GTN Limited results for the year ended 30 June 2021

Overview:

- Revenue $143.3 million, (11)% on FY20
- NPAT $(0.1) million, (128)% on FY20
- Adjusted EBITDA[1] $14.0 million, (2)% on FY20
- Strong liquidity position with net debt (after cash) of $3.8 million including cash balances of $49.4 million

Sydney, 26 August 2021 – GTN Limited (ASX: GTN) (Company or **GTN),** one of the largest broadcast media advertising platforms by audience reach in Australia, Brazil, Canada and the United Kingdom today announced its results for the year ended 30 June 2021.

Overview of FY21 results

(m)[2]	FY21	FY20	% Difference
Revenue	143.3	160.9	(10.9)%
EBITDA[4]	6.0	5.5	8.5%
Adjusted EBITDA[1]	14.0	14.2	(1.6)%
NPAT	(0.1)	0.3	(127.9)%
NPATA[3]	4.6	4.9	(5.6)%
NPATA per share	$0.02	$0.02	(3.1)%

CEO Comment

Commenting on the results, William L. Yde III, Managing Director and Chief Executive Officer of GTN, said “While COVID was an ongoing challenge in all four of our markets this past fiscal year, we made consistent progress throughout FY2021 which is reflected in our financial results. The beginning of the pandemic was the most difficult time and, in Q4 of FY2020, all four of the Group’s operating regions incurred substantial declines in revenue leading to an $18.6 million drop in Adjusted EBITDA to negative $9.2 million for the quarter. Revenue improved in Q1 FY2021 compared to the onset of COVID and the resulting negative Adjusted EBITDA was modest. Commencing with second quarter FY2021, we were

[1] Adjusted EBITDA is defined as EBITDA adding back the non-cash interest income related to the long-term prepaid affiliation agreement with Southern Cross Austereo which is treated as a financing transaction, transaction costs, foreign exchange gains/losses, gains on lease forgiveness and losses on refinancing.
[2] Amounts in tables may not add due to rounding. Percentage change based on actual amounts prior to rounding.
[3] NPATA is defined as net profit after tax adjusted for the tax effected amortization arising from acquisition related intangible assets.
[4] EBITDA is defined as net profit after tax (earnings) before the deduction of interest expense/income, income taxes, depreciation and amortization.

able to achieve positive Adjusted EBITDA in every quarter thereafter, which led to $14.0 million Adjusted EBITDA for FY2021. While this was a slight decrease from the $14.2 million Adjusted EBITDA for FY2020, the prior year included results from nine pre-pandemic months. We are happy with this progress. While progress has not been straight line, with COVID-19 flare ups and government lockdowns varying throughout the year and across all our markets, the Group is clearly now performing much better than at the beginning of the fiscal year.

Australia revenue decreased 13% compared to FY2020 as the lockdown of the Melbourne market through the end of October 2020 had a negative impact on our revenue. After the lifting of the lockdown, 2H FY2021 revenue grew 18% when compared to the same period in the previous year. Further evidence of the improvement, and of the market's capability when not hampered by COVID issues, Australia was able to attain a 42% Adjusted EBITDA margin in June 2021. The recent increase in COVID-19 cases in Australia, and the reinstitution of lockdowns, will have a negative impact on revenue while these restrictions are in place. Despite the lockdowns, we expect to generate more revenue in 1Q FY2022 than we did in 1Q FY2021. Australia revenue for July 2021 was 31% ahead of July 2020.

Canada revenue decreased 10% compared to FY2020 (4% in local currency). Canada was one of our better performing markets in 1H FY2021. Toronto (the largest and most important market in Canada) entered lockdown at the end of December 2020 and that lockdown remained in place until July 2021. Some of the lockdown restrictions are continuing to date. While this lockdown had a negative impact on 2H FY2021 revenue, Canada revenue for 4Q FY2021 still increased by 175% in local currency when compared to 4Q FY2020. July 2021 revenue in Canada was 23% ahead of July 2020 in local currency.

Brazil revenue decreased 50% compared to FY2020 (32% in local currency). The COVID-19 pandemic has had a devastating impact on this market. However, despite the challenging conditions throughout much of the year, we achieved significantly higher revenue (increase of 141% in local currency) in 4Q FY2021 than in 4Q FY2020. The COVID-19 pandemic continues to have a significantly negative impact on the Brazilian market and while vaccination rates are improving, we expect ongoing challenges for the foreseeable future. Despite the issues, Brazil revenue for July 2021 increased by 79% when compared to July 2020 in local currency.

United Kingdom revenue increased 4% compared to FY2020 (9% in local currency). The UK was our strongest performing market in 1H FY2021 and had a strong 4Q FY2021 (increase of 65% in local currency) which led to the increase for the year. This was despite significant lockdowns which have just recently been lifted. UK revenue for July 2021 increased by 12% when compared to July 2020 in local currency.

At 30 June 2021, our cash balance was $49.4 million, after repaying $10 million of principal on our bank facility, and our net debt (including lease liabilities recognised under AASB 16) was only $3.8 million. Our total gearing ratio of net debt to Adjusted EBITDA was 0.27x as of 30 June 2021 despite the slow start to the past fiscal year. The Company does not foresee the need to raise additional capital going forward and has not done so since the onset of the COVID-19 pandemic.

Our strategy to deal with the current difficult environment and put the Company in a position to take advantage of stronger markets in the future is to protect our two most valuable assets, our unparalleled affiliate networks and seasoned sales and management teams. We have also put in place measures to conserve cash and reduce or eliminate expenses where possible. In order to accomplish this, we have had to make some difficult choices, such as electing not to renew the Nine Radio stations as part of our radio networks. These cost reductions, combined with our strong balance sheet, should enable our business to continue to be resilient for the duration of this downturn.

We have maintained our affiliate networks and excellent management teams while having a strong balance sheet. We are confident that we have ample liquidity, even if the COVID-19 pandemic worsens or lingers longer than anticipated. These factors put us in good position to capitalise on the expected advertising recovery."

About GTN Limited

GTN Limited (ASX: GTN) began operations in Australia in 1997 and has grown to become the largest supplier of traffic information reports to radio stations in Australia, United Kingdom, Canada and Brazil (four of the 10 largest advertising markets in the world) and one of the largest broadcast media advertising platforms by audience reach in these operating geographies.

In exchange for providing traffic and information reports, and generally monetary compensation, GTN receives commercial advertising spots adjacent to traffic, news and information reports from its large network of affiliates. These spots are bundled together by GTN and sold to advertisers on a national, regional or specific market basis.

GTN's advertising spots are short in duration, adjacent to engaging information reports and are often read live on the air by well-known radio and television personalities during peak audience hours. GTN's broad audience means it is able to deliver effective radio advertisements with high frequency and expansive reach, enabling advertisers to communicate with high-value demographics cost effectively.

For more information, visit the Company's website at www.gtnetwork.com.au.

Conference Call

GTN Limited will host a conference call at 10:30 a.m. Australia Eastern Standard time on Thursday, 26 August 2021 to discuss its fiscal 2021 results.

To register to participate in the conference call, please click on the following link and follow the instructions: **https://s1.c-conf.com/diamondpass/10014535-y7t6r5.html**

Conference Call Replay

The conference call will be archived following the call. It will be available to be heard at www.openbriefing.com.au.

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This statement was approved by the Board of Directors of GTN Limited

Additional Financial and Operating Information

1) FY21 revenue (-11% on FY20)

Group revenue was down 11% compared to FY2020 due to the continued impact of the COVID-19 pandemic. While the COVID-19 pandemic caused a sharp decrease in revenue for fourth fiscal quarter 2020 (down 57%), the pandemic impacted the entire FY2021. The impact varied from period to period and across the different operating regions of the Group, however the impact appeared to be closely correlated to government lockdowns throughout FY2021 designed to mitigate the public health risks of the virus. Notwithstanding, despite significant government lockdowns throughout 2H FY2021, the Group's United Kingdom segment was able to increase revenue for FY2021 compared to FY2020 due primarily to a strong fourth fiscal fourth quarter performance compared to the previous fiscal year.

FY21 revenue by geographic segment

(m) [2]	FY21	FY20	% Difference
Australia (ATN)	68.5	79.0	(13.3)%
Canada (CTN)	24.2	27.0	(10.2)%
United Kingdom (UKTN)	44.4	42.6	4.4%
Brazil (BTN)	6.2	12.4	(50.1)%
	143.3	**160.9**	**(10.9)%**

Note: Further detail on exchange rates is provided in the Annual Report lodged on 26 August 2021.

Revenue in local currency increased in the United Kingdom while decreasing in Canada and Brazil. Fluctuations in exchange rates acted as a headwind on the performance of all the Group's non-Australian segments (United Kingdom, Canada and Brazil).

(m) [2]	FY21	FY20	% Difference
Australia (ATN)	68.5	79.0	(13.3)%
Canada (CTN)	23.2	24.3	(4.5)%
United Kingdom (UKTN)	24.6	22.7	8.7%
Brazil (BTN)	25.0	36.9	(32.3)%

2) Adjusted EBITDA of $14.0 million (-2% on FY20)

(m)[2]	FY21	FY20
Revenues	**143.3**	**160.9**
Network operations and station compensation expenses	(109.7)	(119.3)
Selling, general and administrative expenses	(26.9)	(34.8)
Equity based compensation expense	(0.9)	(0.9)
Foreign currency transaction loss	(0.0)	(0.1)
Gain on lease forgiveness	0.2	0.1
Loss on refinancing	-	(0.4)

(m)[2]	FY21	FY20
Expenses/losses (net of gains) impacting EBITDA	**(137.3)**	**(155.4)**
EBITDA	6.0	5.5
Interest income on Southern Cross Austereo Affiliate Contract	8.2	8.2
Foreign currency transaction loss	0.0	0.1
Gain on lease forgiveness	(0.2)	(0.1)
Loss on refinancing	-	0.4
Adjusted EBITDA	**14.0**	**14.2**

Adjusted EBITDA for FY2021 was $14.0 million, a decrease of 2% from FY2020 as both revenue and operating expenses decreased 11% compared to FY2020. Operating expenses (defined as the sum of network operations, station compensation, selling, non-cash compensation, general and administrative expenses) decreased $17.5 million for the fiscal year. The largest portion the decrease was a $9.7 million decrease in network operations and station compensation expenses. The largest portion of this decrease ($6.4 million) was due to a decrease in station compensation primarily related to the termination of the Nine Radio affiliation agreements in July 2020. Selling, general and administrative expenses decreased $7.9 million with the largest portion of the decrease related to lower sales employee compensation due to the lower revenue for the fiscal year. Jobkeeper and the Canadian Emergency Wage Subsidy ("CEWS") is treated as a reduction in general and administrative expenses. The Group recorded $2.5 million of benefit from these programs in FY2021 (Australia: $1.4 million, Canada: $1.1 million) an increase of $1.1 million compared to FY2020. We estimate that approximately 4% of the overall operating expense decrease for the period was due to fluctuations in the foreign exchange rates from FY2020 to FY2021.

3) NPATA of $4.6 million (-6% on FY20)

The Group reported NPATA of $4.6 million which is a decrease of 6% from FY2020. The decrease is primarily related to the lower NPAT for the period despite a $2.1 million increase in net profit before tax. The main driver of this difference is the $1.6 million United States tax benefit in FY2020 due to the carry back provisions of the CARES Act. Income taxes expense/benefit increased $2.5 million from $1.0 million tax benefit in FY2020 to $1.5 million tax expense in FY2021. The Group recognized $0.2 million in tax expense related to the future tax rate increase in the UK (from 19% to 25% effective 1 April 2023) due to the revaluation of its deferred tax liability related to the intangible assets of the UK segment. Finance costs decreased $0.9 million from FY2020 primarily due to lower interest rates on the bank loan. Since the repayment of $10 million of the principal balance of the bank loan occurred near the end of FY2021 it did not have a material impact on finance costs for the fiscal year.

4) Strong liquidity position with net debt after cash of $3.8 million

The Group reported a decrease in cash flow from its operations primarily due to changes in working capital. Working capital had a significant impact on operating free cash flow before capital expenditure in both FY2021 and FY2020 primarily due to changes in accounts receivable. During 4Q FY2020, revenue decreased 57% compared to the previous year period and working capital was favourably impacted by a reduction of $18.2 million in accounts receivable as the majority of the accounts receivable from the pre-COVID-19 pandemic period were collected and replaced by the significantly lower revenue. Conversely, revenue increased 85% during 4Q FY2021, leading to an $11.1 million increase in accounts receivable for the fiscal year.

FY21 Cash Flow

(m)[2]	FY21	FY20
Adjusted EBITDA	**14.0**	**14.2**
Non-cash items in Adjusted EBITDA	0.9	0.9
Change in working capital	(9.0)	16.5
Impact of Southern Cross Austereo Affiliate Contract	2.0	2.0
Operating free cash flow before capital expenditure	**8.0**	**33.5**
Capital expenditure	(2.2)	(3.1)
Net free cash flow before financing, tax and dividends	**5.8**	**30.4**

The directors have not declared an interim or final dividend for FY2021, consistent with the desire to increase cash and reduce debt, as well as in compliance with the restrictions of the modified debt facility. As a result, the Group was able to maintain a strong cash balance of $49.4 million at 30 June 2021, net debt (debt less cash balances) of only $3.8 million and pay down $10 million of the debt facility during FY2021.

5) Key operating metrics

Radio sell-out and spot rate were generally negatively impacted by the lower advertising demand related to the impact of the COVID-19 pandemic. Exceptions to this general trend were the increase in spot rate in Canada and the higher sell-out rate in the United Kingdom. Australia radio spots inventory was lower than the previous year period primarily due to the termination of the Nine Radio group affiliation agreement in July 2020. The termination of Nine Radio resulted in a considerable expense savings to the Group.

Key operating metrics by market (local currency)

	Notes	FY21	FY20
Australia			
Radio spots inventory ('000s)	1	954	1,077
Radio sell-out rate (%)	2	52%	54%
Average radio spot rate (AUD)	3	128	128
Canada			
Radio spots inventory ('000s)	1	688	686
Radio sell-out rate (%)	2	43%	51%
Average radio spot rate (CAD)	3	71	64
United Kingdom			
Total radio impacts available ('000)	4	19,755	19,448
Radio sell-out rate (%)	5	94%	89%
Average radio net impact rate (GBP)	6	1.3	1.3
Brazil			
Radio spots inventory ('000s)	1	453	418
Radio sell-out rate (%)	2	35%	46%

Average radio spot rate (BRL)	3,7	178	216

1. Available radio advertising spots adjacent to traffic, news and information reports.
2. The number of radio spots sold as a percentage of the number of radio spots available.
3. Average price per radio spot sold net of agency commission.
4. The UK market measures inventory and units sold based on impacts instead of spots. An impact is a thousand listener impressions.
5. The number of impressions sold as a percentage of the number of impressions available.
6. Average price per radio impact sold net of agency commission.
7. Not adjusted for taxes or advertising agency incentives that are deducted from net revenue.

Appendix A

Reconciliation of non-IFRS disclosures

($m)[2]	FY21	FY20
Reconciliation of EBITDA and Adjusted EBITDA to Profit (loss) before income tax		
Profit (loss) before income tax	1.4	(0.6)
Depreciation and amortisation	10.8	11.8
Finance costs	2.0	2.9
Interest on bank deposits	(0.1)	(0.3)
Interest income on long-term prepaid affiliate contract	(8.2)	(8.2)
EBITDA	**6.0**	**5.5**
Interest income on long-term prepaid affiliate contract	8.2	8.2
Foreign currency transaction loss	0.0	0.1
Gain on lease forgiveness	(0.2)	(0.1)
Loss on refinancing	-	0.4
Adjusted EBITDA	**14.0**	**14.2**
Reconciliation of Net (loss) profit after tax (NPAT) to NPATA		
(Loss) profit for the year (**NPAT**)	(0.1)	0.3
Amortisation of intangible assets (tax effected)	4.7	4.6
NPATA	**4.6**	**4.9**