

TEN HOLDINGS REPORTS FY2010 RESULTS

21 October 2010

Ten Network Holdings Limited (Ten Holdings) today reported audited earnings for the financial year ending 31 August 2010. The results were consistent with Ten Holdings' 26 August 2010 market update and included:

- Group revenue increased by 10 per cent to \$991.5 million (2009: \$902.5 million),
- Group earnings before interest, tax, depreciation and amortisation (EBITDA) grew by 38 per cent to \$208.1 million (2009: \$151.0 million),
- TV EBITDA was up 37 per cent to \$194.2 million (2009: \$142.1 million),
- EBITDA for Out-of-Home improved by 48 per cent to \$15.0 million (2009: \$10.1 million),
- Reported Group net profit after tax was \$150.0 million, and
- Underlying Group net profit after tax was up 105 per cent to \$96.9 million (2009: \$47.2 million).

Ten Holdings executive chairman, Nick Falloon, said: "These results for 2010 demonstrate that Ten Holdings is reaping the benefits of steps taken to streamline the business, strengthen our content offering and maximise the effects of the rebound in the television advertising market."

"Television revenue grew by 12 per cent on the previous year, with the level of growth demonstrably stronger in the second half at 20 per cent on the same period in 2009," Mr Falloon said.

"Television costs were managed to approximately 3 per cent growth on a normalised basis (ex-selling, and excluding the costs of the 2009 AFL Grand Final and a full year of ONE)."

"In Out-of-Home, revenue for the second half of the year was 11 per cent higher than the same period in 2009, although revenue was flat on a full year basis with cost management instrumental in the improved earnings for the year," Mr Falloon said.

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

¹ Unallocated costs refer to the corporate costs relating to the operation of Ten Network Holdings Limited.

Network Ten chief executive officer, Grant Blackley, said: "Network Ten achieved strong advertising revenue growth for the period January to June 2010, up more than 21 per cent on the same period last year."

“Following a major rebuild of the schedule over the past couple of years, TEN has an appealing, well balanced and consistent program schedule that achieved a strong performance in our key demographics. At the close of the financial year, TEN was No. 1 in 16-39s with 37.4 per cent share, No. 1 in 18-49s with 34.7 per cent (up 1.2 per cent on last year) and No. 2 in 25-54s with 33.4 per cent (up 3.3 per cent),” he said.

“Our first digital multi-channel, ONE, is Australia’s leading sports channel, reaching 12.1 million viewers to date and 3.6 million every week. ONE continues to make a profitable contribution to the Network.”

“It was also a successful year for our digital media operation, which again achieved double digit revenue growth through considerably enhanced access to a more diverse quality content offer across multiple platforms,” Mr Blackley said.

EYE Group chief executive officer, Gerry Thorley, said: “We are seeing continual improvements in economic stability and consumer confidence in a number of EYE’s markets, notably Australia and New Zealand, where clients are returning to focus on revenue-generation activities.”

“However, the economic recovery in the United States and the United Kingdom remains slow, and this continues to be reflected in the advertising market in each of those key territories,” he said.

“EYE’s earnings improvement was derived largely from ongoing disciplined cost management. The resulting operating efficiencies and cost benefits will continue to benefit EYE as future market improvements emerge, and we maintain our focus on returning all businesses to cash flow profitability,” Mr Thorley said.

Outlook

In respect of the outlook for television revenue, Mr Falloon said: “For the first two months of the current financial year, including the period of the Delhi Commonwealth Games broadcast and with the absence of the AFL Grand Final, revenue will grow by 6 per cent on the same period in FY2010.”

In respect of the outlook for television costs, Mr Falloon said: “As foreshadowed in our August announcements, we have committed to a year of reinvestment for the company to further strengthen and improve our competitive strength across three unique and compelling channel destinations for consumers and advertisers.”

“This investment is consistent with our long held operating philosophy of at all times managing our business to maximise profitability and return for shareholders. Specifically, it represents a considered response to the challenges and opportunities presented by the free-to-air multi-channel environment, which has evolved from three to nine commercial channels within a two-year period,” he said.

“This comprehensive and multi-layered investment strategy is not short term in focus; rather, it reflects our stated medium-to-long-term focus towards complete digital switchover from the end of 2013 and beyond.”

“The view of the Ten Holdings Board and Executive is that a pre-requisite for success in a multi-channel environment is having secure rights to compelling content in a sustainable and cost-effective manner. Our successful partnerships with a variety of prolific content providers – led by our relationships with CBS Paramount International Television and 20th Century Fox Television – have placed Network Ten in a competitively advantageous position, both now and for the future.”

“As previously advised, the early evening news strategy will result in an annual incremental cost of \$20 million (\$15 million for FY2011). The FY2011 cost base will also reflect the one-off impact of the \$25 million investment in the Delhi Commonwealth Games. We also will be investing incrementally in the operation of ELEVEN from launch in January 2011.”

“We will continue to benefit in FY2011 from the television licence fee rebate, which we are reinvesting in the Australian broadcast sector. Costs for FY2011 will also reflect the absence of the AFL Grand Final in that financial year, with the AFL Grand Final returning to TEN in FY2012.”

“In summary, the net effect of the above factors in relation to television costs means we currently anticipate aggregate television cost growth of 11 per cent for the FY2011 year,” Mr Falloon said.

Dividends and future dividend policy

The Ten Holdings Board today determined that an ordinary unfranked FY2010 Final Dividend of 6 cents per share, which represents a 65 per cent payout of the underlying Net Profit After Tax (NPAT), would be payable to shareholders. In addition, a one-off unfranked FY2010 Special Dividend of 5 cents per share was determined. This Special Dividend is in recognition of a tax refund receivable arising from the recent change in taxation consolidation legislation.

The FY2010 dividends, totalling 11 cents per share, will be paid on 19 November with a record date of 4 November 2010. Both these dividends will be unfranked due to the considerable impact of the pending tax refund on the dividend franking account.

The FY2011 dividend schedule will also be affected by the impact of the pending tax refund on the franking account, which is measured by the ATO annually on 30 June. As a direct consequence of this timing, the Board expects to determine and pay only a Final Dividend for FY2011 which is expected to be paid in December 2011 and which the Board anticipates will then be able to be fully franked.

It should be noted that the circumstances related to the FY2011 dividend schedule will mean that the intention is to determine and pay only a Final Dividend based on earnings for the 12-month period ending 31 August 2011. The intention is to then return to an Interim and Final Dividend structure in accordance with the announced future dividend policy.

The Board today instituted a future dividend policy that encompasses the following elements:

- dividends to be determined and paid on a biannual basis with reference to the NPAT generated for each six month reporting period,
- an Interim Dividend for each six month period ending 28 February to be determined in April and paid in May,
- a Final Dividend for each six month period ending 31 August to be determined in October and paid in December,
- dividends to be franked (subject to franking credit availability) to the maximum level available by law, and
- dividend payout to be decided by the Board at each determination point within a range of 60–75 per cent of NPAT for the relevant period.

– Ends –

Source:

All ratings data: OzTAM, 5-city metro, Wks 7-35 2010 (Excl Easter)

TEN: Primetime is Sun-Sat 1800-2230, Daytime is Mon-Fri 0900-1800. Year-on-year increases based on Wks 7-35 2009 v 2010 (Excl Easter). Glee year-on-year increases based on Wks 39-48 2009 v Wks 18-28 2010.

Highest rating non-sporting event based on 31 Dec 2000-28 Aug 2010. Share figures relate to Primary 3-station commercial share.

ONE: Reach since launch based on Wk 16 2009-Wk 35 2010, weekly cumulative reach based on Wks 1-35 2010, one minute reach.

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

Digital media data: Omniture

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Comments on divisional performance for the year ended 31 August 2010

Television and digital media

Network Ten chief executive officer, Grant Blackley, said: "TEN is once again the lead commercial network in the under-50s in prime time for the seventh year. It remains the top network in daytime, and also leads the crucial 5pm – 6pm timeslot with *TEN News at Five*."

"Our highly successful domestic slate on TEN during the year included *MasterChef Australia*, *Talkin' 'bout Your Generation*, *Hawke*, *Recruits*, *Bondi Rescue*, *Rush*, *The Biggest Loser*, *Offspring*, *Good News Week*, *Bondi Vet*, *Junior MasterChef Australia*, and many more. We have been delighted with the strengthened performance of *The 7PM Project* as a fresh alternative and a long term, positive solution to previous inconsistencies in the timeslot," Mr Blackley said.

"An indisputable highlight for the year was *MasterChef Australia* which, in its second outstanding season, cemented its position with the Australian viewing public. In TEN's metropolitan markets, a peak audience of 4.44 million and an average of 4.03 million viewers tuned in to watch the season finale. *MasterChef Australia – The Winner Announced* was Australia's highest rating non-sporting event since the OzTAM television ratings service began."

"*MasterChef Australia* was once again a hit online. The program's website delivered an outstanding digital experience for the show's millions of fans and attracted record traffic. It also offered sponsors the chance to extend their involvement with the program through a range of branded website content."

"We benefited from increased international product from our US studio partners CBS Paramount International and Twentieth Century Fox Television, adding new hits *Modern Family*, *Undercover Boss*, *NCIS: Los Angeles* and *The Good Wife* to the line-up, and *Glee* and *NCIS* delivered significant year-on-year audience gains."

"Our winning daytime line-up has been further strengthened with the addition of *The Circle*, which continues to build support from viewers and advertisers alike."

"Our digital media operation achieved strong results with premium video at the core of the offering. Our new catch-up TV service – ten.com.au/watchtv – gained strong traction and led a 31 per cent increase in video views for the year."

"Our investment in the online dating site Oasis Active – now the outright Australian market leader following its launch in 2008 – has proved to be a sound model for further, lateral investments in online assets."

"We are making a considerable investment in news and public affairs for TEN from 2011 with two new formats: a new national news-based program at 6pm weeknights and, at 6.30pm weeknights and 6pm weekends, we will offer a locally-presented and produced news service in each of our markets. These are each distinct formats that will serve different needs and, importantly, offer a clear alternative to our competitors in a highly efficient manner."

"Our sports channel ONE has exclusive, long term rights for key sports and this year we continued to build our portfolio of rights to serve ONE."

"An historic long term agreement has seen the MotoGP Championship join Formula 1 broadcast exclusively on free-to-air television. In golf, we have new rights and extensions to existing agreements for a minimum of 22 premium golf events in 2010 and beyond, with marquee tournaments from Australia, Asia and the United States. ONE's portfolio of sports has been further bolstered with the return of NBL to free-to-air, the addition of the Ironman series, tennis is added as we welcome the Hopman Cup to its new home on ONE, as well as matches from English football giants, Liverpool and Arsenal."

"Multi-platform rights are now inherent in the way we acquire and deliver sports content to consumers and advertisers. The launch later in 2010 of onehd.com.au will provide a rich, online sports environment that complements the broadcast channel and expands it in a range of exciting ways."

“We will launch a third digital multi-channel, ELEVEN, in January 2011. ELEVEN will be the new and unrivalled destination for fun and bold programming for the ‘distinctly youthful’ market, with the 13-29 demographic as its core target. It will feature first-run domestic and international programming with particular appeal to this audience.”

“Network Ten and CBS Studios International have agreed to form a joint venture to provide content to ELEVEN. ELEVEN will enjoy long term quality content supply from Network Ten, along with programming from Fox, Warner Bros. and CBS – including access to the CBS content library with more than 70,000 hours of programming. It will be the exclusive free-to-air home of *The Simpsons* and *Neighbours*.”

“The format of ELEVEN will allow for a highly integrated model and increasing multi-platform opportunities, with a key focus on community and social engagement in line with its audience profile.”

“This means that Network Ten is now in market with three distinct and stand-alone offerings for viewers and advertisers, each with long term and sustainable content supply: TEN, the channel of choice for family entertainment with mass appeal; ONE, the home of sport for Australia’s passionate sports lovers; and ELEVEN, the premium new channel for the youth of Australia,” Mr Blackley said.

Out-of-home

EYE Group chief executive officer, Gerry Thorley, said: “While there is yet to be evidence of full recovery in all markets, the second half of 2010 has seen steady improvement in external operating conditions for each of the EYE markets.”

“We have had considerable success in gaining a number of strategically important contracts during the year, which have further bolstered EYE’s reputation in the market and will help to position the business for sustainable growth,” Mr Thorley said.

“Key new business wins throughout the year included the advertising rights to both Gatwick and Stansted Airports, adding to Eye Fly’s established UK airport partnerships. In Australia, EYE acquired the media rights to incorporate the Westfield car park environment into our already dominant retail offering.”

“More recently, leading US retail property group Simon malls appointed EYE as the media operator for an additional 60 of their top-performing malls. This enhanced partnership with Simon commences on 1 January 2011 and adds beneficial quality and scale to Eye Shop’s US operation. Combined with our existing footprint, including leading mall operators Westfield and Macerich, the additional Simon malls see Eye Shop becoming the largest quality mall media network in the US Top 10 and Top 20 designated market areas and overall mall coverage in 310 malls with exposure to some 205 million shoppers monthly.”

“EYE has continued to innovate with inventory, rolling out new high-impact formats and technological advancements. Examples included new large-format ‘landscape’ digital sites in shopping precincts in Australia as part of a substantial upgrade of our existing mall digital network. The deployment of new Eyelites for the newly-reopened Santa Monica Place in Los Angeles included new static units featuring LED lighting, which uses 40 per cent less power, generates less heat and results in brighter images, and new digital units featuring super bright screens and cooling to allow use in external locations.”

“EYE is a committed participant in programs to drive accountability for the out-of-home industry locally and internationally. EYE was active in the February 2010 launch of MOVE (Measurement of Outdoor, Visibility and Exposure), Australia’s first outdoor audience measurement system and the most sophisticated of its type in the world.”

“EYE’s continuing dedication to offering clients the benefits of advanced audience measurement initiatives has once again seen us rolling out a series of pertinent research studies to gain more and valuable insights into consumer behaviour and intention,” Mr Thorley said.

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