

# **PRIME**

**MEDIA GROUP**

Investor briefing on 25 August 2017

**FINANCIAL RESULTS FOR YEAR ENDED  
30 JUNE 2017**

# RESULTS FOR THE 2017 FINANCIAL YEAR

- STATUTORY PROFIT AFTER TAX: \$36.2 million, up 162.8% on prior period
- CORE NET PROFIT\*\*: \$35.6 million, up 30.1% and ahead of market guidance
- TOTAL REVENUE: \$240.1 million up 0.5% on prior period
  - Audience share: down 1.2PP to 40.6 share\*
  - Total revenue share: maintains market leading share 43.8 share^
  - National advertising revenue share: market leading 46.8 share^
  - Advertising revenue: up 1.7% compared to market decline of 3.1%^
- COST CONTROL: operating costs excluding associates down 1.8% on prior period
- EBITDA: \$64.1 million, up 15.6% on prior period
- NET INTEREST BEARING DEBT: \$36.9 million, down from \$65.6 million at 30 June 2016
- FINAL DIVIDEND: 1.7 cents per share fully franked

\* Source: Regional TAM All People 0600-2359 financial year survey. Three aggregated regional markets of Northern and Southern New South Wales and Victoria industry data

\*\* Core net profit is a non IFRS measure that in the opinion of the Directors is useful in understanding and appraising the company's performance. A reconciliation of statutory profit after tax to core net profit is set out on slide 5 of this presentation.

^ Source: KPMG three aggregated regional markets of Northern New South Wales, Southern New South Wales and Victoria industry data

# IMPACT OF CHANGE IN ACCOUNTING POLICY ON PRIOR YEAR RESULTS:

- November 2016 IFRS Interpretation Committee (IFRIC) clarification regarding accounting policies applied since IFRS adoption in 2005 to determining tax basis of indefinite life assets including television broadcast licences:
  - Revision treated as a change in accounting policy and applies to earliest comparative period being 1 July 2015, required restating prior year comparatives
  - Deferred tax liability of \$54.9 million required to be recognised at 1 July 2015
  - Deferred tax liability then reduced by \$35.8 million to \$19.1 million and income expense reduced by \$35.8 million as a result of the deferred tax impact of the impairment charge on broadcast licences recorded in 2016, resulting in a tax benefit of \$23.6 million at 30 June 2016 and improving the 2016 statutory loss to \$57.7 million
- As at 30 June 2017, the deferred tax liability on television broadcast licences was unchanged at \$19 million
- In the event that the Company ever formalises a plan to sell the television broadcast licences in the future, the Company has unbooked capital losses to offset tax arising from a future sale

## STATUTORY RESULTS

	FY17	FY16	VARIANCE	
	Actual	Restated	\$'000	%
	\$'000	\$'000		
Revenue from services	<b>237,426</b>	235,103	2,323	1.0%
Interest income	<b>141</b>	172	(31)	(18.0%)
Other income	<b>2,492</b>	3,543	(1,051)	(29.7%)
<b>TOTAL REVENUE</b>	<b>240,059</b>	238,818	1,241	0.5%
EBITDA	<b>64,060</b>	55,410	8,650	15.6%
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>36,244</b>	(57,743)	93,987	162.8%
BASIC EARNINGS PER SHARE (CPS)	<b>9.9</b>	(15.8)		

# CORE EARNINGS

	FY17 Actual \$'000	FY16 Restated \$'000	VARIANCE	
			\$'000	%
<b>STATUTORY PROFIT AFTER TAX</b>	<b>36,244</b>	<b>(57,743)</b>	<b>93,987</b>	<b>162.8%</b>
<b>SPECIFIC ITEMS</b>				
Impairment of television broadcast licences and goodwill	-	122,931		
Release of deferred tax liability arising from impairment	-	(35,835)		
Gain on sale of surplus assets	(1,005)	(2,084)		
Redundancies	504	118		
Income tax benefit related to specific items	(151)	(36)		
<b>CORE PROFIT EXCLUDING SPECIFIC ITEMS AND AFTER TAX*</b>	<b>35,592</b>	<b>27,351</b>	<b>8,241</b>	<b>30.1%</b>
<b>FINAL DIVIDEND</b>	<b>1.7 CPS</b>	<b>1.7 CPS</b>		

\* Core net profit is a non IFRS measure that in the opinion of the Directors is useful in understanding and appraising the company's performance. A reconciliation of statutory profit after tax to core net profit is set out on slide 5 of this presentation

# POWER RATIO

	FY17	FY16	VARIANCE (PP)
Total revenue share*	43.8%	41.7%	2.1
Audience share^	40.6%	41.8%	(1.2)
<b>POWER RATIO</b>	<b>1.078</b>	<b>0.998</b>	

*\*Total advertising 3AGG market - KPMG monthly shares*

*^ Regional TAM: All people 6am to midnight for the period 1 July 2016 to 30 June 2017, 3AGG market*

## NET DEBT & GEARING

	FY17	FY16*
Net interest bearing debt	36,950	65,569
Gearing ratio (%)	35.5%	60.3%
Interest cover to EBITDA (times)	24.8	14.8

\*prior year calculation restated for deferred tax liability

# OUTLOOK

- Prime anticipates a 25% to 30% reduction in net profit after tax for the 2018 financial year, in part due to one-off events in the comparative period, including:
  - 2016 Rio Olympic Games and Paralympics
  - Television broadcasting licence fee relief for the 2017 financial year
  - Competitors disrupted by changes in affiliation in the first half of the 2017 financial year
- Prime's budget for the 2018 financial year is based on:
  - A step up in the Seven Network program supply fee
  - Continuing decline in regional TV audiences
  - Regional TV advertising market to decline at least 2%
- Trading for July and August 2017 is approximately 10% below current expectations, and the outlook for the remainder of this calendar year is challenging
- Continued delays with the passage of the Government's Broadcasting Reform Bill creates uncertainty for licence fees payable in FY18
- Prime will provide guidance in October 2017



**QUESTIONS**

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