HT&E Limited
2019 Annual General Meeting
SYDNEY, 9 May 2019

HT&E AGM CEO'S ADDRESS TO SHAREHOLDERS

Thank you Hamish.

Good morning everyone and welcome

This morning I'd like to take you through our results for 2018 and then outline to you briefly how we are transforming our radio business into a digitally enabled audio business before finishing with a trading update.

Completing the sale of Adshel for 570 million delivered compelling value for shareholders and provided a return of over $230m on the net cash investment made in the business.

Pleasingly, despite this corporate activity the operations remained focused and delivered good revenue EBITDA and NPAT growth.

We have commenced the process of moving away from being a multi-divisional management structure to a much more simplified business improving efficiencies and reducing corporate overheads. This work continues.

So today, HT&E is predominantly made up of ARN one of Australia's leading radio and audio entertainment businesses. Highly cash generative with exceptional margins operating in a resilient and innovative sector of media in Australia.

Our absolute focus is on this core asset where the priority is to drive further strong performance and position it for the next phase of growth.

Turning to 2018 financials, the business achieved a solid performance with:

- revenues increasing 5% to 272m;
- EBITDA up 7% to 72m, driven by a strong first half performance at ARN and an excellent year from Hong Kong turning a profit for the 1st time since 2015;
- EBIT was up 10% to 67m; and
- NPAT up 23% to 37m.

Our strong balance is reflected in a net cash position of $128m and fully franked dividends of 7c plus a special dividend of 72c per share were paid in 2018.

Looking at ARN and after a strong 1st half growth of 6% the radio revenue market softened in H2 delivering growth of just over 1%.

Overall, revenue for ARN was up 3% to 235 million. Agency revenue delivered strong growth of 6%, again driven by a strong 1st half. But the direct market had a challenging year overall with revenue back 4%. EBITDA was up 1% to 85m. Maintaining margin at 36%.

Hong Kong Outdoor continued its recovery and delivered a particularly good result.

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All key assets delivered revenue growth year on year, Up 23%, with shelter upgrades attracting new advertisers and helping to drive yield.

Pleasingly it wasn't just a revenue story. The strategic review in 2017 identified a number of efficiencies, and costs on a local currency basis were down 6% for the full year. EBITDA of $1.2m was a significant turnaround on the pre-provision EBITDA loss of $5.7m in 2017.

It is great to be able to say that HT&E is now net cash after years of talking about debt metrics.

We used the Adshel proceeds to repay drawn debt to fund the $220m special dividend and have completed approx. $40m of a share buyback to date.

We refinanced our debt facilities in late 2018 with a group of 5 very supportive lenders and limits of $260m have been extended to 2023.

Our strategic priorities are now focused on 3 areas:

- Firstly, optimising the operational performance of our core audio business and looking for opportunities to strengthen our position within the audio space.
- From a corporate perspective, we will be operating HT&E and ARN increasingly as a single entity, simplifying the management structure and reducing corporate costs.
- Our aim is that by the end of year, our run rate will be $10m overhead excluding the costs of running the ATO.

As the Chairman has outlined, and we remain confident in our position regarding the ATO and of achieving an acceptable outcome for shareholders, but final resolution could take several years with the cost running about $2m per annum.

And we are also reviewing our smaller digital investments to assess their synergy either from an audience or revenue perspective with ARN and how we can maximise shareholder value.

These digital investments include: The esports business, GFinity which had a solid first year - Establishing itself as a provider of integrated esports solutions. It launched the first city-based esports league, generated a reach of 3.5m in Australia.

Unbound is creative technology business in the virtual and augmented reality space. Its content driven strategy is monetised through subscription, pay-per-view and advertising and will shortly sign its first broadcast deal.

And finally, HT&E has a 25% shareholding in Soprano – an instant messaging software business. In 2018, Soprano paid HT&E a dividend of $1.25m.

The review of these assets is underway and we expect to have made significant progress by the end of 2019.

In a short number of years we have eliminated all exposure to newspaper advertising. Reduced debt from 400 million to 128 million net cash, strengthening our balance sheet to be one of the most enviable in the media sector and continued to grow our radio business.

Today, 87% of our revenues come from ARN and over the next few minutes I'd like to show you why we believe radio is one of the most exciting , innovative and progressive media sectors to be in and outline to you how technology is helping radio in a disruptive world.

So where to from here?

We are moving ARN from being a radio business to a digitally enabled audio business.

There is no doubt that audio consumption is evolving.

This chart (see AGM presentation) illustrates the share of audio listening in Australia and was conducted late last year.

Broadcast radio is the dominant source for audio with 62% of all time spent listening.

And what the table doesn't show is that Australians spend more than 2 hours every day listening to radio which is 4 times higher than streaming

Yes, consumption is broadening streaming has grown to 15% which I would suggest is at the expense of the owned music category not radio. Because I see streaming as being a substitute for your CD collection or LP's for anyone brave enough to admit owning them!

Podcasting at 4% seems low given the profile it has but there is no doubt that podcasting is the next audio platform and will become mainstream once quality and discoverability issues are addressed

So what does this mean for ARN?

Well, radio remains very resilient and relevant and ARN is performing well growing audiences in fact, ARN had its highest share of network ratings in its history in 2018.

Technology is benefiting our business and digital platforms are extending our audiences.

We have established iHeartRadio which will see us increasingly bring our broadcast radio brands and on-demand digital audio products together building a data set that will enhance personalisation and deliver real time analytics and targeting and create a unique audio experience all under one roof.

Talent, content and audience generation are the core of what we do

Our primary brands of KIIS and Pure Gold broadcast to 25-54 year olds and we continue to recruit and retain the best talent in Australia and beyond. In 2018, we made some significant changes to our line up and these shows are starting to resonate and build momentum.

Live, local and free content is the heartbeat of good radio. Particularly at breakfast where we the Number 1 media channel of choice, including social media, for reaching Australians because companionship and trust delivered from personalities our audiences know and love are the key drivers of radio engagement and our business is multi-platform.

And these platforms are extending our reach. Not disrupting it our broadcast radio reaches nearly 5m listeners a week. With DAB+ adding another 6% of new audiences. While DAB is an important part of our asset base and we are monetising it. But I don't see it as the primary driver of growth in the future simply because the finite spectrum available of which we have about 34% in Australia limits the creation of digital only stations. And the lack of data collection reduces its effectiveness in a digital world.

3.4m people engage with our digital publishing assets like The Roar and The Edge.

5.1m consume and interact with us on Facebook, Instagram, Snapchat etc and nearly 2m Australians have downloaded our iHeartRadio app with 1.3m having registered. Allowing us to build a profile of users that will only strengthen over time.

We've talked about iHeartRadio before. But I thought I might just take a moment to talk you through what it is.

Firstly, I hope everyone has downloaded the app but if not, I would encourage you to try it out.

The first feature is what we call 'live radio' – simply the live streaming our broadcast stations. iHeartRadio is growing our core brands because 50% usage of the app is listening to our stations.

We can also launch and broadcast an unlimited amount of digital only stations – those niche formats that are too small to broadcast over AM/FM or DAB+ as they cater for too small an audience – but attractive to advertisers seeking efficient targeting.

We can also curate specific artist or music stations built around users tastes – and the more you use the app – the more we can personalise your experience. And finally, podcasts – iHeartRadio has the largest library of podcasts in Australia and accounts for about 3% of our current usage having grown from nothing this time last year.

Advertiser interest in podcasting is growing and we have the added ability to go from what I call 'podcast to broadcast' – allowing the conversation to achieve critical mass using radio's reach – attractive to clients - and something we will do more of in the future.

As mentioned earlier, we have the largest library of podcasts in Australia, 3 million episodes across every category and we will build on the these by adding more localised content, including our own station and talent content and also native episodes that are advertiser specific.

Let's not get away too soon, there are over 1m podcast providers already and everyone seems to want to produce at podcast at the moment, but once quality and ease of discoverability are addressed, podcasts as an audio experience will become mainstream.

I just want to briefly touch on the phenomenal growth of smart speakers in Australia.

5.7m speakers have been sold – 23% of the population now own one

That's 30% penetration – up from zero in 18 months. And the average is 1.8m speakers per user, 10m devices.

Google Home has dominant market share v Amazon Alexa – the reverse of US experience.

Significantly, 7 in 10 users say they listen to AM/FM radio on their smart speakers …. bringing radio back into the home. And here's the proof point – in March, listening to our stations on iHeartRadio produced over half a million listening hours – and we haven't promoted the service on air. This will lead to exciting innovations for the delivery of radio content for consumers in the future and for advertisers, audio branding will become critical, particularly as V-seo estimated to be worth about $20bn worldwide by 2021 and v-commerce gain traction.

Surprisingly, it is estimated that only 17% of brands say that they have audio brand guidelines and strategy.

Which is why we launched ‘Sonic’ in 2018 - an audio branding division within ARN that combines sound, technology and science to build brand strength in an audio environment.

So I hope I have given you a flavour for the direction we are going building over time an eco-system that creates a complete audio experience.

The bringing together of our broadcast radio and on-demand audio content in one place:

- Is strengthening our brands.
- Will attract new audiences with expanded audio content.
- Deliver unique behavioural and data insights into audio consumption.
- And positions ARN as the only audio publisher to deliver integrated, audio first advertising solutions.

This won’t happen overnight and we are very conscious of maintaining a focus on our core radio assets but audio consumption is evolving. And although consumer uptake will accelerate usage will take time to build. But we are investing today to build out a unique audio proposition. And become a truly digital audio business for the future.

After a soft March, ARN’s Q1 revenue was approximately 5% behind 2018’s strong comps. April saw a year-on-year improvement, and based on forward bookings into May and June, we expect H1 revenue to be 2-3% behind prior year. First half cost savings of approximately 2% will mitigate the impact on EBITDA.

We continue to pursue cost savings in both radio and at the corporate office.

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