

5 December 2016



GTN's United States expansion strategy and A\$60 million equity raising

GTN Limited (ABN 38 606 841 801) (ASX:GTN) ('**GTN**' or the '**Company**') is pleased to announce that it has exercised its option to acquire substantially all of the assets of Radiate Media, LLC ('**Radiate**') for consideration of US\$15 million¹ (the '**Acquisition**'), according to the terms of the Radiate option outlined in the IPO Prospectus in May 2016. The Acquisition is expected to complete on 5 December 2016 in the United States.²

The acquisition of Radiate represents the first important step in GTN's United States expansion strategy, which is a transformative opportunity for the Company.

The United States radio advertising market is the largest in the world, with annual radio advertising spend of approximately US\$17 billion p.a.

Radiate is one of the leading short form advertising platforms in the United States, with a national network of affiliate radio and television stations and advertising inventory of approximately 2.7 million spots.³ The Acquisition provides GTN with a national network of affiliates that covers most of top 100 major radio markets and all of the top 10 markets.

Following the Acquisition, GTN's immediate focus will be on expanding the audience reach of the Radiate platform and increasing the yield on Radiate's advertising spots inventory.

Audience reach will be increased through the addition of new affiliate stations to the Radiate network. In October 2016, CBS Radio, Inc. ('**CBS**') (the second largest radio network in the United States by audience reach and revenue) appointed Radiate as provider of traffic and information services for all CBS radio stations across the United States. This agreement, which commences 1 April 2017, will significantly increase Radiate's audience share, particularly in highly populated, premium markets including New York, Los Angeles and Chicago.

In addition, Radiate is in the process of agreeing to additional new or enhanced affiliate agreements with a number of other radio stations. When combined with the CBS advertising spots, the addition of these new and enhanced affiliate agreements will expand Radiate's audience reach and increase Radiate's inventory to approximately 3.2 million annual advertising spots on almost 1,000 radio stations.

¹ Subject to completion adjustments, currently estimated to be US\$4-5 million.

² No substantive conditions to completion remain outstanding.

³ Last 12 months to 30 September 2016.

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

Increasing the spot rate across Radiate's inventory is another significant growth opportunity for Radiate's business. Currently, a large portion of Radiate's spots are sold at materially discounted rates, which drags down the weighted average spot price. As such, Radiate currently achieves a much lower average spot rate than GTN achieves in all its other operating geographies.

GTN intends to drive improvement in Radiate's average spot rate by expanding the Radiate sales team and transitioning to the sales model that GTN operates in its other regions, which positions bundled traffic spots as a premium product with advertisers. As has been the experience in GTN's other operating geographies, the average spot rate is also expected to increase as a result of expanded audience reach which increases the value of the network to advertisers.

The GTN management team knows the United States radio market well. The members of GTN's executive management team have a long history of working in the United States radio market and have extensive experience to draw on in executing the United States expansion strategy.

The GTN Board believes Radiate provides a strong foundation for GTN to build out a highly valuable national network in the United States, which represents a large addressable market. In order to execute the United States expansion strategy, GTN is undertaking an equity raising to raise A\$60.2 million via a fully underwritten accelerated non-renounceable pro rata entitlement offer ('**Entitlement Offer**'). GTCR Gridlock II (Cayman) L.P. ('**GTCR**'), a 49.1% shareholder, has committed to take up its full pro rata entitlement of A\$29.6 million. Managing Director and Chief Executive Officer, Bill Yde, who holds 1.7% of shares on issue, has also committed to take up a portion of his pro rata entitlement under the Entitlement Offer.

The proceeds will be used to fund the United States expansion strategy. In the initial periods following the Acquisition, additional operating expenses associated with station compensation to new affiliates and the expanded sales force are expected to exceed the revenue generated by the business and Radiate is expected to make a negative EBITDA contribution to GTN. Additional station compensation for new affiliates, as well as investment in sales force to drive revenue growth, will add approximately A\$80 million p.a. in operating expenses to Radiate's cost base. GTN expects the cumulative investment in the U.S. expansion strategy to be in the order of US\$60 – 75 million, including the cost of exercising the Radiate option and the losses in the initial periods.

Financial impact of the acquisition

As disclosed at its Annual General Meeting on 16 November 2016, GTN is pleased to reaffirm the FY2017 IPO prospectus forecast for the existing GTN business (excluding Radiate).

GTN believes the medium–longer term earnings potential of Radiate, after GTN has increased the average spot rate, is in excess of GTN's existing businesses. However, during the initial periods of affiliate network expansion Radiate is expected to make a negative EBITDA contribution to GTN. Radiate is forecast to make a negative contribution to GTN in FY2017 of A\$(15) – (19) million of EBITDA and A\$(16) – (20) million of NPATA, which will comprise seven months of Radiate ownership and only three months of the CBS affiliate agreement (and associated compensation payments). FY2018 will include a full year impact of the expanded cost base, including additional station compensation and larger sales force.

The GTN Board also reaffirms the forecast dividend provided in the IPO prospectus. The GTN Board currently intends to pay interim and full-year dividends in respect of FY2017 that equate to 100% of NPAT excluding the impact of Radiate, that is dividends equal to A\$21.1 million (which will be predominantly sourced from the Australian operations). Accounting for the 20.7 million new shares to be issued under the capital raising, this equates to approximately 9.5 cents per share. The GTN Board also reaffirms that it expects the interim and final dividends for FY2017 to be 95% franked.

Following the acquisition and capital raising GTN will have a cash balance of approximately A\$89 million, equating to net debt of approximately A\$11 million, which is expected to provide sufficient working capital to fund the initial expansion phase of the United States business. GTN intends to manage the

implementation of the United States business plan to maintain group net debt / adjusted EBITDA below 2.0x at the closing of the offer and for the Prospectus forecast period. The acquisition of Radiate will not impact GTN's banking facilities, which are guaranteed by GTN's Australian and UK subsidiaries only. The U.S. operating business will be carried out in separate U.S. subsidiaries and neither the Australian parent company, nor any other group members operating outside the United States, will provide cross guarantees for the U.S. operating businesses.

The GTN Board may consider implementing a dividend reinvestment plan ('**DRP**') for 2017 and will continue to evaluate capital management alternatives throughout the initial period of the United States expansion strategy.

Equity raising

GTN is undertaking the Entitlement Offer to raise proceeds of approximately A\$60.2 million.

Under the Entitlement Offer, eligible shareholders in Australia and New Zealand will be invited to subscribe for 1 new GTN share for every 9.7 GTN shares held ('**Entitlements**') as at 7.00pm (Sydney time) on Wednesday, 7 December 2016 ('**Record Date**') at A\$2.90 per share ('**Offer Price**').

The Offer Price of A\$2.90 per share represents:

- 12.1% discount to TERP⁴ of A\$3.30; and
- 13.2% discount to the closing price on 2 December 2016 of A\$3.34.

Eligible shareholders can choose to take up all, part or none of their Entitlements. Entitlements are non-renounceable, meaning they cannot be traded on the ASX or any other exchange, sold or transferred. Eligible shareholders who do not take up their entitlement under the Entitlement Offer in full or in part, will not receive any value in respect to those entitlements not taken up.

The Entitlement Offer also includes a Retail Oversubscription Facility under which eligible shareholders who are not a related party of GTN may also apply for additional new shares in excess of their Entitlement up to 50% of their Entitlement. The additional new shares available (if any) are those shares under the Entitlement Offer for which valid applications are not received from eligible shareholders and are therefore available under the Retail Oversubscription Facility.

GTCR Funds, a 49.1% shareholder, has committed to take up its full pro rata entitlement of 10.5 million shares. Managing Director and Chief Executive Officer, Bill Yde, who holds 1.7% of shares on issue, has also committed to take up his pro rata entitlement under the Entitlement Offer.

The Entitlement Offer is underwritten.

Approximately 20.7 million shares will be issued under the Entitlement Offer. New shares will rank equally with existing shares in all respects from the date of quotation.

Institutional Entitlement Offer

Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer, which will take place on Monday, 5 December 2016.

Entitlements that eligible institutional shareholders do not take up by the close of the Institutional Entitlement Offer, and Entitlement that would otherwise have been offered to ineligible institutional shareholders, will be sold through an institutional shortfall bookbuild on Monday, 5 December 2016 ('**Institutional Bookbuild**').

⁴ Theoretical ex-rights price. The theoretical ex-rights price is the theoretical price at which GTN Limited shares should trade immediately after the ex-date for the Equity Raising. The TERP is the theoretical calculation only and the actual price at which GTN Limited shares trade immediately after the ex-date for the Equity Raising may vary from TERP. TERP is calculated by reference to GTN Limited's closing price of A\$3.34 per share on 2 December 2016, being last trading day prior to the announcement of the Equity Raising.

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

GTN shares will remain in trading halt whilst the Institutional Entitlement Offer and Institutional Bookbuild are undertaken.

Retail Entitlement Offer

Eligible retail shareholders will be invited to participate in the Retail Entitlement Offer at the same Offer Price and offer ratio as the Institutional Entitlement Offer. The Retail Entitlement Offer will open on Friday, 9 December 2016 and close at 5.00pm (Sydney time) on Tuesday, 20 December 2016.

Eligible retail shareholders should carefully read the Retail Offer Booklet and accompanying personalised entitlement and acceptance form, which are expected to be despatched Friday, 9 December 2016.

Entitlements may only be exercised by eligible shareholders, being persons who have a registered address in Australia or New Zealand or are a shareholder GTN has otherwise determined is eligible to participate, and certain categories of institutional or professional investor in certain other countries, subject to restrictions under and in accordance with the applicable securities laws. A nominee will be appointed to subscribe for and sell new shares that would have been available to be issued to foreign ineligible shareholders had they been eligible to participate in the Retail Entitlement Offer.

Indicative Entitlement Offer timetable

Trading halt and announcement of Equity Raising, Institutional Entitlement Offer opens	Monday, 5 December 2016
Institutional Entitlement Offer closes	Monday, 5 December 2016
Trading halt lifted - existing shares recommence trading on ASX on an ex-entitlement basis	Tuesday, 6 December 2016
Record Date for the Entitlement Offer	7.00pm Wednesday, 7 December 2016
Retail Entitlement Offer opens	9.00am Friday, 9 December 2016
Despatch of Retail Entitlement Offer Booklet	Friday, 9 December 2016
Settlement of Institutional Entitlement Offer	Wednesday, 14 December 2016
Issue of New Shares under the Institutional Entitlement Offer	Thursday, 15 December 2016
Retail Entitlement Offer closes	Tuesday, 20 December 2016
Settlement of Retail Entitlement Offer	Thursday, 29 December 2016
Issue of New Shares under the Retail Entitlement Offer	Friday, 30 December 2016
Normal trading of New Shares under the Retail Entitlement Offer	Tuesday, 3 January 2017
Despatch of holding statements under the Retail Entitlement Offer	Tuesday, 3 January 2017

All dates and times represent Sydney time.

The above timetable is indicative and subject to variation. GTN reserves the right to alter the timetable at its discretion and without notice, subject to ASX Listing Rules and *Corporations Act 2001* (Cth) and other applicable law.

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

Shareholder enquiries

Retail shareholders who have any questions about the Retail Entitlement Offer should consult with their broker, legal, financial or other professional adviser. Retail shareholders can also call the GTN Entitlement Offer Information Line on 1300 420 094 within Australia or +61 1300 420 094 outside Australia from 8:30am to 5:30pm (Sydney time) Monday to Friday.

Important Notice and Disclaimer

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

None of the information in this announcement or the Retail Offer Booklet constitutes an offer to sell, or the solicitation of an offer to buy, any securities in the United States. Neither this announcement (or any part of it), the accompanying nor the Retail Offer Booklet when made available, may be released or distributed directly or indirectly, to persons in the United States. Neither the Entitlements nor the New Shares have been, nor will be, registered under the U.S. Securities Act of 1933, as amended (the "US Securities Act") or the securities laws of any state or other jurisdiction of the United States. The Entitlements may not be taken up by persons in the United States or by persons (including nominees or custodians) who are acting for the account or benefit of a person in the United States. Neither the Entitlements nor the New Shares may be offered, sold or resold in the United States or to persons acting for the account or benefit of a person in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable U.S. states securities laws. The Entitlements and the New Shares to be offered and sold in the Retail Entitlement Offer described in this announcement may only be offered and sold in "offshore transactions" (as defined in Regulation S under the US Securities Act) in reliance on Regulation S under the US Securities Act.

Forward looking statements

This announcement contains certain forward-looking statements. Forward-looking statements can generally be identified by the use of forward-looking words such as "may", "should", "will", "expect", "intend", "plan", "estimate", "anticipate", "believe", "continue", "objectives", "outlook", "guidance" or other similar words, and include statements in this announcement regarding certain plans, strategies and objectives of management of GTN and expected financial performance, the conduct and outcome of the Entitlement Offer and the use of proceeds. These forward-looking statements contained in this announcement involve known and unknown risks, uncertainties and other factors which are subject to change without notice, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. Forward-looking statements are provided as a general guide only and there can be no assurance that actual outcomes will not differ materially from these statements. In particular, such forward-looking statements are subject to significant uncertainties and contingencies, many of which are outside the control of GTN. A number of important factors could cause actual results or performance to differ materially from the forward looking statements. Investors should consider the forward looking statements contained in this announcement in light of those disclosures.

Neither GTN, nor any other person, gives any representation, warranty, assurance nor will guarantee that the occurrence of the events expressed or implied in any forward-looking statement will actually occur. GTN disclaims any responsibility for the accuracy or completeness of any forward-looking statements whether as a result of new information, future events or results or otherwise. GTN disclaims any responsibility to update or revise any forward-looking statement to reflect any change in GTN's financial condition, status or affairs or any change in events, conditions or circumstances on which a statement is based, except as required by law.

The lead manager of the Entitlement Offer has not authorised, permitted or caused the issue or lodgement, submission, dispatch or provision of this announcement and there is no statement in this announcement which is based on any statement made by it or by any of its affiliates, officers or employees. To the maximum extent permitted by law, each of the lead manager, each of its respective

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

affiliates, officers, employees and advisers expressly disclaim all liabilities in respect of, and make no representations regarding, and take no responsibility for, any part of this announcement other than references to their name and make no representation or warranty as to the currency, accuracy, reliability or completeness of this announcement.

Determination of eligibility of investors for the purposes of the Institutional Entitlement Offer and Retail Entitlement Offer is determined by reference to a number of matters, including legal and regulatory requirements, logistical and registry constraints and the discretion of the Company and the lead manager. Each of the Company, the lead manager and their respective advisers, affiliates, related bodies corporate, directors, officers, partners, employees and agents disclaim any duty or liability (including for negligence) in respect of that determination and the exercise or otherwise of that discretion, to the maximum extent permitted by law.