

## Phase 1: Expand affiliate network & audience

- Sign new affiliate
- Receive additional inventory
- Increase audience reach
- Station compensation payable

## Phase 2: Monetise network

- Sell additional inventory
- Increase yield by leveraging broader audience
- Improve margins
- Length of time between Phase 1 and Phase 2 varies and is impacted by:
  - Size of expansion
  - Sales staff experience
  - Maturity of market

## Illustrative financial profiles

### Phase 1: Expand affiliate network (station compensation payable)



■ Cost base ■ Revenue ■ EBITDA

### Phase 2: Monetise network (sell inventory and increase yield)



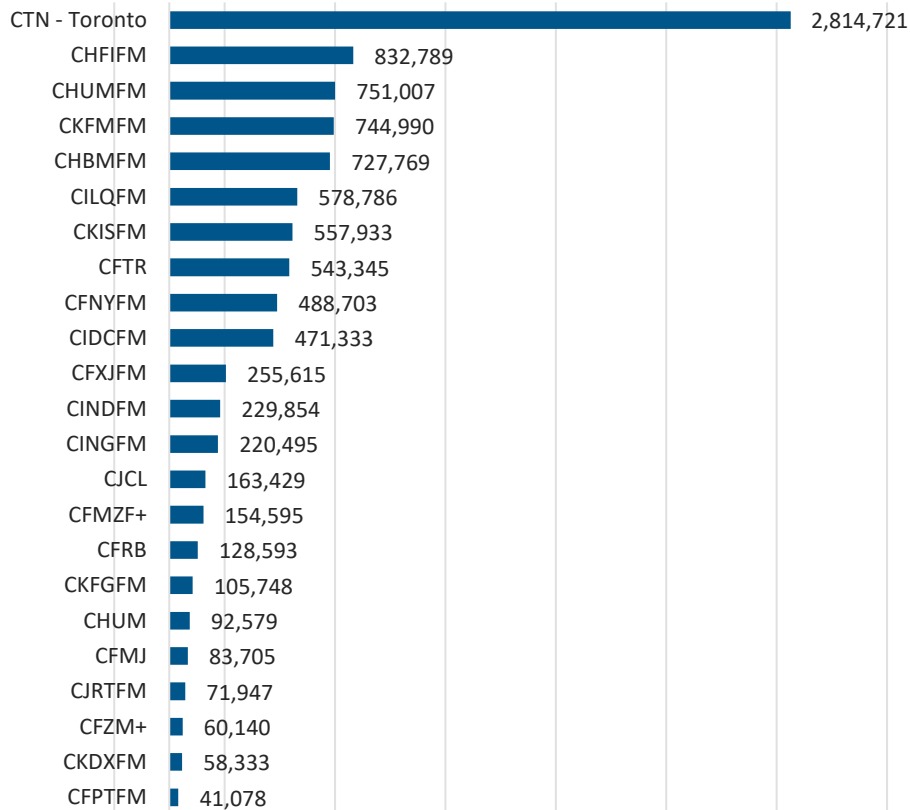
*Cost base remains relatively constant (station compensation is a fixed cost)*

*Grow revenue by increasing sell-out rate and spot rate*

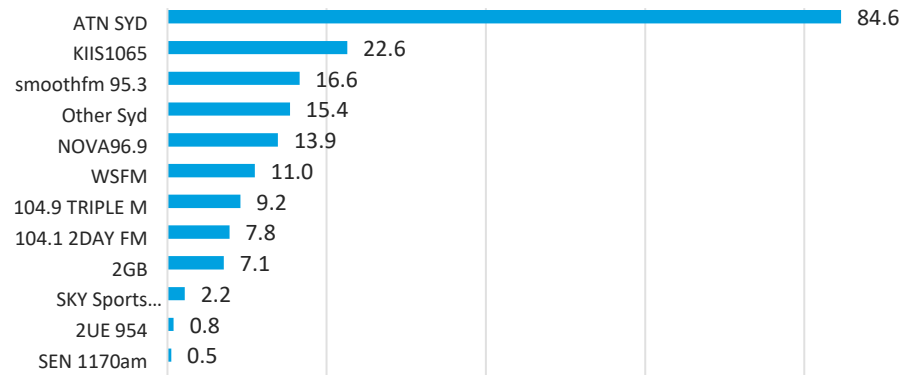
# GTN provides radio audiences far in excess of any radio station

## Examples from the largest GTN markets in Australia and Canada

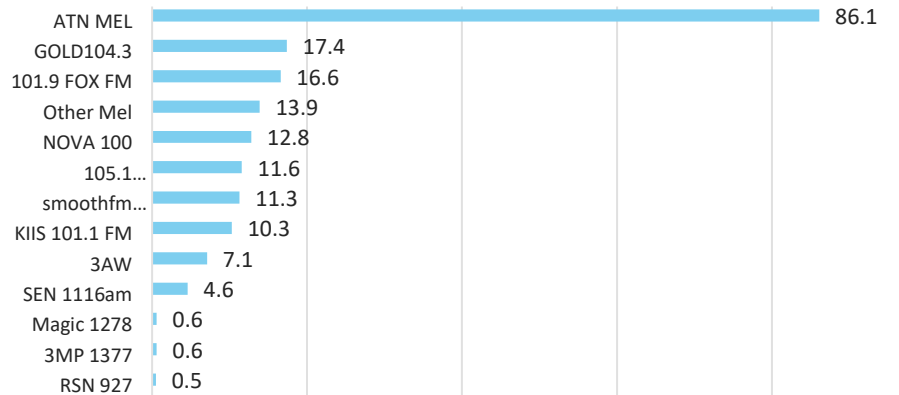
### Toronto – Average Weekly Cume



### Sydney – Cume Audience %

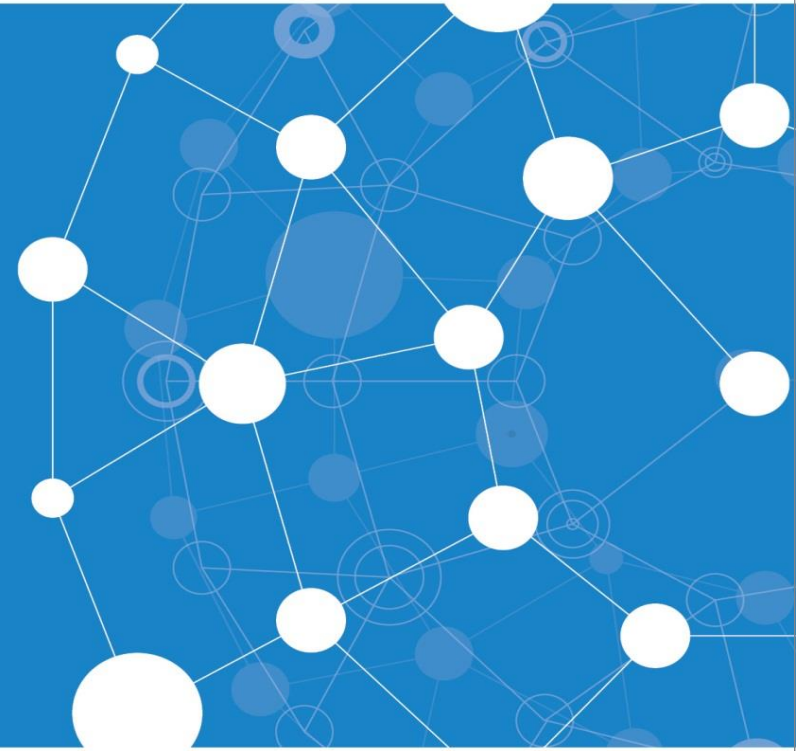


### Melbourne – Cume Audience %



# Section 02

Recap on the FY22 Results



# Overview

GTN's FY22 Adjusted EBITDA increased 22% compared to FY21 due to 12% increase in Group revenue

## Key Highlights



### FY22 revenue increased 12% compared to FY21

- Revenue increased in all four of Group's markets
  - Revenue increased in both local currency and AUD in all markets



### FY22 Adjusted EBITDA increased 22% due to revenue increase

- Adjusted EBITDA of \$17.1 million (+22% on FY21)
  - Adjusted EBITDA increased 43% ex-Jobkeeper/CEWS
  - Network operations and station compensation expenses increased 7% primarily due to station compensation
    - Station compensation increased 6%
  - Sales, G&A expenses increased 25% primarily due to increased selling costs
    - Primarily personnel costs (bonuses, commissions & additional staff related to revenue increase)



### Strong liquidity position with net cash (after debt) of \$1.2 million

- Declared Final FY22 dividend of \$0.013 per share (unfranked)
- Share buyback announced 25 August 2022
- Repaid \$20 million of bank debt during FY22
  - Repaid \$10 million of bank debt previously in FY21

A\$m <sup>(4)</sup>	FY22	FY21	% Difference
Revenue	160.1	143.3	11.7%
EBITDA <sup>(1)</sup>	9.1	6.0	50.8%
Adjusted EBITDA <sup>(2)</sup>	17.1	14.0	21.9%
NPAT	2.8	(0.1)	NM
NPATA <sup>(3)</sup>	7.4	4.6	59.1%
NPATA <sup>(3)</sup> per share (\$)	\$0.03	\$0.02	59.1%

Notes: (1) EBITDA is defined as net profit after tax before the deduction of interest expense/income, income taxes, depreciation and amortisation. (2) Adjusted EBITDA is EBITDA adjusted to include the non-cash interest income arising from the Southern Cross Austereo Affiliate Contract and excluding transaction costs, foreign exchange gains/losses, gains on lease forgiveness and losses on refinancing. (3) NPATA is defined as net profit after tax adjusted for the tax effected amortisation arising from acquisition related intangible assets. (4) All figures in A\$m unless otherwise stated. Amounts in tables may not add due to rounding. Percentage changes are based on actual amounts prior to rounding.

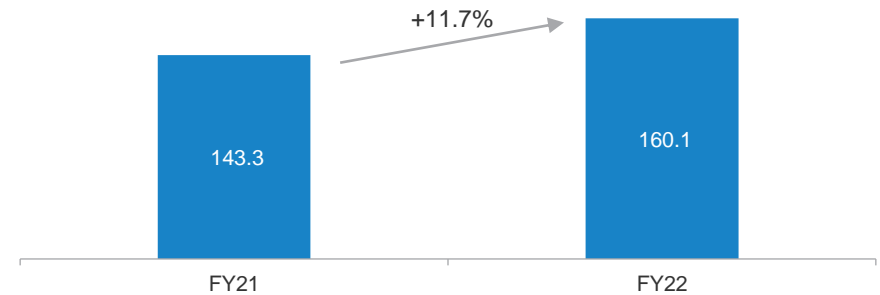
# Key drivers of financial performance

Adjusted EBITDA increased 22% to \$17.1m due to 12% revenue increase

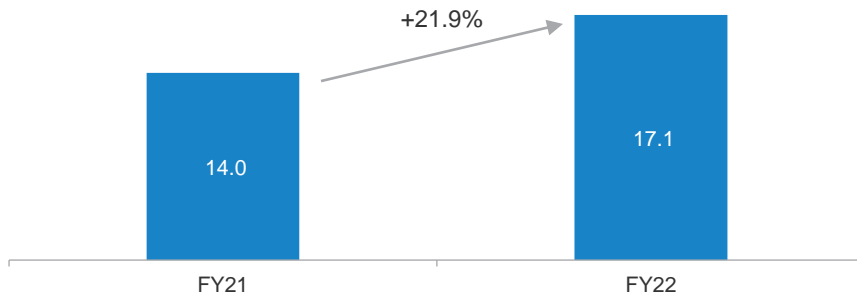
## Commentary

- Revenue increased 12% compared to FY21
  - Revenue increase driven by strong performance across all markets
  - Revenue increased in both local currency and AUD in all markets
- Adjusted EBITDA increased 22% due to revenue increase
  - Network operations and station compensation expenses increased 7% compared to FY21 primarily due to higher station compensation (+6%)
  - Sales and G&A expenses increased 25% primarily due to increased selling costs on higher revenue
- NPAT and NPATA increased \$2.9 million and \$2.7 million, respectively, primarily due to increased EBITDA and lower financing costs

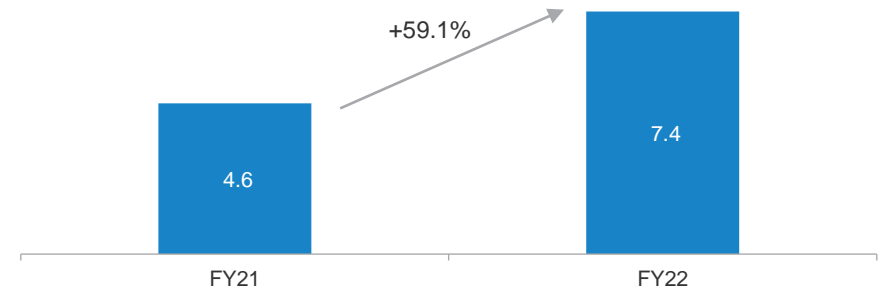
## GTN Group revenue



## GTN Group Adjusted EBITDA



## GTN Group NPATA



# Strong liquidity position

Net cash (cash less debt balances) of \$1.2 million

## Historical balance sheet

	30 June 2022	30 June 2021
<b>Current Assets</b>	\$'000	\$'000
Cash and cash equivalents	34,844	49,376
Trade and other receivables	37,751	31,003
Current tax assets	4,086	4,894
Other current assets	3,714	2,702
<b>Current assets</b>	<b>80,395</b>	<b>87,975</b>
<b>Non-current Assets</b>		
Property, plant and equipment	9,735	7,721
Intangible assets	33,212	39,525
Goodwill	95,998	96,616
Deferred tax assets	5,501	4,857
Other assets	92,373	93,736
<b>Non-current assets</b>	<b>236,819</b>	<b>242,455</b>
<b>Total assets</b>	<b>317,214</b>	<b>330,430</b>
<b>Current Liabilities</b>		
Trade and other payables	35,148	32,988
Contract liabilities	987	1,000
Current tax liabilities	91	149
Financial liabilities	1,376	1,286
Provisions	1,090	987
<b>Current liabilities</b>	<b>38,692</b>	<b>36,410</b>
<b>Non-current Liabilities</b>		
Trade and other payables	75	69
Financial liabilities	32,142	51,689
Deferred tax liabilities	22,406	21,309
Provisions	330	403
<b>Non-current liabilities</b>	<b>54,953</b>	<b>73,470</b>
<b>Total liabilities</b>	<b>93,645</b>	<b>109,880</b>
<b>Net assets</b>	<b>223,569</b>	<b>220,550</b>
<b>Equity</b>		
Share capital	437,508	437,508
Reserves	10,214	9,997
Accumulated losses	(224,153)	(226,955)
<b>Total equity</b>	<b>223,569</b>	<b>220,550</b>

## Summary cash flow

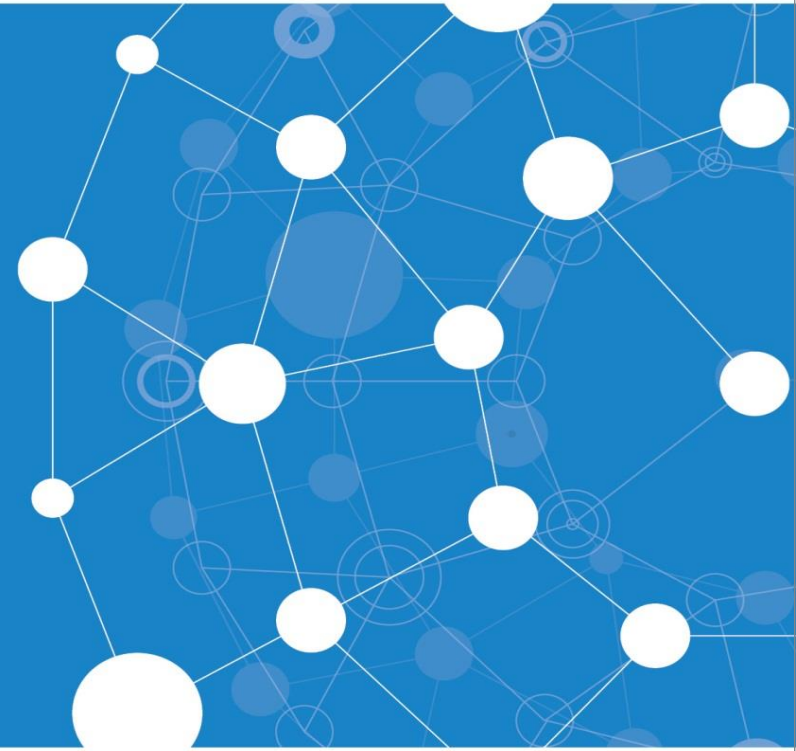
\$Am	FY22	FY21
Adjusted EBITDA	17.1	14.0
Non-cash items in Adjusted EBITDA	0.8	0.9
Change in working capital	(4.6)	(9.0)
Impact of Southern Cross Austereo Affiliate Contract	2.0	2.0
<b>Operating free cash flow before capital expenditure</b>	<b>15.3</b>	<b>8.0</b>
Capital expenditure	(4.1)	(2.2)
<b>Net free cash flow before financing, tax and dividends</b>	<b>11.2</b>	<b>5.8</b>

## Commentary

- Strong liquidity position with net cash after debt of \$1.2m
  - \$34.8m cash and \$33.5m of debt (including \$3.6m of leases)
  - Repaid \$20m of bank debt during FY22
    - Repaid \$10m of bank debt during FY21
- Bank facility reverted to previous more favourable terms
  - In compliance with covenants by a wide margin
- Paid Final FY22 dividend of \$0.013 per share (unfranked) 30 September 2022
- Resumed on-market share buyback of up to 10% of shares outstanding
- Change in working capital primarily related to accounts receivable consistent with increased revenue

# Section 03

Operating strategy and capital management



# GTN Operating Strategy

Management continues to be focused on maintaining business infrastructure, maximising revenue and effectively managing operating expenses while exploring additional growth opportunities

## **Maintain affiliate networks**

- We believe that a continued focus on strong products is key to maximizing revenue now as well as in the future
  - Our affiliate relationships are key to maintaining our robust networks

## **Retain sales management and staff**

- Group's sales personnel are talented, experienced, and vital to retaining existing client base as well as generating new revenue

## **Manage operating expenses**

- While expenses have increased from FY21 to FY22, the focus has been on investments designed to drive revenue in FY22 and beyond
  - Large portion of the increase in operating expense is due to increased station compensation, which is the lifeblood of the business. This strategy also increased valuable inventory which is key to growth as markets continue to recover.
  - Significant increase in selling expenses related to the revenue increase in FY22
  - Operating expenses for FY22 were almost \$4 million less than FY20 despite comparable revenue performance
    - FY22 revenue \$160.1 million v. \$160.9 million in FY20



# GTN Operating Strategy (continued)

## New business opportunity - Aerial drone light shows

### ➔ Commenced operating aerial drone light shows during 2H FY22

- Drone light shows involve the operation of many drones simultaneously to create images that are viewed by audiences in a manner similar to traditional fireworks shows
- May replace fireworks in future in many instances since considered more environmentally friendly

### ➔ GTN's aerial drone revenue model consists of both advertising-supported shows (where the sponsor's logo is incorporated into the display) and cash fees

- We believe the ability to offer an advertising-supported solution will give GTN an advantage over competitors that must charge large cash fees for the shows
- Ability to sell to current and new advertisers via existing, talented sales staff

### ➔ Financial results to date are not material to the Group's profit and loss

- FY22 adjusted EBITDA \$(0.7)m
- Revenue \$75k, consisting of both advertising sales and cash fees
- Operating expenses of \$0.7m

# GTN Aerial Drone Lightshow

## Recent Shows



Sydney Royal Easter Show



Australian Racing Drivers Club 70 year



NRL Grand Final Winners



Telstra Branding



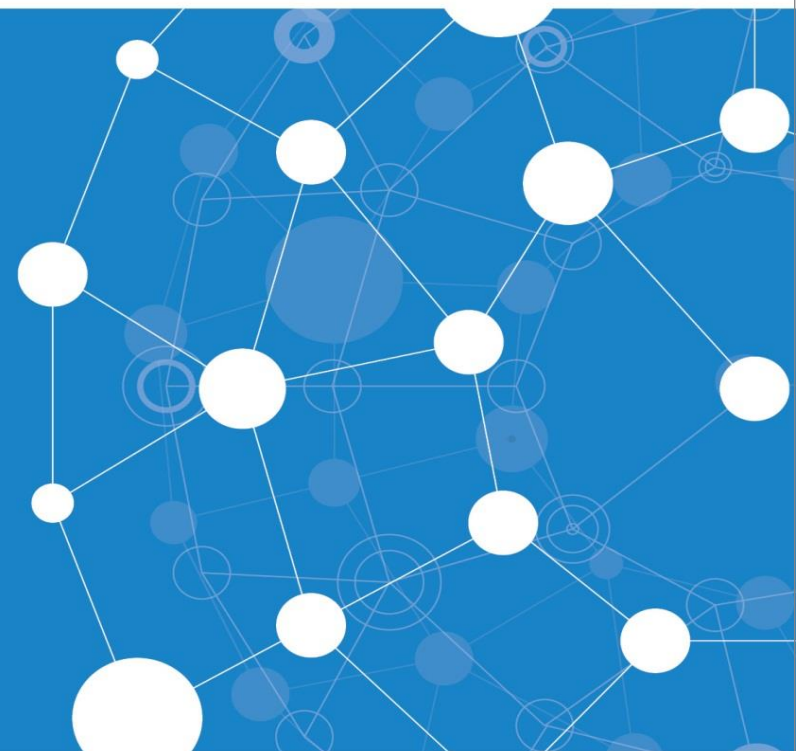
# Capital Management

Company reduced outstanding debt \$20 million in FY22 (\$30 million over past two fiscal years)

- ➔ **At 30 June 2022, GTN held cash balances of \$34.8m with net cash after the debt of \$1.2M**
- ➔ **Debt facility has reverted to original terms after pandemic-related modifications**
  - Distributions of 100% of NPATA allowed for dividends and/or share buybacks
    - Previously distributions were not allowed under the pandemic “tightening” of the loan agreement
  - Anticipate that the Group will continue to remain in compliance with all financial covenants
  - Current repayment date of the loan is 30 September 2023
    - Anticipate that the Group will extend/refinance the loan and have had preliminary discussions with the current lender
- ➔ **Board declared \$0.013 per share final dividend for FY22 (unfranked)**
  - Dividend paid 30 September 2022
- ➔ **Company announced share buyback on 25 August 2022 for up to 10% of outstanding shares for up to twelve months**
  - No minimum share repurchase or target purchase price has been set
  - To date have reduced outstanding shares ~1% since commencement of share buyback

# Appendix A

Additional financial information



# Reconciliation of non-IFRS measurements back to IFRS

## EBITDA, Adjusted EBITDA & NPATA

### Reconciliation of EBITDA and Adjusted EBITDA to Profit before income tax

(\$m) <sup>(1)</sup>	FY2022	FY2021
Profit before income tax	5.2	1.4
Depreciation and amortisation	10.6	10.8
Finance costs	1.3	2.0
Interest on bank deposits	(0.0)	(0.1)
Interest income on long-term prepaid affiliate contract	(8.1)	(8.2)
<b>EBITDA</b>	<b>9.1</b>	<b>6.0</b>
Interest income on long-term prepaid affiliate contract	8.1	8.2
Foreign currency transaction loss	0.0	0.0
Gain on lease forgiveness	(0.0)	(0.2)
<b>Adjusted EBITDA</b>	<b>17.1</b>	<b>14.0</b>

### Reconciliation of Net profit (loss) after tax (NPAT) to NPATA

Profit (loss) for the year (NPAT)	2.8	(0.1)
Amortisation of intangible assets (tax effected)	4.6	4.7
<b>NPATA</b>	<b>7.4</b>	<b>4.6</b>

Note 1: Amounts in tables may not add due to rounding.

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All amounts are in Australian dollars unless otherwise indicated.

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