GTN Limited results for the half-year ended 31 December 2022

Overview:
- Revenue $90.3 million, +11% on 1H FY22
- NPAT $3.0 million, +12% million on 1H FY22
- Adjusted EBITDA[1] $12.0 million, +18% on 1H FY22
    - +26% ex-Jobkeeper/CEWS
- Strong liquidity position with net debt (after cash) of $2.8 million including cash balance of $30.8 million
- Interim FY23 dividend of $0.014 per share (unfranked)
- Repurchased 1.95 million shares for $0.8 million under share buyback during the period

Sydney, 24 February 2023 – 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 half-year ended 31 December 2022.

Overview of 1H FY23 results

(m)[2]	1H FY23	1H FY22	% Difference
Revenue	90.3	81.0	11.4%
EBITDA[4]	8.0	6.1	30.3%
Adjusted EBITDA[1]	12.0	10.2	17.8%
NPAT	3.0	2.7	11.8%
NPATA[3]	5.3	5.0	6.2%
NPATA per share	$0.025	$0.023	6.6%

CEO Comment

Commenting on the results, William L. Yde III, Managing Director and Chief Executive Officer of GTN, said "We continued to make solid progress during 1H FY23 as Group revenue increased 11% compared to 1H FY22, which was a 14% increase compared to 1H FY21. Adjusted EBITDA increased 18% to $12.0 million due to the strong revenue increase. We are pleased with this result.

[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 up 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 amortisation 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 amortisation.

Australia revenue increased 21% compared to 1H FY22 as our sales continue to rebound from the negative impact of the COVID-19 pandemic. Australia is our largest and most profitable market, and its continued recovery has been key to the Group's financial performance.

Canada revenue increased 26% compared to 1H FY22 (22% in local currency). While our Canada operations started off the period slowly, we performed very strongly in the latter part of 1H FY23, which led to a significant increase in EBITDA for the period. This sales momentum has carried into the beginning of 2H FY23 as well.

Brazil revenue increased 10% compared to 1H FY22 while actually decreasing 2% in local currency due to the significant strengthening of the Brazilian Real compared to the Australian Dollar. We believe the revenue softness in Brazil is temporary as it was by far our fastest growing market in the previous fiscal year. We continue to be very excited about the long-term prospects for our Brazil business.

United Kingdom revenue decreased 11% compared to 1H FY22 (6% decrease in local currency). This market had a very difficult July and August this half-year and has since rebounded well in the latter half of the period. Our UK business continues to deliver solid results and remains a meaningful contributor to the Group's financial results.

During 2H FY22 we began offering drone aerial light shows in Australia for both advertising sponsorship within the show as well as cash fees. We believe that these shows complement our existing business. We are continuing to develop this product and are very encouraged by the response we have received from both our existing clients as well as new advertisers. Last month we performed several shows at the Australian Open which provided us great exposure. To date, we have not had significant revenue from the drone shows, but the strong performance of our core business has allowed us to continue to invest in this exciting new business line.

At 31 December 2022, our cash balance was $30.8 million and our net debt (including lease liabilities recognised under AASB 16) was $2.8 million after paying the FY22 final dividend of $0.013 per share and repurchasing 1.95 million shares of the Company's stock. Due to the Group's strong financial position, the Board has declared an interim dividend for 1H FY23 of $0.014 per share and we will continue our share buyback once the Company's trading blackout period is lifted.

We have maintained our affiliate networks and excellent management teams while having a strong balance sheet. These factors put us in solid position to capitalise on the continued recovery of the advertising industry."

Debt Extension

On 22 December 2022, the Group extended its current debt facility to 22 December 2025. Previously, the debt facility was scheduled to mature on 30 September 2023. Other than the repayment date, there were no material modifications to the previous debt facility.

Trading update

Revenue for January 2023 increased more than 20% when compared to January 2022. GTN expects February 2023's revenue increase to be comparable to the January 2023 increase vis a vis February 2022. The revenue growth for the first two months of the 2H FY23 has been broad based, with all four of the Group's operating regions increasing revenue for the period.

Due to the generally short lead time of the Group's sales cycle, it is not possible to forecast revenue for the remainder of FY23, however, the trends for January and February (as well as 1H FY23) have been favourable compared to the same period in FY22.

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 Daylight time on Friday, 24 February 2023 to discuss its half-year fiscal 2023 results.

The conference call will include a presentation and Q&A. To register to participate in the conference call, please click on the following link and follow the instructions:
https://registrations.events/direct/OCP60164

Participants will then be provided with the dial in number, a passcode, and a unique access PIN. This information will also be emailed to participants as a calendar invite. To join the conference, participants should dial the number in the calendar invite and enter the passcode followed by the PIN provided when you registered, and you will join the conference instantly.

Conference Call Replay

The conference call will be archived following the call. It will be available to be heard at http://www.openbriefing.com/OB/4964.aspx.

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

Additional Financial and Operating Information

1) 1H FY23 revenue (+11% on 1H FY22)

Group revenue increased 11% compared to 1H FY22 as revenue increased in all markets except the United Kingdom. Revenue has increased significantly since its low point at the onset of the COVID-19 pandemic.

1H FY23 revenue by geographic segment

(m) [2]	1H FY23	1H FY22	% Difference
Australia (ATN)	45.8	37.9	20.8%
Canada (CTN)	17.7	14.1	25.8%
United Kingdom (UKTN)	21.4	24.1	(11.3)%
Brazil (BTN)	5.4	4.9	9.6%
	90.3	**81.0**	**11.4%**

Note: Further detail on exchange rates is provided in the Half-Year Report lodged on 24 February 2023.

Changes in foreign exchange rates had a positive impact on reported revenue from Brazil and Canada and a negative impact on United Kingdom reported revenue, which decreased 6% in local currency but decreased 11% in AUD. Canada exhibited strong growth for the period posting the largest increase amongst the operating regions compared to last year in both local currency and AUD. Australia also had significant growth with revenue increasing 21% compared to 1H FY22.

(m) [2]	1H FY23	1H FY22	% Difference
Australia (ATN) (AUD)	45.8	37.9	20.8%
Canada (CTN) (CAD)	15.8	13.0	21.8%
United Kingdom (UKTN) (GBP)	12.2	12.9	(5.8)%
Brazil (BTN) (BRL)	18.9	19.4	(2.4)%

2) Adjusted EBITDA of $12.0 million (+18% on 1H FY22)

(m)[2]	1H FY23	1H FY22
Revenues	**90.3**	**81.0**
Network operations and station compensation expenses	(60.8)	(58.1)
Selling, general and administrative expenses	(21.2)	(16.3)
Equity based compensation expense	(0.3)	(0.4)
Foreign currency transaction loss	(0.0)	(0.0)
Gain on lease forgiveness	-	0.0
Expenses/losses (net of gains) impacting EBITDA	**(82.3)**	**(74.9)**

(m)[2]	1H FY23	1H FY22
EBITDA	8.0	6.1
Interest income on Southern Cross Austereo Affiliate Contract	4.0	4.0
Foreign currency transaction loss	0.0	0.0
Gain on lease forgiveness	-	(0.0)
Adjusted EBITDA	**12.0**	**10.2**

EBITDA for the six months ended 31 December 2022 increased 30% to $8.0 million compared to $6.1 million for the six months ended 31 December 2021. Adjusted EBITDA increased 18% to $12.0 million for the current period compared to $10.2 million for the prior half-year period. EBITDA and Adjusted EBITDA were positively impacted by the revenue increase for the current period. Combined network operations and station compensation expenses, non-cash compensation and selling and general and administrative expenses ("operating expenses") increased 10% ($7.4 million).

The increase in operating expenses included a $1.2 million (2%) increase in station compensation, a $1.5 million (18%) increase in network operations expense, a $3.0 million increase in sales costs (31%), a $0.7 million (100%) reduction in Jobkeeper/Canada Emergency Wage Subsidy ("CEWS") benefits and a $1.2 million (20%) increase in general and administrative expenses. The increase in station compensation is primarily related to increased costs relating to the renewal of two key affiliates in Australia, which occurred on 1 November 2021 and 1 July 2022, respectively and thus were mostly not included in the prior period results. The increase in station compensation for the Group was mitigated by a decrease in station compensation in the UK which was lower due to the variable cost model as well as foreign exchange fluctuations. Network operations expense includes $0.6 million of costs related to aerial drone light shows. Drone operations commenced in 2H FY22 and there were no expenses related to drones in the prior period. General and administrative costs increased primarily due to the accrual of yearend executive management bonuses related to the increased performance as well as foreign currency fluctuations. There was no accrual in 1H FY22 for executive management bonuses as the Group was behind its internal targets at 31 December 2021. Most of the Group's corporate executive costs are denominated in USD and the AUD/USD exchange rate has decreased ~600 basis points from 1H FY22 to 1H FY23.

The Group recognised no Jobkeeper and CEWS benefit for the half-year period ending 31 December 2022 compared to a benefit of $0.7 million for the half-year period ending 31 December 2021. Jobkeeper and CEWS are reflected as a reduction in general and administrative expenses in the Group's consolidated statement of profit and loss and other comprehensive income. Excluding the impact of Jobkeeper/CEWS from the prior period results, EBITDA and Adjusted EBITDA increased 46% and 26%, respectively.

3) Aerial drone light show operations and results

The Group commenced aerial drone light show operations in 2H FY22. Drone light shows involve the operation of many drones simultaneously to create images that are viewed by audiences in a manner similar to traditional fireworks shows. GTN's revenue model consists of both advertising supported shows (where the sponsor's logo is incorporated into the display) and cash fees. To date, the financial results of the Group's aerial drone light shows have not been material to the Group's financials. For the half year ended 31 December 2022, revenue was $0.4 million, operating expenses were $0.9 million and EBITDA and Adjusted EBITDA was $(0.4) million.

4) NPATA of $5.3 million (+6% on 1H FY22)

The Group reported NPATA of $5.3 million which is an increase of 6% from 1H FY22. The increase is primarily related to the improved operating performance for the period which was partially offset by depreciation expense related to drone aircraft as well as higher income taxes. Finance costs were roughly the same for both periods as the higher interest rates in the current period were mitigated by less debt outstanding under the Group's bank debt facility. The Group had $30 million of bank debt outstanding as of 31 December 2022 compared to $37 million as of 31 December 2021.

5) Strong liquidity position with net debt after cash of $2.8 million

The Group reported an increase in cash flow from its operations primarily due to the increase in Adjusted EBITDA as well as a smaller working capital use of funds compared to 1H FY22. Working capital increased due to a $4.2 million increase in accounts receivable, which was consistent with the higher revenue for the period.

1H FY23 Cash Flow

(m)[2]	1H FY23	1H FY22
Adjusted EBITDA	**12.0**	**10.2**
Non-cash items in Adjusted EBITDA	0.3	0.4
Change in working capital	(2.9)	(6.1)
Impact of Southern Cross Austereo Affiliate Contract	1.0	1.0
Operating free cash flow before capital expenditure	**10.4**	**5.6**
Capital expenditure	(3.2)	(1.4)
Net free cash flow before financing, tax and dividends	**7.2**	**4.1**

The Group was able to maintain a robust cash balance of $30.8 million at 31 December 2022, net debt (debt less cash) of $2.8 million while paying a $2.8 million final dividend for FY22 and repurchasing 1.95 million shares during 1H FY23.

Dividend

On 24 February 2023, the Board declared an interim FY23 dividend of $0.014 per share to holders of record on 10 March 2023. The dividend is unfranked. The ex-dividend date is 9 March 2023 while the payment date is set at 31 March 2023.

The Company paid a final FY22 dividend of $0.013 (unfranked) during 1H FY23 on 30 September 2022.

The Board has adopted a target dividend policy of approximately 100% of net profit after tax ("NPAT") to be paid as an interim and final dividend annually. The policy can be altered at any time based on the liquidity needs and performance of the Company and is subject to adjustment for non-recurring or non-cash items that may impact NPAT.

Share buyback

On 25 August 2022, the Company announced that it had initiated an on-market share buyback of up to 10% of its outstanding shares for a period of up to twelve months. No target share price or minimum repurchase amount has been set. As of 31 December 2022, the Company had repurchased and retired 1,946,205 shares for $0.8 million, which is an average price per share repurchased of $0.42.

5) Operating metrics

The Group has continued to maintain its advertising inventory across all its operating regions. Consistent with the increased demand for its advertising inventory (as reflected in the increase in Group revenue for the period), sell-out and spot rates have generally increased in the operating regions achieving revenue growth for the half-year period ending 31 December 2022 compared to the half-year period ended 31 December 2021.

Operating metrics by market (local currency)

	Notes	1H FY23	1H FY22
Australia			
Radio spots inventory ('000s)	1	543	498
Radio sell-out rate (%)	2	55%	53%
Average radio spot rate (AUD)	3	137	132
Canada			
Radio spots inventory ('000s)	1	339	340
Radio sell-out rate (%)	2	59%	50%
Average radio spot rate (CAD)	3	76	71
United Kingdom			
Total radio impacts available ('000)	4	10,034	9,758
Radio sell-out rate (%)	5	88%	100%
Average radio net impact rate (GBP)	6	1.4	1.3
Brazil			
Radio spots inventory ('000s)	1	247	240
Radio sell-out rate (%)	2	42%	44%
Average radio spot rate (BRL)	3,7	210	208

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.

The Company intends to discontinue providing these metrics in the future.

Appendix A

Reconciliation of non-IFRS disclosures

($m)[2]	**1H FY23**	**1H FY22**
Reconciliation of EBITDA and Adjusted EBITDA to Profit before income tax		
Profit before income tax	5.4	4.1
Depreciation and amortisation	5.8	5.3
Finance costs	0.8	0.8
Interest on bank deposits	(0.1)	(0.0)
Interest income on long-term prepaid affiliate contract	(4.0)	(4.0)
EBITDA	**8.0**	**6.1**
Interest income on long-term prepaid affiliate contract	4.0	4.0
Foreign currency transaction loss	0.0	0.0
Gain on lease forgiveness	-	(0.0)
Adjusted EBITDA	**12.0**	**10.2**
Reconciliation of Net profit after tax (NPAT) to NPATA		
Profit for the period (**NPAT**)	3.0	2.7
Amortisation of intangible assets (tax effected)	2.3	2.3
NPATA	**5.3**	**5.0**