HT&E Limited
2018 Annual General Meeting
SYDNEY, 7 May 2018

CEO's Address to Shareholders

Good morning. Today, as well as taking the opportunity to highlight the performance of your business in 2017, I would like to briefly outline the plans we are implementing to build a unique media business for today and tomorrow.

You will hear that:

- Our Radio business – ARN – is performing well and still has growth in its core business;
- Our Outdoor business – Adshel – is pioneering digital expansion in Australia and New Zealand, and launching new innovative opportunities for advertisers;
- Owning and operating ARN and Adshel together is starting to yield revenue opportunities and creating added benefits across the Group;
- We remain focused on maximising the performance of our core businesses while investing in their digital future; and
- We believe we have the right approach to create new opportunities for HT&E in a world increasingly dominated by digital content consumption and distribution.

2017 financials

Looking back at our 2017 results: on a group basis, Pro-forma revenue increased 3%, while EBITDA was up 1% to $118.4m, driven by a strong Adshel performance, mainly offset by the impact of establishing Cody's trams contract, Club Roar, and esports, and the first half decline at Radio.

The statutory results were materially impacted by the full year ownership of Adshel, with more than 90% of revenue, cost and EBITDA growth related to the full year impact of acquiring 100%.

Hong Kong had a tough year but after restructuring the portfolio, helped by better market conditions, we are on track to break even in 2018.

A non-cash Adshel impairment of $163m was taken in 2017, after the non-cash value uplift of $220m in 2016.

Underlying EPS for the group in 2017 was 13.9 cents per share.

A final dividend of 4 cents per share was declared in February, after the payment of a 3-cent interim dividend in August.

Net debt

In terms of net debt, our balance sheet is very strong, with leverage of just under 1 times EBITDA and interest cover of nearly 15 times.

The debt facility matures in July 2019; and we will be refinancing at some time during this year.

We maintain more than $200m in undrawn limits, which, as the Chairman stated, is sufficient to cover immediate Group requirements as well as the potential tax dispute costs.

ARN financials

After a challenging first half, ARN finished the year strongly, regained the No. 1 ratings position in August and ending the year as No. 1 metropolitan network in the country.

Revenue performance reflected these improved ratings, and in the second half grew 5%, compared to market of 2%. This resulted in full year revenue down only $1.4m compared to nearly $7m in the first half.

Agency revenue in particular recovered significantly, up nearly 10% in H2, as the benefits of the commercial restructure, and ratings improvements, started to take effect.

Operating costs were 15% lower year on year due to aggressive cost outs, particularly in marketing which was down nearly 25% in the year.

And as a result of the media reform package passing, licence fees are now permanently cut with an annualised benefit of circa $4m per annum.

Full year EBITDA decline was therefore limited to circa $2.3m to $83.1m, with very strong margins maintained at 38%.

Radio is a growth medium

Radio is a fantastic industry that remains a growth platform, continuing to prove itself a robust and resilient medium.

Audience numbers grow year on year, and that is because:

The Live, local and free content provided by well-known personalities means that what is between the songs is more important than the songs themselves.

And radio is flourishing in a digital environment too, by extending content across new platforms – web, mobile, social and increasingly, video – to engage audiences longer and drive new commercial opportunities.

Radio works for advertisers, and it has consistently been 8% of overall advertising in Australia for many years, because it delivers exceptional return on investments.

Growth in the core business

Within this great industry, ARN is the leading metropolitan network in the country, it generates over $80m EBITDA – nearly double what it was five years ago – with high margins, and a cash conversion in excess of 95%.

Our audiences are growing, with Survey 8 ratings results in 2017 being the highest network share figures ever achieved, and that momentum is continuing in 2018. KIIS is the No. 1 brand in the country.

And the good news is that we believe there is still more growth to come.

We made a number of on-air changes at the beginning of the year, in line with our strategy of recruiting and retaining the best talent.

In particular, we were looking to strengthen the performance of our Melbourne stations – a market that is valued the same as Sydney, but where our audience and revenue shares lag behind our success in Sydney.

Jase & PJ on breakfast at KIIS 101.1 deliver a clear point of difference, in a competitive market, and we are very pleased with how they have started, working hard to realise their potential.

Across the KIIS Drive network, we dictated the changes and took the opportunity to invest in Will & Woody – providing security of tenure for at least three years. The Drive slot is attractive to advertisers and we are seeing increased briefing activity over last year from the content integration ideas Will & Woody bring.

Christian O'Connell on Gold starts on the 4th of June and is a great recruitment for us, presenting a real opportunity to drive market leadership in Melbourne. Christian is best known for his work in the UK, where he has the No. 1 breakfast show in London, and we believe his unique broadcasting ability will resonate well.

The digital audio future

ARN is also making good progress positioning itself as the leading audio entertainment business in Australia.

Our strategy is simple and clear:
- To support the transition of ARN's Audiences and Revenues in a digital audio world;
- To build our data capability into a single customer view; and
- To create and acquire audio content that grows new audiences.

iHeartRadio – growing usage and revenue

Our digital platform, iHeartRadio, is beginning to reach a meaningful scale of audience and usage, with:
- 1.6 million App downloads;
- Over 1 million Registered Users;
- Over 3.1 million hours streamed in April; and
- 370,000 monthly active users.

We also have the largest and growing podcast library in Australia, and at the end of 2017, commenced the monetisation of our iHeartRadio audiences through our ability to now insert digital audio ads.

Revenue is not yet meaningful, but we do see this increasing in the coming years, as more and more audiences transfer onto our platform

Adshel financials

Turning now to Adshel, it is still the largest street furniture network in Australia and New Zealand with over 16,000 panels – both static and digital.

Operating in an out-of-home market that continued to deliver growth in 2017, with Australian outdoor up 6% and New Zealand up 18%.

Revenue was up 7.5% to $222m, despite the Yarra Trams contract loss towards the end of the year. Importantly, digital revenue growth of 23% was not at the expense of static, which was down only $1.2m year on year.

Overall cost growth was 6% year on year, delivering EBITDA of $51m – a solid growth of 11%, yet disappointingly short of the $54m target we were going to hit before 3 October.

As highlighted in February, we are strengthening in our belief that the $15m EBITDA impact announced last October is the worst-case scenario, as trading so far in 2018 is not having as big an impact on our network revenue as first thought.

Adshel – pioneering digital out-of-home

When we launched Adshel Live in Oct 2015, it was the world's first national digital street furniture network with 270 digital screens deployed across Australia's five capital cities.

In 2016, we delivered a further 117 screens.

In 2017, we grew to 415 screens, offering packages designed to provide flexibility at scale.

The set back of Yarra Trams in late 2017 was quickly addressed by management, who have re-grouped effectively to obtain the right approvals from partners and authorities, and quickly re-establish a national digital network with 41 digital screens up and running in Victoria since April.

2018 will see us continue to extend the Adshel Live network by a further 200 screens across key metro areas.

Unique Rail packages

There have been some untruths spoken about Adshel in recent times, particularly about its presence in Melbourne, and I'd like to take the opportunity to address this today.

From April 1st we took over the running of the Metro Trains Melbourne contract, creating a new estate of over 150 screens.

These screens are located at key Melbourne CBD and inner-city railway stations, including Flinders Street, Melbourne Central, Richmond, Parliament and South Yarra, connecting with 4.3m commuters each week.

We are transforming the network to deliver screens that are bigger and offer fully animated, contextually relevant advertising, with these full motion sites being 2.5 times more effective within the rail environment.

And when combined with our Sydney Trains contract, which we recently extended, our Adshel Rail packages delivers a new way to engage over 14m commuters each week. Our sales teams are now in market actively selling this unique and highly attractive bundle.

Adshel in Melbourne

So, as you can see, the addition of Metro Trains to the existing Adshel network means that we are No.1 in Melbourne, with over 5,000 advertising displays across road, Rail and 7-11.

We were also delighted that our Public Transport Victoria contract was recently extended, further strengthening our position.

Adshel contract renewal

There is a lot of speculation about Adshel and its contract maturity profile. We don't talk about specific contracts, but let me say this:

- Adshel has a very disciplined approach to landlord management and contract renewal, and we have a team dedicated to this very activity.
- Since we lost Yarra Trams, we have either retained, won or are in the process of renewing more than 80% of Adshel's existing 2018 contracts. The balance are either awaiting decisions, or are subject to tender. No contracts have been lost.
- In 2019 we have one material contract renewal: Brisbane City Council, with just nine other contracts up for renewal that collectively represent less than 3% of total group revenue.
- After that, only 2 of 24 contracts to be renewed until 2023 represent more than 1% of group revenue.

Giving advertisers more

The future of street furniture, however, is much more than just rolling out digital screens. In fact, it is just the beginning for Adshel as we pioneer how digital is bought and sold.

We are leading with investments in technology platforms and data that enable us to transition to a new sales approach.

Two weeks ago, Adshel launched TDL – Time/Day/Location – across the entire Adshel Live network; a first in Australian out-of-home.

This means that we now offer advertisers the ability to buy digital in a tactical way – through targeted and automated systems, so that particular audiences can be reached at particular times of day, or day of the week, or in a specific location.

This precise targeting capability comes at a price and we are charging a premium, on top of the premium we are charging for digital screens.

Here, There & Everywhere

Feedback from agencies and clients so far has been extremely encouraging, complimenting us for being at the forefront of innovation, with campaigns already signed up.

ARN & Adshel together

This launch is also an important milestone as we seek new revenue opportunities for Adshel and ARN to work together, delivering above-market commercial growth.

Since taking full ownership of Adshel, we have proved the relationship between Radio and Outdoor and the benefits of partnership with HT&E. To date, we have written over $7m in new money to ARN and Adshel – campaigns which only materialised thanks to full ownership of both assets.

Good progress has been made with advertising agencies and clients regarding the strength of our 'away from home' assets. Our story is resonating.

At a time when free-to-air TV viewership continues to decline, with time spent viewing down 8% in 2017, TV spend remained flat over the same period. We contend that somewhere between 10-20% of this spend is not delivering results for clients, and it is this advertising revenue that we are seeking to exploit.

Why? Because when consumers are out and about, they are 2.5 times more alert and more receptive to advertising than when in the home.

We have conducted numerous case studies to prove our credentials, delivering outstanding advertising results.

For instance, within the automotive category, a combined ARN/Adshel campaign delivered 175% greater brand impacts per dollar spent, than TV. Toyota, the client, has booked another campaign as a result.

In Banking, HT&E's campaign was three times more cost effective, and again, on foot of this success, the client re-booked.

And critically, in the FMCG category, in a campaign where no TV was used, HT&E played a significant role in driving an exceptional 12% increase in purchase consideration for a major grocery brand.

And now, thanks to TDL, we are developing off-the-shelf products to be sold by our sales teams.

While Time/Day/Location trading ability is new for Adshel, it is how radio has been sold forever, and our ARN sales teams are experts in this area.

A combined ARN/Adshel package, allowing our clients to buy anytime, anywhere and benefit from the proven synergistic effect of radio and outdoor, will soon be available in market.

Aside from advertising dollars, other key synergies of joint ownership relate to:

- Funding – with ARN cash flow funding the Adshel digital investment phase;
- Cross-promotion;
- The sharing of sales and market intel to mutual benefit; and

- ARN is a prolific advertiser on Adshel inventory and secures this at favourable rates and speed of posting. For instance, last Tuesday, when 97.3 went back to No. 1 in the Brisbane radio market, we ran extensive awareness campaigns that were up and running that day.

Creating shareholder value

Finally, I'd like to briefly talk to you about our strategy and vision for the future.

Media consumption is evolving at a rapid pace. Every media business is looking for answers as to where the future lies and where shareholder value can be realised. In a world that will be dominated by digital content, we need to become more relevant across a broad spectrum of digital platforms.

As the Chairman outlined earlier, HT&E has successfully restructured itself by eliminating its exposure to traditional newspapers and focusing on the 'away from home' growth segments of Radio and Outdoor. And we are committed to delivering maximum performance from these assets, investing in their digital futures through initiatives like iHeartRadio and Adshel Live.

We have also making small, early investments in new technologies and platforms and I'd like to show you how these fit into our growth plans.

Leading esports player in Australia

The first is in esports – for those of you who don't know, this is people watching other people play video games. It is predicted to become in the top 5 most watched sports in the world in the next 10 years. It will be a code in the Asian Games in 2022 and potentially, the Olympic Games.

Some stats for you:

- Already, the global audience for esports is over 380 million people worldwide;
- Global esports revenues will reach over $900 million in 2018;
- Twitch – owned by Amazon, and the digital broadcast channel of choice for esports – recently paid US$90m to stream the Overwatch series;
- Entry into esports leagues in the US is going for over US20m; and
- In the first three months of 2018, $2 billion has already been invested.

Last year, we announced our intention to launch an esports business in Australia, investing up to $10m over the next three years, with the intention of become the premier esports operator in the country.

To date, we have made good progress and are delivering on our plans, having:

- Signed an exclusive HOYTS partnership to build a dedicated, state of the art esports arena in Sydney – the first of its kind in this country – with future expansion opportunities;
- Dell have come on board as Presenting Partner;
- Logitech are the sponsors of our professional series and there are further sponsorships to be announced;

- Twitch have signed up as the exclusive digital broadcaster and Channel 10 will run a live broadcast over 7 weekends;
- We announced six city-based clubs that will part-take in our league – realising our ambition to make Gfinity Australia the first city-based franchise league for esports in the country; and
- We are building a highly-engaged digital audience across social media and have already run a successful tournament with FIFA – the world body for soccer in advance of the World Cup in Russia.

Revenue streams come from broadcasting rights, franchise owners, with in-stream advertising in demand as esports engages a younger, predominantly male audience – a demographic that advertisers and sporting bodies all over the world are desperate to attract.

And the best part: already, we have over $10m in commitments before the competition starts.

Media business of the future… today

We are also excited by a new business we will launch later this year, bringing together brands we already own, to create a unique media business of the future.

Brands like The Roar, Techly, Lost At E Minor, The Edge, Unbound and others – all focused on the millennial market – will distribute content seamlessly across multiple channels like mobile, radio, virtual and augmented reality, social video, and events, to name just a few.

Generation E Media will become a one-stop media powerhouse, with our digital assets under one roof.

Remember, we already own these businesses that generate over $8m in revenues, but what we are doing is ensuring that we are delivering more and better aligned consumer experiences, helping us to further grow the reach of our brands, whilst introducing more opportunities for our advertising and commercial partners.

Trading update

- Trading conditions remain consistent with the updates released on 15 February and 11 April 2018.

- At Adshel:

    - The launch of MTM and reinstatement of the National Live Network from early May has seen an improvement in Australian bookings in recent weeks.
    - For Q2: visibility is good, and after adjusting for $6m of Yarra Trams revenue in Q2 2017, bookings are in line with last year.
    - Costs will be approximately 7-8% lower than prior year in Q2.

- At ARN:

    - After a strong finish to Q1, current market conditions indicate ARN H1 revenue growth is now tracking ahead of prior year by 6-7%.

- Cost growth remains slightly ahead of revenue.
- On this basis, if current market conditions continue, H1 EBITDA is expected to be ahead of pro-forma prior year by approximately 5-6%.

- Assuming current market conditions continue, we remain confident the Company will achieve, and may exceed, current analyst 2018 EBITDA consensus estimates of between $113-114m.

Thank you

Ladies and gentlemen, shareholders, thank you for your time this morning. Before closing, I want to make special reference to the staff who work for your business. We have 1,008 talented people who help create what you have seen today. I want to thank them sincerely for their on-going efforts, ambition, commitment and desire to do the best they can day-in day-out.

Thank you.

Ends.

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