

# TEN NETWORK HOLDINGS LIMITED

FY 2010 RESULTS – 21 OCTOBER 2010

SERIOUSLY TEN



# OVERVIEW



- **Result has delivered on previous market guidance**
  - Group EBITDA of \$208.1m – ↑ 38% on 2009
  - Underlying Group NPAT of \$96.9m – ↑ 105% on 2009
- **Television EBITDA ↑ 37%**
  - Strong advertising revenue growth
  - Costs managed to approximately 3% (normalised)
- **Out-of-Home EBITDA ↑ 48%**
  - Improvements in trading conditions, notably Australia
  - Ongoing disciplined cost management
- **Corporate update**
  - Announcement of a \$53.2m pending tax refund
  - Dividends and dividend policy determined

# GRANT BLACKLEY

## NETWORK TEN

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# TELEVISION OVERVIEW



- **TV EBITDA of \$194.2m – up 36.7% or \$52.1m**
  - TV revenues ↑ 12% on 2009, 2H revenue ↑ 20%
  - Disciplined cost control – normalised year-on-year cost growth approx 3%
- **TEN has enjoyed a strong domestic & international program slate**
  - Well-positioned for 2011
- **Strong performance from Digital Media offerings**
  - Substantial revenue growth
- **ONE continues to strengthen content offer**
  - Reached 12.1m viewers
- **ELEVEN on the way – January 2011**
  - 3 stand-alone and compelling offerings: TEN, ONE and ELEVEN
  - Built for long term profitability with a sustainable & targeted content supply

# TEN – LEADER IN UNDER 50s



## TEN holds primetime leadership for critical under 50s in 2010

- **#1** in under-50s for 7<sup>th</sup> year
- **#1** in 16-39s with 37.4% share
- **#1** in 18-49s with 34.7% share (up 1.2% on 2009)
- **#2** in 25-54s with 33.4% share (up 3.3% on 2009)
  
- **#1** in daytime for 10<sup>th</sup> year
  
- **#1** TEN News at Five – timeslot winner with 44.2% share

*Source: OzTAM, 5 City Metro, Wks 7-35 2009 v 2010 (Excl Easter). Primetime is Sun-Sat 1800-2230, Daytime is Mon-Fri 0900-1800. Share figures relate to Primary 3-Station Commercial Share.*

*#1 in daytime based on Wks 7-48 2001-2009 and Wks 7-35 2010 and #1 in under-50s based on Wks 7-48 2004-2009 and Wks 7-35 2010 (Figures exclusive of Easter, Olympics and Commonwealth Games).*

*All 2001-2009 data Live only, all 2010 data Consolidated.*

# TEN – PROVEN LINE-UP



- **Year to date, TEN delivers local & international hits:**
  - Talkin' 'bout Your Generation – 1.24m average audience
  - Modern Family – 1.49m average audience
  - NCIS, Australia's favourite US drama – 1.53m average audience
  - Undercover Boss US – 1.33m average audience
  - Glee – 1.45m average audience
  - The 7PM Project – Delivery up by 60.6% since January
- **MasterChef Australia – The Winner Announced**
  - National peak audience of 5.91m viewers - 5 City Metro average of 4.03m making it the **highest rating non-sporting event since OzTAM commenced reporting.**
- **Strong finish to year**
  - **NEW:** Undercover Boss Australia, Keeping Up With The Joneses, Junior MasterChef Australia, Offspring, Talkin' 'bout Your Generation, Rush, GNW, Bondi Vet, Recruits, Modern Family, NCIS, NCIS: Los Angeles, Glee, The Good Wife, House, Lie to Me and the ARIAS

*Source: OzTAM, 5 City Metro, Wks 7-35 2010 (Excl Easter). The 7pm Project increases based on Wks 2-5 v 32-35 2010. Modern Family figures reflect Tuesday episodes. MasterChef Australia - The Winner Announced National peak includes RegionalTAM 4 agg markets plus Tasmania, Consolidated. Highest rating non sporting event based on 31st Dec 2000-28th Aug 2010. All 2001-2009 data Live only, all 2010 data Consolidated*

- **ONE is Australia's #1 Sports Channel**
  - Reaching more viewers than Fox Sports 1, 2 & 3, Fox Sports News & ESPN combined
- **Reaches 3.6m viewers every week**
- **Strengthened and maturing sports portfolio**  
**NEW & EXCLUSIVE:**
  - 5-year contract with Formula 1
  - 5-year contract with Moto GP
  - 5-year contract with NBL
  - 3-year arrangement for club channels - Liverpool & Arsenal
  - 5-year JV arrangement for Ironman Series
  - 4-year arrangement for the Hopman Cup
  - Next 2 Ryder Cups
  - Extended 3-year exclusive arrangement for US Masters Golf
  - Extended and improved NFL, Nascar & MLB rights arrangements

Source: OzTAM 5 City Metro Wks 1-35 2010 weekly cumulative one minute reach, Consolidated.



# – PREMIUM YOUTH CHANNEL



- **Launching January 2011**
- **True multi-platform and socially engaging channel**
- **‘Distinctly youthful’, bold and fun network**
- **Key 13-29 demographic focus**
- **Long-term, quality content supply**
  - Extended, long-term output deal with CBS for TEN & ELEVEN
  - Access to CBS content library with 70,000+ hrs of programming
  - Complements and expands on the offerings of TEN and ONE
  - Highly efficient and secure access to quality content
- **Add targeted domestic and international programming**
  - Exclusive FTA home of The Simpsons, Cleveland and Futurama
  - Exclusive FTA home of Neighbours
  - Plus Stargate, Supernatural, The Office, Smallville, Frasier, Everybody Loves Raymond, Nurse Jackie, Californication and classics including Hogan’s Heroes, Happy Days, Get Smart, Family Ties, Brady Bunch, Cheers, JAG, Roseanne, MacGyver, Diagnosis Murder, 7<sup>th</sup> Heaven and targeted encore movies

# DIGITAL MEDIA



- **Digital Media assets continue to expand and perform above market**
  - Substantial revenue growth
  - Continued investment and expansion in digital and video capabilities
- **Premium video at heart of offering**
  - [ten.com.au/watchtv](http://ten.com.au/watchtv) launched in March 2010 – building on initial offering
  - 31% year-on-year increase of video views across the network
  - Achieving 60 million video views within 12 months
  - 55% of visitors on [ten.com.au/watchtv](http://ten.com.au/watchtv) under 30
- **Complementary investment to support a multi-platform digital strategy**
  - ten.com.au premium video expansion
  - onehd.com.au to launch December 2010
  - eleven.com.au to launch early 2011
  - Mobile development to be progressively deployed across each asset

Source: Omniture (Sep 2009 – Aug 2010 vs Sep 2008 – Aug 2009)

# REGULATORY ENVIRONMENT



- **Regulation requires continued focus and diligence to ensure current and future policy serves public interest & industry**
- **Anti-siphoning**
  - Outcome must reflect public interest
  - Continued free access to major sporting events of National and State importance
- **Convergent Media Review**
  - Outcome should reflect a level regulatory playing field for all media
  - Review of ongoing licence fees & relevance of reach rules
  - Review of all existing regulatory obligations
- **Digital switchover & digital dividend**
  - Switchover successfully commenced with industry-funded digital blackspot coverage
  - Auction of 'digital dividend' spectrum and re-stack: planning phase
  - Objective: maximum coverage and minimal disruption to viewers

# STRONG 2011 LINE-UP



- **U.S Studio partners**

**CBS Studios** – Hawaii Five-O, Blue Bloods & The Defenders

**20<sup>th</sup> Century Fox** – Mixed Signals, Raising Hope & Terranova

- **New domestic franchise**

– Don't Stop Believing, Class of 2011 & The Renovators

- **Strong returning portfolio**

– **Domestic:** The Biggest Loser - Families, MasterChef Australia, Offspring, Talkin' 'bout Your Generation, Rush, GNW, Bondi Vet, Bondi Rescue, Recruits, 7PM, Junior MasterChef, Undercover Boss, AFL Grand Final

– **International:** Modern Family, NCIS, NCIS: Los Angeles, Glee, The Good Wife, House, Merlin, Rules of Engagement, Undercover Boss, Lie to Me, Medium and Law & Order franchise

# NEW EARLY EVENING LINE-UP



- **Expanded news and public affairs investment**
  - Considered and diligent planning process
  - Highly effective pricing model
  - Substantial and efficient contribution to Australian content
  - Considerable opportunity to influence more audience and expand our advertiser base in traditionally deficient advertiser categories
- **New 6pm National News**
  - With George Negus
- **New 6.30pm Local News**
  - Locally presented and produced News service
- Building from the timeslot winning **News at Five** the continuity and strength of news content will positively assist the flow and volume of audience

**OFFERS A FRESH & CLEAR ALTERNATIVE**

# NETWORK TEN STRATEGY



- Three stand-alone and compelling broadcast offerings:

**TEN** 'mass family appeal'

**ONE** 'sports lovers'

**ELEVEN** 'distinctly youthful'

- Expansive new premium web & mobile extensions:

**TEN** [ten.com.au](http://ten.com.au) plus mobile apps

**ONE** [onehd.com.au](http://onehd.com.au) plus mobile apps

**ELEVEN** [eleven.com.au](http://eleven.com.au) plus mobile apps

- Long term, sustainable & efficient content supply models

# TELEVISION OUTLOOK AND GUIDANCE



- **Television revenue – Sept & Oct FY 2011 ↑ 6% year-on-year**
  - Includes Commonwealth Games
  - Note: absence of AFL Grand Final ( Sept 2010 )
- **Digital media revenue**
  - Strong double digit growth led by expanded premium inventory including Junior MasterChef Australia and a relaunch of Video Hits
  - Realignment of video partner through MCM & Mvideo
- **FY 2011 full year cost guidance ↑ 11% year-on-year**
  - Structured and considered reinvestment strategy
  - Inclusive of investment in early evening news, Commonwealth Games, ELEVEN, exclusive sport franchises and Digital Media extensions

**GERRY THORLEY**

**eye**<sup>TM</sup>

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# OUT-OF-HOME – OVERVIEW



- Improved OOH FY10 EBITDA of \$15.0m (2009: \$10.1m)
- Continued improvements in trading conditions
  - Notably in Australia
  - International economic recovery building
  - 2H revenues ↑11% with strong Q4 momentum
- Earnings improvement from disciplined cost management
  - Total costs ↓ 3%
- Strategic new business wins
  - Shop Australia: Westfield mall carparks
  - Fly UK: Gatwick and Stansted additions
  - Shop US: Additional 60 Simon iconic malls

# 2011 FOR OUT-OF-HOME



- EYE to leverage operating efficiencies as markets improve
- Key strategic scale to assist sales and operations
- Shop US moving progressively to segment leader
- MOVE continues to build momentum for Australia OOH sector
- Changi (Singapore) expires Dec 2010
- Ad revenues tracking ↑ 15% for Q1 2011, with ANZ ↑ 17%

# JOHN KELLY

## FINANCIAL RESULTS

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# FINANCIAL RESULTS



TEN NETWORK HOLDINGS LTD FY 2010 DIVISIONAL RESULTS	2010 \$M	2009 \$M	Fav / (Unf) %
<b>OPERATING REVENUE</b>			
Television	833.4	744.4	12.0%
Out of Home	158.1	158.1	0.0%
	<b>991.5</b>	<b>902.5</b>	<b>9.9%</b>
<b>EXPENSES</b>			
Television	639.2	602.3	(6.1%)
Out of Home	143.1	148.0	3.3%
Unallocated <sup>1</sup>	1.1	1.2	3.7%
	<b>783.4</b>	<b>751.5</b>	<b>(4.2%)</b>
<b>EBITDA</b>			
<b>Television</b>	<b>194.2</b>	<b>142.1</b>	<b>36.7%</b>
<b>Out of Home</b>	<b>15.0</b>	<b>10.1</b>	<b>48.4%</b>
<b>Unallocated<sup>1</sup></b>	<b>(1.1)</b>	<b>(1.2)</b>	<b>3.7%</b>
	<b>208.1</b>	<b>151.0</b>	<b>37.8%</b>

<sup>1</sup> Unallocated costs refer to the corporate costs relating to the operation of Ten Network Holdings Limited

# FY2010 Result – Key Matters



- **Today we announced a pending Tax Refund of \$53.2m**
  - Arises from recent Tax Consolidation amendment
  - One-off permanent benefit in respect of an additional claim on certain assets
  - Anticipate cash benefit by the end of the calendar year
- **Separate prior year balance sheet tax adjustment (\$57.9m) is non cash**
  - Primarily relates to an adjustment of the Television licence tax cost base (\$52.7m)
- **Finance costs of \$38.8m includes \$6.4m of non cash cost**
  - Non cash cost mainly related to the unwinding of the onerous contract provision
  - Net interest paid and treasury costs per cash flow of \$32.4m

# FINANCIAL RESULTS



TEN NETWORK HOLDINGS LIMITED FY 2010 GROUP RESULTS	2010 \$M	2009 \$M	Fav /(Unf) %
<b>EBITDA</b>	<b>208.1</b>	<b>151.0</b>	<b>37.8%</b>
Depreciation	27.7	31.6	
Amortisation	1.5	1.8	
<b>EBIT</b>	<b>178.9</b>	<b>117.6</b>	<b>52.1%</b>
Net Interest Expense	37.4	49.8	
<b>PROFIT BEFORE TAX &amp; NRI</b>	<b>141.5</b>	<b>67.8</b>	<b>108.6%</b>
<b>Non Recurring Items (NRI)</b>			
Television	n/a	(15.5)	
OOH	n/a	(122.9)	
<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>141.5</b>	<b>(70.6)</b>	
<b>Tax (Expense) / Revenue</b>			
Normal	(44.6)	(20.6)	
<i>Prima facie tax rate</i>	31.5%	30.4%	
Non Recurring – Tax Refund	53.2	1.9	
<b>NET PROFIT/(LOSS) AFTER TAX ATTRIBUTABLE TO MEMBERS</b>	<b>150.0</b>	<b>(89.4)</b>	
<b><i>Underlying Net Profit After Tax</i></b>	<b>96.9</b>	<b>47.2</b>	<b>105.3%</b>

# CASH FLOW ANALYSIS & CAPEX



- **Operating cash flows of \$105.7m ↑ 54% on 2009**
- **Cash flows realisation adversely impacted by**
  - Commonwealth Games licence fee prepayments (\$18m)
  - Licence fee rebate timing – not paid till December 2010 (\$7m)
- **2010 capital expenditure of \$18m – within prior guidance**
- **Future capital expenditure guidance**
  - **2011 capital expenditure of \$30m**
    - Inclusive of early evening news & ELEVEN infrastructure
  - **2012 capital expenditure of \$15m**
    - Return to normal maintenance capital expenditure

# DEBT STRUCTURE & BANKING COVENANTS



- **Net Debt of \$357m at August 2010** (Aug 2009: \$450m)
  - Drawn Debt of \$370m offset by Cash of \$13m
- **Well priced debt facilities of \$760m**
  - \$400m Three Year Syndicated Facility due April 2011
  - \$125m USD (\$210m AUD) US Private Placement due March 2013
  - \$150m AUD US Private Placement due December 2015
- **Seeking to refinance Bank Debt facility in coming months**
- **Projected Debt Interest Cost of 7.5% pa (all-in cost)**
- **Banking Group & Private Placement semi-annual covenants are:**
  - *Debt Service Ratio* (Drawn Debt is less than 4.25 times EBITDA)
    - **August 2010 at 1.8 times**
  - *Interest Cover Ratio* (EBITDA exceeds 2.5 times Net Interest Expense)
    - **August 2010 at 7.2 times**

# **NICK FALLOON**

## **DIVIDEND POLICY & SUMMARY**

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# DIVIDEND POLICY



- **FY 2010 Dividends**

- FY 2010 Final Dividend of 6cps (unfranked)
  - 65% payout of underlying NPAT
- Special Dividend of 5cps (unfranked)
  - In recognition of tax refund receivable

- **Future Dividend Policy**

- Expect to determine and pay a final dividend for FY 2011 (fully franked)
- Dividend policy:
  - Dividends determined and paid on biannual basis (ex FY 2011) with reference to NPAT for each half
  - Dividends franked (subject to franking credit availability) to maximum level
  - Dividend payout range 60-75% of NPAT for relevant period

# SUMMARY



- Improved 2010 earnings performance
- Considered reinvestment in multi-channel strategy
- Deep and compelling programming schedule
- Continued cost focus
- Strong balance sheet
- New major shareholder



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# QUESTIONS

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