



# Television Broadcasts Limited (Stock code: 00511)

**2017 Interim Results Announcement  
For the Period ended 30 June 2017**

**23 August 2017**



**Television Broadcasts Limited**  
**電視廣播有限公司**

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# 1H17 Results Highlights



## Financial Highlights

**Revenue increased by 3% to HK\$2,021 million.**

**Total costs increased by 8% to HK\$1,810 million, which included incremental costs of myTV SUPER and Big Big Channel. Operating profit decreased by 9% to HK\$296 million.**

**Profit attributable to equity holders decreased by 44% to HK\$170 million due to the opportunity loss for better interest yield resulted from cash restricted for the share-buyback and the non-recurring disposal net gain from Taiwan operation booked in 1H16.**

## Business Highlights

**Advertising revenue** from terrestrial TV channels stabilized, and reported a mild 0.6% increase.

**myTV SUPER (OTT)** has progressed well since launch in April 2016. No of users to date is in excess of 4.4 million.

**Big Big Channel** (social media platform) was launched on 23 July 2017. No of users to date is in excess of 1.28 million.

# 1H17 Results Highlights



## Corporate Highlights

**Share buy back offer** announced on 24 January 2017 and revised on 13 February 2017. This Offer is pending upon the Company's judicial review application on certain rulings of the Takeovers Panel. Hearing dates fixed on 26 and 27 September 2017.

**Second interim dividend** declared at HK\$0.30 per share.

**A joint venture** was formed between TVB and Imagine Entertainment and announced on 26 July 2017 to finance the production and development of a TV slate in the US. TVB invested US\$100m (US\$66.7m in debt and US\$33.3m in equity)

# 1H17 Consolidated Income Statement



HK\$ million	1H16	1H17	Chg	Remark	Note: NM – not meaningful
Revenue	1,964	<b>2,021</b>	3%	New income stream from co-production, digital new media	
Total costs (COS + SG&A)	(1,678)	<b>(1,810)</b>	8%	Incurred additional expenses for new businesses	
Other revenues	40	<b>59</b>	49%	Increase in interest income	
Other gains, net	0.3	<b>7</b>	NM		
<b>Operating profit before non-recurring income</b>	326	<b>277</b>	-15%		
Gain on disposal of investment properties	-	<b>19</b>	NM	Sale of a property in Taiwan	
<b>Operating profit</b>	326	<b>296</b>	-9%		
Finance costs	(1)	<b>(79)</b>	NM	Interest for Note issued at 3.625% p.a.	
Share of results of JVs & associates	(7)	<b>(1)</b>	NM		
Impairment loss re: Network Vision	(15)	-	NM	Closure of TVB Network Vision, migrated users to OTT	
<b>Profit before income tax</b>	303	<b>216</b>	-29%		
Income tax expense	(54)	<b>(43)</b>	-21%		
<b>Profit from continuing operations</b>	249	<b>173</b>	-30%		
Discontinued operations (Taiwan)	71	-	NM	Gain on disposal of a JV in Taiwan in 1H16	
Profit for the period	320	<b>173</b>	-46%		
<b>Profit attributable to equity holders ("Net profit")</b>	302	<b>170</b>	-44%		
Earnings per share (HK\$)	0.69	<b>0.39</b>	-44%		

■ **Revenue** increased to HK\$2,021m (+HK\$57m, +3%)

- Higher revenue under HK TV Broadcasting (+HK\$105m, +9%), as new co-production income was earned
- HK Digital New Media revenue up (+HK\$38m, +46%) due to full six months of myTV SUPER OTT service
- Lower revenue under Programme Licensing and Distribution (-\$53m, -10%) due to a non-recurring compensation in 1H16

■ **Net profit** declined to HK\$170m (-HK\$132m, -44%)

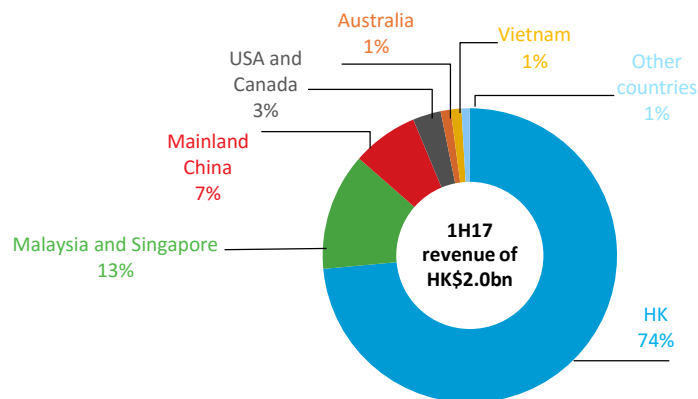
- Opportunity loss of better interest yield of restricted cash of HK\$4.2 billion & non-recurring disposal gain from Taiwan operation

# 1H17 Segment Revenue Analysis

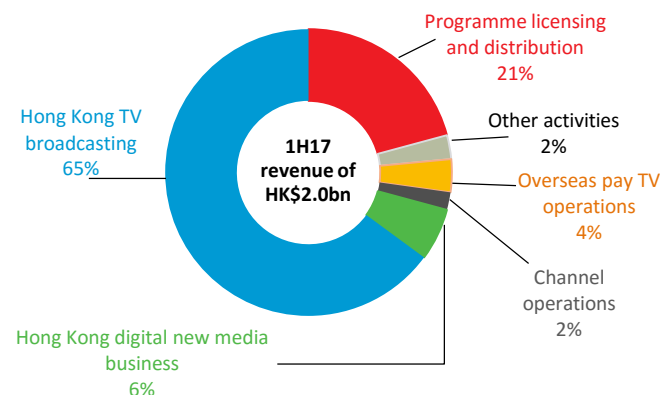


HK\$ million	1H16	1H17	Change	Explanation
HK TV broadcasting	1,235	<b>1,340</b>	9%	Ad revenue remained steady, up 0.6%. Increase contributed by new co-production income earned from China
HK digital new media business	84	<b>122</b>	46%	Growth in subscriber number and advertisement from myTV SUPER OTT service
Programme licensing and distribution	532	<b>479</b>	-10%	China licensing revenue fell by HK\$49m due to a one-off settlement in 2016
Overseas pay TV operations	84	<b>75</b>	-11%	Full-spectrum migration, mischief of illegal STB and other pirate syndications
Channel operations	46	<b>43</b>	-5%	Lower advertising revenue from Malaysia
Other activities (note)	75	<b>71</b>	-5%	
Elimination	<u>(92)</u>	<u>(109)</u>	NM	
Total revenue	<u>1,964</u>	<u><b>2,021</b></u>	3%	

**1H17 Revenue by geographies (%)**



**1H17 Revenue by operating segments (%)**

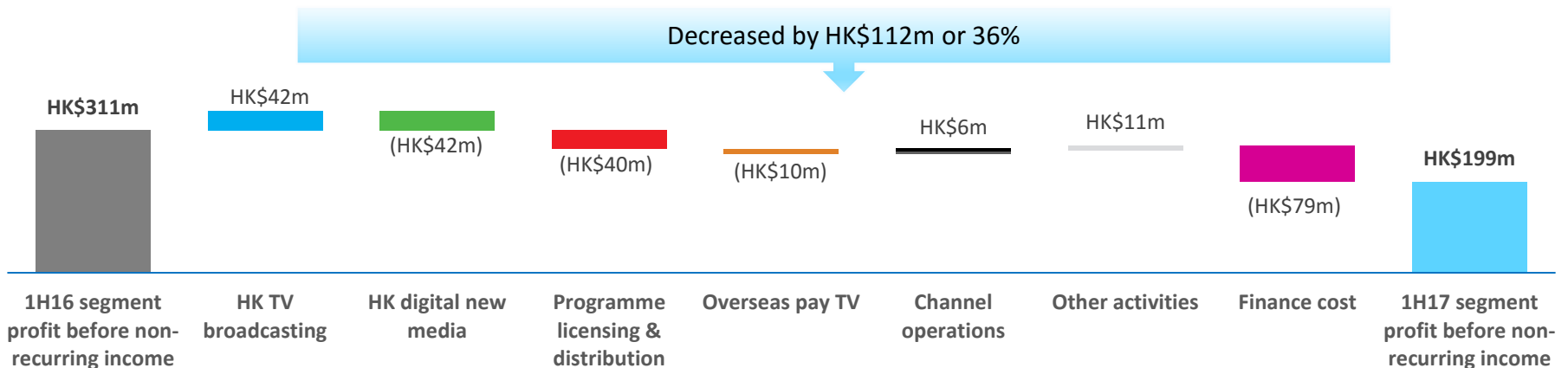


Note:  
Other activities include magazine publications and music publishing

# 1H17 Segment Profit Analysis



HK\$ million	1H16	1H17	Change	Explanation
HK TV broadcasting	40	82	102%	New co-production income accretive to earnings
HK digital new media business	(18)	(60)	225%	Content and distribution costs increase due to business expansion of myTV SUPER
Programme licensing and distribution	287	247	-14%	Absence of a one-off settlement booked in 1H16
Overseas pay TV operations	(18)	(28)	55%	Incremental cost increase related to the rollout of TVB Anywhere 3.0
Channel operations	2	8	237%	
Other activities	18	29	65%	
Finance cost	-	(79)	NM	Interest for Notes issued at 3.625% p.a.
Segment profit before non-recurring income	311	199	-36%	
Gain on disposal of investment properties	-	18	n/m	Disposal gain of a property in Taiwan
Total segment profit	311	217	-30%	



# Financial Position



HK\$ million	31 Dec 2016	30 June 2017
Non-current assets	2,886	3,091
Current assets (other than restricted cash, bank deposits, cash and cash equivalents)	3,267	2,790
Bank deposits, cash and cash equivalents	6,198	1,869
Restricted cash	6	4,286
<b>Total assets</b>	<b>12,357</b>	<b>12,036</b>
Total equity	7,230	7,171
5-year Notes due 2021	3,842	3,806
Other liabilities	1,285	1,059
Total liabilities	5,127	4,865
<b>Total equity and liabilities</b>	<b>12,357</b>	<b>12,036</b>

- As of 30 June 2017, gearing ratio was 53.1% (31 December 2016: 53.1%)
- 1H17 CAPEX amounted to HK\$262 million (1H16: HK\$137 million)

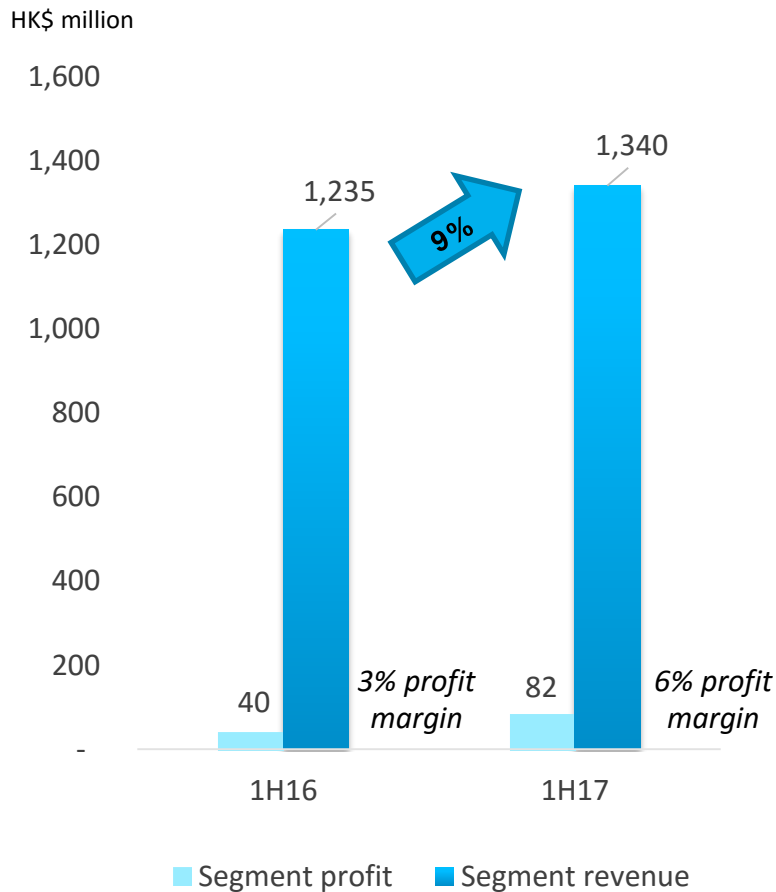
Notes:

(1) Gearing is expressed as a ratio of gross debts to total equity



# Hong Kong TV Broadcasting (65% of Group revenue)

Performance improved as ad revenue stabilized and new co-production income earned



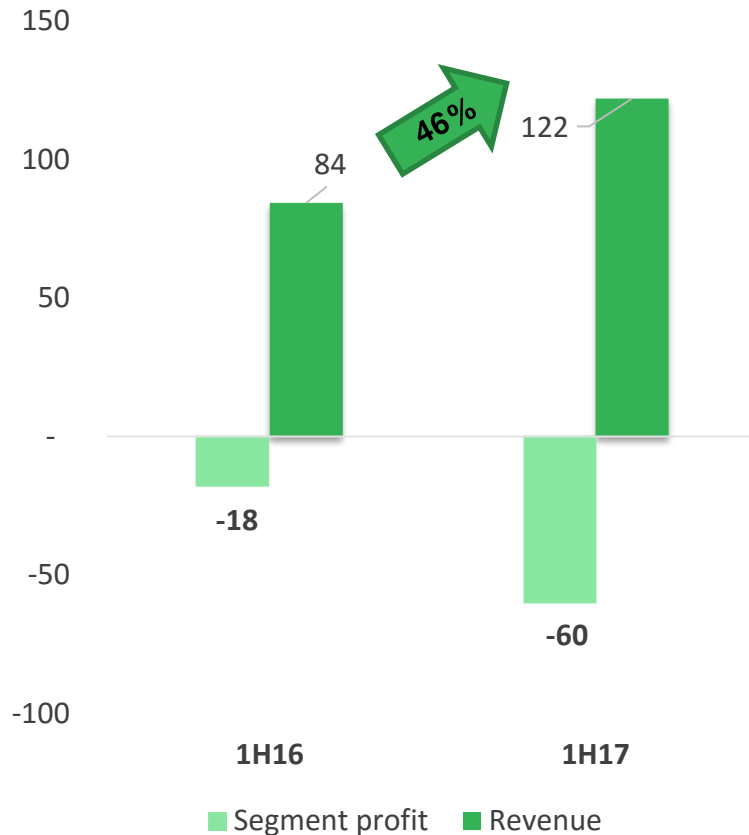
- Production income from co-production of drama serials contributed to the overall increase.
- Advertising revenue up by 0.6% to HK\$1,130 million, indicating signs of stabilization in the HK ad market
- Used the 20<sup>th</sup> anniversary of the establishment of the HKSAR to recruit governmental and related advertising budgets. The government/quasi-government category recorded nearly 100% increase in revenue. Finance companies were aggressive spenders recording more than 40% growth.
- Milk powder and skin care recorded declines of 11% and 12%, respectively.

# Hong Kong Digital New Media (6% of Group revenue)

A future growth driver with myTV SUPER registering initial success, subscriber base and usage levels are growing healthily



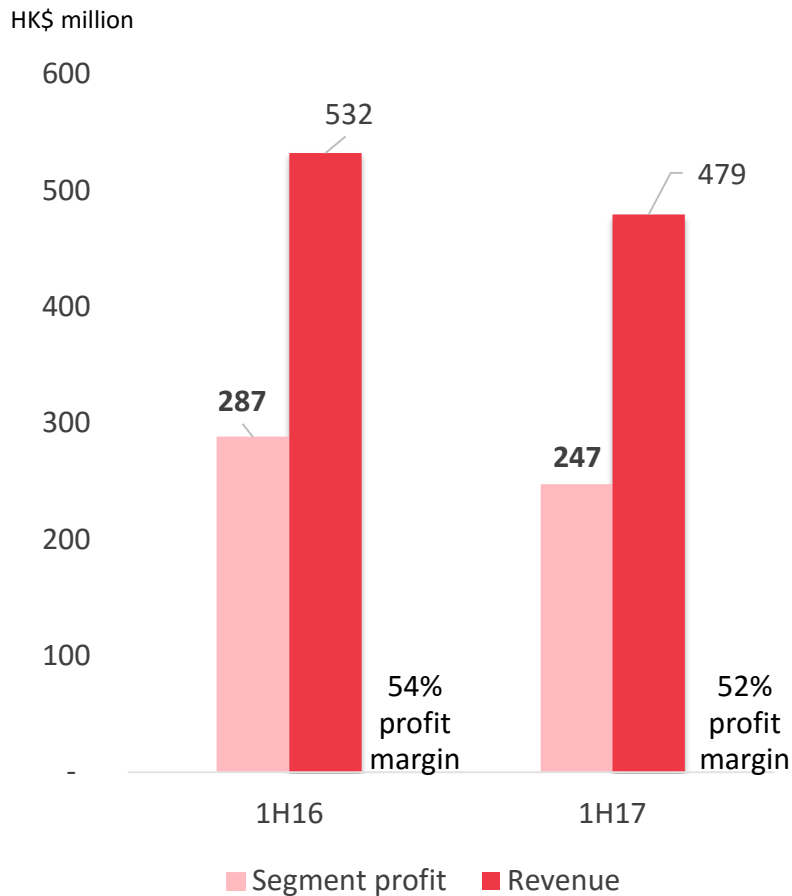
HK\$ million



- Thanks to the successful launch of myTV SUPER OTT service in April 2016, revenue went up by 46% yoy.
- Number of myTV SUPER users exceeded 4.4 million, with 1.2 million users consuming contents either through STB or web, while remaining 3.2 million accounts operating via mobile app.
- A gradual shift of TV consumption of myTV SUPER, boosting up our TV ratings by as much as 1.07 TVRs.
- Introduced a new online social-media platform, Big Big Channel in July 2017. Registered users exceeded 1.28 million.

# Programme Licensing and Distribution (21% of Group revenue)

Steady licensing business in Malaysia and Singapore



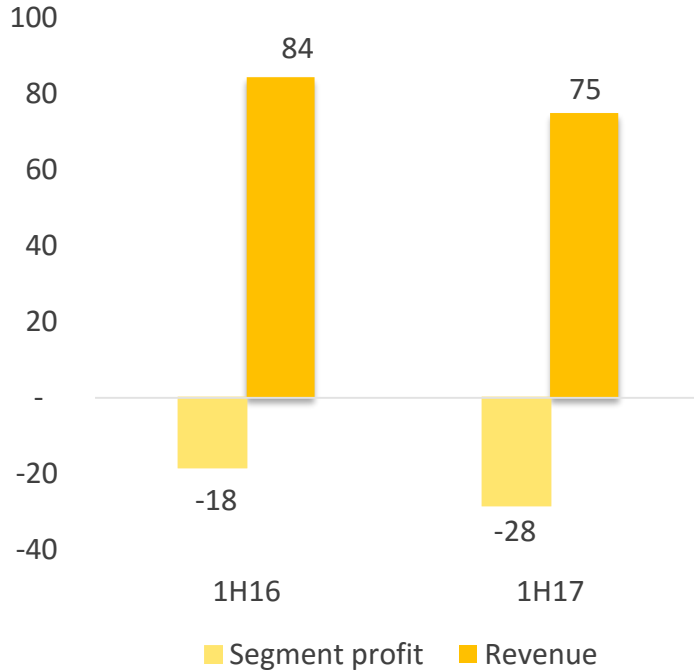
- Steady licensing revenue from Malaysia and Singapore. Revenue decreased 10% due to non-recurring settlement received from a major Chinese online operator in 1H16.
- Licensing business to satellite TV stations in China performed unsatisfactorily while demands for online content remained robust. Youku Tudou continues to be an important online distribution platform to TVB.
- License agreement with MEASAT Broadcast Network Systems Sdn Bhd in Malaysia to supply programmes to its Astro platforms has three remaining years up to January 2020.
- License agreement with Starhub Cable Vision in Singapore expires in May 2018.

# Overseas Pay TV Operations (4% of Group revenue)

Migrating subscribers to OTT service



HK\$ million



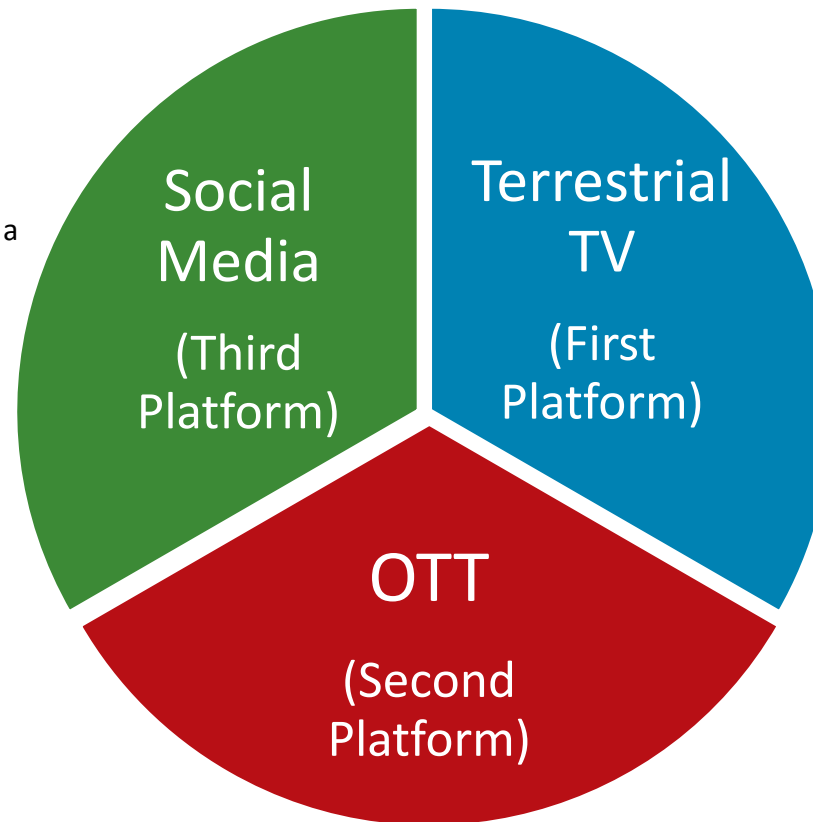
- Total revenues from our overseas pay TV platforms in Europe, Australia, USA and Canada declined 11% due to full-spectrum migration, mischief of illegal STB and other pirate syndications.
- In Australia and Europe, migration from our traditional pay TV service to the enhanced TVB Anywhere 3.0 is expected to complete by this year end.
- We see significant interest in our online advertising business.



# Three-platform strategy to cover a wide demographics of audience

From terrestrial, OTT to social media, TVB successfully completed the execution of the three-platform strategy, making us the biggest multi-media platform in Hong Kong, offering one-stop solution to advertisers for airtime commercials and content marketing

**Big Big Channel** uses TVB originated content, short formatted video and clips to generate social interest on its mobile app platform to target a global market. To date, more than **1.28 million** users registered.



TVB uses the spectrum to deliver **terrestrial TV channels** -

1. Jade (channel 81)
2. J2 (channel 82)
3. TVB News (channel 83)
4. Pearl (channel 84)
5. TVB Finance (channel 85)

On average, **5.5 million** viewers every week on all terrestrial channels.

**myTV SUPER** uses over-the-top technology and mobile apps to deliver a large library of channels and VOD content to subscribers. To date, more than **4.4 million** users (boxes and app) are using this service.

# 1 Terrestrial TV : continued to invest heavily in content creation. Co-producing drama series with Tencent and iQiyi to further excel our brand in China



Jade Top 4 Dramas consolidated ratings<sup>(1)</sup> in 1H17



My Unfair Lady (4K content)

28.5 TVRs



Tiger Mom Blues

27.7 TVRs



The Legend of the Condor Heroes

26.2 TVRs



Burning Hands

25.0 TVRs



Co-produced drama series in 2017 and 2018

Tencent 腾讯



Legal Mavericks



Line Walker: The Prelude



Heart of Greed 3



Deep In the Realm of Conscience

Note:

- (1) Consolidated ratings is defined as the summation of TV set ratings and myTV SUPER ratings.
- (2) 1 TVR represents 64,990 viewers

## 2 OTT Platform: Addressing changes in users' viewing habits by investing in internet portal, mobile apps and OTT services



### Hong Kong



- myTV SUPER has **over 4.4 million users**, excelling well above our initial target of 1.4 million users by November 2017.
- myTV SUPER is available through mobile devices, STB, web-based devices. Programme download function is available since April 2017.
- myTV SUPER promises:
  - 1) seamless catch-up (rewind within 3 hours);
  - 2) rich content offering (over 50 TV channels, VOD of over 36,000 hours)
- Streaming performance continued to improve, growing healthy in tandem with the subscriber base and usage levels.
- New advertising features to improve monetization included distributing banner ads and U-shaped display ads during live and as live-viewing.

### Global



- TVB Anywhere 3.0 provides TV channels and VODs in multiple languages to serve audience around the world, except a small number of territories in which the service has been geo-blocked due to contractual constraints.
- TVB Anywhere promises:
  - 1) 7-day catch-up;
  - 2) rich content offering (23 channels, VOD of over 20,000 hours of TVB contents)
- Launched an enhanced OTT service, TVB Anywhere 3.0 in 1H17, working to migrate subscribers of traditional pay TV medium in Europe and Australia to the enhanced TVB anywhere 3.0 by the end of this year.
- Co-operating with Fairchild Television in Canada on TVB Anywhere App with local productions.
- Expect to start working with a major ISP in Macau on bundle arrangements in 3Q17.



### 3 Social media platform: Targeting younger, internet-savvy viewers



Free app officially launched in July 2017 globally, to date, registered users has exceeded 1.28 million



#### Content Marketing

- ✓ Self-produced short-format content
- ✓ Spin-off of TVB dramas and shows
- ✓ Exclusive contents offered by station, artistes and KOLs on a wide range of chic topics (i.e.: home-cooking, dining-out, beauty advice, child-caring, music, adolescents, entertainment news etc)

#### Innovative Social Experience

- ✓ Live chat and send virtual gifts to artistes/KOLs
- ✓ Regular updates from artistes
- ✓ Interactive online games (i.e.: mahjong, e-sports)

#### Digital Community Platform

- ✓ Direct and seamless
- ✓ No time and geographical restrictions



Target to reach 3 million subscribers in the first year, leveraging our dominant market share in terrestrial television and fast-growing user base in OTT platform



# JV with Imagine Entertainment to finance the production and development of a TV slate in the US



- On 26 July 2017, a JV was formed between TVB and Imagine Entertainment to finance the production and development of a TV slate in the US.
- TVB has invested US\$100m (US\$66.7m in promissory note and US\$33.3m in equity). TVB and Imagine will each own 50% of the JV. Imagine will contribute in kind including production related service.
- Promissory note bears interest at 12% p.a.
- This JV provides a new opportunity for collaboration in television projects.
- TVB will be granted the rights to use the programmes in the PRC, Taiwan, Hong Kong and Macau.
- On 31 July 2017, Imagine Entertainment and CBS Corporation announced that they have entered into a four-year co-financing and first look agreement for television programming
- (<https://www.cbscorporation.com/2017/07/cbs-corporation-and-imagine-television-form-strategic-partnership/>). Such programming will be used on CBS networks and platforms.

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SOME FILMS PRODUCED BY IMAGINE  
ENTERTAINMENT



Imagine Entertainment was founded by Brian Grazer and Ron Howard in 1986. It has an impressive track record of creating enduring and iconic movies and TV programmes. It has won more than 60 prestigious awards, including 10 Academy Awards and 40 Emmy Awards.





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跳躍飛騰

