HT&E Limited
2020 Annual General Meeting
SYDNEY, 7 May 2020

CEO'S ADDRESS TO SHAREHOLDERS

Thank you Hamish and good morning everyone

Before looking back on 2019, I thought it would be useful to update shareholders on measures that the business has taken since the lockdown restrictions of COVID-19 came into force.

As Hamish has touched on, the health and wellbeing of all of our staff is our top priority and I am pleased to report that the Business Continuity Plans we had in place significantly reduced the risks to staff and allowed the business to broadcast unaffected and to work remotely without any business interruption. Our staff have done an incredible job adjusting to news ways of working without impacting our listeners or clients and for that, I am very grateful. We are monitoring government advice closely and have prepared a phased return to office work if and when it is deemed appropriate to do so.

Cost control measures taken to date amount to largely non-repeat operational savings in 2020 of circa $20-23 million, across a range of expenditure lines, including marketing, travel, entertainment, bonuses and incentives and new employee hires. The Board, CEO and management team are taking a 20% pay cut and will forego all incentive payments for 2020. Staff are being asked to work reduced hours, use up excess annual leave and in some instances take short term pay-cuts for at least the next 3 months while we assess the state of the market.

Non-repeat savings include the expected net cost benefit of the JobKeeper package announced by the Government

Our commercial teams have been very active in market implementing a 'Combatting Corona' trade activity plan promoting the power radio to ad agencies and clients …. reminding them of ARN's great strengths - immediacy, trust, and cost effectiveness with increasing digital targeting capability.

During the early weeks of lockdown, we did experience unprecedented levels of cancellations as the chart show that impacted the last two weeks of March and into April, May and June but thankfully, these cancellations have largely abated since early April.

Radio plays an incredibly important community role as our listeners crave engagement and a sense of normality in this isolating environment. As an industry, we have actively managed any misconception that COVID-19 was going to have a negative impact on Radio listenership – particularly any decline to in-car or at work listening. It was critical that advertisers were provided evidence to the contrary and retained confidence in the strength of the medium.

As the charts show, Radio consumption is growing and we have been on the front foot informing the market of the reality that radio listeners are spending longer listening over the past few weeks …. over 1 hour 30 minutes longer per week compared to the weeks prior to the lockdown. This is according to analysis of ratings data collected three weeks before the initiation of Government restrictions … and compared them to the three-week period after.

Time spent listening to the crucial Breakfast and Drive segments have increased by 20 minutes and 18 minutes respectively.

Breakfast growth is particularly impressive when you consider that it accounts for approximately 30% of total radio listenership. Both weekday and weekend listening is up.

As expected share of listening in the car dropped by 13.2% but the amount of time spent listening at home has grown 17.8% … or 4 hours 3 minutes ….. well exceeding any decrease in cars or at work.

Despite the very challenging times, we are pleased with the progress we continue to deliver on our strategy to lead the sector in defining audio.

Ratings are the key driver of success and we continue to remain the Number 1 metropolitan network in 2020 with very strong performances across the country.

The performance of the iHeartRadio platform has been particularly impressive recording its best month ever in March. Active users grew 24% to 1.2m and the number of new registration running at approx. 1,200. We recorded over 3m listening hours to ARN stations in the month which is a lead indicator for us confirming that the cross promotion activity we carry out between our FM brands and iHeartRadio is driving people to listen more on the platform.

We launched iHeart Podcast Network Australia in February and immediately became the Number 1 podcast network publisher in the country. 40m impressions is a very strong number and our sales teams are active in the market educating clients on the benefits and effectiveness of podcasting. This will take time but we are seeing a good level of engagement.

Our digital and social sites are also experiencing strong growth as people try to escape bad news in favour of entertainment and celebrity stories, and this audience is being effectively bundled with radio and digital audio campaigns to add to our total commercial offering.

And this week, we launched two new digital products to strengthen our commercial offering and expand digital capability – ARN Dynamic Audio and Shake Me Interactive

ARN's dynamic advertising technology basically delivers more personalised and measurable campaigns for advertisers – on Radio.

We have already successfully implemented this technology across the iHeartRadio Australia app, but now we are the first and only media business in the world to have the capability to provide dynamically targeted, real-time advertising on AM, FM and DAB+ radio.

Never before has a media company been able to automatically deliver real-time, personalised advertising to radio audiences but ARN can now send real-time messages to people based on their gender, age, location, interests and even the weather.

This will prove very attractive to a number of advertisers across a range of industries as research has shown that compared to non-targeted messaging, this new technology delivers a 52% uplift in advertisement recall, a 49% increase in engagement and a 240% increase in customer conversions.

Interactive 'Shake Me' technology is the next evolution in audio advertising

ARN now gives advertisers the unique ability to empower listeners connect with their ad by responding immediately to an advertisement

A person listening to an ad for a new car can now simply shake their phone or give a voice command to open a website, get directions to their nearest dealership or even call the dealership directly – making it easier than ever for our advertisers to 'close the loop'. A listener doesn't even have to unlock their phone or look at their screen to access an advertiser's offer.

Shake Me technology trials are seeing 12 x weekly uplift in ad responses and we're excited to bring both technologies to market

In terms of our statutory results for 2019, Group revenue from continuing operations decreased $19.1 million to $253 million on last year, with both ARN and Cody Outdoor experiencing declines.

Its been well documented that prior to COVID-19, Australia was facing a challenging cyclical advertising market … and radio is not immune to that. Protests in Hong Kong hampered the sale process we were running and also impacted revenue from May onwards … with revenue back 18% for H2 on a like basis

Group EBITDA from continuing operations increased by $3.8 million to $75.6 million due to the impact of the new lease accounting standard AASB 16 Leases. Ignoring the effect of AASB 16, EBITDA would have been down 17% to $59.9 million.

EBIT and NPAT were down 15% and 7% respectfully …. while underlying EPS grew 1% thanks to the accretive nature of the share buyback that is on going

And as Hamish has mentioned, the strength of our balance sheet and cash generating assets means that we increased our payout ratio in 2019 to 70% with a fully franked full year dividend of 8.6 cents per share

2019 was a difficult year for the media industry with macro-economic factors in the key auto, retail and banking sectors leading to reduced advertising budgets and the total advertising market contracting for the first time since 2012. A challenged SME sector also saw direct advertising revenues come under pressure as local business activity began to contract.

Although radio revenue declined 6%, the effectiveness of radio in the marketing mix remains strong and it sector maintained its share of total advertising spend at 8.6%.

Full year ARN radio revenues were down 6% to $208 million which was in-line with market. In H1 the market benefited from Federal government election spending, however economic sentiment deteriorated post May which in turn impacted consumer spending and advertising volumes in the second half of the year finishing back 9.8%.

Pleasingly, following a period of sustained ratings success and with our redefined commercial proposition resonating with clients, ARN Q4 revenues and share finished ahead of market.

Total costs for the year finished down 1% on a like basis.

Costs of sales were lower on reduced revenues

Staff and talent costs were up 4% impacted by contracted talent increases, ratings bonuses (not paid in 2018, but paid in 2019) and enhanced Commercial team capability

Operating costs were flat on a like basis

Resulting EBITDA of $73.3m was therefore down 17% on a like basis.

We spent a large part of 2019 focusing on our core radio business ….. positioning ARN as the leading audio broadcaster with a simple and clear offering

From a content perspective … audiences continue to tune into Radio's - it is still the major source of audio entertainment in this country and has grown 22% over the last 10 years.

We finished the year as the No. 1 metropolitan network with audiences up 4%

A large part of this ratings success is due to the great talent we continue to recruit and retain … and extending key contracts with limited overall cost increase … helping us deliver the largest library of content in Australia in Radio, Music and Podcasting.

Expanding our distribution channels is growing new audiences and new commercial opportunities

Our confidence to invest in iHeartRadio strengthened …. with the licence being extended to 2036.

.. And in July we commenced a strategy for greater on-air integration that saw an immediate impact on usage

21% of our listening is now via smart speakers which ….. as we have said before is bringing Radio back into the home and changing how we see audio content being consumed in the future.

Our Catch Up Radio strategy ….. launched in H2 ….. is already seeing downloads of 2 million a month. Similar to tv's BVOD, this is an effective way to further monetise content we create for on-air broadcast

And as I mentioned earlier, we launched iHeartPodcast Australia Network in February this year

We also launched a new commercial strategy in H2 that is resonating well with clients and agencies … and if there is positive news in a challenging market, then we take some comfort from winning share

We launched a new DMP in Q4 … one that helps our clients target more effectively our growing 1st party dataset

And with a 62% increase in digital listening hours to over 6 million in December ….. we are starting to deliver an inventory level to service in-stream digital advertising

But as we have said many time before, it is talent that wins ratings …. And ratings are the primary driver for growing commercial share

Our investment in talent continues to deliver.

In 2019, we had our best performance since 2015

We were the No. 1 Commercial Network Group in Sydney, Melbourne and Adelaide with had the #1 Commercial Station in Brisbane

KIIS was the no. 1 Commercial FM Network

Due to COVID-19, ratings surveys 3, 4 and 5 have been cancelled so the results from survey 2 this year were important to take us through to September. As well as being Number 1 nationally, we have

The #1FM & #2FM Breakfast shows in Sydney

#1FM Station and Breakfast show in Melbourne

#1FM Station in Brisbane

#1 Station in Adelaide and the

#2 Station and Breakfast show in Perth – and we're disappointed with that !

Turning to Hong Kong, and after returning to profitability in 2018, Cody started the year strongly and was more than 200% ($0.6 million) ahead of prior year EBITDA on a like-for-like basis at the end of June.

Unfortunately, the political unrest and resulting protests in Hong Kong escalated in severity from June and, significantly impacted second half revenues. Tram shelter advertising assets at street level were particularly affected, sustaining regular damage during the protests.

Revenues on the important Western and Eastern Harbour tunnels and other billboard assets were less impacted by the protests, but lowered on overall reduced advertiser demand in Hong Kong.

Revenues were down 20% to $25 million while EBITDA - $12.4 million - was up on last year.

Normalising for the impact of lease accounting and currency fluctuations, EBITDA was break even for the year.

We continue to assess our options around our future investment in Cody, with a preference to exit the market in a reasonable period with the right outcome for shareholders.

The COVID-19 Government response and restrictions in Hong Kong are similar to Australia

Subsidies of $9k per employee per month for 6 months from June 2020 providing no terminations occur

Quarantine measures extended for 2 weeks until 7 May 2020 and possibly further with restrictions in place include max. group of 4 people in public, restaurants to operate with max. 4 people per table, closure of all bars, beauty salons, karaoke and nightclubs.

Over the past couple of weeks, small protest resumes following a dip in COVID-19 cases despite social distancing rules.

Post the sale of Adshel in 2018, significant progress was made in 2019 to reduce corporate costs and simplify the management structure between HT&E and ARN.

The reduction in salary costs reflects the part year benefit of recent personnel changes and lower incentive costs.

Compliance and advisor costs increased, split between the non-audio portfolio review & final wrap-up of transaction costs on the Adshel sale.

The restructured Corporate cost base is now of the right-size to achieve the $10m target we have been working towards since the disposal of Adshel.

ARN

- ARN remains the #1 metropolitan radio network in Australia, with ratings success in 2019 and the first two surveys of 2020 now delivering consistent commercial share gains.
- During Q1 ARN (-7.2%) outperformed the broader metro radio market (-12.4%) and gained market share.
- Q2 bookings have been adversely impacted by COVID-19, with April revenue declines over 40%, with Direct Clients, normally comprising ~30% of total revenues, particularly impacted.
- The high level of client cancellations experienced in the weeks immediately following the national pandemic lock-down, have abated.
- Forward bookings for May remain broadly in line with April.
- Briefing activity levels improving across specific sectors, including financial services, government and supermarkets.

Hong Kong

- Following the political unrest experienced in H219, trading performance of Cody Outdoor has been further impacted by COVID-19, with Q1 revenues down more than 45%.
- Forward bookings for May have deteriorated slightly with HK Trams being most affected on reduced commuter volumes.
- Cost reduction activity, where possible has been implemented, and remains a priority.

Cost Controls

- Cost control measures taken to date amount to predominantly non-repeat operational savings in 2020 of between $20m-$23m.
- The Board, CEO and management team are taking a 20% pay cut and will forego all incentive payments for 2020.
- Staff are on reduced hours, utilising annual leave and in some instances taking salary cuts for at least 3 months.
- Non-repeat savings include the expected net cost benefits of the JobKeeper package.

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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

The release of this announcement was authorised by the Board of HT&E Limited.