



MARKET ANNOUNCEMENT

## 2017 Half Year Results: Adshel gains share, radio improving into H2

- Statutory results: revenue up 75 per cent to \$225.7m, EBITDA up 28 per cent to \$46.0m
- Adshel above market growth achieved
- ARN revenue decline in weak radio market in line with AGM guidance; run rates improving
- Underlying diluted EPS up 13 per cent to 7.1 cps
- Fully franked interim dividend of 3.0 cps declared

**SYDNEY, 24 August 2017** – HT&E Limited (ASX: HT1) today released its results for the six months ending 30 June 2017. On a statutory basis, revenue rose 75 per cent to \$225.7m compared with \$129.1m in the prior corresponding period, earnings before interest, tax, depreciation and amortisation (EBITDA) rose 28 per cent to \$46.0m, and net profit after tax and before amortisation (NPATA) attributable to shareholders was up 108 per cent to \$22.0m.

On a pro forma basis, assuming Adshel and Conversant Media had been owned for the full year in 2016, revenue was up 2 per cent and EBITDA was down 9 per cent.

HT&E maintains a strong balance sheet with a marginal increase in leverage from December 2016, with net debt / EBITDA of 1.35 times.

In line with HT&E's dividend policy to target a payout ratio of 40-60 per cent of underlying NPATA, the Board has declared a fully franked interim dividend of 3.0 cents, with a record date of 4 September 2017 and payable on 29 September 2017.

After a substantial business transformation in 2016 and final shift away from traditional publishing, the Company rebranded to HT&E in May, with HT&E – Here, There & Everywhere – reflecting its repositioned portfolio of radio, outdoor and digital assets.

HT&E Chairman, Peter Cosgrove, said; "In its first period of reporting since the divestment of all traditional publishing assets, HT&E has delivered a mixed result for shareholders, however there is a platform of highly attractive media assets to build on. Our confidence is reflected in the dividend declared, following its reintroduction in February."

"Adshel is a standout media business in both Australia and New Zealand with above market revenues and earnings, as a result of our continued investment in digital. Our radio business had a weaker half in a softer radio market, yet the industry fundamentals around radio remain compelling."

HT&E CEO & Managing Director, Ciaran Davis, said; "Adshel had a fantastic first half and the investments that were made in digital, data and capability in the lead up to and post the acquisition in October last year are delivering results. Adshel gained share in all its markets; in Australia, Adshel captured all the category growth in the Roadside-Other segment and beat overall out of home market growth; while in New Zealand, Adshel delivered a stellar result that grew its market share by two share points.



“We are taking the leadership position in data, focusing on geo-location and smart cities capability. In an Asia Pacific first, Adshel has secured key partnerships with Lotame, Rubicon Projects and CIVIQ Smartscares. Further developments will also allow Adshel to automate the buy-sell workflow, and move from selling reach and frequency to selling more valuable audience profiles.

“Whilst the radio result was disappointing it remains a very robust sector with consistent year-on-year audience and revenue growth. The medium remains highly attractive to advertisers due to its immediacy, its ability to integrate content across multiple platforms, but most importantly, its effectiveness at delivering results for advertisers.

“ARN’s growth over the past five years has been built on strong audience success, and our ability to efficiently monetise this audience better than anyone else. Being #1 in every market we operate in remains our goal for this business and, following a challenging 2016, we are making progress to regain our leadership position.

“We have also made progress in our search for investment opportunities for HT&E that fit with our strategic pillars. Our recent investment in HT&E Events gives us exposure to one of the fastest growing areas of consumer entertainment and we are aiming to be Australia’s premier eSports and events business.”

Given the continuing challenging trading conditions in Hong Kong, HT&E has commenced a strategic review of the Hong Kong Outdoor business.

## Financial Highlights

A\$ million	2017	2016	% change
Revenue	225.7	129.1	↑ 75%
Underlying EBITDA	46.0	35.9	↑ 28%
Underlying NPATA <sup>(2)</sup> attributable to shareholders	22.0	10.6	↑ 108%
Underlying NPAT attributable to shareholders	12.8	10.1	↑ 27%
Profit/(Loss) attributable to shareholders	15.8	(256.9)	↑ 106%
Underlying EPS (cps) <sup>(3)</sup>	7.1	6.3	↑ 13%
Interim Dividend per share (cps)	3.0	-	n/m

(1) Underlying results presented on a continuing operations, before-exceptional items basis.

(2) NPATA – Net profit after tax before amortisation

(3) Underlying diluted EPS calculated on underlying NPATA attributable to shareholders

n/m – Not meaningful



## Business Performance

A\$ million	2017 Revenue	2016 Revenue	YoY change (\$)	YoY change (%)
Adshel	105.0	91.7	13.3	14%
Australian Radio Network	105.3	112.2	(6.9)	(6%)
Hong Kong Outdoor	11.9	14.4	(2.4)	(17%)
Digital investments	5.8	5.2	0.6	11%
Group eliminations	(2.3)	(2.8)	0.4	(16%)
<b>Total</b>	<b>225.7</b>	<b>220.7</b>	<b>5.0</b>	<b>2%</b>

A\$ million	2017 Underlying EBITDA	2016 Underlying EBITDA	YoY change (\$)	YoY change (%)
Adshel	22.2	18.0	4.2	23%
Australian Radio Network	33.2	39.8	(6.6)	(17%)
Hong Kong Outdoor	(1.2)	(0.5)	(0.8)	> 100%
Digital investments	1.2	2.3	(1.1)	(47%)
Corporate	(9.4)	(9.1)	(0.3)	4%
<b>Total</b>	<b>46.0</b>	<b>50.6</b>	<b>(4.6)</b>	<b>(9%)</b>

(1) Information presented as if Adshel and Conversant Media had been owned for the full year in 2016  
 (2) Underlying results presented on a continuing operations, before-exceptional items basis

## Adshel

- Organic growth and digital conversion driving 14 per cent trading revenue growth, 23 per cent EBITDA growth
- Outperforming market in both AU and NZ
- Stable leadership through orderly CEO transition
- FY17 capital expenditure lowered to approximately \$35-40m
- Strategic mid-tier contracts secured

Total revenue and income rose by 14 per cent to \$105m and EBITDA increased by 23 per cent to \$22.2m with Adshel outperforming the market in both Australia and New Zealand.

In Australia, Adshel experienced growth of 9.2 per cent compared with OMA market growth of 6.4 per cent. In the Roadside-Other sector Adshel is a clear leader, recording an increase of 9.0 per cent compared with OMA category growth of 0.7 per cent.

Adshel Live has 388 digital roadside screens in Australia, with approximately 70 more planned for H2 2017, subject to contract renewals and permit approvals. There are a further 186 Sydney Trains digital assets. Classic products continue to benefit from clear complementary positioning and are supported by investment in research and insights.

Capital expenditure expectations for 2017 have been lowered to \$35-\$40m, reflecting delays to contract renewals and some digital permits. Despite this, we remain confident Adshel will continue to deliver in H2 and beyond.

In New Zealand, Adshel outperformed the market with growth of 39 per cent in H1, compared with OMANZ market growth of 29 per cent. The Adshel Live network has 220 digital roadside screens in New Zealand,



inclusive of 70 new screens added in Q2/Q3 2017.

Direct costs grew at 13 per cent on increasing revenues, and indirect costs were up 9 per cent in the half. While there has been some cost growth and investment in capability, the company is encouraged by the margin expansion achieved.

In March, Mike Tyquin was promoted internally and appointed as CEO of Adshel, having worked successfully for many years across all commercial and operational aspects of the business.

Adshel has signed an exclusive Letter of Intent with Civiq Smartscales, a world leader in smart cities platforms and services, and the developer of the LinkNYC communications network. This partnership is a clear point of differentiation and will allow Adshel to leverage smart cities infrastructure to create value for cities and transport authorities, and offer further valuable data and insights to advertisers.

### **Australian Radio Network**

- ARN revenues down 6 per cent in line with AGM guidance
- Key actions taken to address soft revenues in a weak radio market, back 1.6 per cent
- Continuation of focused cost management program
- Half year EBITDA decline of \$6.6m
- Secured key breakfast talent; Jonesy & Amanda renewed for three years
- Strong Survey 4 ratings results
- Regained breakfast leadership in Brisbane after breakfast program change
- Strategy of building share working in Melbourne
- Improved ratings on back of new station format in Perth
- New CEO appointed in March – strong revenue background
- Integration of Conversant Media and ARN digital sales teams

Despite improved ratings, overall revenue performance has been disappointing in a soft advertising market with limited visibility that was down 1.6 per cent.

ARN revenues fell 6 per cent to \$105.3m in line with guidance provided at the AGM, while costs were flat. Radio has maintained a focused cost management program and while investment in talent and digital assets have meant increased costs of \$4.5m, these have been largely offset by operating cost savings and cost of sales reductions on lower revenue. Key talent contracts have been secured across ARN, with WSFM's Jonesy & Amanda recently renewing for three years.

ARN had a strong ratings performance in the final survey for the half, that included KIIS1065 having the #1 FM Breakfast show with Kyle & Jackie O on 10 per cent share, WSFM #2 FM Breakfast show with Jonesy & Amanda and #2 FM station in Sydney, while in Brisbane, 97.3 returned to #1 FM Breakfast show with Bianca, Terry and Bob, as well as being the #2 FM station. In Perth, a new station format is delivering improved ratings performance.

Rob Atkinson was appointed CEO in March having previously been the CEO of Adshel, and he has set about building further capability into ARN's commercial and digital offerings, including renewed commercial leadership nationally and in Melbourne.



Digital growth is accelerating with integrated selling across ARN and Conversant Media. iHeartRadio continues to provide a strong connection between radio and digital, particularly with a growing younger audience base. There have been more than 1.2 million downloads of the iHeartRadio app and registered users are up 40 per cent on 2016.

FM broadcast remains the dominant audio platform, but digital and technology are changing the way content is consumed. ARN is investing in and delivering multiple audio formats including iHeartRadio and DAB+ which provide greater targeting capabilities, broader reach for advertisers and opportunities for future revenue growth.

### **Hong Kong Outdoor**

Challenging market conditions have continued in Hong Kong, driving revenue declines. An active programme to exit non-performing contracts has resulted in H1 advertising revenues declining 17 per cent to \$11.9m, with costs down 12 per cent. The onerous buzplay contract ended in June 2017.

The Board has decided to undertake a strategic review of the business.

### **Digital Investments**

HT&E's digital investments aim to support the company's core radio and outdoor offering – particularly in the areas of audience and revenue growth.

The Roar, Conversant Media's sports opinion website, has seen substantial audience and video view growth with the launch this year of Club Roar and the Club Roar Awards.

HT&E recently announced the establishment of a new division called HT&E Events, a joint venture with UK-based sports and entertainment agency IKON Media & Entertainment, aiming to be Australia's premier eSports and events business. With total investment expected to be less than \$10m and break even under three years, the venture is designed to create unique content that is targeted to HT&E audiences and highly relevant for the company's brands.

Mr Davis concluded:

“We will continue to pursue our growth ambitions unabated. We have made a significant investment in Adshel Live and plan to continue this expansion in both Australia and New Zealand. Our focus is on building a total digital and data solution that can meet the needs of all advertisers. A key part of the strategy is taking a leadership position in data, focusing on geo-location, and we have secured key partnerships with Lotame, Rubicon and Civiq, to build on our digital model.

In radio, we are looking to further improve our ratings position and aggressively pursue the #1 position by maintaining our focus on talent and content. We are improving our commercial offerings to market and investing in initiatives to set up the business for a strong 2018.”



## Trading Update

In a soft radio market, month on month run rates are improving and recent advertiser briefing activity is encouraging, with August trading mid-single digits above the same time last year and forward bookings suggesting modest growth is continuing into H2.

Contracted talent increases and any cost of sales growth will be somewhat offset by further modest operating cost savings in H2. We have not assumed any further licence fee cuts.

Adshel performed broadly in-line with a soft Roadside-Other segment in July. Forward bookings and pipeline are strengthening into Q4.

While we are confident about long term digitisation and contract opportunities, frustrating delays in the digital panel rollout in H1 will subdue Adshel's revenue opportunity in H2. Despite this we remain focused on achieving full year expectations.

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**To view an interview with HT&E CEO & Managing Director, Ciaran Davis, regarding this announcement [click here](#), or visit the Investor Relations page on the HT&E website.**

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