

# Television Broadcasts Limited

(Stock code: 00511)



Television Broadcasts Limited  
電視廣播有限公司

## 2016 Annual Results Announcement

# FY16 results highlights



Revenue from continuing operations decreased by HK\$245 million or 5% to HK\$4,210 million, mainly due to a decline in advertising revenue from terrestrial TV channels

Total costs from continuing operations increased by HK\$449 million or 13% to HK3,888 million, mainly owing to higher programming cost (due to Rio 2016 Olympics) and higher expenses incurred for new OTT business

A smaller net exceptional gain of HK\$115 million

Profit attributable to equity holders from continuing and discontinued operations decreased by HK\$831 million or 62% to HK\$500 million (EPS HK\$1.14)

# FY16 consolidated income statement



HK\$ million	FY15	FY16	Chg	Remark	Note: NM – not meaningful
Revenue	4,455	<b>4,210</b>	(5%)	Main cause: HK TV advertising income dropped 13%	
Total costs (COS + SG&A)	(3,440)	<b>(3,888)</b>	13%	Higher programming cost due to Rio 2016 Olympics and higher G&A expenses due to new OTT business	
Other revenues & other losses, net	(9)	<b>(57)</b>	nm		
Exchange losses on Renminbi fixed term deposits	(42)	-	n/m		
Gain on disposal of investment properties	-	<b>280</b>	n/m	Disposed investment properties in Neihu, Taiwan	
Impairment loss on a property	(88)	-	n/m		
Finance costs	(7)	<b>(34)</b>	424%	Interest for Notes issued in Oct 2016 at 3.625% p.a.	
Share of results of JV & associates	(48)	<b>(6)</b>	-88%		
Impairment loss re: Network Vision	(695)	<b>(23)</b>	-97%	Provision made in FY15	
Write-back of impairment loss re: Network Vision	-	<b>71</b>	n/m		
<b>Profit before income tax</b>	126	<b>553</b>	337%		
Income tax expense	(144)	<b>(105)</b>	-27%		
<b>(Loss)/profit from continuing operations</b>	(18)	<b>448</b>	n/m		
Discontinued operations (Taiwan)	1,336	<b>71</b>	-95%	Sale of Taiwan Operations in two tranches	
Profit for the period	1,318	<b>519</b>	-61%		
<b>Profit attributable to equity holders ("Net profit")</b>	1,331	<b>500</b>	-62%		
Earnings per share (HK\$)	3.04	<b>1.14</b>	-62%		

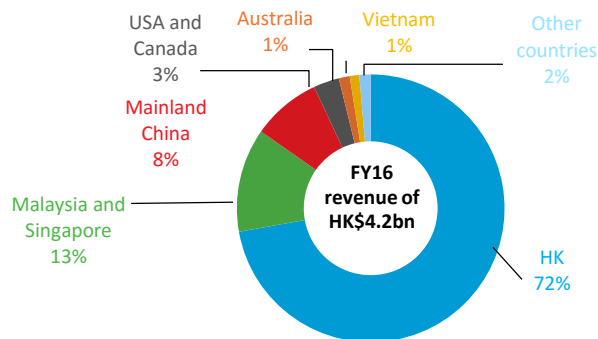
- **Revenue** declined to HK\$4,210m (-HK\$245m, -5%)
  - Lower ad revenue under HK TV Broadcasting (-HK\$398m, -13%)
  - HK Digital New Media revenue up (+HK\$60m, +35%) due to launch of myTV SUPER
  - Better revenue under Programme Licensing and Distribution (+HK\$68m, +7%) thanks to a recoupment of licensing income from an online operator in China
- **Net profit** declined to HK\$500m (-HK\$831m, -62%)
  - FY15 profit was boosted by a disposal gain from sale of 53% of Taiwan Operations of HK\$1,396m, but offset by an impairment loss of HK\$695m related to Network Vision

# Segment revenue analysis

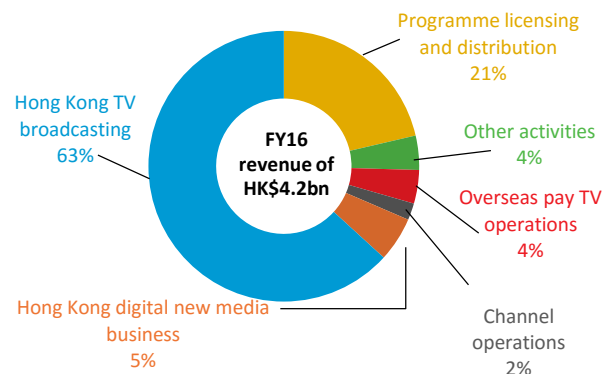


HK\$ million	FY15	FY16	Change	Explanation
HK TV broadcasting	3,105	<b>2,707</b>	-13%	Continuous declines in HK retail sales (govt est. -8.1%) & slump in overall ad spend in HK (TVB est. -13% to -18%), rising trend of online and social media advertising
HK digital new media business	170	<b>230</b>	35%	myTV SUPER contributed subscription income since its launch in April 2016
Programme licensing and distribution	951	<b>1,019</b>	7%	Reached a settlement with an online operator in China
Overseas pay TV operations	186	<b>169</b>	-9%	Piracy issue persisted
Channel operations	105	<b>90</b>	-14%	
Other activities (note)	129	<b>191</b>	48%	
Elimination	<u>(191)</u>	<u>(196)</u>	2%	
Total	<u>4,455</u>	<u><b>4,210</b></u>	-5%	

**FY16 Revenue by geographies (%)**



**FY16 Revenue by operating segments (%)**



Note:  
Other activities include magazine publications and music publishing

# Segment profit analysis



HK\$ million	FY15	FY16	Change	Explanation
HK TV broadcasting	551	(71)	n/m	Lower advertising revenue, additional cost incurred for Olympics programmes (non-recurring) and extended broadcast of drama series into weekends evenings
HK digital new media business	41	(29)	n/m	Achieved phenomenal success, start-up loss was smaller than originally estimated
Programme licensing and distribution	411	444	8%	Reached a settlement with a Chinese online operator
Overseas pay TV operations	(31)	(40)	31%	Gradual migration from satellite to OTT
Channel operations	17	2	-87%	
Other activities	11	28	151%	Movie income from <i>Line Walker</i> , a spin-off from a hit TVB drama serial
Corporate & elimination	(1)	(33)	n/m	Incurred interest expense for notes issued in Oct 2016
Subtotal	999	301	-70%	
<i>Less: Exceptional items</i>				
Exchange losses on RMB	(42)	-	n/m	
Impairment loss on a property	(88)	-	n/m	
Impairment loss associated with Network Vision	(695)	(23)	n/m	
Gain on disposal of investment properties in Neihu	-	280	n/m	
Total	174	559	220%	

# Terrestrial TV



Audience share increased to 84% (FY15: 82%), continued to invest heavily in content creation, FY16 dramas scored better TV ratings and critical acclaim

Jade Top 3 Dramas consolidated ratings<sup>(1)</sup> in 2016



A Fist Within  
Four Walls  
30.7 TVRs



Short End of  
the Stick  
30.5 TVRs



House of Spirits  
29.7 TVRs

Jade Top 3 Non-Dramas consolidated ratings<sup>(1)</sup> in 2016



TV Awards  
Presentation  
2016  
28.7 TVRs



Miss Hong  
Kong Pageant  
2016  
25.9 TVRs



TVB 49<sup>th</sup>  
Anniversary  
Light Switching  
Ceremony  
25.0 TVRs

- **Weakness in retail market further dampened ad sales in Hong Kong**
- **Ad revenue fell 13% yoy to HK\$2,707m in FY16**
  - Declines in skincare, food and dining, banking and financial services, discretionary fast-moving consumer products.
  - Growth in NGOs and social service providers, online service providers (i.e.: game developers, travel agents, financial services and property agents)
- **New initiatives in FY16 to respond to the challenges**
  - Expanded production services for TV commercials and mini-programmes
  - Introduced new functionality on Adfun app, directing users to advertisers' product website and social media accounts

Note:

- (1) Consolidated ratings is defined as the summation of TV rating, online live and catch-up ratings.  
(2) 1 TVR represents 64,910 viewers

# Digital New Media

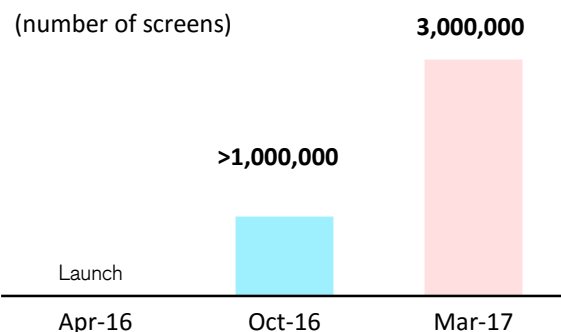


Addressing changes in users' viewing habits by investing in internet portal, mobile apps and OTT services both in Hong Kong and overseas

## Hong Kong



### Rapid expanding user base



The rapid uptake in myTV SUPER subscribers is testament to the highly effective hard bundle arrangement TVB successfully contracted with HKBN and HGC.

ANY  
devices  
(TV sets via OTT  
boxes and apps  
on handsets)

ANY  
where

ANY  
time

ANY content (out  
of the large  
number of  
channels and a  
substantial library)

## Global

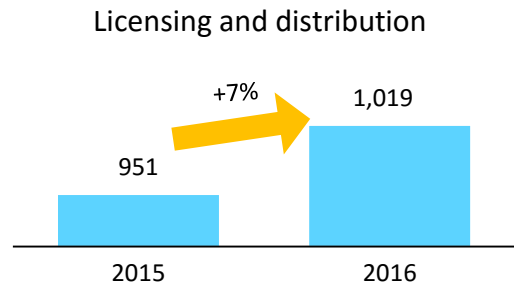


- Launched an enhanced OTT service, TVB Anywhere in Sep 2016, to target a global market
- TVB Anywhere provides TV channels and VODs in multiple languages comprising mainly TVB content.

# Programme Licensing and Distribution

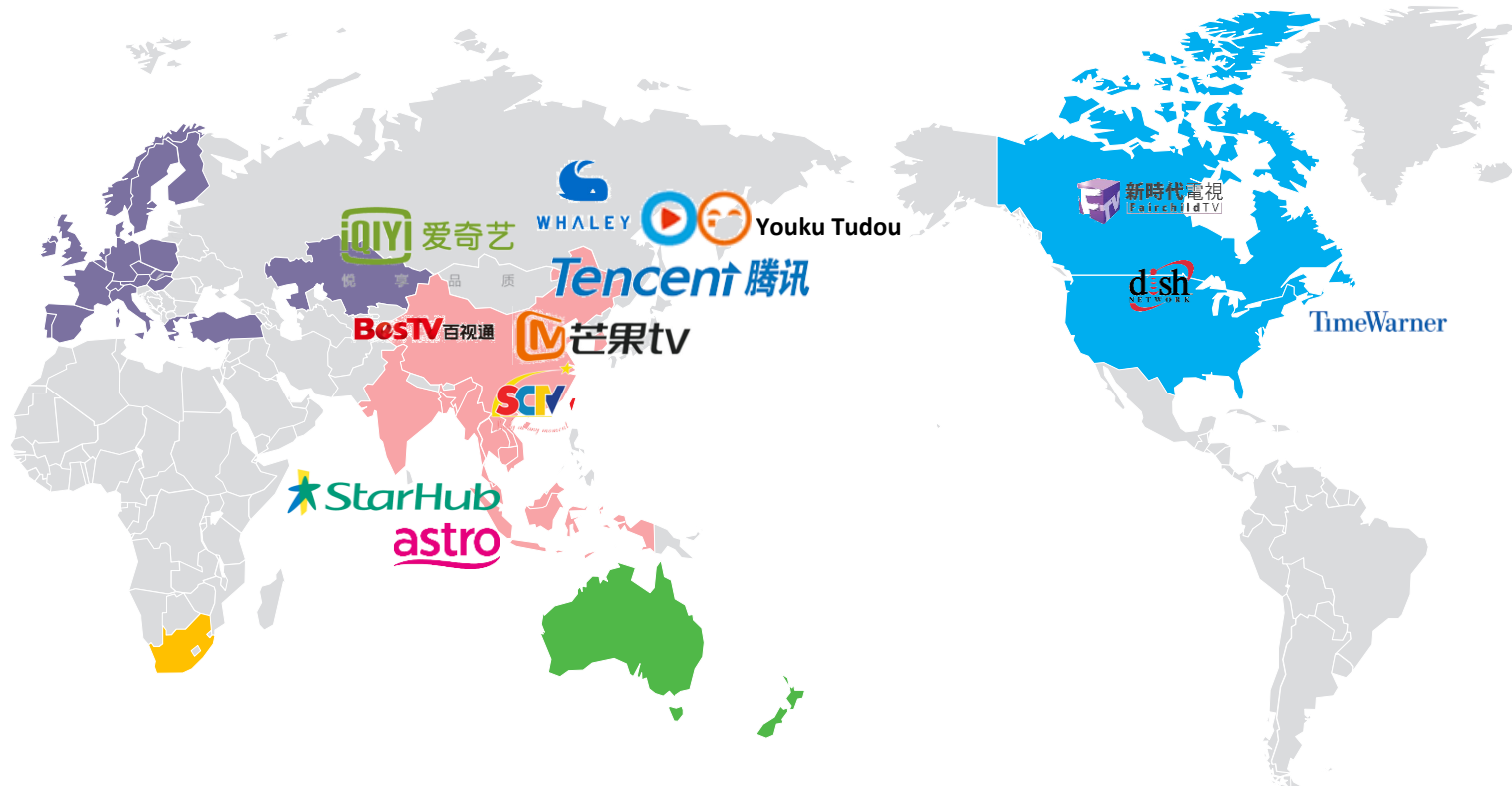


A strong international distribution platform underscores TVB's superior ability to monetise content.



The increase in revenue was mainly attributable to the recoupment of licensing income of HK\$126 million after settlement of the dispute with a major online operator in Mainland China but was partly offset by the lower licence fee receivable from MEASAT in Malaysia, the depreciation of the Malaysian Ringgit against Hong Kong dollars, and the lower telecast licensing income in Mainland China. The licensing income from Singapore remained steady.

Global footprint with steadily growing licensing and distribution revenue through cooperation with renowned international partners





# Financial position and debut note issuance



## Year-end financial position

HK\$ million	31 Dec 2015	31 Dec 2016
Non-current assets	2,771	2,886
Current assets (other than bank deposits, cash and cash equivalents)	3,525	3,273
Bank deposits, cash and cash equivalents	2,817	6,198
<b>Total assets</b>	<b>9,113</b>	<b>12,357</b>
Total equity	7,836	7,230
5-year Notes due 2021	-	3,842
Other liabilities	1,277	1,285
Total liabilities	1,277	5,127
<b>Total equity and liabilities</b>	<b>9,113</b>	<b>12,357</b>

## Debut note issuance in Oct 2016

- The low-interest-rate environment enabled TVB to successfully complete the US\$500m debut unsecured non-rated 5-year note issuance in October 2016 at interest rate of 3.625% pa.
- Gearing<sup>(1)</sup> ratio increased from 3.0% to 53.1% at 31 December 2016.

## Share buy-back proposal announced in early 2017

- In Feb 2017, the Board announced a share buy-back proposal to repurchase 120 million shares (approximately 27.4% of total number of shares) at HK\$35.075 per share, requiring a cash outlay of HK\$4.2 billion if accepted by shareholders.
- Given the prevailing weak advertising market would not conducive towards improving financial performance, the Board believes that the share buyback would enhance shareholders' value.

- FY16 CAPEX amounted to HK\$484m (FY15: HK\$323m)

Notes:

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



- Market outlook for 2017 remains uncertain and advertising sales may take time to recover. Yet, with the initial success of our OTT service myTV SUPER, we are confident that these expanded new digital media platforms will support our business beyond the existing limits imposed by our free-to-air services.
- Launch of a new social media platform “Big Big Channel” in 2017, showcasing TVB produced short programmes with our artistes engaging with online viewers.
- Expanding our frontier into co-productions with a number of major mainland Chinese platforms in 2017, including Tencent and iQiyi which would further generate new business opportunity in Mainland China.

## Co-production dramas in 2017 and 2018



Legal Mavericks



Line Walker:  
The Prelude



Heart of Greed 3



Deep in the Realm of  
Conscience

- Celebrating 50th anniversary in November 2017. We pride ourselves on being a household name with million of fans among the Chinese communities around the world.





# HAPPY BIRTHDAY

