

Record Audiences, Stable Revenue, Encouraging Lockdown Recovery

TVNZ's financial year ending June 2020 "has been quite extraordinary" says TVNZ CEO Kevin Kenrick. It started with huge audiences watching TVNZ's coverage of the Rugby World Cup 2019; content delivery was successfully maintained during an extended evacuation of TVNZ's Auckland facilities due to the NZICC fire; and the year finished with the challenge of responding to the negative impacts of Covid-19.

TVNZ's financial performance was characterised by stable revenue; increased costs - primarily due to one-off impacts; and significantly strengthened cash reserves.

Operating revenue was stable year-on-year at \$310.8 million due to advertising revenue growth pre Covid-19 and \$5.9m Government relief partially offsetting revenue declines incurred from April 2020.

Advertising revenue was down \$7 million for the year to \$286.3 million. TVNZ converted growth in audience share into increased market share of revenue and recovered quickly from -34% revenue declines in April to -16% in June. Digital advertising revenue grew 19% year-on-year.

Operating expenditure increased by \$34.5 million year-on-year to \$320.6 million. The primary drivers were increased investment in local content and \$30 million in one-off charges - \$22.6 million onerous contract impairment; \$3.9m change to amortisation of content; and \$3.6m redundancy costs.

TVNZ reported an EBITDAF loss of (\$9.8 million), down \$34.3 million year-on-year, and a net profit after tax loss of (\$25.8 million), down \$28.7million from last year

The TVNZ's plan for the year was one of increased investment - in local and live content, and in driving online streaming scale.

The Rugby World Cup 2019 semi-final was the most watched programme of the year with 1.5 million viewers and 2.9 million tuning in to TVNZ coverage over the six-week tournament. Audiences were further boosted by local shows including Celebrity Treasure Island, The Bachelorette, Eat Well For Less New Zealand, One Lane Bridge and The Luminaries.

TVNZ OnDemand maintained its market leading growth momentum and established new record benchmarks with 232 million video streams delivered to a total of 1.7 million viewers during the 12-month period.

From March 2020, TVNZ's focus shifted to delivering essential content services and preserving cash.

The standout performer during the last quarter was undoubtedly 1 NEWS. Daily live updates during periods of lockdown restriction, in-depth coverage of local and international Covid-19 developments, kept New Zealanders fully informed and delivered 1 NEWS ratings growth of 33% compared to pre-lockdown.

At a time when content productions were halted, our people found creative solutions to generate content for home bound kiwis, introducing numerous new creations like Nadia's Comfort Kitchen, an exercise class partnership with Les Mills, and launching Home Learning TV for the Ministry of Education.

In response to the sudden reduction in demand for advertising, TVNZ promptly scaled back capital expenditure, remuneration payments and overhead costs, delayed content productions, and restructured the business to lower future operating costs. These initiatives enabled the business to end the financial year with \$52.5 million cash on hand – an increase of \$18.3 million year-on-year.

TVNZ has agreement from its Government shareholder for a share subscription agreement, if needed, to meet un-forecast economic events in the year ahead, subject to TVNZ meeting specific criteria.

The TVNZ Board is confident the combination of cash on hand; an existing undrawn bank facility of \$20 million; and the uncalled share subscription facility of \$30 million will enable the business to successfully navigate future market uncertainty.

TVNZ's chief executive Kevin Kenrick acknowledged the supply of international content will become increasingly restricted and views this as an opportunity to differentiate TVNZ vs global competitors, by investing more in compelling local content.

The focus for the new financial year is one of maximising audience reach and leveraging this to continue TVNZ's revenue recovery. At the same time TVNZ will preserve the core capabilities required to support the Government's future public media objectives.

FY2020 Snapshot

Earnings: EBITDAF of -\$9.8 million

Net profit: -\$25.8 million - down \$28.7million YOY

Total revenue: \$310.8 million – increase of \$0.1 million YOY

Costs: \$320.6 million - increased by \$34.5 million year-on-year

TV:

- TVNZ reaches 1.95 million New Zealanders daily
- TVNZ's all-day audience share was steady at 44.9%
- TVNZ had 20/20 top TV shows for 2020
- RWC reached 2.9 million people over the 6 week tournament

OnDemand:

- 232 million TVNZ OnDemand streams during FY20
- 1.7 million viewers reached during FY20
- Digital advertising revenue increased by 19% year on year
- 115,000 new accounts created during April 2020

Financial Highlights Summary:

Year Ended 30 June 2020

	FY2020 \$'000	FY2019 \$'000
Revenue and income	310,812	310,673
<i>Advertising revenue</i>	286,284	293,237
Operating expenses	(320,598)	(286,116)
EBITDAF	<u>(9,786)</u>	<u>24,557</u>
Depreciation and amortisation	(20,537)	(19,331)
Interest income	568	668
Interest expense	(163)	(129)
Financial instruments/foreign currency (losses)/gains	1,338	(1,628)
Share of results of joint venture	(52)	(33)
Income tax benefit	2,816	(1,232)
Net Profit after tax	<u>(25,816)</u>	<u>2,872</u>

ENDS

Contact:

Kirsty Way

021 422 794

GM Corporate Relations

kirsty.way@tvnz.co.nz