

MARKET ANNOUNCEMENT

## HT&E 2022 HALF YEAR RESULTS

### HT&E's regional acquisition performing above expectations and delivering radio margin expansion

- Acquisition of 46 regional radio stations from Grant Broadcasters (ARN Regional) completed in January 2022 with integration tracking ahead of schedule and delivering margin expansion
- Regional radio revenues ahead of market and up 11%, delivering cut through to EBITDA up 21%
- Confidence in delivering \$6-8 million revenue synergy target in 2022, with \$2.7 million to date
- Revenues from ordinary activities of \$172.0 million increased 58% and NPAT before exceptional items of \$24.6 million rose 69% on the prior period, driven by acquisition
- Audience ratings leadership continued with ARN having held the #1 metropolitan FM network position in Australia for twenty-one consecutive surveys
- iHeartPodcast Network is Australia's #1 podcast network for the 27th consecutive ranker
- Further investment in digital audio with new digital youth platform CADA progressing well post April launch
- Robust balance sheet with net debt of \$78.4 million and leverage under 1 times EBITDA
- 4KQ and Lux Group investment disposals further strengthen balance sheet in H2 2022
- Declared a fully franked interim dividend of 5.0 cents per share
- Reinstated buyback to support undervalued share price

### H1 Financial Performance

A\$ million <sup>1</sup>	2022	2021
Revenue	172.0	108.5
Other income	1.6	0.4
Share of associate profits	5.2	4.4
Costs	(130.3)	(83.0)
<b>Underlying EBITDA<sup>2</sup></b>	<b>48.5</b>	<b>30.4</b>
Depreciation and amortisation	(4.5)	(2.0)
Depreciation – Leases	(5.8)	(4.7)
<b>Underlying EBIT<sup>1</sup></b>	<b>38.1</b>	<b>23.7</b>
Net interest income / (expense)	(1.6)	(1.0)
Finance cost – Leases	(0.7)	(0.8)
<b>Net profit before tax<sup>1</sup></b>	<b>35.8</b>	<b>21.9</b>
Taxation on net profit	(9.4)	(5.6)
<b>Net profit after tax (NPAT)<sup>1</sup></b>	<b>26.4</b>	<b>16.3</b>
Less non-controlling interest	(1.7)	(1.8)
<b>NPAT attributable to HT&amp;E shareholders<sup>1</sup></b>	<b>24.6</b>	<b>14.5</b>
Exceptional items, net of tax	2.0	(0.4)
Provisions for uncertain tax treatments	-	(4.0)
<b>NPAT attributable to HT&amp;E shareholders</b>	<b>26.6</b>	<b>10.2</b>
Underlying EPS (cps) <sup>1</sup>	7.9	5.2
Interim dividend per share (cps)	5.0	3.5

(1) Totals may not add due to rounding

(2) Before exceptional items



**SYDNEY, 18 August 2022** – HT&E Limited [ASX: HT1] today released its results for the six months ending 30 June 2022.

The acquisition of 46 regional radio stations from Grant Broadcasters (ARN Regional) completed on 4 January 2022 is integrating to plan and performing above expectations delivering margin expansion.

The integration programme is ahead of schedule and continues to gather momentum with ARN Regional radio revenues up 11%, delivering material cut through to EBITDA which is up 21%.

Key milestones on the integration programme have been achieved and revenue synergies of over \$2.7 million delivered, giving confidence to hit the \$6-8 million target for 2022 outlined at the time of the acquisition.

The strength of HT&E in the local audio market continued, with ARN holding the #1 FM metropolitan radio network position in Australia for twenty-one consecutive surveys. Ratings leadership was also achieved in key regional markets of Gold Coast, Mackay, Cairns, Bundaberg, Ipswich, Darwin, Launceston, Gympie and Ballarat.

HT&E group revenues from ordinary activities of \$172.0 million increased 58%, and underlying NPAT<sup>1</sup> of \$24.6 million rose 69% on the prior period, owing to the acquisition of ARN Regional.

On a like for like basis, assuming ARN Regional was part of the Group in the prior period, revenues and EBITDA were up 8% and 1% respectively.

**HT&E Chairman, Hamish McLennan said**, “The business has delivered a very solid financial and operational result in a highly competitive market. Our strength in the Australian audio market demonstrates the success of our strategy and the acquisition of our new regional business delivers scale to drive further growth. ARN Regional is a high-quality asset for us and is proving to be a gamechanger for the company as it provides access to increasingly important and growing regional audiences, which enhances our ability to deliver content across multiple platforms and access more than a third of Australian consumers.

“We are confident of continued growth in regional markets in the medium to long term. Cost-of-living pressures in metro markets and changed work patterns through COVID have seen increased population movement to regional areas. Additionally, we are making good progress on the \$6-8 million revenue synergy target for 2022 and the integration of the two businesses is well advanced.

“The Group remains well capitalised and maintains a robust balance sheet following the recent acquisition, with net debt of \$78.4 million and leverage of under 1 times EBITDA.<sup>2</sup>

“In consideration of the solid trading result for the period and capital structure, the Company declared a fully franked interim dividend of 5.0 cents per share. We are also reinstating a buyback to support what the Board believes is an undervalued stock at a time when we continue to see growth in our advertising markets in 2022.”

**HT&E CEO & Managing Director, Ciaran Davis said**, “We have made exceptional progress integrating our regional business. It is a high-quality team that is producing outstanding results with clients and the momentum is building as we get to know the business and its people. The scale, speed and success of the integration program has exceeded expectations and the rationale for ownership is stronger than ever. Whilst our metro markets remain integral and underpin the business and our advertising offering, we now overlay that with a

<sup>1</sup> NPAT attributable to HT&E shareholders before exceptional items.

<sup>2</sup> Leverage on a LTM pro forma pre-AASB16 basis.



network of high-quality assets in some of the fastest growing regional markets in Australia. It is early days, but this is a very strong and exciting position to build on.

“Maintaining the #1 radio network position in Australia for twenty-one consecutive surveys with #1FM stations in Sydney, Melbourne and Adelaide is a significant achievement. The addition of ARN Regional provides access to new audiences and we are encouraged by continued strong ratings performance in key regional markets.

“We are in a privileged position where our core radio business is being enhanced by complementary new digital audio offerings. Digital audio is our future with radio at its core and we are successfully executing our strategy to build an audience and commercial bridge between linear and digital audio.

“We are investing \$7-8 million of additional operating expenditure, with iHeart at the centre of our digital global platform technology, a high value digital asset where we have complete control.

“Our confidence stems also from the current high rates of podcast consumption, with 40% of all people listening to podcasts monthly<sup>3</sup>, overtaking podcast listening in the US for the first time. New investment is critical to capitalise on our leadership position in podcasting and to support the creation of CADA, our new national youth platform.

“Despite the current uncertain global macro-economic outlook, we remain extremely confident in our strategy and ability to successfully integrate ARN Regional with our existing business to create the leading metropolitan and regional audio business in Australia.”

### **ARN Metro Radio**

- ARN metro radio revenues of \$97.2 million grew 5% on the prior period and EBITDA grew 4% to \$31.4 million.
- ARN continues to be #1 metropolitan radio network in Australia reaching over 6 million people a week<sup>4</sup>
- Strength in audience ratings continued with ARN having held the #1 network position in Australia for twenty-one consecutive surveys
- 4KQ in Brisbane was sold to SEN for \$12.0 million during the period; required by the Australian Communications and Media Authority (ACMA) as part of the ARN Regional acquisition

ARN metro radio revenues of \$97.2 million rose 5% on the prior period and EBITDA grew 4% to \$31.4 million.

ARN's strength in audience ratings continued with ARN having held the #1 network position in Australia for twenty-one consecutive surveys, having a 19.9% share in the latest survey. ARN continues to lead key metro markets with #1FM stations in Sydney, Melbourne and Adelaide.

In Melbourne, GOLD104.3 is #1FM in all dayparts, with The Christian O'Connell Show taking out the #1FM position for the 17th consecutive survey. In Sydney, ARN has maintained its dominance in Breakfast with KIIS 1065's Kyle & Jackie O and WSFM's Jonesy & Amanda finishing in the #1FM and #2FM spots respectively, and in Adelaide, Mix102.3 remains the #1FM Station and Cruise1323 the #1 Commercial AM Station.

Following the acquisition of ARN Regional, 4KQ in Brisbane was required to be sold as a regulatory requirement of the ACMA. The sale to SEN for \$12.0 million, reflected a transaction multiple of 11.9x normalised EBIT, was effective from 1 July 2022.

<sup>3</sup> Edison Research, The Infinite Dial 2022.

<sup>4</sup> Source: GfK Radio Ratings, S4 2022, SMBAP, Comm Radio Gps (AM/FM/DAB+), Mon-Sun 5:30-12mn, Share % P10+.



### **ARN Regional Radio**

- On strong comparatives, ARN Regional radio revenues of \$54.2 million were up 11% and EBITDA of \$20.6 million was up 21% on the prior period
- Strong ratings performance maintained in key regional markets with #1 ratings performances in Gold Coast, Mackay, Cairns, Bundaberg, Ipswich, Darwin, Launceston, Gympie and Ballarat
- Continuing 'live and local' content strategy key differentiator for the audiences and advertisers
- Integration plans are ahead of schedule with significant progress made in the six months
- Additional listeners from roll-out of the iHeartRadio digital audio platform to regional stations and websites well ahead of target
- Reorganisation of national agency sales team, incorporating regional, metro and digital specialists effective 1 August 2022
- \$2.7 million of revenue synergies achieved to date

ARN's highly strategic and synergistic acquisition brought together the leading regional radio business in Australia with the #1 metro radio business.

On strong comparatives, ARN Regional radio revenues of \$54.2 million were up 11% and EBITDA of \$20.6 million was up 21% on the prior period.

The acquisition provides access to increasingly important and growing regional audiences, enhances ARN's ability to deliver content across multiple platforms and capitalises on the shift towards digital audio consumption.

ARN Regional is expected to benefit from continued growth in regional markets in the medium to long term, as cost-of-living pressures in metro markets, changed work patterns and technology advancements accelerated through COVID have seen increased population movement to regional areas. Additionally, strong agricultural yields are expected to contribute to regional population growth and regional town prosperity.

From an audience perspective, we are continuing our 'live and local' content strategy for key times of the day, and syndication of the best of ARN's existing national shows, including Will & Woody and Jam Nation, in certain markets.

The strong ratings performance in key regional markets continued, including the seventh #1 station ranking and growth to #1 breakfast for the Gold Coast's Hot Tomato, #1 station and #1 breakfast result for Star 101.9 Mackay and the largest audience of any station in Hobart for 7HO.

Our integration plans are progressing ahead of schedule with significant progress made in the six months integrating systems, processes and people. Key achievements in the period include the merging of agency sales teams, roll-out of iHeartRadio to regional stations, aligning of core communications infrastructure, establishing a common payroll system and finalisation of plans to merge customer revenue and billing data over the next 12 months.

The roll-out of the iHeartRadio digital audio platform to regional stations and websites has resulted in an additional 125k listeners and over 529k listening hours to June 2022, which is well ahead of target.

In early August we announced a reorganisation of our national agency sales team, incorporating regional, metro and digital specialists. This is an important milestone in bringing together the businesses and being able to provide our clients a truly integrated national response.



Good progress was made on the previously announced \$6-8 million revenue synergy target, with around \$2.7 million of revenue synergies achieved to date. With the national sales team finalised we are confident this will continue to accelerate over the coming months.

### **ARN Digital Audio**

- Almost 2.3 million iHeartRadio registered users<sup>5</sup>
- Digital audio billings up 41% to \$10.4 million
- Investing additional \$7-8 million of operating expenditure in FY22 to expand our digital product offering
- Launched CADA, a new youth hip hop and R&B station, at the start of April
- iHeartPodcast Network is Australia's #1 podcast network for the 27th consecutive period
- Network also holds four of the top 10 podcasts
- Several new podcasts were successfully launched in the period

With almost 2.3 million registered users, iHeartRadio delivers radio, music and podcasts all in one place.

Digital audio billings to clients were up 41% to \$10.4 million in the period, driven by growth in podcasting and streaming.

We are investing an incremental \$7-8 million of operating expenditure in FY22 to expand our digital product offering and capabilities. This includes the launch of new digital youth platform CADA, acquisition and retention programs for iHeartRadio as well as further development of owned podcast content and digital capability.

We launched CADA, a new youth hip hop and R&B platform, at the start of April, targeting Australia's underserved youth audience. CADA is distributed nationally on iHeartRadio, DAB+ and broadcast in Sydney on 96.1FM.

While it is early days in the multi-year development of a new brand, audience and commercial model, we are pleased with CADA's performance to date. Integral to the platform's success is its talent including dynamic duo Flex & Froomes who have a combined social audience of 397k, whose podcast was ranked at #1 & #2 on the Australian Apple Podcast and Spotify charts respectively in July.

ARN's iHeartPodcast Network is Australia's #1 podcast network for the 27th consecutive ranker with a combined 5 million total listeners and 24 million monthly downloads. The network also holds four of the top 10 podcasts in the country including Casefile (#2), Kyle & Jackie O (#3), Life Uncut (#5) and Stuff You Should Know (#9).<sup>6</sup>

There was continued growth in Australian podcast consumption in the period with 40% of all people (12 years+) listening to podcasts monthly, ahead of the US population (38%) for the first time. Podcast listeners are deeply engaged, listening to an average of seven episodes in the last week.<sup>7</sup>

Critical to capitalising on this growth is investment in the production of original content that attracts listeners to our network. A number of new podcasts were successfully launched in the period, including The Wood Life, 5 Minute Food Fix, Hooked Hitched & Hung Up and Family Feud The Podcast.

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<sup>5</sup> Source Adobe Analytics, Lifetime Registrations to June 2022

<sup>6</sup> Triton podcast ranker, June 2022

<sup>7</sup> Edison research, The Infinite Dial 2022



## **CODY (HK OUTDOOR)**

The recovery of Cody Outdoor continued in the period, with its strong network of predominantly tunnel advertising contracts, including the Eastern, Western, Tai Lam and Tate Cairns tunnels delivering improved revenue and EBITDA, up 5% and 4% respectively.<sup>8</sup>

Cody Outdoors's trading performance continued to improve, with consumer sentiment driving a return of spend from key categories including luxury brands, government and property.

## **Trading Update**

### **ARN**

Total radio revenues<sup>9</sup> for Q3 are pacing +6-8% on same time last year following a soft July advertising market. Growth is in both metro and regional markets and weighted more toward metro. Limited visibility into Q4 is in line with radio industry forecasting over many years however briefing activity remains solid.

The cost-effective nature of radio during inflationary times will deliver more favourable cpm's compared to other mediums and radio's ease of trading and ability to transact at much shorter lead times will be advantageous in H2.

Full year people and operating cost<sup>10</sup> growth limited to 5%. Digital audio investment will be \$1m less than previous guided, now \$7-8m range.

HT&E is a high cash generating business with a strong balance sheet. Leverage is <1 times EBITDA and will be further strengthened through recent asset disposals.

### **Cody Outdoor**

Improving market conditions experienced in the first half have continued into Q3, with adjusted revenues<sup>2</sup> for the quarter pacing up 15% on same time last year. The business is expected to be cashflow positive for the year subject to market conditions holding.

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This and today's other full year results announcements have been authorised for release by the Board of HT&E Limited.

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<sup>8</sup> On a local currency basis

<sup>9</sup> Comprising Metro and Regional radio businesses on a pro forma basis

<sup>10</sup> Adjusted for the removal of HK Tramways contract (FY21 Rev \$7m)