



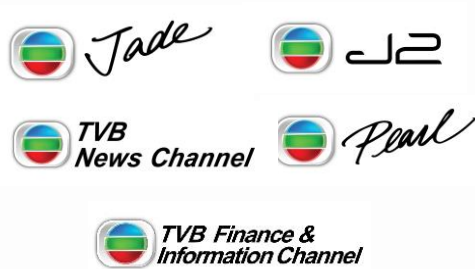
**Television Broadcasts Limited**  
**(Stock code: 0511)**

**2019 Annual Results Announcement**  
**25 March 2020**



# TVB a terrestrial TV broadcaster in Hong Kong for 52 years

## Operates three media platforms of leading positions



### Terrestrial TV broadcasting (1st platform)

Engages with **5.5 million** viewers, captures 81% audience share  
Jade channel is the most watched TV channel in HK  
Co-produce programmes with Chinese online platforms

### Growth drivers: Digital platforms



### OTT (2<sup>nd</sup> platform)

myTV SUPER, **8.3 million** users, 2<sup>nd</sup> most watched TV channel in HK  
TVB Anywhere, **13.7 million** users, including overseas users from third party online platforms carrying TVB content



### Social Media (3<sup>rd</sup> platform) and E-Commerce

Exceeded **14.0 million** users/followers on global basis  
Adopting “Showing on TV, Selling in Big Big Shop” model  
Events management, social media advertising, e-commerce & music entertainment

# FY19 Results Highlights



- Revenue decreased from HK\$4,477 million to HK\$3,649 million, a decline of 18%.
  - Income from advertisers under Hong Kong TV broadcasting decreased from HK\$2,440 million to HK\$1,910 million, a decline of 22%.
  - Income from new media, myTV SUPER and Big Big Channel businesses, in aggregate, rose from HK\$489 million to HK\$571 million, an increase of 17%.
- Total costs decreased from HK\$4,062 million to HK\$3,698 million, a reduction of 9%.
- A fair value loss of HK\$330 million against the SMI Bonds was recognised to reduce its carrying amount to zero.
- Loss attributable to equity holders of the Company amounted to HK\$295 million (2018: HK\$199 million).
- In the absence of the fair value loss of HK\$330 million, the Group would have reported a profit attributable to equity holders of the Company of HK\$35 million for the Year.
- Adjusted EBITDA was HK\$461 million (2018: HK\$782 million).
- The Board has recommended a final dividend of HK\$0.20 per share, making a total dividend of HK\$0.50 per share for the Year.

# FY19 Consolidated Income Statement



HK\$ million	FY18	FY19	yoy chg
Revenue	4,477	3,649	-18%
Cost of sales	(2,337)	(2,167)	-7%
Gross profit	2,140	1,482	-31%
Other revenues & other gains/(losses), net	(28)	44	NM
Interest income	255	180	-29%
SG&A expenses	(1,725)	(1,531)	-11%
Gain on disposal of bond securities	-	21	NM
Net impairment loss on financial assets	(232)	(22)	-91%
Fair value loss on financial assets	(320)	(330)	3%
Disposal gain of a subsidiary/investment properties	27	21	-22%
Finance costs	(128)	(107)	-17%
Share of losses of JV & associates	(113)	(55)	-51%
<b>Loss before income tax</b>	(124)	(297)	139%
Income tax expense	(53)	18	NM
Loss for the Period	(177)	(279)	57%
<b>Loss attributable to equity holders</b>	(199)	(295)	48%
Loss per share (HK\$)	(0.45)	(0.67)	48%

# Balance Sheet



HK\$ million	31 Dec 2018	31 Dec 2019
Bond securities at amortised cost (current and non-current)	2,257	1,376
Property, plant and equipment	1,811	1,808
Trade and other receivables, prepayment and deposits	2,289	1,722
<b>Cash and bank deposits</b>	1,270	1,185
Programmes and film rights, stocks	1,011	1,151
Other assets	1,618	1,353
<b>Total assets</b>	10,256	8,595
<b>Total equity</b>	6,307	5,588
5-year Notes due 2021 (note 1)	3,017	1,866
Other liabilities	932	1,138
<b>Total liabilities</b>	3,949	3,004
<b>Total equity and liabilities</b>	10,256	8,592

At 31 December 2019, the gearing ratio, expressed as a ratio of net debts to total equity, was 21.0% (31 December 2018: 29.1%).

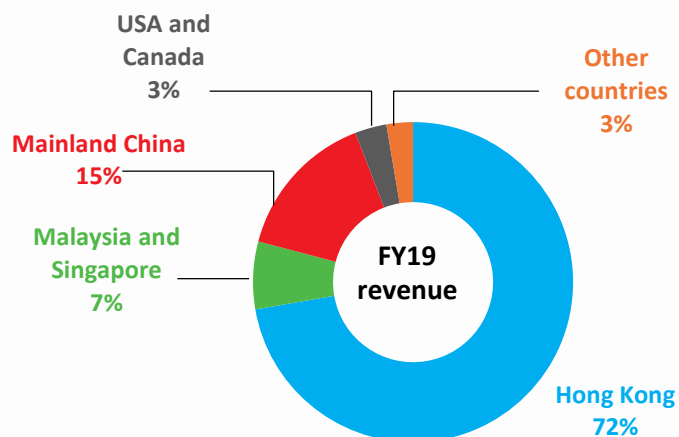
Note 1: The net amount of TVB Notes outstanding had been reduced to HK\$1,866m as a result of the purchase of TVB Notes during the Year from the open market and through the Tender Offer.

# Segment Analysis

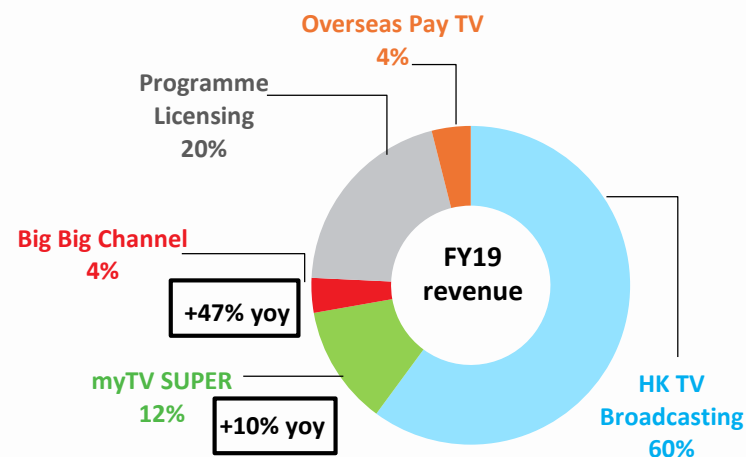


HK\$ million	FY19 External revenue	yoy change	FY19 Profit/ (loss)	yoy change	Explanation
HK TV broadcasting	2,190	-25%	(304)	NM	Ad income dropped 22% due to adverse market in 2H19; fewer delivery of co-production drama due to industry-wide regulatory review in 2018/19
MyTV SUPER	442	10%	40	154%	Subscription income up 28%, but ad income growth momentum was disrupted by adverse market in 2H19
Big Big Channel business	129	47%	44	NM	Turnaround, as events management, e-commerce, music entertainment delivered topline growth
Programme licensing and distribution	740	-15%	412	-1%	Licensing revenue dropped given lower fees from StarHub and Astro. Profit remained stable due to streamlining of costs
Overseas pay TV & TVB Anywhere	144	3%	(10)	-37%	Growth in subscription income due to launch of TVB Anywhere+ app. Loss narrowed by 37% supported improving results of new media platforms
Other activities	4	NM	(5)	NM	
Corporate support	-	NM	(151)	1%	Interest expense related to TVB Notes
Subtotal before impairment loss	3,649	-18%	26	-94%	

**Revenue by geographical segments**



**Revenue by business segments**



# Hong Kong TV Broadcasting (60% of revenue)

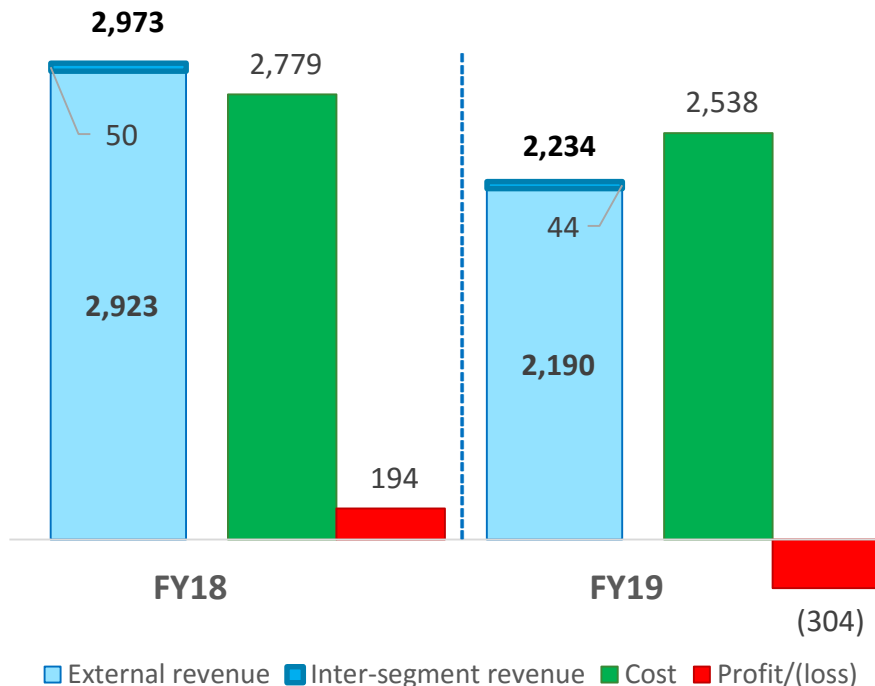
Maintain as the leading broadcaster serving HK with high viewership



**Business model:** Free-to-air broadcasting of 5 terrestrial TV channels (Jade, J2, TVB News, Pearl, TVB Finance & Information), each with clear audience targets in return for advertising and production revenue.

## Hong Kong TV Broadcasting

HK\$ in millions



- External revenue dropped by 25% or HK\$733m to HK\$2,190m, mainly due to:
  - Income from advertisers declined by 22% or HK\$530m to HK\$1,910m
  - Fewer co-production projects from China's online platforms due to industry-wide regulatory review, income dropped by 65% or HK\$194m to HK\$105m
- Cost decreased by 9% or HK\$241m, due to fewer co-production projects and increased use of acquired dramas
- Future developments:
  - ✓ Accelerate efforts to develop business in the Greater Bay Area
  - ✓ Secured three co-production projects for delivery in 2020. Among these three, one title was completed before 2019 year end. Explore further co-production opportunities





**Raising content standard :** continued to invest in content creation

**Investing in digital :** myTV SUPER OTT contributes to significant TV ratings

**Developing new markets :** co-produce content with Chinese online platforms

These prime time blockbusters received high audience applause at home and abroad, and are in great demand for season 2

### TV ratings <sup>(1)</sup> of Jade Channel's Top 3 Self-produced Drama Series in 2019



#### ***The Defected***

Average rating

28.8 TVRs (5.2 TVRs via myTV SUPER OTT platform)

Co-produced with **Tencent 腾讯**

Licensed to



#### ***Big White Duel***

Average rating

28.6 TVRs (5.2 TVRs via myTV SUPER OTT platform)



#### ***Barrack O'Karma***

Average rating

27.0 TVRs (4.9 TVRs via myTV SUPER OTT platform)



# Co-production drama serials, expect more in 2020 and beyond



## Strategic cooperation with leading online operators on production of platform-exclusive drama serials, deliver notable successes

Benefit : Increase TVB presence in Mainland China and provide higher production budgets.

Business model: B2B. Under this drama co-production arrangement, TVB, as the production house, execute the entire production for a fee. Exploitation of the associated rights are allocated between the respective online partners (taking the PRC rights) and TVB (taking all of the non-PRC rights including HK and Macau).

Booked co-production income based on percentage of completion, booked HK\$105 million in 2019

Secured pipeline for delivery in 2020: **Line Walker 3**, **Legal Mavericks 2**, **Armed Reaction 2020**

Currently negotiating additional co-production and variety projects with more online video platforms.

### In 2017



Legal Mavericks



Line Walker:  
The Prelude



Heart And Greed



Deep In the Realm  
of Conscience



Another Era



The Defected



### In 2018

# myTV SUPER (12% of revenue)

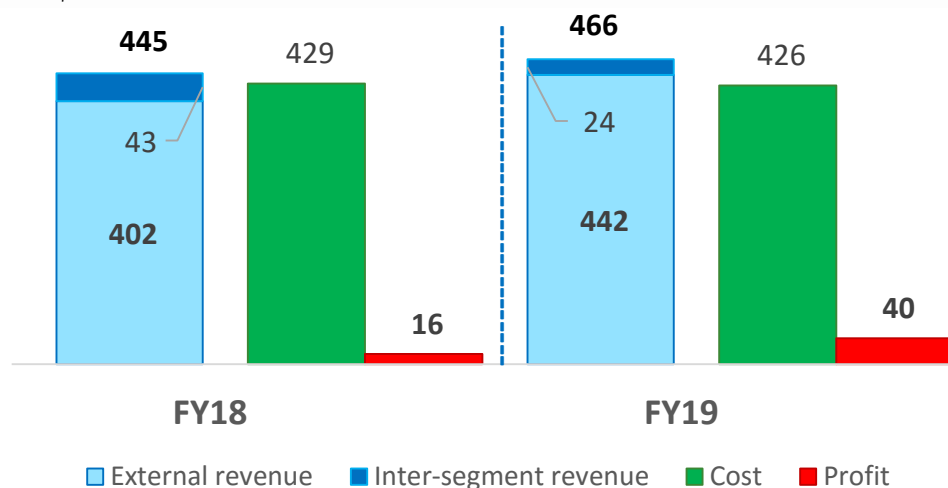


## Increased consumption translated into promising growth in sub revenue

**Business model:** Combination of advertising and subscription model. Bundling arrangements with telco partners continued. Launched myTV Gold premium package to attract subscription. Use Data Management Platform (DMP) to distribute targeted ad, work with Google on addressable advertising solution to enhance monetisation.

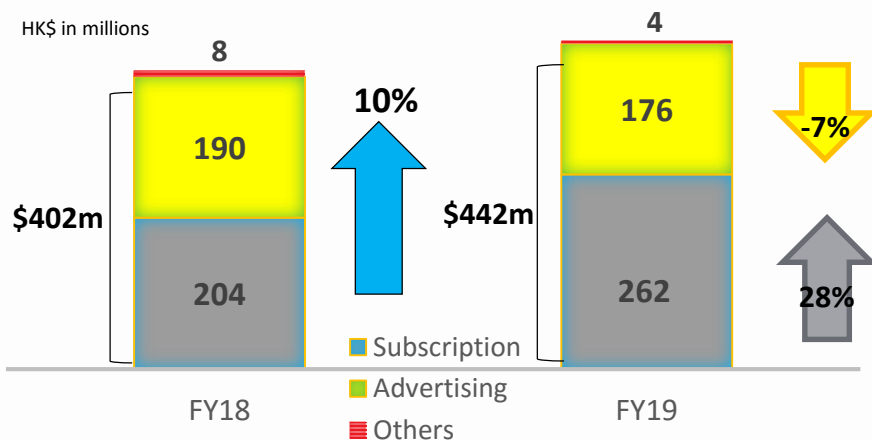
### myTV SUPER

HK\$ in millions



### External Revenue Mix

HK\$ in millions

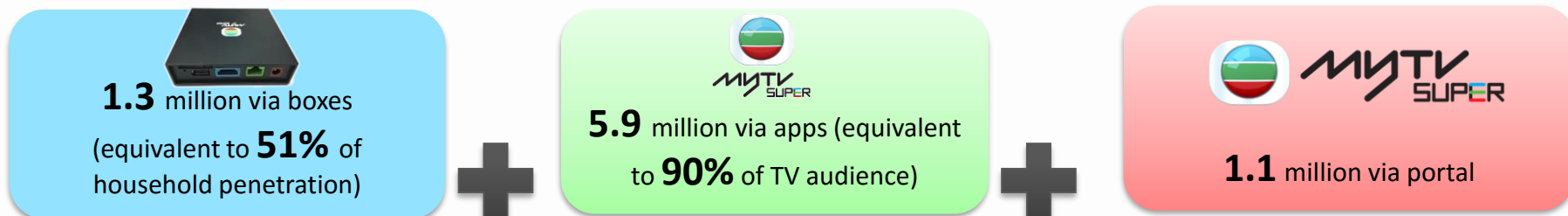


- External revenue up by 10% or HK\$40m to HK\$442m
  - Promising growth in subscription income (28% yoy)
  - Growth momentum of advertising income disrupted by adverse market in 2H19
- **Profit improved to HK\$40 million**
- Subscription: Launched myTV Gold (premium package) at competitive price to attract subscription. Raise price for basic paid service.
- Targeted ads: Enhanced our digital and data-driven proficiencies through targeting technology using big data analytics.
- Clickable TV ads: Connect viewers with advertisers' e-commerce platforms
- Future developments:
  - ✓ Grow subscription of myTV Gold
  - ✓ Develop "One-click buy" ad service to capture "see-now-buy-now" consumer behaviour

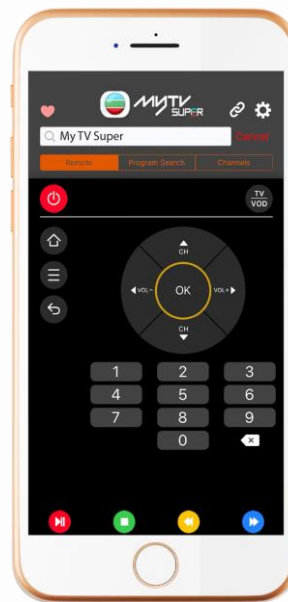
# myTV Gold offering premium sports, movies, documentaries at a highly competitive price of HK\$148/month



As of 15 March 2020, registered users exceeded **8.3 million**.



- Consumption during the last week of 2019: Weekly consumption reached 20.8 million hours, equivalent to 17.9 hours weekly time spent per unique stream viewer.
- Rating performance: All-day-all-time rating 1.89 TVRs; prime time 3.17 TVRs.



- Develop a remote control app on mobile to encourage further engagement with viewers through the “second” screen.
- With the good response from **clickable TV ads** launched in 2019, we are ready to extend this service by offering a seamless connection between viewers and advertisers’ e-commerce platforms using “**one-click-buying**” to capture consumers’ “see-now-buy-now” behaviour

# Big Big Channel Business: (4% of total revenue) Turnaround

Focus on events management, social media advertising and e-commerce



**Big Big Channel:** Over 14 million followers, focus on content-based advertising via self-produced short videos.

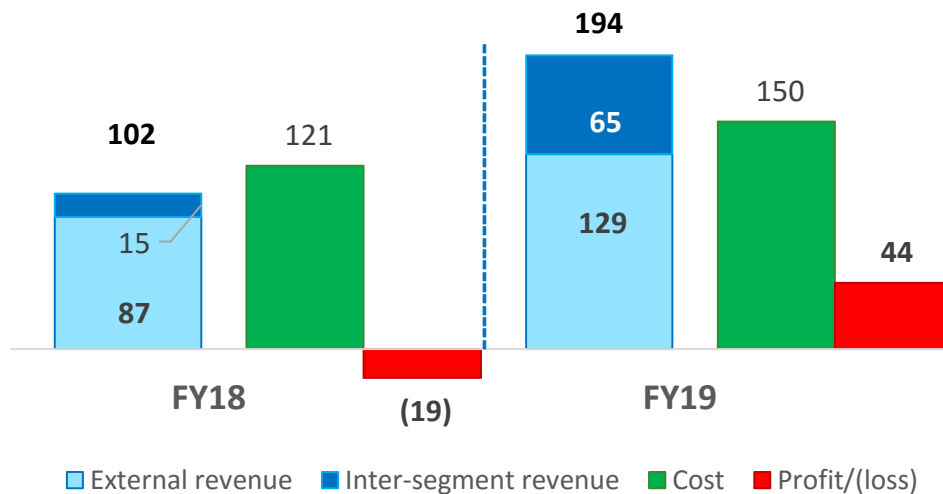
**Big Big Shop:** Earns commission income, adopting a “showing on TV, selling in e-shop” model by marketing advertiser-sponsored products on TVB’s prime time shows and execute sales on Big Big Shop

**Events management:** Organise events for clients and promote them on social media sites

**Voice Music Entertainment:** Engages in music productions and publishing, concerts and artistes’ management.

## Big Big Channel Business

HK\$ in millions



- External revenue up 47% or HK\$42m as events management, e-commerce and music streaming businesses contributed to topline growth
- Circle K is now our fulfilment service partner and also carry Big Big Shop’s products at their stores
- Opened an e-shop on Taobao, Alibaba’s e-commerce platform for TVB products
- Segment turnaround, delivered a HK\$44m profit
- Future developments:
  - ✓ Expand customer base and further exploit e-commerce potential for Hong Kong and Greater Bay Area with business partners
  - ✓ The explosion of various online video formats in mainland China have promised a new business direction for further co-operations



# Big Big Channel Business monetises both online and offline

Product placement (Terrestrial TV), social media advertising (Big Big Channel), e-commerce (Big Big Shop)



**Lo and Behold** (weekday sitcom), with an extended cast and popular guest appearance, TV ratings increased to 26.4 TVRs in 2019. This popular sitcom offers monetisation opportunities in many ways.

## Title Sponsorship on Terrestrial TV



## Tailor-made Spin off Programme



## Product Sponsorship on Terrestrial TV



Sponsored products are naturally integrated in the setting and storyline



## Social Media Advertising



Big Big Channel carrying clients' banner. Content-based advertising placed on major social media sites

## E-commerce



Showing on TV, Selling in Big Big Shop





# “Showing on TV, Selling in Big Big Shop”

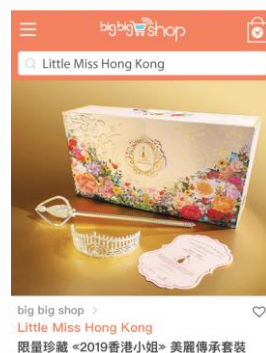
Stimulate consumer's impulse to buy through showing valued products on terrestrial TV



Popular cooking programme featuring kitchen appliance, frozen meat & seafood



Little Miss Hong Kong Limited Edition Set available on Big Big Shop and Taobao



# Programme Licensing and Distribution (20% of revenue)

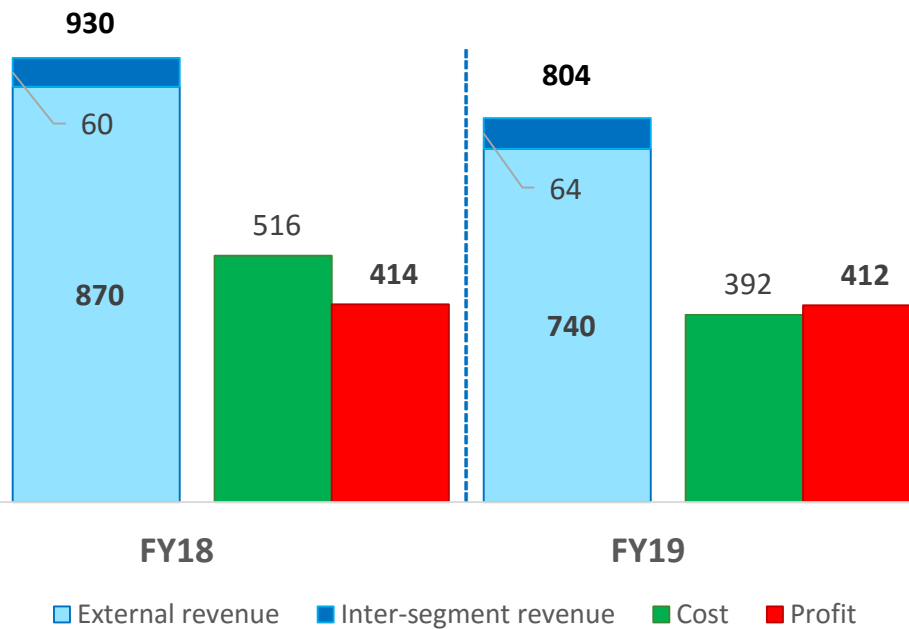
Working closely with platform partners on new media licensing



Business model: **B2B**. Licensing of TVB produced programmes to operators of pay TV, online videos for exhibition on their traditional and digital platforms.

## Programme Licensing and Distribution

HK\$ in millions



- External revenue decreased by 15% or HK\$130m
  - Lower licensing revenue from Singapore and Malaysia
  - Crime thriller drama *The Defected* became the first of our serials licensed to Netflix
- Profit remained stable as costs had been cut by 24% or HK\$124m due to streamlining of overheads
- Future developments:
  - ✓ Overseas content distribution is gradually switching from limited-reach B2B traditional licensing to a wide-open B2C and B2B2C OTT distribution to expand customer base and revenue stream



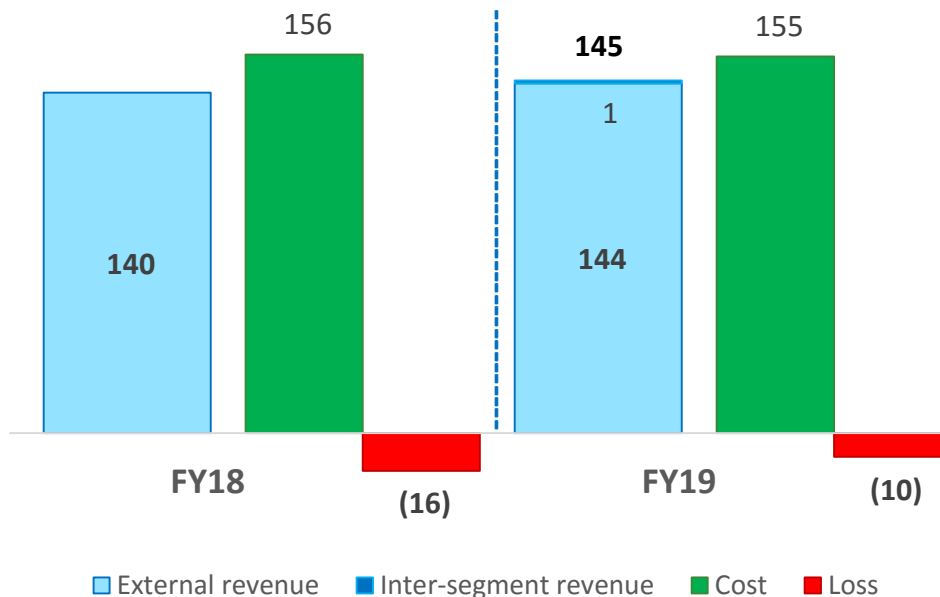
# Overseas Pay TV and TVB Anywhere: (4% of revenue)



## Extend TVB's reach in overseas markets by way of digital services with TVB Anywhere OTT

**Business model of TVB Anywhere OTT service :** TVB's overseas OTT service currently covers territories outside of Hong Kong but excluding Mainland China (due to regulatory reasons), USA, Taiwan and Malaysia. Following the relaxation of existing restrictions upon contract renewals with DISH and MEASAT respectively, we expect to launch TVB Anywhere in USA and Malaysia in 2020.

Overseas Pay TV and TVB Anywhere



- External revenue increased 3% or HK\$4m as subscriber base continued to grow
- New contract terms giving us more flexibility to develop our digital media business in USA and Malaysia:
  - ✓ Renewed a 2-year content supply agreement with DISH Network until March 2022
  - ✓ Finalising a 3-year content supply agreement with MEASAT (Astro)
- Together with subscribers/users from overseas third party platforms carrying TVB content, we have a user base of over 13.7 million
- Future developments:
  - ✓ Launch TVB Anywhere in USA and Malaysia markets
  - ✓ Launch an updated version of TVB Anywhere STB based on Google's Android TV platform. Use comprehensive OTT features to attract new partnership with mobile and broadband operators and mobile device manufacturers

# International Distribution: Diversifying from limited-reach traditional B2B licensing to OTT distribution (telco-supported B2B2C, B2C), earning sub & ad income



## B2B licensing business

StarHub, Singtel (Singapore)

MEASAT (Malaysia)

Saigontourist (Vietnam)

Fairchild (Canada)

DISH, Apple TV, Roku, Fire TV (USA)

Youku, other online operators (China)

Netflix (project-based)

TVB Anywhere, together with subscribers/users from third party platforms carrying TVB content, has a user base of over **13.7 million**

- Programme supply contacts renewed with Starhub in Singapore in 2018. Began to work with Singtel in September 2019
- Renewed supply contract with Fairchild and DISH
- Licensing content to online video platforms, i.e.: Youku in China
- Future plans: Diversify to B2B2C, B2C models via OTT distribution

## Telco-supported B2B2C

CTM (Macau)

Singtel, StarHub, MyRepublic, M1 (Singapore)

M.V. TV (Thailand)

Vietnamobile (Vietnam)



- Launched TVB Anywhere+ App in 2019, tiered into a paid zone and free zone, offering multi-languages, multi-screen viewing experience
- Future plans: Further extend service coverage from Chinese-speaking audience residing overseas to mainstream audience in selected markets by working with local telco partners. Attract partnerships with telcos, ISPs and mobile device manufacturers

## B2C

North America

Europe

Australia

New Zealand

Rest of the world

- Using established platforms like YouTube and Line TV to generate advertising income
- Future plans: Expect TVB Anywhere can be officially launched in the USA and Malaysia following the relaxation of existing restrictions upon contract renewals with respective partners.

# Priorities for 2020



- Mainland China as the key growth market
  - Strengthen programme co-production pipeline to include both drama and variety programmes
  
- Digital platforms
  - Grow subscriptions of myTV SUPER
  - Widen distribute of TVB Anywhere+ with overseas telco partners
  
- Advertising on TV and digital platforms
  - Execute ad sales plans once market recovers
  - Target new opportunities in Greater Bay Area

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