

Strong financial recovery sets up TVNZ for the future

Significant audiences for live event television, continued rapid growth of TVNZ OnDemand, and improved market conditions have contributed to a strong financial year for TVNZ.

CEO, Kevin Kenrick said the financial year result demonstrates the power of premium local content for advertisers and viewers. “The last financial year has been quite remarkable for TVNZ. The scale of audiences combined with strong demand for video advertising has enabled the business to recover from the prior year’s financial challenges much faster than forecast. This positive momentum puts TVNZ in a position to accelerate its digital transformation and reimagine its future in the rapidly changing media market,” he said.

Operational earnings (EBITDAF) of \$86.7 million for the financial year ending 30 June 2020 improved \$96.4 million year-on-year. Net Profit After Tax (NPAT) increased to \$59.2 million for the period, an improvement of \$85 million from the year prior.

Total advertising revenue was \$322.2 million, \$35.9 million more than the previous year. The 44% year-on-year growth in digital revenue increases TVNZ’s confidence that the migration from broadcast viewing to digital streaming can be achieved in a financially sustainable way.

Total operating expenses for the year decreased by \$67.3 million to \$253.3million. Content costs of \$141.8 million reduced 29.6% year-on-year primarily due to Covid-19 impacts, including the release of an onerous provision this year, that was created in FY20 and supply chain restrictions resulting from international content production delays.

Strong audience delivery was at the heart of the improved financial performance. Nearly 2.7 million people watched broadcast coverage of the World Series, PRADA Cup and the America’s Cup on TVNZ, with an accompanying 2.4 million live streams achieved. TVNZ’s biggest local slate in over a decade was delivered in FY21, with audiences tuning into *Black Hands*, *Origins*, *National Treasures* and *Popstars* alongside fan-favourites *Shortland Street*, *Country Calendar*, *The Casketeers* and *Taskmaster NZ*. News and Current Affairs programming continued to bring in record audiences, with flagship bulletin 1 NEWS at Six reaching close to a million viewers each evening. TVNZ OnDemand now reaches 1 million viewers per week and delivered nearly 270 million video streams in the last year.

“The growth trajectory of video-on-demand and simulcast streaming of TVNZ channels reinforces that our future will be IP delivered. To keep pace with forecast growth and ever-changing viewer preferences, TVNZ plans to upgrade the capacity and capability of its core digital infrastructure, including TVNZ OnDemand, over the next three years,” said Kenrick.

TVNZ’s stronger than forecast financial position eliminated the need to draw on the uncalled share subscription facility of \$30 million negotiated with the Crown in 2020, and the Board exited this agreement prior to its expiration. As announced at TVNZ’s interim result, the business repaid the wage subsidy of \$4.9 million it received in 2020.

In recent years, TVNZ paused dividend payments to maximise investment in the digital transformation of the business. The Board is now confident that TVNZ has sufficient capital to fund its future investment needs and has declared a dividend payment of \$15 million for the 2021 financial year. The Board is mindful of the ongoing uncertainty regarding Covid-19's impact on the business and while TVNZ is in a better position to manage the risks than in 2020, the Board has adopted a cautious approach to the FY21 year-end dividend distribution and will consider paying an interim dividend in FY22.

“The global pandemic challenged most aspects of our business last year, and I would like to acknowledge and thank our people for their commitment to delivering such an encouraging result,” Kenrick said. As recognition of this effort, TVNZ will pay a one-off \$2,000 (before tax) bonus to all permanent TVNZ employees who aren't recognised through an incentive scheme as part of their role.

FY21 Snapshot

Earnings: EBITDAF of \$86.7 million – up \$96.5 million YOY

Net Profit: \$59.2 million – up \$85 million YOY

Total Revenue: \$340.0 million – increase of \$29.2 million YOY

Costs: \$253.3 million – decrease of \$67.3 million YOY

Financial Highlights Summary:

Year Ended 30 June 2021

	FY2021 \$'000	FY2020 \$'000
Revenue and income	339,957	310,812
<i>Advertising revenue</i>	322,283	286,284
Operating expenses	(253,302)	(320,598)
EBITDAF	86,655	(9,786)
Depreciation and amortisation	(17,795)	(20,537)
Interest income	667	568
Interest expense	(133)	(163)
Financial instruments/foreign currency gains	125	1,338
Share of results of joint venture	0	(52)
Income tax (expense) / benefit	(10,327)	2,816
Net Profit / (Loss) after tax	59,192	(25,816)