

Less complicated, more reliable radio focus

HT&E Limited (ASX:HT1) is a media and entertainment company. Formerly APN News & Media, HT1 exited a national outdoor advertising business in 2014 and has sold several businesses since. The group now concentrates on The Australian Radio Network (ARN), outdoor advertising in Hong Kong, and investments in a creative agency and a software vendor for secure messaging services. ARN operates metropolitan radio networks, on-demand radio, streaming and podcasting in Australia and, following the acquisition of regional licences in 2021, is the largest regional radio network - with a national network of 58 stations in 33 markets. HK Outdoor businesses include billboard and transit advertising in Hong Kong. In October 2021 the company settled an outstanding tax issue relating to the period FY2009 to FY2016 for a total cost of \$70.7m. Exceptional items have clouded reported income, however, revenue and underlying profit grew in FY2021. The board has reinstated a share buyback and management sees further opportunities to realise value from non-core assets. HT1 issued a trading update in August with the HY result. Radio revenues for Q3 are up +6-8% on pcp despite a soft July. Revenue growth is weighted toward metro licences. The company aims to limit cost growth to 5% in the radio businesses with investment in Digital Limited to \$1m. Cody Outdoor – the HK outdoor advertising business – is also reporting improved trading and is expected to be cashflow positive for the year.

Business model

HT1 primarily earns income from the sale of advertising spots on broadcast and digital radio and podcast programming. Weekly radio listening is at an all-time high and the combined ARN network has been the No. 1 network for 21 weekly surveys in a row. Additional earnings come from fees for creative input into advertising campaigns and investment returns from Hong Kong and other businesses. The company is currently focused on integrating the network acquired late in 2021 with new syndicated shows launched in February and agency sales teams merged in August.

Radio listening drives growth in radio revenues

HT&E reported half-yearly EPS growth +51% to \$0.079ps before exceptional items. The company paid a 5cps fully franked dividend and showed strong growth in all lines of the income statement. Radio EBITDA margins grew following the regional acquisition in October CY21. Digital billings and revenues grew strongly, however, the business focus is on growth and costs also rose, driving an increased loss of \$12.5m. Overall HT1 reported a HY22 EBITDA of \$45.9m. These results are in part a bounce back from COVID-affected demand in 2021.

Relative advertising stability in radio

Radio historically has offered advertisers a better value proposition than other forms of broadcast media. Digital has impacted this, but the radio audience remains relatively strong. HT1 is less diversified than competitors such as Nine Entertainment (ASX:NEC) and Seven West Media (ASX:SWM) but its business is also less exposed to disintermediation by pure digital offers. HT1's podcast investment is a defensive investment intended to ensure it retains this position. Media sector valuations overall are mixed following the disruption of COVID and subsequent market moves. A more stable outlook would help clarify company ratings.

Historical earnings and ratios (in A\$m unless otherwise stated)

Year end	Revenue	EBITDA adj.*	NPAT adj.*	NPAT rep.	EPS adj.* (c)	EV/Sales (x)	EV/EBITDA (x)	PER (x)
12/18a	271.8	63.4	31.8	225.5	0.111	2.1	9.1	14.2
12/19a	252.7	66.5	8.7	(14.2)	0.031	2.1	7.9	54.4
12/20a	197.3	46.0	24.1	(42.5)	0.087	2.7	11.6	21.3
12/21a	225.0	43.1	(2.7)	14.8	(0.010)	3.3	17.1	n.a.

Source: Company data; *EBITDA, NPAT and EPS adjusted for one-time, non-cash items

Media

9th September 2022

Share Details

ASX code	HT1
Share price (8-Sept)	\$1.325
Market capitalisation	\$364.6M
Shares on issue	275.2M
Net cash at 30-Jun-2022	-\$78.4M
Free float	~84%

Share Performance (12 months)



Upside Case

- Stronger advertising spend in line with peak employment
- Cost control continues
- Radio takes advertising share

Downside Case

- Advertising revenues leveraged to a weak economy
- Integration of regional licences more difficult
- Digital media continues to erode audiences

Catalysts

- Full-year profit increase
- Further non-core asset divestment

Comparable companies (Aust/NZ)

Seven West Media (ASX:SWM), Nine Ent. Co (ASX:NEC), Southern Cross Media (ASX:SXL)

Board and Management

Hamish McLennan	Non-Exec. Chairman
Ciaran Davis	Managing Director
Roger Amos	Non-Exec. Director
Paul Connolly	Non-Exec. Director
Belinda Rowe	Non-Exec. Director
Alison Cameron	Non-Exec. Director

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FINANCIAL SERVICES GUIDE

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