



27 April 2017

## Ten Network Holdings' First Half FY 2017 Financial Results.

- **Revenue And Market Share Growth Driven By Investment In Local Content.**
- **Market Declines Impact Profitability.**

Ten Network Holdings Limited (ASX: TEN) ("TEN", "the Company") today announced its results for the six months to 28 February 2017. The results included:

- Television revenue of \$341.4 million (1H FY 2016: \$334.2 million), up 2.1%
- Revenue market share of 25.2% (1H FY 2016: 23.4%), an increase of 1.8 share points
- Commercial share in total people of 25.2% and in people 25 to 54 of 28.9%
- Television EBITDA loss of \$2.4 million (1H FY 2016: EBITDA of \$10.1 million)
- Television costs (ex-selling costs) increase of 7.4%
- Non-cash television licence impairment charge of \$214.5 million
- Net loss for the period attributable to members of \$232.2 million (1H FY 2016: net profit of \$13.4 million)

Television revenue growth of 2.1% was higher than the 1.2% increase predicted in the Company's trading update on 16 February 2017 and was achieved in a capital city free-to-air television advertising market that declined 5.6% during the period.

The television earnings before interest, tax, depreciation and amortisation (EBITDA) loss of \$2.4 million for the six months to 28 February 2017 was in line with the guidance provided in the most recent trading update.

TEN Chief Executive Officer, Paul Anderson, said: "The above-market revenue growth and increase in revenue share during the first half of the 2017 financial year was driven by investment in local content and the audience momentum TEN has built in recent years, along with the continued success of our partnership with Multi Channel Network Pty Ltd ['MCN'].

"However, as we flagged in the 16 February trading update, the growth in revenue was not enough to offset the weak conditions in the television advertising market and the Company's increased content and other costs.



“TEN has commenced a transformation program to improve all aspects of the business. This whole-of-business program will improve revenues through a range of initiatives that complement the MCN relationship and will achieve significant cost savings as previously foreshadowed, most of which will fall in the 2018 financial year onwards.

“TEN continues to improve revenue and revenue share in a difficult market. The long-term focus on delivering advertisers the benefit of a world-class automated trading platform continues with MCN, with dynamic trading having commenced in February 2017. Dynamic trading offers advertisers more certainty that their advertising campaigns will reach the audiences they want to reach,” he said.

“Despite *The Biggest Loser: Transformed* not performing, our investment in local content continues to build a strong platform, with *Australian Survivor*, the KFC Big Bash League and *I’m A Celebrity...Get Me Out Of Here!* performing very well for the network.”

The success of TEN’s strategy of investing in premium prime time content was evident during the 2016 calendar year with the primary TEN channel achieving its highest commercial shares in total people and the key 25 to 54 demographic since 2011. The Company also achieved its highest network commercial share in total people since 2011.

The audience momentum in 2016 and into 2017, plus the partnership with MCN, underpinned the 2.1% growth in TEN’s television revenue during the first half and the increase in revenue share of 1.8 share points.

Mr Anderson said: “TEN has clear momentum in terms of revenue and revenue share growth as we head into the strongest part of our year, led by *MasterChef Australia*.

“In the 24 months to the end of February 2017, our revenue share increased in 22 of those months. Our revenue share of 25.2% for the first half of the 2017 financial year was our highest six-month share in five years.

“MCN and TEN had a combined 40.5% share of the key 25 to 54 age group in the first half. As the advertising partner for both TEN and Foxtel, MCN offers advertisers access to a large amount of content across multiple platforms that has a proven ability to deliver powerful sales results,” he said.

“The strength of TEN’s content offering was clearly demonstrated at the *TV Week Logie Awards* last weekend, when TEN won eight awards, more than any other television network.”

TEN’s online catch-up and streaming service, tenplay, continues to perform strongly. During the six months to 28 February 2017, it achieved growth of 17% in advertising revenue, 31%

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in video segments views and 16% in unique visitors. Tenplay is available on 12 platforms, more than any other commercial free-to-air network's content, and will expand to 20 platforms during 2017.

In September this year, TEN will introduce tendaily, a new, standalone website that will be rich in short-form video and offer users news, entertainment, lifestyle and sport content. Tendaily represents a significant expansion of the Company's digital strategy and will operate alongside tenplay.

### **Significant Items And Debt.**

The Company reported net significant expense items of \$214.6 million, including a non-cash television licence impairment charge of \$214.5 million.

TEN's net debt at 28 February 2017 was \$30.2 million.

### **Costs and Cost Guidance.**

Television costs (ex-selling costs) increased by 7.4% during the six months to 28 February 2017, due to investment in new prime time domestic content which has driven increased audiences.

Television costs (ex-selling costs) are expected to increase by mid-single digits in the 2017 financial year, as flagged in October 2016.

The benefits of the whole of business transformation program are expected to predominantly impact TEN's financial results from the start of the 2018 financial year.

### **Financing Facility.**

TEN is currently seeking to secure an amended or new borrowing facility given its existing financing facility expires on 23 December 2017.

The facility is required as a result of expected future trading performance and volatility within the free-to-air television advertising market.

Further detail is provided in the Appendix 4D lodged with the ASX today.

### **Outlook And Guidance.**

The challenging capital city free-to-air television advertising market conditions remain.

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However, the first quarter of calendar 2017 has proved more resilient, with the market increasing 2.3% compared with a 4.6% decline in calendar 2016. The first quarter increase, in part, reflects the fact the Easter period fell a month earlier this year.

The market remains short and difficult to predict, despite television advertising remaining the best way to deliver positive returns on advertising spend in a brand-safe, advertiser-friendly environment.

Absent any relief in television licence fees, this will result in an underlying EBITDA loss for the full 2017 financial year of between \$25 million and \$30 million.

#### **Interim Dividend.**

No interim dividend will be paid.

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