



TEN NETWORK HOLDINGS LIMITED

# 1H FY16 RESULTS PRESENTATION

21 APRIL 2016



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The material that follows is a presentation of general background information about the Company's financial position and general activities current at the date of the presentation.

This document contains certain forward looking statements and comments about future matters. Forward looking statements are provided as a general guide only, and should not be relied on as an indication or guarantee of future performance.

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# OPERATIONAL REVIEW

**PAUL ANDERSON**

CEO



# 1H FY16 FINANCIAL HIGHLIGHTS

- Television revenue up 7.9%
  - Strongest revenue performance in over three years
- Revenue share in 1H FY16 up 2.5 points to 23.4%
- Television EBITDA up 35.8% to \$10.1m
- Significant items of \$23.3m, including a non-cash \$24.8m profit on sale of the EYE Corp US business
- Net profit attributable to members of \$13.4m (1H FY15: net loss of \$264.4m)
- Net debt reduced from \$131m in Aug 2015 to \$20m in Feb 2016
- All onerous contracts expired in March 2016

*Source: SMI Database , Commercial FTA Revenue Share as at Mar 2016*

# 1H FY16 OPERATIONAL HIGHLIGHTS

- TEN was the only commercial free-to-air primary channel to increase its prime time audience in the 2015 ratings year
- 2015-16 Summer: primary TEN channel's highest summer commercial share in total people and 25 to 54s since 2009-10
  - Highest network commercial share in 25 to 54s ever
- 2016: primary TEN channel's biggest audience in total people since 2012
- Delivering audience growth across all screens
- Launched TEN HD in March 2016
- MCN integration has driven revenue growth
  - Power ratio improved from x0.84 to x0.91
  - 12 consecutive months of revenue growth
  - December 2015: highest revenue share since June 2012

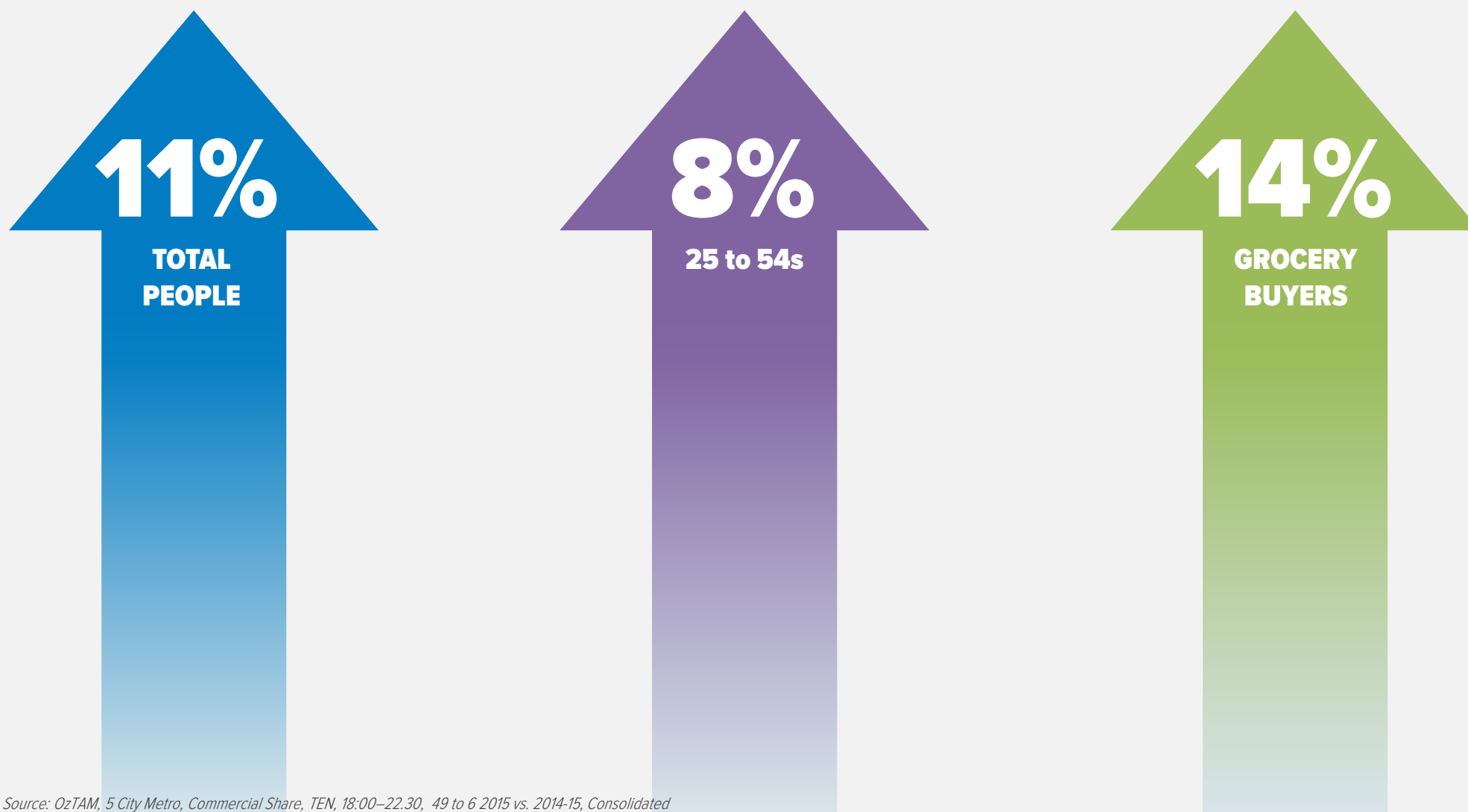
*Source: OzTAM, 5 City Metro, TEN primary and Network Ten, 18:00–22.30, Mar 15 to Feb 16 vs. Mar 14 to Feb 15, Consolidated; SMI Database as at Mar 16*

# CORPORATE ACTIVITY

- Completed issuance of shares to Foxtel along with fully underwritten accelerated pro-rata renounceable entitlement offer of new ordinary shares, raising net proceeds of \$146.4m
  - Strengthening of balance sheet
  - Continue strategic investment in prime time content for television and digital platforms
- MCN partnership commenced on 1 September 2015
  - Acquisition of a 24.99% shareholding in MCN
- Consolidation of issued share capital in January 2016 on the basis of one share for every existing 10 shares
- Sale of EYE Corp US operations
  - Non-cash gain of \$24.8m on sale of the EYE Corp US business
  - Last remaining out-of-home assets/contracts ceased at the end of March 2016
- Restructure of TEN Board following the AGM in December 2015
  - New Board of six directors
  - Three independent directors, including independent Chairman, David Gordon
  - One nominee each from Foxtel, Illyria and Harrine Investments

# SUMMER AUDIENCE GROWTH

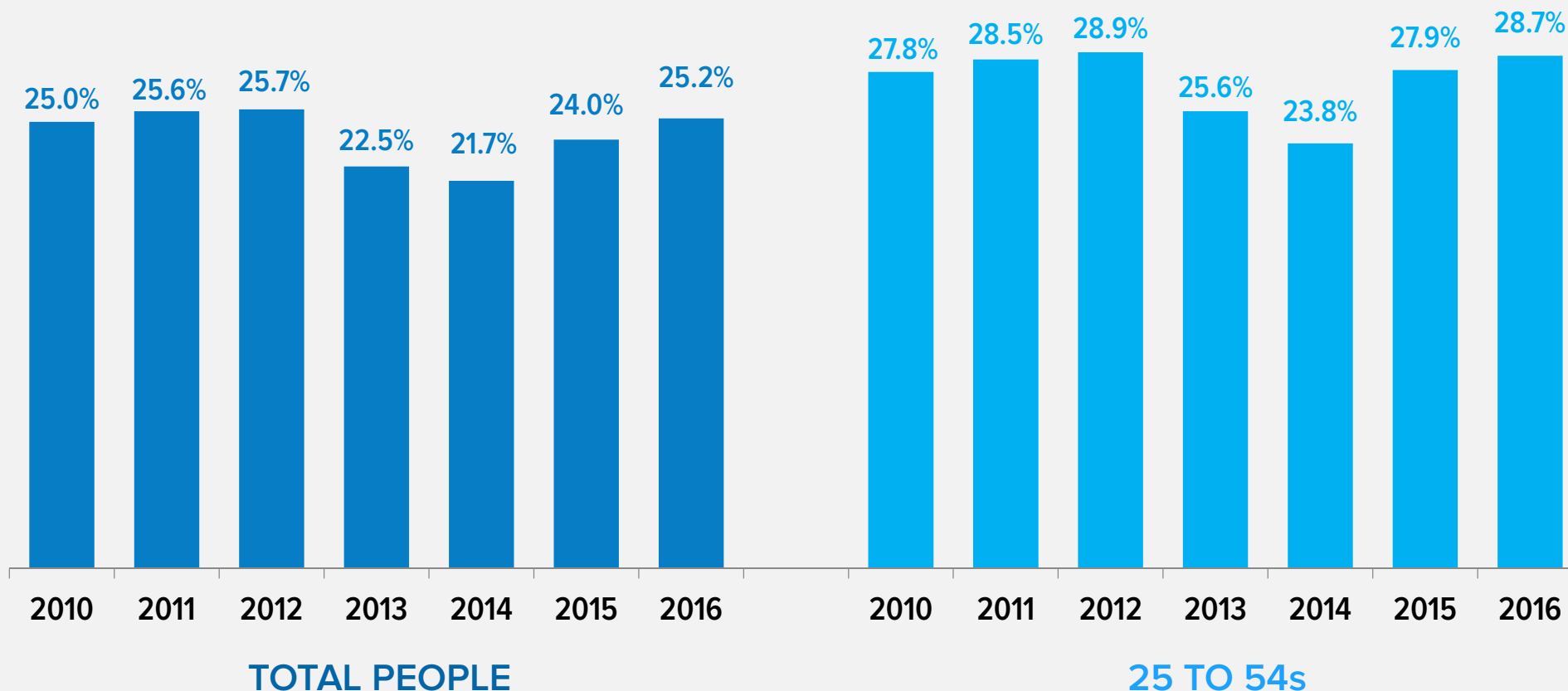
TEN'S BIGGEST SUMMER AUDIENCE IN TOTAL PEOPLE SINCE 2010-11



*Source: OzTAM, 5 City Metro, Commercial Share, TEN, 18:00-22:30, 49 to 6 2015 vs. 2014-15, Consolidated*

# AUDIENCE MOMENTUM CONTINUING IN 2016

## HIGHEST NETWORK COMMERCIAL SHARES SINCE 2012



TEN primary channel's audience has grown 5.4% in total people and 8.2% in grocery buyers in 2016 | TEN's biggest audience in total people since 2012

Source: OzTAM, 5 City Metro, TEN Primary and Network Ten, 18:00–22:30, Weeks 1 to 16, Consolidated (excluding Week 16 which is Overnight)



# ONLINE AND SOCIAL MEDIA

1H FY16 GROWTH



Social Media



**30%**

**86.4m**  
VIDEO  
SEGMENT  
VIEWS

**9%**

**13.2m**  
UNIQUE  
VISITORS

**13%**

**2.53m**  
APP  
DOWNLOADS

**10%**

**172**  
SOCIAL  
MEDIA  
CHANNELS

**10%**

**12.1m**  
SOCIAL  
MEDIA  
FOLLOWERS

Source: Adobe Analytics, Ten Network

# CONTENT HIGHLIGHTS: 2015-16



**BIG FINAL: 1.21 MILLION VIEWERS**  
**SEASON TV AUDIENCE UP: 25%**  
**23.5 MILLION TWITTER IMPRESSIONS**



**FINAL DECISION:**  
**1.56 MILLION VIEWERS**  
**10 MILLION VIDEO VIEWS**



**WINNER ANNOUNCED:**  
**1.1 MILLION VIEWERS**  
**SERIES: 784,000 VIEWERS, UP 6%**



**WINNER: 947,000 VIEWERS**  
**DOMINATED TIMESLOT**  
**SERIES: 48% TIMESLOT GROWTH**



**730,000 VIEWERS**  
**37% TIMESLOT GROWTH IN 2015**



**624,000 VIEWERS**  
**21% TIMESLOT GROWTH**



**PODIUM: 1.29 MILLION VIEWERS**  
**PODIUM: UP 34% ON 2014**  
**RACE: 1.1 MILLION VIEWERS**



**RACE: 864,000 VIEWERS**  
**DOMINATED TIMESLOT**  
**WEEKEND: 3.3 MILLION REACH**

Source: OzTAM, 5 City Metro, Consolidated. Nielsen Twitter TV Ratings

# NEW CONTENT STILL TO COME



**#1 PROGRAM OF 2015 IN 25 TO 54s**  
**WINNER: 2.2 MILLION VIEWERS**  
**2015 SERIES: 1.18 MILLION, UP 15%**  
**25.4 MILLION VIDEO VIEWS**



**2014 FINALE: 1.15 MILLION VIEWERS**  
**2014 SERIES: 1.03 MILLION VIEWERS**  
**DOMINATED TIMESLOT**



**2015 SERIES: 690,000 VIEWERS**  
**26% TIMESLOT GROWTH IN**  
**2015**



**2015 SERIES: 672,000 VIEWERS**  
**UP 87% ON 2014**



**FINAL DECISION:**  
**1.52 MILLION VIEWERS**  
**FINALE: 1.27 MILLION VIEWERS**  
**16.9 MILLION VIDEO VIEWS**



**LOCAL TV DRAMA**  
**EVENT OF THE YEAR**  
**ALL STAR CAST**



**BEST SELLING BOOK**  
**ALL STAR CAST**



**MOST SUCCESSFUL REALITY**  
**TV SHOW WORLDWIDE**  
**RECORD 15,000 APPLICANTS**  
**HIGH PROFILE HOST**

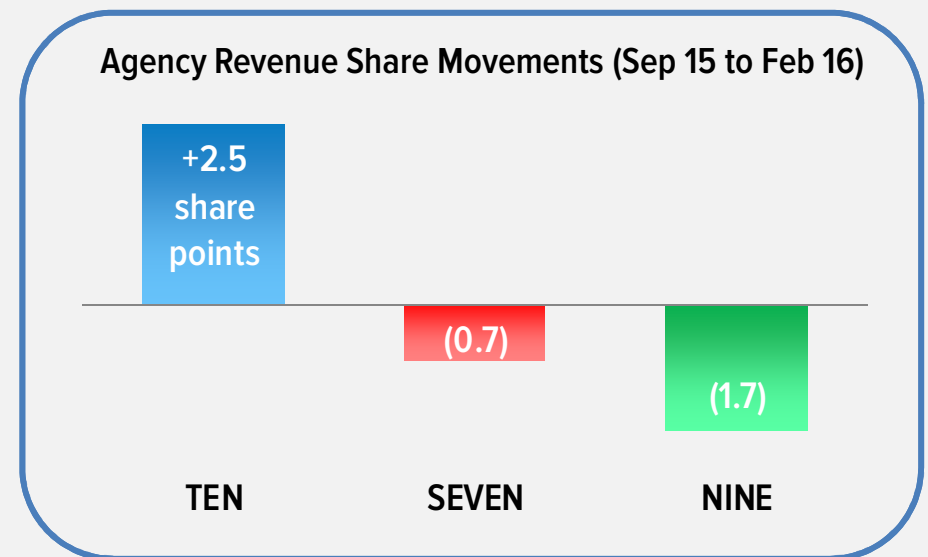
Source: OzTAM, 5 City Metro, Consolidated. Adobe Analytics, Ten Network

# MCN AND REVENUE PERFORMANCE

- Started long-term MCN sales agreement on 1 September 2015
  - MCN selling Ten Network’s television, catch-up and digital properties
  - Increased scale and efficiencies across all TV and online video
  - World-class trading platform and improved data capability
  - Broader integration opportunities for clients



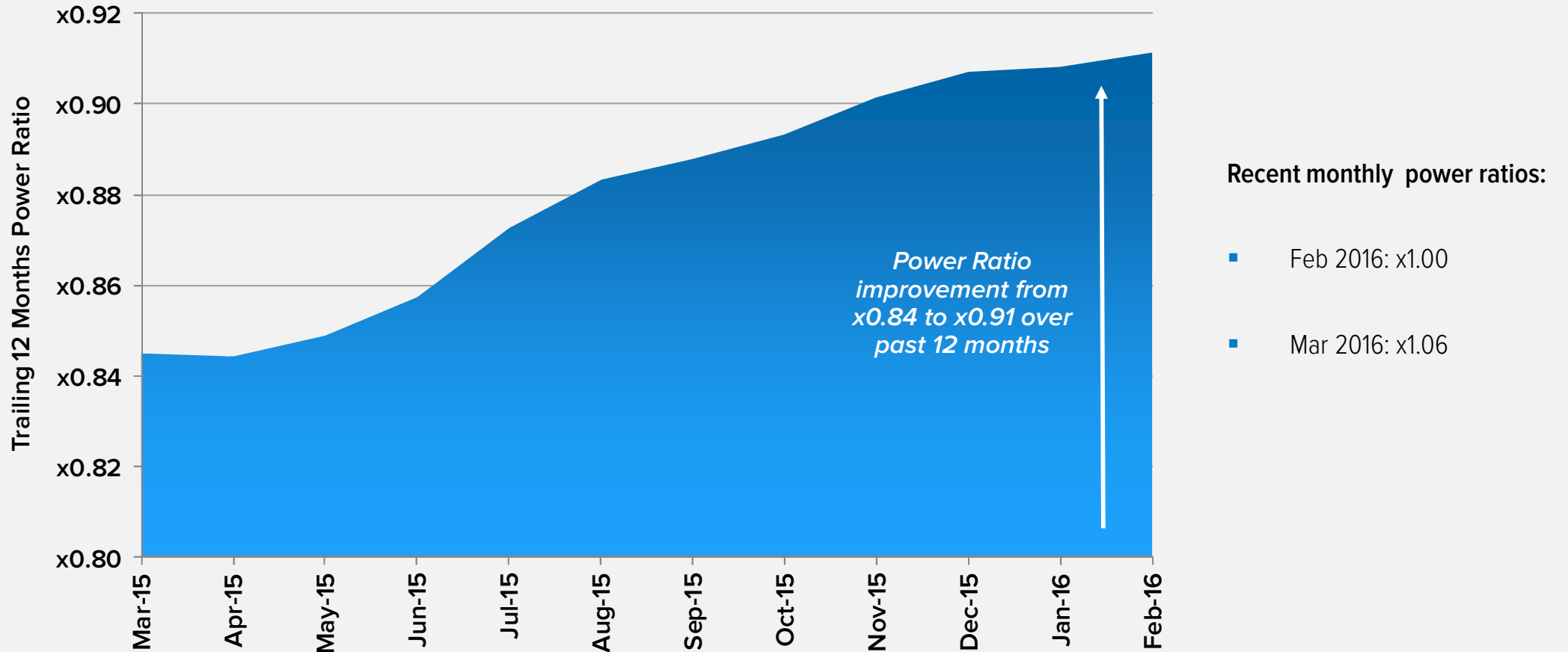
- Strong focus on transitioning of Sales team and functions to MCN
- Delivering strongest 1H revenue performance in over three years
  - Broadcast revenue up 8.7%
  - Digital revenue up 12.2%
- 12 consecutive months of revenue growth
- TEN to become part of MCN’s world-class trading platform, Landmark, in the second half of the year



Source: SMI Database , Commercial FTA Revenue Share as at Mar 2016

# POWER RATIO IMPROVEMENT

Ten Network's trailing 12 month power ratio has increased:



Source: OzTAM, 5 City Metro, Network Ten, 18:00-22:30, Mar 15 to Feb 16, Consolidated | SMI, Mar 15 – Feb 16

# FINANCIAL REVIEW

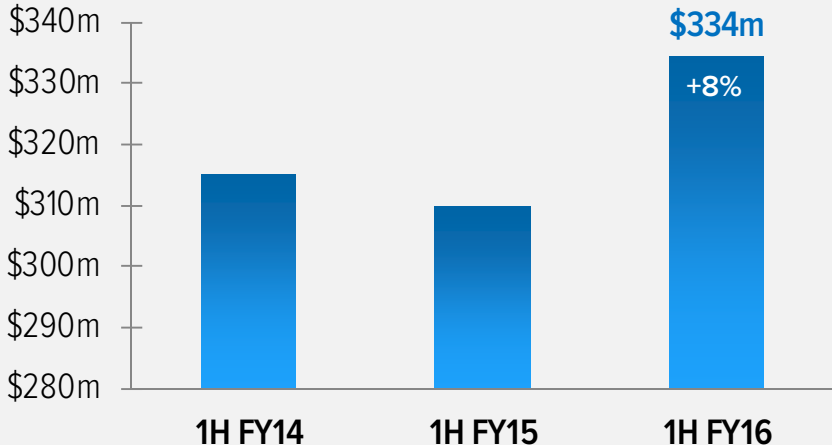
**DAVE BOORMAN**

CFO

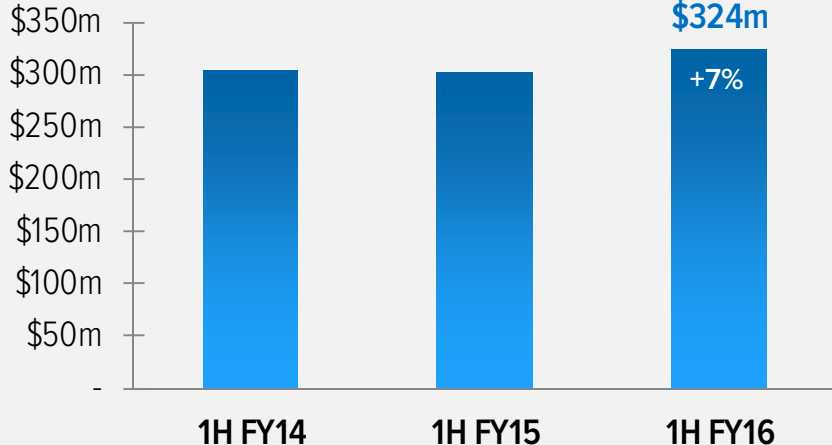


# 1H FY16 FINANCIAL HIGHLIGHTS

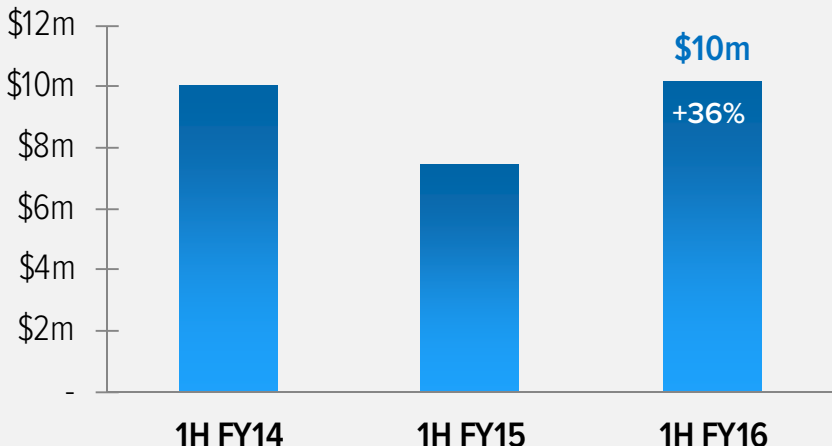
Television Revenue



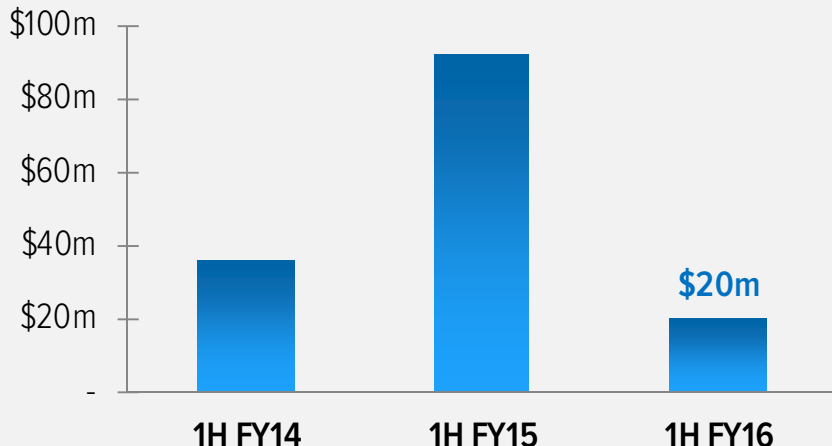
Television Costs



Television EBITDA



Net Debt



# INCOME STATEMENT

## Income Statement for the half year ended 29 February 2016

Group Results (\$m)	1H FY16	1H FY15	Fav / (Unf)
Television Revenue	334.2	309.8	7.9%
Television Expenses	(324.1)	(302.3)	(7.2%)
<b>Television EBITDA</b>	<b>10.1</b>	<b>7.5</b>	<b>35.8%</b>
Outdoor EBITDA	-	-	-
<b>Group EBITDA</b>	<b>10.1</b>	<b>7.5</b>	<b>35.8%</b>
Depreciation & Amortisation	(6.9)	(7.3)	6.2%
<b>EBIT</b>	<b>3.3</b>	<b>0.2</b>	
Net Interest Expense	(9.3)	(6.5)	(42.4%)
<b>(LOSS)/PROFIT BEFORE TAX &amp; SIGNIFICANT ITEMS</b>	<b>(6.0)</b>	<b>(6.4)</b>	<b>5.8%</b>
Significant Items	23.3	(251.2)	-
<b>(LOSS)/PROFIT BEFORE TAX</b>	<b>17.3</b>	<b>(257.5)</b>	<b>106.7%</b>
Income Tax (Expense)/Benefit	(2.1)	(3.8)	44.7%
<b>(LOSS)/PROFIT AFTER TAX</b>	<b>15.2</b>	<b>(261.3)</b>	<b>105.8%</b>
Non-Controlling Interest	(1.8)	(3.1)	41.4%
<b>NET (LOSS)/PROFIT AFTER TAX ATTRIBUTABLE TO MEMBERS</b>	<b>13.4</b>	<b>(264.4)</b>	<b>105.1%</b>
<i>Underlying Net (Loss) / Profit After Tax Attributable to Members</i>	<i>(10.4)</i>	<i>(13.2)</i>	<i>21.7%</i>

Onerous contract provisions of \$1.2m (1H FY15: \$5.2m) for Television and \$4.7m (1H FY15: \$9.9m) for Outdoor have been utilised during the period. As at 29 February 2016 \$0.5m Onerous contract provisions remain on the Balance Sheet (28 February 2015 balance was \$18.0m).

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# SIGNIFICANT ITEMS

## Significant Items for the half year ended 29 February 2016

Significant Items <sup>(1)</sup> (\$m)	1H FY16	1H FY15
Impairment of television licences	-	(251.2)
Restructuring costs	(1.6)	-
Net gain on sale of EYE US	24.8	-
<b>TOTAL SIGNIFICANT ITEMS<sup>(1)</sup></b>	<b>23.3</b>	<b>(251.2)</b>

*(1) Pre-tax effect of Significant items.*

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# BALANCE SHEET

## Balance Sheet as at 29 February 2016

Group Balance Sheet (\$m)	Feb-16	Aug-15	Feb-15
Cash and Cash Equivalents	15.8	14.4	20.0
Receivables	83.7	110.5	96.4
Program Rights and Inventories	230.5	180.7	202.3
Intangibles	481.7	481.7	481.7
Property, Plant and Equipment	39.7	44.9	48.5
Other Assets	25.0	26.6	23.3
Current Liabilities	(223.9)	(239.2)	(235.2)
Borrowings (Non-Current)	(51.5)	(154.9)	(117.5)
Other Non-Current Liabilities	(47.4)	(53.1)	(63.8)
<b>TOTAL EQUITY</b>	<b>553.6</b>	<b>411.5</b>	<b>455.7</b>

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# CASH FLOWS

## Cash flows for the half year ended 29 February 2016

Group Cash Flow (\$m)	1H FY16	1H FY15
Operating Cash (Outflow)/Inflow	(27.7)	(23.7)
Proceeds from Government Grant	-	5.6
Capital Expenditure	(1.9)	(4.9)
Deferred Consideration Received	-	15.0
Other Investing Activities	(0.7)	0.8
Dividends Paid	(0.7)	(1.6)
Net Proceeds from Issue of Shares	146.4	-
<b>NET DEBT (INCREASE) / REDUCTION</b>	<b>115.4</b>	<b>(8.8)</b>
Net Debt at Beginning of Period <sup>(1)</sup>	(131.4)	(80.5)
Non Cash / Capitalised Interest <sup>(1)</sup>	(2.1)	(3.0)
Cash Held by EYE US on Disposal	(2.0)	-
<b>NET DEBT AT END OF PERIOD<sup>(1)</sup></b>	<b>(20.2)</b>	<b>(92.3)</b>

<sup>(1)</sup> Excludes capitalised Guarantor fees of \$17.1m (1H FY15: \$7.7m) less capitalised transaction costs of \$1.6m (1H FY15: \$2.5m).

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# OUTLOOK AND COST GUIDANCE

- Television ad market remains short in terms of forward bookings
- Network gross advertising revenue up 8.0% across March-April 2016
- Updated guidance for television costs (ex-selling costs) now expected to increase 5.5% for the full 2016 financial year. The previous guidance was a full-year increase of 6.5%
- Continued focus on disciplined and selective investment in programming
- Cost control and efficiencies remain an ongoing focus



# QUESTIONS



# GLOSSARY

Term	Definition
Broadcast revenue	Advertising and media revenue generated from television broadcast, prior to any allowances for commissions paid to advertising agencies
Commercial audience share	Network Ten's share of audience for the three FTA commercial networks (Network Ten, Nine Network and Seven Network), 5 city metro markets, 18:00-22:30, as measured by OzTAM, Australia's official television audience measurement system
Commercial revenue share	Network Ten's share of revenue for the three FTA commercial networks (Network Ten, Nine Network and Seven Network) as measured by either Free TV or SMI
Digital revenue	Display and video advertising, competitions, sponsorships and other revenue generated on Tenplay, prior to any allowances for commissions paid to advertising agencies
EBITDA	Earnings before interest, tax, depreciation and amortisation
FCTR	Foreign currency translation reserve
Metro	Sydney, Melbourne, Brisbane, Adelaide, Perth
Net debt	Debt relating to the company's revolving cash advance facility including capitalised interest and commitment fees less cash and cash equivalents
Out-of-Home segment	Includes Roads and Maritime Services ('RMS') contract in Australia and EYE Corp US operations
Power ratio	Proportional commercial revenue share achieved compared to commercial audience share
Proceeds from government grant	Cash and cash equivalents which is required to be spent on certain capital items under a government grant and cannot be used for other purposes
Significant items	Amounts as set out in Note 3 of the 29 February 2016 Half Year Report (Appendix 4D)
SMI	Standard Media Index
Television segment	Includes television, catch-up and digital properties
Underlying net (loss) / profit attributable to members	Net (loss) / profit after tax attributable to members excluding significant items
1H FY15	The six month period from 1 September 2014 to 28 February 2015
1H FY16	The six month period from 1 September 2015 to 29 February 2016

