MARKET ANNOUNCEMENT

# HT&E FY17 FULL YEAR RESULTS

- Segment revenue up 58 per cent to $472.3 million from $298.6 million
- Underlying EBITDA up 30 per cent to $118.4 million
- Underlying NPATA attributable to shareholders up 28 per cent to $54.1 million
- Non-cash impairment charge of Adshel Australia goodwill and intangibles of $163.3 million
- Adshel revenue up 7.5% and EBITDA up 11.3%
- ARN revenue growth in second half of 5.1 per cent offset first half decline
- Declared fully franked dividend of 4cps

**SYDNEY, 15 February 2018** – HT&E Limited (ASX: HT1) today released its results for the 12 months ending 31 December 2017.

On a statutory basis, segment revenue from continuing operations was up 58 per cent to $472.3 million compared with $298.6 million in the previous year. The results incorporate the acquisitions of Adshel and Conversant Media in October 2016, with $161 million in revenue directly attributable to these acquisitions, and the balance predominately due to organic growth across Adshel, offset by declines at Australian Radio Network (ARN) in the first half.

Underlying earnings before interest, tax, depreciation and amortisation (EBITDA) rose 30 per cent to $118.4 million, with underlying net profit after tax and before amortisation (NPATA) attributable to shareholders up 28 per cent to $54.1 million.

The loss of the Yarra Trams contract announced in October 2017, and specifically the assumptions regarding the potential network impact, have resulted in a non-cash impairment of Adshel Australia goodwill and intangibles of $163.3 million in the 2017 accounts. This follows the $220 million accounting value uplift recorded in 2016. Statutory net profit after tax (NPAT) attributable to shareholders for the year was therefore a loss of $117.5 million, compared to a loss of $6 million in 2016.

The Board has declared a fully franked full year dividend of 4 cents, with an ex-dividend date of 29 March and payable on 26 April.

**HT&E Chairman, Peter Cosgrove**, said “HT&E made strong progress in 2017 as for the first time we operated our radio and outdoor businesses as wholly owned assets. ARN’s second half performance was particularly pleasing with an improvement in revenue and ratings giving the business the right platform for growth in 2018. Adshel had a very strong first half and, overall, achieved revenue and EBITDA growth for the year.”

**HT&E CEO & Managing Director, Ciaran Davis**, said “While 2017 had its challenges, we ended the year with strong momentum in our radio and outdoor businesses. Regaining and retaining the number one position was a key priority for ARN in 2017, which subsequently delivered the best ratings year in its history, and we finished 2017 as the leading national radio network in Australia. Adshel continued to outperform the market in terms of revenue share and we are actively pursuing new contracts, having already secured the Metro Trains Melbourne contract for seven years. Adshel New Zealand had another robust year of above market growth.”

“In line with our strategy, we have expanded our portfolio of digital investments, including entering the strong growth area of esports. We are increasingly of the view that esports will be compelling for advertisers, with a growing fan base made up of a valuable, younger demographic. Development of the division is ahead of schedule, with Dell signed on as presenting partner, and an exclusive deal secured with HOYTS cinemas to build a dedicated state-of-the-art esports arena in Sydney, and long-term prospects to extend that with venues across Australia.”

HT&E has completed a strategic review of its Hong Kong outdoor business and the decision has been made to continue to operate the business with a focus on returning it to profitability. The division currently has good momentum having recently won a five-year contract for the Hong Kong Tramways network of shelters, and the previous onerous Buzplay contract has expired. Market conditions have also improved into Q1 2018.

HT&E has received amended income tax assessments from the Australian Taxation Office (ATO) relating to the previously disclosed New Zealand Branch matter. The amended assessments are in line with HT&E's market disclosures and the Company intends to lodge an objection and vigorously defend its position through legal process. The amended assessments are for the financial years ended 31 December 2009 to 31 December 2012 inclusive, with tax adjustments of $72 million plus interest of $32 million. Further amended assessments are expected in due course.

HT&E maintains a strong balance sheet with net debt of $114.8 million down from $142.7 million in 2016. The Group retains more than $221 million in undrawn facilities, sufficient to cover any outcome of the dispute with the ATO. Further, the Group generated more than $75 million in operating cash flow in 2017, and reduced net debt by $28 million in the year.

**2017 statutory financial result**

| **A$ million** | **2017** | **2016** |
|---|---|---|
| Revenue before finance income | 472.3 | 298.6 |
| Other income | 7.4 | 7.2 |
| Share of associate profits | 1.3 | 9.3 |
| Costs | (362.5) | (224.1) |
| **Underlying EBITDA[1]** | **118.4** | **90.9** |
| Depreciation | (22.4) | (7.4) |
| **Underlying EBITA[1]** | **96.0** | **83.6** |
| Net interest expense | (9.0) | (17.7) |
| **Net profit before tax and amortisation[1]** | **87.0** | **65.9** |
| Taxation on net profit before amortisation | (26.7) | (16.9) |
| **Net profit after tax and before amortisation (NPATA)[1]** | **60.3** | **48.9** |
| Less non-controlling interest | (6.2) | (6.6) |
| **NPATA attributable to HT&E shareholders[1]** | **54.1** | **42.4** |
| Amortisation (net of tax) | (11.2) | (0.8) |
| **NPAT attributable to HT&E shareholders[1]** | **42.9** | **41.6** |
| Exceptional items | (160.4) | 203.5 |
| NPAT from discontinued operations | - | (251.1) |
| **NPAT attributable to HT&E shareholders** | **(117.5)** | **(6.0)** |
| Underlying EPS (cps)[1] | 13.9 | 20.8 |
| Final dividend per share (cps) | 4.0 | 4.0 |

(1) Before non-operating items

**Australian Radio Network**

- ARN revenues down 0.6 per cent
- Second half revenue growth of 5.1 per cent, versus market growth of 1.7 per cent, offsetting H1 decline
- EBITDA down $2.3 million
- Strong final survey, number one national radio network in Australia
- Secured key talent on long-term contracts
- Long-term sector growth in both listenership and revenue

While ARN full year revenues were down 0.6 per cent year on year, growth of 5.1 per cent in the second half in a market that grew 1.7 per cent, offset a 6 per cent decline in the first half.

Second half costs were up 2 per cent, driven by increased variable cost of sales on increased revenue and investment in staff and talent, offset by the abolishment of broadcasting licence fees. Full year costs were up 0.7 per cent with EBITDA down $2.3 million for the year. An EBITDA margin of 38 per cent was maintained.

The sector has demonstrated long-term growth in both listenership and revenue, and live Australian radio remains the dominant audio platform, accounting for 65.3 per cent of time spent listening to audio, up from 64.9 per cent in 2016.

ARN had the best ratings year in its history, regaining the number one national 10+ network position in surveys 5 to 8, ending the year as the leading national radio network in Australia, with strong survey 8 results across all markets.

In survey 8, in the important Sydney market, ARN held the number one and number two FM stations, as well as the number one and number two FM breakfast shows. KIIS 1065's Kyle & Jackie O and WSFM's Jonesy & Amanda achieved outstanding results, with a 12.1 per cent and 10 per cent share respectively.

In Melbourne, ARN rounded out a strong year with GOLD104.3 retaining its position as number one FM station, while KIIS 101.1 was the number five FM station. In Brisbane, 97.3FM finished with the number four FM breakfast show and number three station overall, and 4KQ retained its position as number one AM station overall, and number one AM commercial breakfast show. Mix102.3 maintained its lead in Adelaide as the number one station overall and in Perth the refocused music positioning yielded strong audience growth for 96FM.

ARN continues to invest in key talent, including WSFM's Jonesy & Amanda who have been locked in for at least the next three years. In Melbourne, KIIS 101.1 has a new breakfast show, Jase & PJ, with strong commercial appeal, while GOLD104.3 secured London's leading breakfast show host, Christian O'Connell. A new national drive show, Will & Woody, was launched across the KIIS network, driving greater appeal for national advertisers.

iHeartRadio, the music streaming and digital entertainment brand, is a key component in ARN's digital future and a driver of audio content. Having reached over one million registered users in 2017, ARN is building a new digital audience, particularly under 35 years of age, for ARN to monetise a demographic to which it doesn't currently broadcast.

| A$ million | 2017 | 2016 |
|---|---|---|
| Revenue | 218.7 | 220.1 |
| Costs | (135.6) | (134.7) |
| Segment EBITDA | 83.1 | 85.4 |
| Depreciation | (4.1) | (3.8) |
| EBITA | 79.0 | 81.7 |

**Adshel**

- Revenue up 7.5 per cent
- EBITDA grew 11.3 per cent
- Adshel AU revenue growth of 4.2 per cent versus OMA Roadside-Other segment up 3 per cent
- Adshel NZ revenues up 24 per cent versus OMANZ market up 18 per cent
- Strong performance in H1 across AU and NZ, Australian momentum affected in Q4 with Yarra Trams contract loss
- Largest digital roadside network in Australia and New Zealand
- Investment in digital driving revenues; Digital revenues account for over 30 per cent of Adshel's revenue
- Ongoing investments in digitisation, data and technology key drivers of future growth

Total revenue for 2017 across Australia and New Zealand rose 7.5 per cent to $221.3 million. EBITDA grew 11.3 per cent to $51.5 million, with digital revenues contributing to overall margin improvement. Adshel had a very strong performance in the first half of 2017, with significant revenue and earnings growth. The loss of the Yarra Trams contract, announced in October, affected momentum in the fourth quarter in Australia.

In Australia, Adshel experienced growth of 4.2 per cent, compared with the Roadside-Other market segment which was up 3 per cent on 2016. In New Zealand, Adshel revenues grew 24 per cent, against market growth of 18 per cent.

The outdoor sector remains strong, and advertiser appetite is expected to continue to grow, driven by increased digitisation, particularly in the street furniture segment.

Adshel has the largest roadside network in Australia and New Zealand. The Adshel Live roll-out continued during 2017, albeit impacted in Australia by the Yarra Trams contract process and outcome, with those affected screens to be redeployed in the first half of 2018, reinstating Adshel Live as the only national digital street furniture network in each of Australia and New Zealand. In New Zealand, expansion continued with the network growing to more than 200 screens, including entry into Hamilton.

Digital revenues now account for over 30 per cent of Adshel's media revenue, with ongoing investments in digitisation, data and technology all key drivers of future growth. The Adshel Live network will expand in the first half of 2018 to over 300 screens in New Zealand, while street furniture deployment and the Metro Trains Melbourne (MTM) project will see Adshel grow to more than 750 screens in Australia.

At the same time, Classic products remain resilient and are holding up well, with like-for-like inventory-adjusted sales growth of 1.8 per cent in 2017, supported by continued investment in research and marketing.

Total costs grew 6.4 per cent to $169.8 million, with much of this increase coming from revenue-related selling costs, predominantly site rent, agency commissions and investment in back-end capability.

Adshel remains the clear leader in street furniture in Australia. In re-establishing the Adshel Live network in Melbourne across other contracts, Adshel continues to demonstrate the strength of its national network. It continued to retain and win strategic mid-tier and other key contracts in 2017, including the MTM contract which was secured for seven years.

| **A$ million** | **2017** | **2016** |
|---|---|---|
| Revenue | 221.3 | 205.8 |
| Costs | (169.8) | (159.6) |
| Segment EBITDA | 51.5 | 46.2 |
| Depreciation | (17.6) | (14.3) |
| EBITA | 33.9 | 31.9 |

**Hong Kong Outdoor (Cody)**

Hong Kong Outdoor made some progress returning to profitability in 2017, despite continuing challenging market conditions. The Hong Kong Tramways five-year shelter contract was secured from May 2017 and the onerous Buzplay contract expired mid-2017.

After a strategic review of the business HT&E has determined that shareholder value will be maximised through retaining and continuing to operate the business at this time, focusing on returning it to profitability.

**Digital Investments**

In 2017, HT&E expanded its portfolio of digital investments, establishing HT&E Events and launching Gfinity Australia to focus on the strong growth area of esports. Esports is an exciting space to be in, with a young and growing audience in Australia of 1.5 million esports fanatics.

HT&E has partnered with global experts in the industry and believes the esports division provides further opportunities for HT&E to expand its digital audience base and grow commercial opportunities by reaching a valuable younger demographic.

Conversant Media had a year of strong audience growth with overall video views up almost three hundred per cent. 2017 was a soft market for digital display inventory. To counter this, Conversant Media pursued new, premium-yield video product opportunities, including the launch of Club Roar, a market-first platform for fan-powered video content. Conversant Media delivered revenue of $4.2 million and EBITDA of $0.3 million, after $320,000 in Club Roar launch costs.

Emotive had a successful year with earnings up 24 percent in 2017, positioning itself as one of the leading and award-winning social video content agencies in Australia.

HT&E has also invested a modest amount in Unbnd, an early stage media content and technology business focused on virtual and augmented reality, where we will look to develop client-led content and solutions – particularly in esports and for Adshel.

**Marketing in Motion**

In 2017, HT&E undertook industry-leading research to prove its 'Marketing in Motion' proposition, demonstrating how radio, outdoor and digital work effectively together and provide better return on investment for advertisers. Early case studies have been encouraging. Clients can now leverage the Company's unique portfolio of media assets to develop integrated solutions, with content replicated and aligned across HT&E's divisions.

**Mr Davis** concluded:

"In 2018, our focus is purely on operational performance and execution to deliver value for shareholders. We intend to build on the strong radio performance in the second half, with ARN focused on maintaining its number one position and extending its ratings lead in 2018. New breakfast shows have been launched in Melbourne and Perth and there is a new national drive show across the KIIS network. For Adshel we are driving continued growth in street furniture and rail, focusing on upcoming tenders, contract renewals and further digital expansion, as well as investing in new technology and geo-targeting capabilities, while seeking efficiencies where possible. With the roll-out of our esports and events division in 2018, we aim to make Gfinity Australia the premier esports broadcast league in the country and monetise it.

"HT&E is uniquely placed in the Australian media market with an expanding portfolio of high quality assets across radio, outdoor and digital, and significant potential to monetise cross-platform opportunities. We will continue to further optimise integration across all of our businesses where it is most effective, while targeting select clients with products and solutions that reach larger audiences – more engaged and receptive to the content and advertising messages across HT&E's combined platforms."

**Trading Update**

**ARN**

- Momentum from H2 2017 has continued into 2018 with forward bookings indicating similar revenue growth in Q1 2018
- Talent changes in 2018 are cost neutral with Q1 cost growth tracking slightly ahead of revenue, driven by:
    - cost of sales
    - investment in marketing for new shows
    - continued repositioning of commercial offering
    - reinstatement of prior year temporary savings

**Adshel**

- With good revenue visibility into Q1, Adshel bookings for the quarter are in line with 2017, after adjusting for Yarra Trams contract-only revenue (~$5m in Q1 2017) to enable like for like comparison
- Total costs are tracking approximately 9-10% (~$3-3.5m) lower than Q1 2017, mainly due to savings on fixed and variable rent contracts
- Further updates will be provided at the AGM after the MTM contract goes live in April

*Ends.*

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**To view the February 2018 video update from HT&E CEO & Managing Director, Ciaran Davis, click here, or visit the Investor Relations page on the HT&E website: investorcentre.htande.com.au**

For further information, please contact:

Peter Brookes, Citadel-MAGNUS, +61 407 911 389, pbrookes@citadelmagnus.com
Helen McCombie, Citadel-MAGNUS, +61 411 756 248, hmccombie@citadelmagnus.com