GTN Limited results for the year ended 30 June 2023

Overview:

- Revenue $177.0 million, +11% on FY22
- NPAT $2.6 million, (6)% on FY22
- Adjusted EBITDA[1] $19.3 million, +13% on FY22
  - +32% ex-Jobkeeper/CEWS, drone operations & CEO departure costs
- Strong liquidity position with net cash (after debt) of $3.4 million including cash balance of $30.6 million
- Recommencing share buyback for up to 10% of outstanding shares for up to twelve months

Sydney, 29 August 2023 – 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 2023.

Overview of FY23 results

(m)[2]	FY23	FY22	% Difference
Revenue	177.0	160.1	10.6%
EBITDA[4]	11.3	9.1	25.1%
Adjusted EBITDA[1]	19.3	17.1	13.0%
NPAT	2.6	2.8	(6.0)%
NPATA[3]	7.2	7.4	(2.4)%
NPATA per share	$0.03	$0.03	(0.9)%

Management Comment

Commenting on the results, Scott Cody, Chief Financial Officer and Chief Operating Officer of GTN, said "Group revenue increased 11% compared to FY22 to $177.0 million. This is the second consecutive year of double-digit revenue growth. Due to the revenue increase, Adjusted EBITDA increased 13% to $19.3 million. We were able to significantly grow EBITDA while investing in our start-up Global Drone Network due to the strong performance of our core business. While we have achieved excellent revenue

[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 amortisation 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 amortisation.

growth over the past two fiscal years, we believe that there is still meaningful upside in all our markets from our existing networks.

If the impact of the discontinuation of the Jobkeeper/CEWS programs, the one-off costs associated with the departure of our former CEO/Managing Director and the losses related to the start-up drone operations are eliminated from both periods, Adjusted EBITDA would have increased 32% in FY23. We feel it is appropriate to add back the drone operations losses because, although they are a P&L item for financial statement purposes, we believe they should be viewed as an investment.

Australia revenue increased 13% compared to FY22 (+12% ex-drones) for our second consecutive year of strong revenue growth (FY22 +14%). Our sales significantly outperformed our peer group for FY23 based on published industry data. Australia is our largest and most profitable market and its continued recovery has helped drive our overall performance.

Canada was our strongest performer in FY23 with revenue increasing 28% compared to FY22 (25% in local currency). This strong revenue performance led to significant EBITDA growth, with FY23 EBITDA growing to $5.6 million from $1.2 million in FY22. Revenue achieved record levels (including pre-pandemic) for the year. We are very excited that Canada is once again unlocking the potential that was evident prior the pandemic disruption.

Brazil achieved our largest revenue increase, increasing 30% compared to FY22 (19% in local currency). The strong revenue contributed to additional EBITDA, which was slightly below breakeven for FY23, representing significant improvement over the past several fiscal years. We continue to be optimistic about the long-term prospects for our Brazil business.

United Kingdom revenue decreased 8% compared to FY22 (6% in local currency). While disappointing, it is noteworthy that the previous year's revenue was the highest ever achieved in the market in local currency. Our revenue in the market was negatively impacted by a difficult trading environment, especially over the last quarter of the fiscal year. Although down from FY22, our UK business continues to deliver solid results and remains a meaningful contributor to the Group's financial performance.

During FY23, we made significant progress with our drone network which we launched in 2H FY22. We performed a number of shows and generated almost $1 million in revenue for the fiscal year. More importantly, we believe that these shows complement our existing business. Our plan for FY24 is to increase the revenue from the shows we perform while carefully choosing which events are likely to generate a profit.

At 30 June 2023, our cash balance was $30.6 million and our net cash (including lease liabilities recognised under AASB 16) was $3.4 million. During FY23, we returned over $11 million to our shareholders in the form of $5.8 million of dividends (final FY22 and interim FY23) as well as repurchasing over 11 million of our outstanding shares (over 5% of the shares outstanding at the beginning of the fiscal year) for $5.4 million. We also repaid an additional $6 million on our debt facility during FY23. We have repaid $36 million of the debt facility over the past three fiscal years, reducing the amount outstanding from $60 million to $24 million.

We have maintained our affiliate networks and excellent local management teams while having a strong balance sheet. These factors put us in solid position to continue to grow our business."

Trading update

Revenue for July/August 2023 is largely in line with last year. Revenue from our Brazil and Canada operations continue to show strong growth while Australia and the United Kingdom are pacing behind the same period last year.

We have implemented cost reductions which are expected to have a positive impact on our future results.

Due to the short lead time of the Group's sales cycle, it is not possible to forecast revenue for the remainder of FY24.

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 Tuesday, 29 August 2023 to discuss its fiscal 2023 results.

The conference call will include a presentation and Q&A. To register to participate in the conference call, please click on the following link and follow the instructions: https://registrations.events/direct/OCP61167.

Participants will then be provided with the dial in number, a passcode, and a unique access PIN. This information will also be emailed to participants as a calendar invite. To join the conference, participants should dial the number in the calendar invite and enter the passcode followed by the PIN provided when you registered, and you will join the conference instantly.

Conference Call Replay

The conference call will be archived following the call. It will be available to be heard at http://www.openbriefing.com/OB/5235.aspx.

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

Additional Financial and Operating Information

1) FY23 revenue (+11% on FY22)

Group revenue increased 11% compared to FY22 as the Group's performance continued to rebound from the impact of the COVID-19 pandemic. Revenue increased across all the Group's operating geographies except the United Kingdom.

FY23 revenue by geographic segment

(m) [2]	FY23	FY22	% Difference
Australia (ATN)	88.6	78.1	13.4%
Canada (CTN)	34.2	26.8	27.6%
United Kingdom (UKTN)	42.4	46.0	(8.0)%
Brazil (BTN)	11.9	9.2	29.8%
	177.0	**160.1**	**10.6%**

Note: Further detail on exchange rates is provided in the Annual Report lodged on 29 August 2023.

Revenue in local currency increased in Canada and Brazil while decreasing in the United Kingdom. Fluctuations in exchange rates contributed to revenue growth in Canada and Brazil while acting as a headwind in the United Kingdom.

(m) [2]	FY23	FY22	% Difference
Australia (ATN) (AUD)	88.6	78.1	13.4%
Canada (CTN) (CAD)	30.8	24.6	25.2%
United Kingdom (UKTN) (GBP)	23.7	25.1	(5.6)%
Brazil (BTN) (BRL)	41.3	34.8	18.8%

2) Adjusted EBITDA of $19.3 million (+13% on FY22)

(m)[2]	FY23	FY22
Revenues	**177.0**	**160.1**
Network operations and station compensation expenses	(122.8)	(116.8)
Selling, general and administrative expenses	(42.5)	(33.4)
Equity based compensation expense	(0.4)	(0.8)
Operating expenses	(165.6)	(151.0)
Foreign currency transaction loss	(0.0)	(0.0)
EBITDA	11.3	9.1
Interest income on Southern Cross Austereo Affiliate Contract	7.9	8.1
Foreign currency transaction loss	0.0	0.0
Adjusted EBITDA	**19.3**	**17.1**

Adjusted EBITDA for FY 2023 was $19.3 million, an increase of 13% from FY 2022. Adjusted EBITDA growth was driven by 11% growth in revenue compared to FY 2022. If the impact of Jobkeeper and Canadian Emergency Wage Subsidy ("CEWS"), one-time costs related to the CEO/MD resignation and the loss-making start-up drone network are removed from both periods' results, Adjusted EBITDA increased 32% in FY 2023 compared to FY 2022. We believe that while the form of the drone losses is that of a profit and loss item, that these losses should be viewed as an investment in the drone business.

(m)[4]	FY23	FY22	% Difference
Adjusted EBITDA as reported	19.3	17.1	13%
Jobkeeper/CEWS	-	(0.7)	
Drone network losses	2.6	0.7	
CEO/MD resignation	0.7	-	
Normalized Adjusted EBITDA	22.6	17.1	32%

Operating expenses (defined as the sum of network operations, station compensation, selling, equity-based compensation, and general and administrative expenses) increased $14.6 million (+10%) for the fiscal year.

Network operations and station compensation expenses increased $6.0 million (+5%). Station compensation increased $1.7 million (+2%). Network operations expenses related to the drone network increased $2.1 million when compared to FY 2022. The increase was primarily due to a ramping up of the drone operations during the year and that the operations had not commenced until 2H FY 2022, so there was not a full year of expense in the comparative period.

Selling, general and administrative expenses increased $9.0 million (+27%) compared to FY 2022. Selling expenses accounted for $4.5 million of the increase in selling, general and administrative expenses. The majority of the increase in selling expenses was due to higher personnel costs (+$2.7 million) due primarily to commissions and bonuses earned on the increased revenue for the period. Travel and entertainment accounted for approximately $1.8 million of the increase in sales, general and administrative expenses. Jobkeeper and CEWS accounted for $0.7 million of the increase in general and administrative expenses as these programs were treated as a reduction in general and administrative expenses. The Group recorded $0.7 million of benefit from these programs in FY 2022 (Australia: $0.6 million, Canada: $0.1 million) compared to no benefit in FY 2023. Corporate overhead accounted for $2.4 million of the increase in general and administrative expenses. The primary components included a $0.7 million increase in salaries and bonuses as well as $1.0 million in costs related to the resignation of the former CEO/MD. A portion of the increase in salaries and bonuses related to changes in foreign exchange rates between AUD and USD as all corporate salaries are paid in USD and the exchange rates used for the profit and loss statement was 8% higher in FY 2023 compared to FY 2022. The impact on operating expenses of the CEO/MD resignation is lower than the $1.0 million impact to general and administrative expenses due to a reduction in equity-based compensation expense, which was $0.4 million lower in FY 2023 compared to FY 2022, primarily due to the former CEO/MD forfeiting 2.7 million unvested stock options.

3) NPATA of $7.2 million ((2)% on FY22)

The Group reported NPATA of $7.2 million which is a decrease of 2% from FY 2022. The decrease is primarily related to increases in depreciation and amortization, finance costs and income taxes offsetting the improved Adjusted EBITDA for the period. Depreciation and amortization increased $1.7 million primarily due to depreciation related to the drone fleet which was purchased in 2H FY 2022 and FY 2023.

Finance costs increased $0.4 million from FY 2022 primarily due to higher interest rates on the debt facility which offset the impact of the lower outstanding debt balances. Income taxes increased $0.5 million due to both higher net profit before taxes and a higher effective tax rate.

4) Strong liquidity position with net cash after debt of $3.4 million

The Group reported an increase in cash flow from its operations primarily due to the increase in Adjusted EBITDA and positive working capital movements compared to FY 2022.

FY23 Cash Flow

(m)[2]	FY23	FY22
Adjusted EBITDA	**19.3**	**17.1**
Non-cash items in Adjusted EBITDA	0.4	0.8
Change in working capital	0.7	(4.6)
Impact of Southern Cross Austereo Affiliate Contract	2.1	2.0
Operating free cash flow before capital expenditure	**22.4**	**15.3**
Capital expenditure	(5.6)	(4.1)
Net free cash flow before financing, tax and dividends	**16.7**	**11.2**

As a result of the Group's strong cash generation, the Group was able to:

- Pay $5.8 million in dividends, consisting of a FY 2022 final dividend and FY 2023 interim dividend;
- Repurchase and retire 11.1 million shares (5% of the shares outstanding at the beginning of the fiscal year) for $5.4 million, and
- Repay $6 million of the bank facility, reducing the outstanding debt from $30 million to $24 million at 30 June 2023,

while maintaining a strong balance sheet including, net cash of $3.4 million and cash balances of $30.6 million at 30 June 2023. Since the beginning of FY 2021, the Group has reduced its outstanding bank debt by $36 million from $60 million on 1 July 2020 to $24 million on 30 June 2023.

Dividend

An interim dividend of $0.014 per share was paid 28 February 2023. Consistent with the Company's target dividend of 100% of NPAT, the Board has not declared a final dividend for FY 2023.

The Board has established a dividend target of approximately 100% of NPAT for FY24. In order to more evenly distribute the dividend, given the seasonality of our business, we plan to distribute approximately 50% of 1H NPAT as an interim dividend with the final dividend approximating NPAT less the interim dividend.

Share buyback

The Company announced today that it has recommenced its on-market share buyback of up to 10% of its outstanding shares for a period of up to twelve months. No target share price or minimum repurchase amount has been set. The Board remains committed to a meaningful share buyback.

5) Key operating metrics

Radio revenue increased in the Group's Australia, Brazil and Canada operating regions in FY 2023. The primary driver of this growth was an increase in spots sold, which was driven by either more spots available or higher sell-out, or in most cases, a combination of both additional spots and higher sell-out rate.

United Kingdom revenue decreased for the period despite an increase in both the number of impacts available for sale and an increase in rate per impact compared to FY 2022. This was due to a decrease in the number of impacts sold for the period.

We believe that there is an opportunity to continue to increase revenue via higher sell-out of our existing inventory across all our operating regions.

Key operating metrics by market (local currency)

	Notes	FY23	FY22
Australia			
Radio spots inventory ('000s)	1	1,102	1,031
Radio sell-out rate (%)	2	56%	51%
Average radio spot rate (AUD)	3	132	134
Canada			
Radio spots inventory ('000s)	1	667	681
Radio sell-out rate (%)	2	56%	46%
Average radio spot rate (CAD)	3	77	72
United Kingdom			
Total radio impacts available ('000)	4	20,582	19,284
Radio sell-out rate (%)	5	85%	99%
Average radio net impact rate (GBP)	6	1.4	1.3
Brazil			
Radio spots inventory ('000s)	1	495	486
Radio sell-out rate (%)	2	46%	38%
Average radio spot rate (BRL)	3,7	210	217

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]	FY23	FY22
Reconciliation of EBITDA, Adjusted EBITDA and Normalized Adjusted EBITDA to Profit before income tax		
Profit before income tax	5.5	5.2
Depreciation and amortisation	12.3	10.6
Finance costs	1.8	1.3
Interest on bank deposits	(0.3)	(0.0)
Interest income on long-term prepaid affiliate contract	(7.9)	(8.1)
EBITDA	**11.3**	**9.1**
Interest income on long-term prepaid affiliate contract	7.9	8.1
Foreign currency transaction loss	0.0	0.0
Adjusted EBITDA	**19.3**	**17.1**
Eliminate Jobkeeper/CEWS	-	(0.7)
Drone network losses included in EBITDA	2.6	0.7
CEO/MD resignation	0.7	-
Normalized Adjusted EBITDA	**22.6**	**17.1**

Reconciliation of Net profit after tax (NPAT) to NPATA

Profit for the year (**NPAT**)	2.6	2.8
Amortisation of intangible assets (tax effected)	4.6	4.6
NPATA	**7.2**	**7.4**