



TEN NETWORK HOLDINGS LIMITED

**FY 2016  
FINANCIAL  
RESULTS**

20 OCTOBER 2016

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# YEAR IN REVIEW

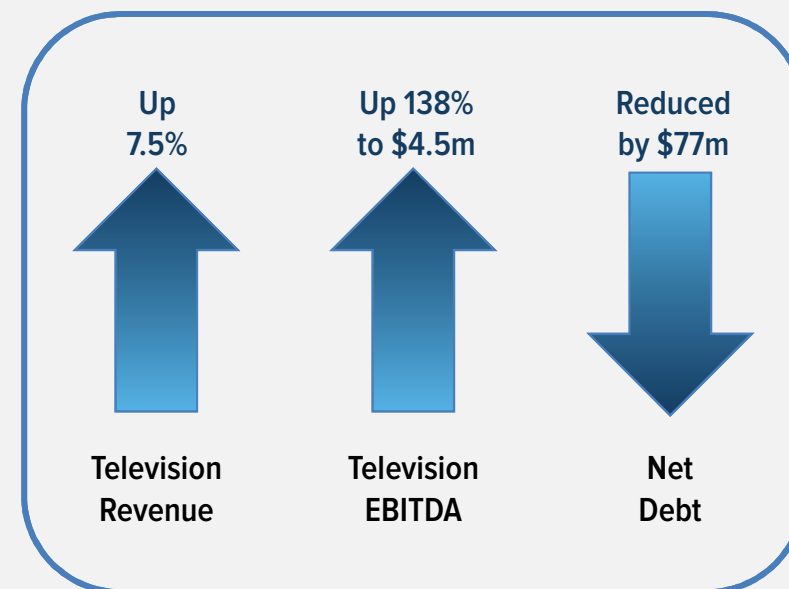
PAUL ANDERSON  
CEO



# FY16 FINANCIAL HIGHLIGHTS

## STRATEGY DELIVERING IMPROVED PERFORMANCE AS FINANCIAL RECOVERY CONTINUES

- Television revenue up 7.5% to \$676m
  - Strongest revenue performance in four years
- Revenue share up 2.2 points to 24.0%
- Television cost growth (ex-selling costs) of 5.1% within previous guidance of 5.5%
- Television EBITDA of \$4.5m, up from a prior year loss of \$12.0m
- Net significant items of \$125.3m, includes \$135.2m television licence impairment and a non-cash \$23.1m profit on sale of the Out-of-Home business
- Net loss attributable to members of \$156.8m (FY15: net loss of \$312.2m)
  - Underlying net loss attributable to members of \$31.5m (FY15: net loss of \$49.4m)
- Net debt reduced from \$131m in August 2015 to \$54m in August 2016



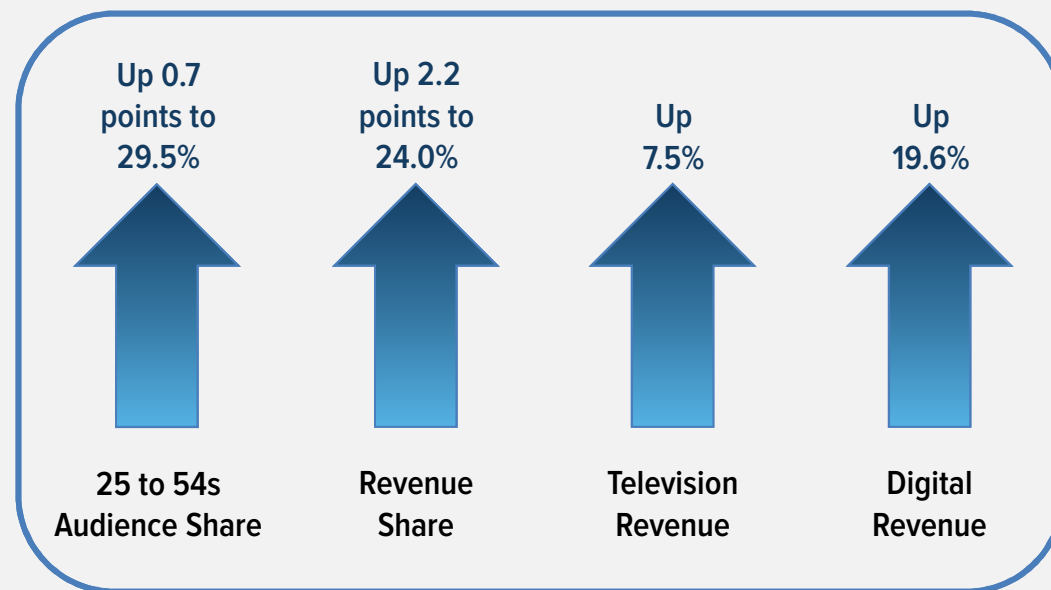
Source: SMI, Commercial FTA Revenue Share for the 12 months to 31 August 2016

# FY16 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 \$146.2m
  - Strengthening of balance sheet
  - Continue strategic investment in prime time content for television and digital platforms
- Multi Channel Network (“MCN”) strategic arrangement 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 Out-of-Home operations
  - Non-cash gain of \$23.1m on sale of the Out-of-Home business
- Restructure of Ten Board complete
  - Two independent directors, including independent Chairman, David Gordon
  - One nominee each from Foxtel, Illyria, Birketu and Hanrine Investments

# FY16 OPERATIONAL HIGHLIGHTS

- Ten's strategy of investing in prime time content, new distribution channels and innovative strategic alliance with MCN continues to produce results
- Key achievements during the 12 months include
  - Strong advertising revenue and revenue share growth
  - Continued growth in television and online audiences
  - Network Ten had its biggest audience in total people since FY12
  - Ten's revenue growth of 7.5% tracked well ahead of the market
- Successful implementation of strategic arrangement with MCN, including move to new trading platform
- New regional affiliate agreements with WIN and Southern Cross delivering increased regional audiences and revenue gains over previous agreement

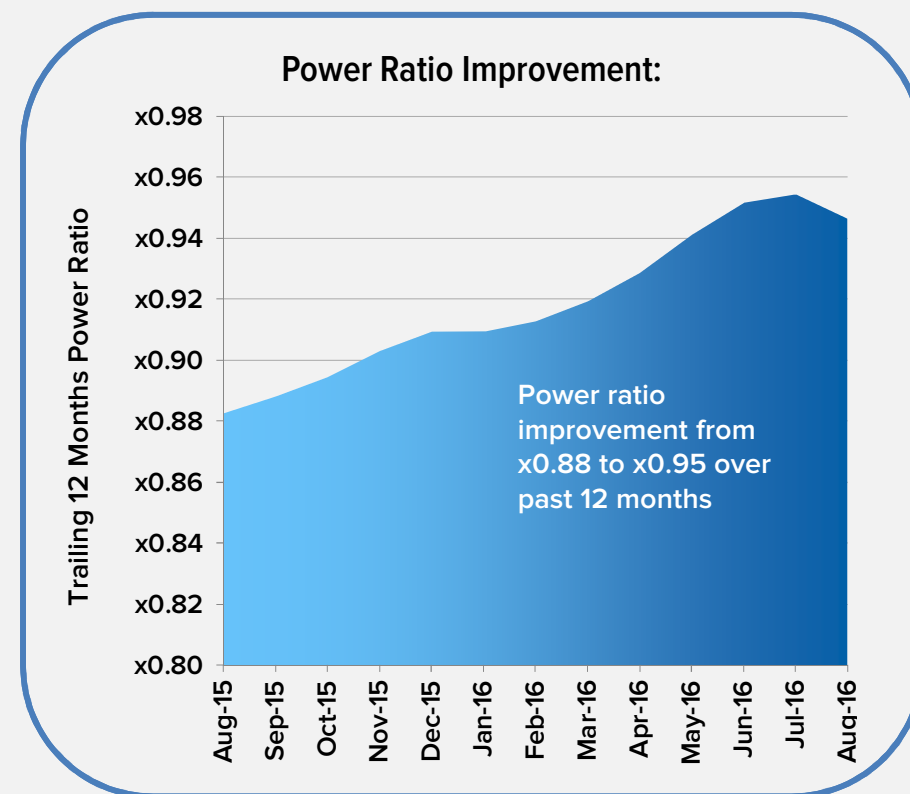


Source: OzTAM, 5 City Metro, TEN Primary and Network Ten, 18:00–22:30, September 1 to August 31, excludes Olympic weeks 31-32 2012 and 33-34 2016, Consolidated 7 days. SMI Revenue Share for 12 months to 31 August 2016

# REVENUE PERFORMANCE

## DELIVERING REVENUE AND REVENUE SHARE GROWTH

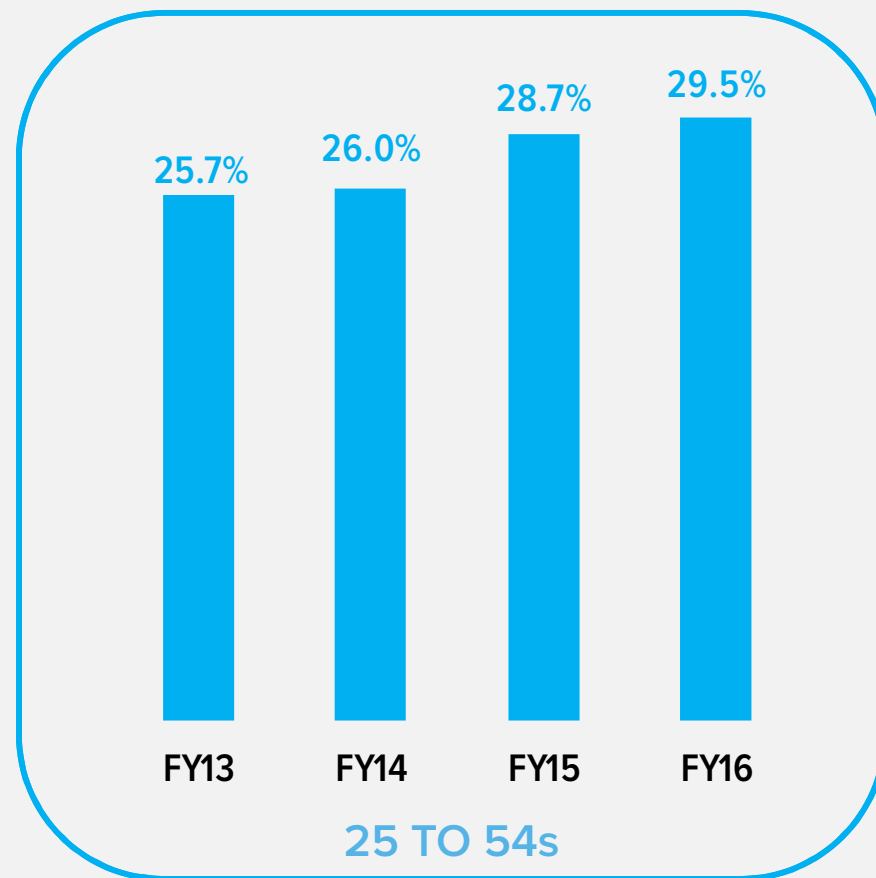
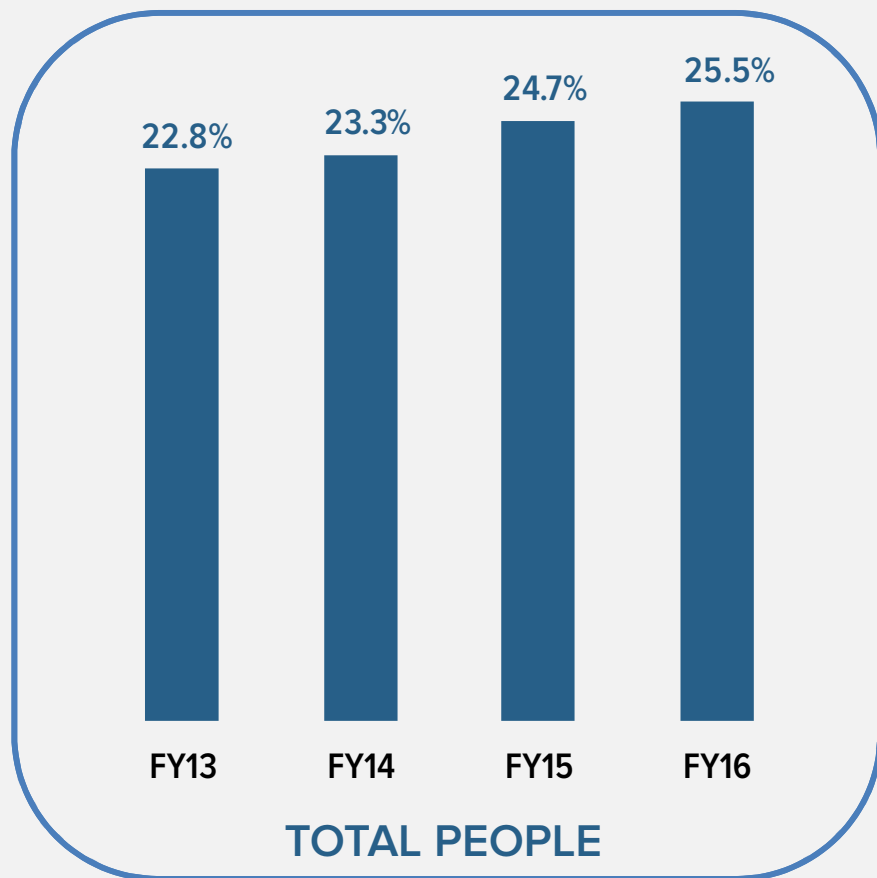
- Revenue growth outperformed the market
  - Television revenue up 7.5% and digital revenue up 19.6%
  - Power ratio improvement from 0.88x to 0.95x
- In July this year, Ten achieved its 17<sup>th</sup> consecutive month of year-on-year revenue and revenue share growth
- Successful implementation of the first stages of the strategic arrangement with MCN
  - Delivered clear benefits in terms of scale, audience reach and innovative integration opportunities
  - Access to sophisticated and industry leading dynamic trading system



Source: SMI Revenue Share for 12 months to 31 August 2016

# AUDIENCE MOMENTUM

HIGHEST NETWORK COMMERCIAL SHARE IN 25 TO 54s SINCE FY12

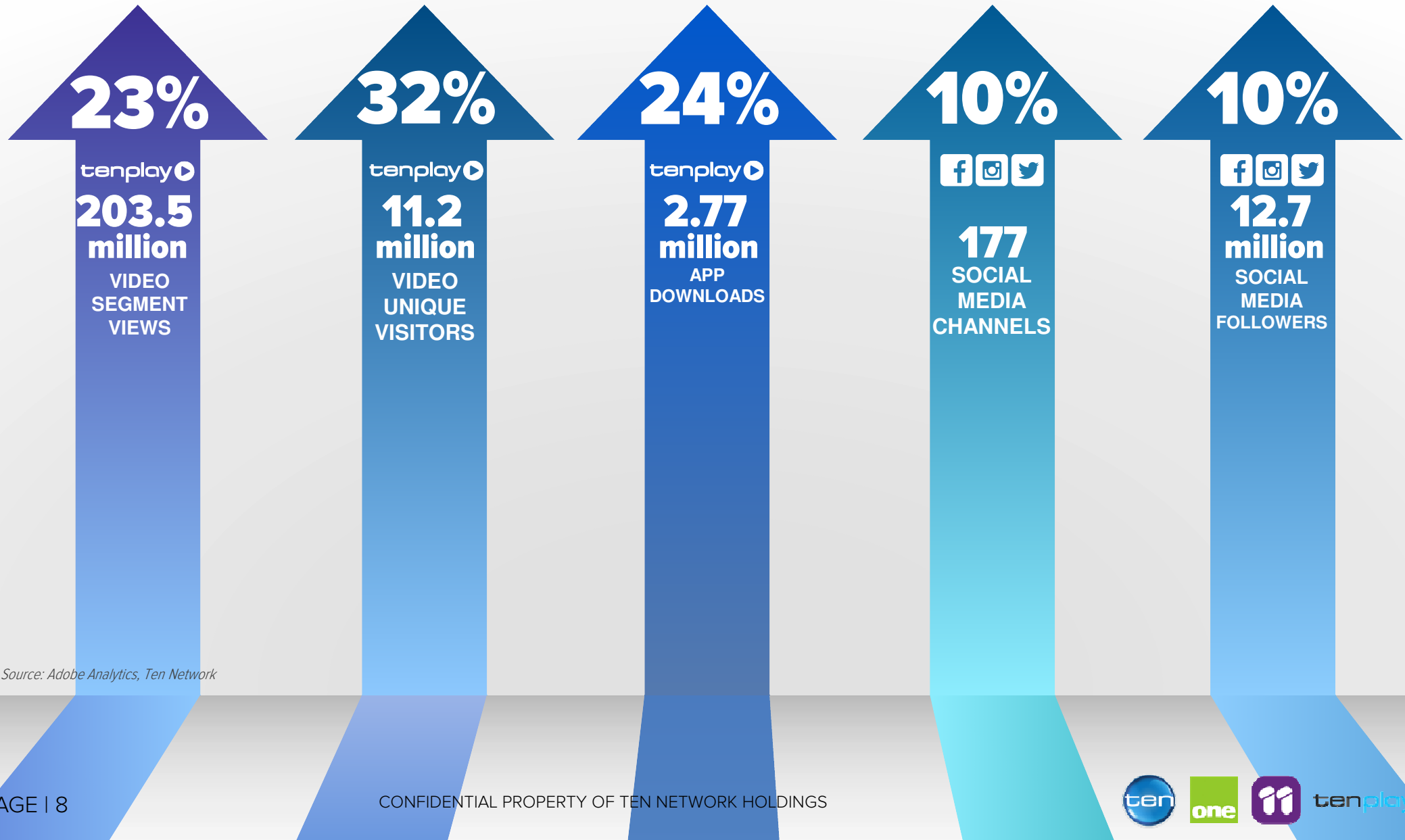


TEN primary channel's audience grew 1.6% in total people and 3.0% in grocery buyers in FY16

Source: OzTAM, 5 City Metro, TEN Primary and Network Ten, 18:00–22:30, September 1 to August 31, excludes Olympic weeks 31-32 2012 and 33-34 2016, Consolidated 7 days



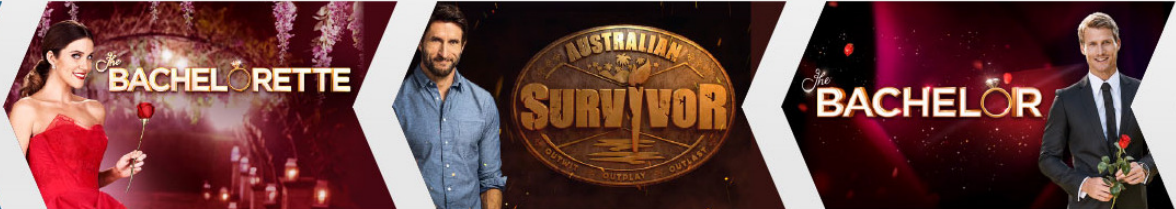
# ONLINE AND SOCIAL MEDIA GROWTH



Source: Adobe Analytics, Ten Network

# DOMESTIC 7:30PM SCHEDULE

## KEY FRANCHISES YEAR-ROUND



# DOMESTIC CONTENT

PROVEN AND CONSISTENT SCHEDULE ACROSS THE YEAR



# THE POWER OF TELEVISION

## TV REACHES 16 MILLION AUSTRALIANS EVERY DAY

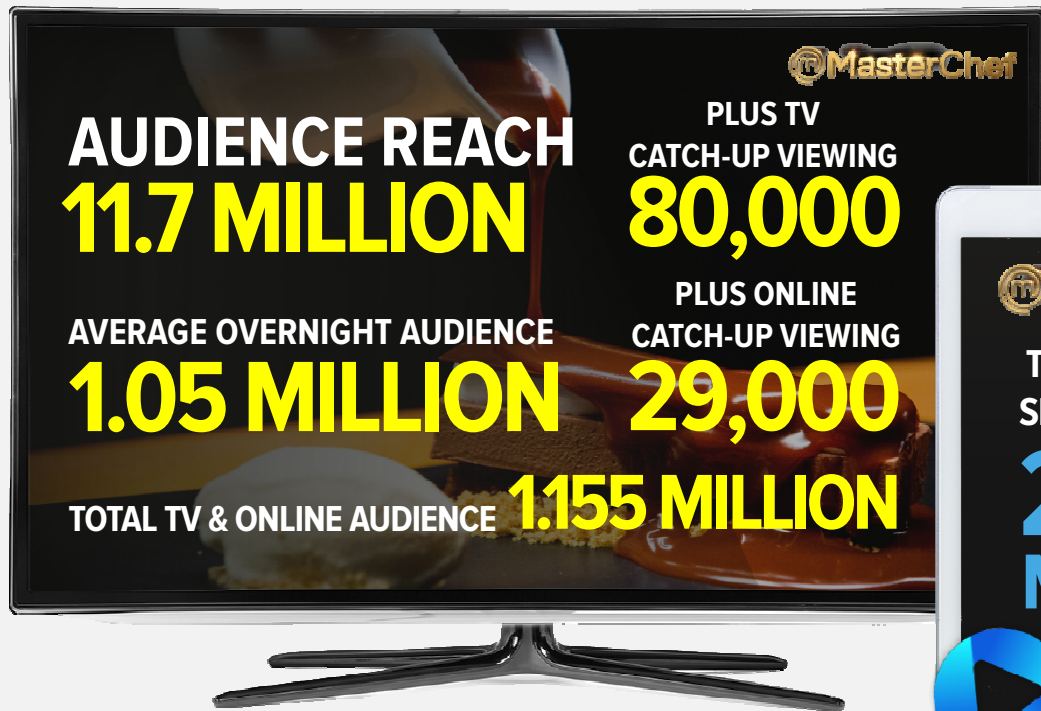
- Free-to-air is in 99% of homes
- Every week, 88% of Australians watch broadcast TV at home
- Australians watch an average of 89 hours, 45 minutes of TV every month
- Live viewing alone: 80 hours, 22 minutes
- 86% of all TV viewing happens on TV sets | 14% on connected devices
- Smart TV sets now in 36% of homes
- SVOD accounts for an estimated 2% of total TV viewing
- Industry research and marketing group ThinkTV set up in May 2016



*Source: ThinkTV, Australian Multi-Screen Report Q2 2016*

# TENPLAY TV EVERYWHERE

THE NEW PARADIGM: TV ISN'T GOING ANYWHERE, IT IS GOING EVERYWHERE



**TELEVISION**



**ONLINE & SOCIAL MEDIA**

*Sources: OzTAM, 5 City Metro, 2016, Total audience = overnight + 28 day TV catch-up + 28 day online national catch-up (OzTAM VPM), excluding Masterclass episodes; Adobe Analytics; Facebook; Twitter.*



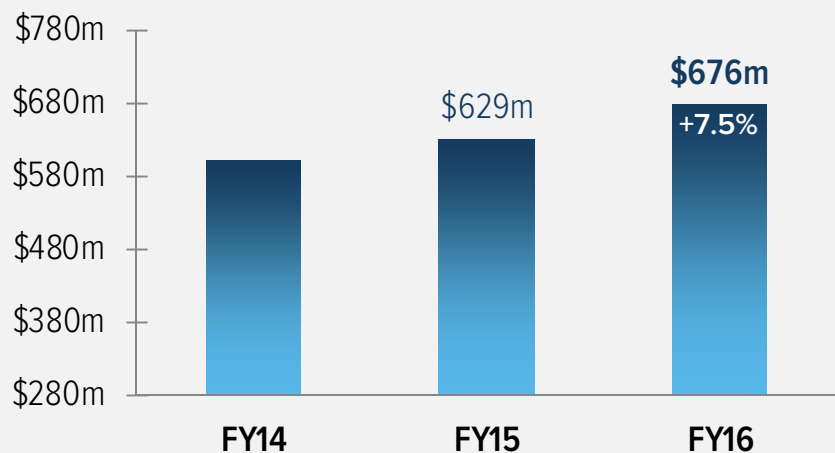
# FINANCIAL REVIEW

DAVE BOORMAN  
CFO

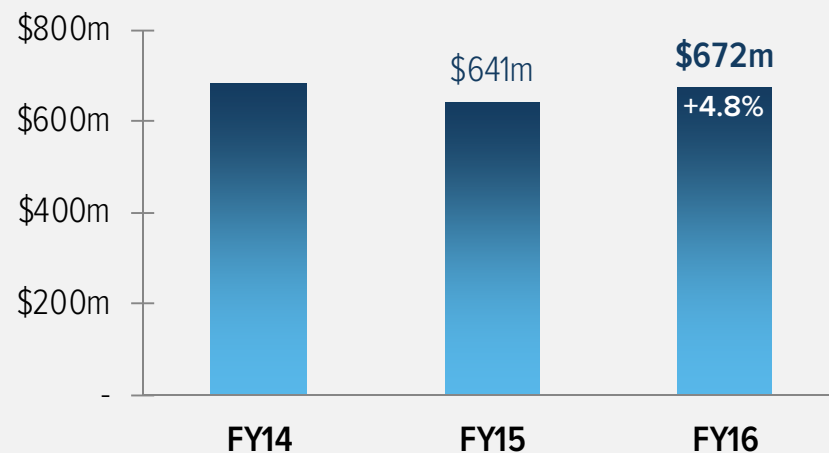


# FY16 FINANCIAL HIGHLIGHTS

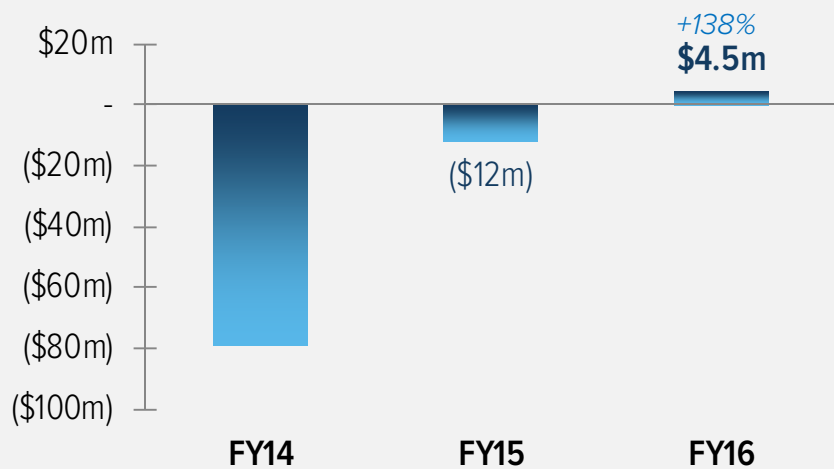
## Television Revenue



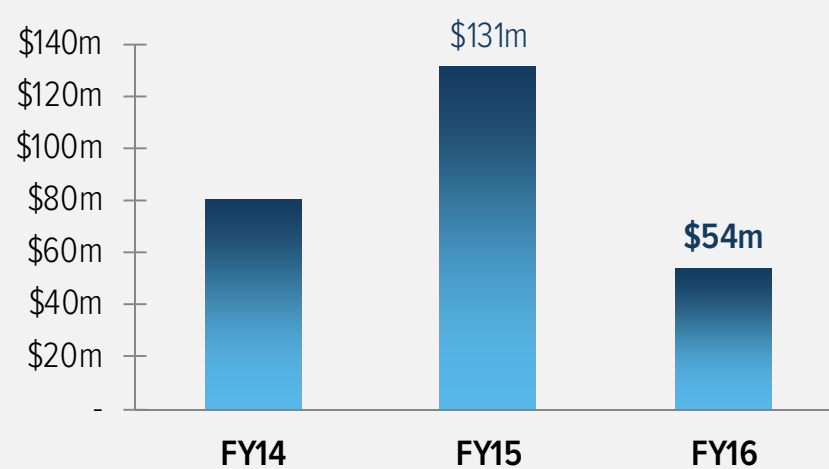
## Television Costs



## Television EBITDA



## Net Debt



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# INCOME STATEMENT

Income Statement for the year ended 31 August 2016 (\$m)	FY16	FY15	Inc / (Dec) %
Television Revenue	676.4	629.3	7.5%
Television Expenses	(671.9)	(641.3)	4.8%
<b>Television EBITDA</b>	<b>4.5</b>	<b>(12.0)</b>	<b>137.5%</b>
Out-of-Home	-	-	
<b>Group EBITDA</b>	<b>4.5</b>	<b>(12.0)</b>	<b>137.5%</b>
Depreciation & Amortisation	(11.8)	(14.3)	(17.3%)
<b>EBIT</b>	<b>(7.3)</b>	<b>(26.3)</b>	<b>72.3%</b>
Net Finance Costs	(19.1)	(15.9)	20.3%
<b>(LOSS)/PROFIT BEFORE TAX &amp; SIGNIFICANT ITEMS</b>	<b>(26.4)</b>	<b>(42.2)</b>	<b>37.4%</b>
Significant Items	(125.3)	(262.9)	
<b>(LOSS)/PROFIT BEFORE TAX</b>	<b>(151.7)</b>	<b>(305.1)</b>	<b>50.3%</b>
Income Tax (Expense)/Benefit	(2.7)	(3.4)	(19.4%)
<b>(LOSS)/PROFIT AFTER TAX</b>	<b>(154.4)</b>	<b>(308.5)</b>	<b>49.9%</b>
Non-Controlling Interest	(2.4)	(3.8)	
<b>NET (LOSS)/PROFIT AFTER TAX ATTRIBUTABLE TO MEMBERS</b>	<b>(156.8)</b>	<b>(312.2)</b>	<b>49.8%</b>
<i>Underlying Net (Loss) / Profit After Tax Attributable to Members</i>	<i>(31.5)</i>	<i>(49.4)</i>	<i>36.1%</i>

Onerous contract provisions of \$1.2m (FY15: \$7.9m) for Television and \$5.1m (FY15: \$19.9m) for Out-of-Home have been utilised during the period. As at 31 August 2016 there are no onerous contracts provisions remaining on the Balance Sheet (31 August 2015 balance was \$18.0m).

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# SIGNIFICANT ITEMS

Significant Items for the year ended 31 August 2016 (\$m)	FY16	FY15
Impairment of Television Licences	135.2	251.2
Restructuring Costs	2.2	6.3
Provision for Onerous Contracts	-	6.8
Net Gain on Sale of Out-of-Home business	(23.1)	-
Net Gain on Sale of Investments	-	(1.3)
Writedown of investments	11.0	-
<b>TOTAL SIGNIFICANT ITEMS<sup>(1)</sup></b>	<b>125.3</b>	<b>262.9</b>

<sup>(1)</sup> Pre-tax effect of Significant items.

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# BALANCE SHEET

Balance Sheet as at 31 August 2016 (\$m)	Aug-16	Aug-15	Inc / (Dec) %
Cash and Cash Equivalents	14.8	14.4	2.8%
Receivables	104.7	110.5	(5.2%)
Program Rights and Inventories	156.8	180.7	(13.2%)
Intangibles	346.5	481.7	(28.1%)
Property, Plant and Equipment	42.2	44.9	(6.0%)
Other Assets	15.7	26.6	(41.0%)
Current Liabilities	(168.6)	(239.2)	(29.5%)
Borrowings (Non-Current)	(90.2)	(154.9)	(41.8%)
Other Non-Current Liabilities	(39.0)	(53.1)	(26.6%)
<b>TOTAL EQUITY</b>	<b>382.8</b>	<b>411.5</b>	<b>(7.0%)</b>

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# CASH FLOWS

Cash flows for the year ended 31 August 2016 (\$m)	FY16	FY15	Inc / (Dec) %
Operating Cash (Outflow)/Inflow	(51.4)	(55.0)	(6.6%)
Proceeds from Government Grant	-	5.6	
Capital Expenditure	(9.2)	(8.3)	10.9%
Proceeds from sale of PP&E	-	0.1	
Deferred Consideration Received	-	15.0	
Proceeds from sales of investments	0.6	1.2	(45.1%)
Other Investing Activities	0.9	1.2	(23.1%)
Dividends Paid	(2.5)	(4.7)	(45.7%)
Net Proceeds from Issue of Shares/Refinancing	146.2	-	
<b>NET DEBT REDUCTION / (INCREASE)</b>	<b>84.6</b>	<b>(44.9)</b>	<b>288.6%</b>
Net Debt at Beginning of Period <sup>(1)</sup>	(131.4)	(80.5)	
Non Cash / Capitalised Interest <sup>(1)</sup>	(4.8)	(6.0)	(20.3%)
Cash Held by Out-of-Home business on Disposal	(2.0)	-	
<b>NET DEBT AT END OF PERIOD<sup>(1)</sup></b>	<b>(53.5)</b>	<b>(131.4)</b>	<b>(59.3%)</b>

<sup>(1)</sup> Excludes capitalised Guarantor fees of \$23.1m (FY15: \$11.2m) less capitalised transaction costs of \$1.2m (FY15: \$2.1m).

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# OUTLOOK AND GUIDANCE

- Television ad market remains short in terms of forward bookings
- Ten will continue to invest in content and distribution channels to maintain our audience and revenue momentum
  - Television costs (ex-selling costs) are expected to increase by mid-single digits in the 2017 financial year
  - Ten currently has a project underway to review all costs across the Company with the aim of minimising this increase





# QUESTIONS

# GLOSSARY

Term	Definition
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
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 International 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 2 of the 31 August 2016 Full Financial Report
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
FY15	The 12 month period from 1 September 2014 to 31 August 2015
FY16	The 12 month period from 1 September 2015 to 31 August 2016



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