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Investments for growth continue despite slowdown

21.7% YoY growth in Q3FY20 domestic subscription revenue

15.7% YoY decline in Q3FY20 domestic advertising revenue

5.5% YoY decline in Q3FY20 consolidated revenue

EBITDA at Rs. 5,658 mn, EBITDA Margin of 27.6%

ZEE5 recorded peak DAU base of 11.4 mn in December

Zee Punjabi, Zee Thirai and Zee Biskope launched

Q3FY20 HIGHLIGHTS

- ❖ Total revenue for the quarter was Rs. 20,487 million, decline of 5.5% YoY.
- ❖ Advertising revenue for the quarter was Rs. 12,308 million, decline of 15.8% YoY. Domestic advertising revenue declined by 15.7% YoY to Rs. 11,570 million. International advertising revenue for the quarter was Rs. 738 million.
- ❖ Subscription revenue for the quarter was Rs. 7,137 million, growth of 15.4% YoY. Domestic subscription revenue grew by 21.7% YoY to Rs. 6,317 million. International subscription revenue was Rs. 820 million.
- ❖ EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) for the quarter declined by 25.0% to Rs. 5,658 million and EBITDA margin stood at 27.6%.
- ❖ ZEE5 recorded a peak DAU (Daily Active User) base of 11.4 mn in the month of December.
- ❖ ZEEL's television network had an all-India viewership share of 18.2% during the quarter.
- ❖ 3 channels – Zee Punjabi, Zee Thirai and Zee Biskope, launched in the month of January.



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Mumbai, January 21, 2020: The Board of Directors in its meeting held today has approved and taken on record the unaudited consolidated financial results of Zee Entertainment Enterprises Limited (ZEEL) (BSE: 505537, NSE: ZEEL.EQ) and its subsidiaries for the quarter ended December 31, 2019.

For the third quarter of FY20, ZEEL reported consolidated revenue of Rs. 20,487 million. Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) was Rs.5,658 million with an EBITDA margin of 27.6%. PAT for the quarter was Rs. 3,494 million.

Mr. Punit Goenka, Managing Director and CEO, ZEEL, commented, “Third quarter is normally a strong growth period for us, however, the tough macro-economic environment led to a decline in our ad revenues. Most of our advertisers are going through a slow-growth period and that has led to a cut in advertising spends. I believe that the worst phase is behind us and we will start seeing an improvement from the next quarter. The proposed changes to the tariff order by TRAI are being challenged in the court and we are awaiting the final verdict. However, I am confident that our strong portfolio of channels across markets will enable us to navigate any regulatory changes in the most efficient manner.

Despite the slowdown, we continue to make investments in businesses where we see potential for growth. Working with our strategy to entrench ourselves deeper into the regional markets, we have launched 3 regional channels that will make our content more accessible to audience across the country. India’s first Punjabi GEC will surely help further strengthen our viewership share and brand in the north Indian markets. With the addition of two new regional movie channels, we now have the biggest movie channel portfolio in the country. We are preparing for the launch of two more channels over the next few months. We also continue to invest in original content for ZEE5, to create a rich content library that will make it a really compelling offering for consumers. These investments will help us grow ahead of the industry once this transient slowdown phase has passed.”

BUSINESS PERFORMANCE

Domestic Broadcast Business

During 3QFY20, our television network had an all-India viewership share of 18.2%. While our regional portfolio increased its viewership share, share in the Hindi speaking markets declined.

Zee TV maintained its weekday prime time leadership, but lost weekend prime time share and was the #3 channel in the pay Hindi GEC segment during the quarter. Our Hindi movie cluster continued to be the #1 movie portfolio in the pay **Hindi movie genre**.



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ZEEL's regional portfolio has been strengthened by the launch of 3 channels – **Zee Punjabi**, **Zee Thirai** and **Zee Biskope**, in the month of January. Zee Punjabi, hybrid GEC and movie channel, aims to become the entertainment destination for the Punjabi speaking audience of Punjab, Haryana, Himachal Pradesh, and Delhi. With the launch of Zee Punjabi, ZEEL's regional footprint has expanded to 9 languages. Movie channels - Zee Thirai and Zee Biskope, will enhance ZEEL's regional movie portfolio in the markets of Tamil Nadu and Bihar, respectively. The network is preparing for the launch of 2 more regional channels in the next few months.

Our regional portfolio had mixed performance during the quarter. We maintained leadership position in the **Marathi**, **Bangla** and **Kannada** markets, with **Zee Kannada** further strengthening its leadership position, widening the gap over the nearest competitor. Viewership shares in Marathi and Bangla markets declined during the quarter. While **Zee Tamil** improved its viewership share, **Zee Telugu** witnessed a marginal decline. **Zee Keralam**, continued to gain share in the Malayalam market establishing itself as a strong contender for the number two position. **Zee Sarthak** regained leadership in the Odiya market towards the end of the quarter.

Digital Business

ZEE5, one of India's leading digital entertainment platform, continued to delight audience with exciting and innovative content

- ZEE5 recorded a peak DAU (Daily Active Users) base of 11.4mn in December 2019
- ZEE5 users watched an average of 140 minutes of content every month on the platform during the quarter
- 26 Original shows and movies in 6 languages released during the quarter
- A refreshed ZEE5 Progressive Web App (PWA) was released in December to enable a seamless user experience on mobile web
- ZEE5 was launched on Tata Sky Binge, further widening the distribution reach of the platform

ZEE5 continues to be the largest producer of digital original content in India. During the quarter, ZEE5 launched 26 original shows and movies, of which 14 were in regional languages. After the success of first season, second season of *Rangbaaz* was premiered in December. The show was an instant success, garnering the highest video views and viewers on the day of launch for any show. Digital premieres of movies like *Jabariya Jodi*, *Judgemental Hai Kya*, *Dream Girl*, *Saandh ki Aankh* brought new users to the platform. In the regional space, *Kaale Dhande* in Marathi, *God of Dharmapuri* in Telugu and *Karoline Kamakshi* in Tamil were critically acclaimed and received positive reviews from users. With a strong content line-up across genres and languages, ZEE5 is on track to release 70+ originals in FY20.



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To enable a fast, engaging and immersive user experience, a refreshed version of ZEE5 Progressive Web App (PWA) was launched in December, leading to improvement in user engagement metrics across all parameters.

ZEE5 is one of the most widely available entertainment platforms due to extensive partnerships with telecom operators, OEMs, ISPs, and e-commerce platforms. During the quarter, ZEE5's partnership with Tata Sky Binge and IRCTC went live, accelerating subscription growth. ZEE5 is the only OTT platform integrated with IRCTC. To leverage the rapidly growing penetration of smart TVs in India, ZEE5 has inked deals with leading smart TV brands for placement of hotkey on their remotes.

ZEE5's international expansion is seeing initial signs of success in the APAC and MENA regions which has close affinity to Indian content. A mix of high-decibel marketing campaigns along with partnerships with local telecom operators in key target markets like Bangladesh, Sri Lanka, UAE, among others is helping increase the platform's reach.

International Business

During the quarter, ZEEL's International business revenue was Rs. 1,665 million. The advertising and subscription revenues declined by 18.6% YoY and 17.4% YoY, respectively. Break-down of international business revenues for the third quarter is as below:

- Advertisement Revenue of Rs. 738 mn
- Subscription Revenue of Rs. 820 mn
- Other Sales and Services Revenue of Rs. 107 mn

Movies & Music Business

Zee Studios, our movie production and distribution business, distributed 2 movies in India and 5 movies in the international territories during the quarter.

Zee Music Company, our music label, continued with the library expansion of both Bollywood and regional music. The music label registered ~7.3 billion views on YouTube in Q3. Zee Music Company is the second most subscribed Indian music channel on YouTube with over 49 million subscribers.

Live Events

Zee Live extended its *Supermoon* IP to music events with shows featuring one of India's most promising music artists around the country. The second edition of *Zee Educare*, held in Mumbai, engaged with students through panel discussions and workshops on alternate career choices.



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CONDENSED STATEMENT OF OPERATIONS

Consolidated operating revenue for the third quarter of FY20 stood at Rs. 20,487 million, recording a decline of 5.5% on YoY basis. EBITDA for the quarter ended December 31, 2019 was Rs. 5,658 million, translating into EBITDA margin of 27.6%. Profit After Tax (PAT) for the quarter was Rs. 3,494 million.

The following table presents the consolidated financial statement of ZEEL and its subsidiaries for the third quarter of FY20:

<i>(Rs. million)</i>	Q3FY20	Q3FY19	Growth
Operating Revenue	20,487	21,668	-5.5%
Expenditure	14,829	14,125	5.0%
EBITDA	5,658	7,543	-25.0%
Add: Other Income	710	860	-17.5%
Less: Depreciation	656	615	6.7%
Less: Finance Cost	200	55	
Less: Fair Value Through P&L	401	-376	
PBT before exceptional items	5,110	8,109	-37.0%
Exceptional Items	-	-	
PBT after exceptional items	5,110	8,109	-37.0%
Less: Tax Expense	1,622	2,484	-34.7%
Add: Share of Profit of Associates	(2)	2	
Less: Minority Interest	(8)	4	
Profit After Tax (PAT)	3,494	5,624	-37.9%

NOTES

A: Previous period figures have been regrouped wherever necessary.

B: Numbers may not add up due to rounding

REVENUE STREAMS

ZEEL has three sources of revenue - advertising, subscription and other sales and services. Other sales and services include revenues from our movie production business, music label, content syndication, and commission on sales amongst others. The following table contains break-down of consolidated revenues.

<i>(Rs. million)</i>	Q3FY20	Q3FY19	Growth
Advertising revenue	12,308	14,626	-15.8%
Subscription revenue	7,137	6,185	15.4%
Other sales and services	1,042	857	21.5%
Total Revenue	20,487	21,668	-5.5%

Refer Notes A and B above



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Advertising revenues

During the third quarter, ZEEL's consolidated advertising revenue declined by 15.8% YoY to Rs. 12,308 million. Domestic advertising revenues declined by 15.7% YoY to Rs. 11,570 million. Domestic advertising revenue was impacted by the continued slow-down in key consumer sectors. As the volume growth for most consumer companies did not see any uptick during the quarter, they cut advertising spends to protect their margins. While the festive month of October saw a pick-up in advertising spends, the growth slumped post that. The growth was also impacted due to a higher base and the effect of conversion of two channels from FTA to pay in March. We believe that the worst phase is behind us and the growth should revert to normal trajectory from next fiscal.

Subscription revenues

ZEEL's consolidated subscription revenue grew by 15.4% to Rs. 7,137 million during the quarter. Domestic subscription revenue grew by 21.7% YoY while the International subscription revenue declined by 17.4% YoY. The domestic subscription revenue growth rate saw a sequential decline due to the impact of a higher base and reduction in a-la-carte prices of some of our channels during the festive period. During the quarter the regulator announced changes to the Tariff Order which are proposed to be implemented from 1st March. All the major broadcasters, under the aegis of IBF, have challenged the proposed regulation in the Bombay HC. While the case is sub-judice, we are confident that our strong bouquet of channels, which has multiple content offerings for audience across the country, will enable us to navigate these regulatory changes in the most optimum fashion.

EXPENDITURE

ZEEL's total expenditure in Q3FY20 stood at Rs. 14,829 million, higher by 5.0% YoY compared to Q3FY19. The following table gives the break-down of costs.

<i>(Rs. million)</i>	Q3FY20	Q3FY19	Growth
Operating cost	8,476	7,978	6.2%
Employee cost	2,075	1,834	13.2%
A&P Expense	1,908	2,011	-5.1%
Other Expenses	2,370	2,302	2.9%
Total Expense	14,829	14,125	5.0%

Refer Notes A and B above

Considering the weak revenue scenario, the Company took measures to control cost during the quarter which resulted in only 5.0% YoY increase in total cost, despite 6.2% increase in programming cost. The programming cost increase was led by content cost for ZEE5 and higher movie amortization costs for our movie channel portfolio. Other expenses have a one-time expected credit loss charge of Rs. 376 mn due to the expected delay in receiving payments from some of the distributors.



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CORPORATE DEVELOPMENTS

During the quarter

- Two Independent Directors and one Non-Executive Director resigned from the Board and three new Independent Directors were appointed in their place effective November 25, 2019.
- In compliance with the requirements of Regulation 17(1B) of SEBI Listing Regulations, Mr. Subhash Chandra, Non-Executive Chairman resigned as Chairman of the Board on November 25, 2019 and continues as Non-Executive Director.
- The Chief Compliance Officer and Company Secretary resigned effective November 25, 2019 and a new Company Secretary was appointed w.e.f. November 26, 2019.
- The Company had on November 11, 2019 issued and allotted 1,470 Equity shares upon exercise of Stock Options granted under ESOP Scheme resulting in increase in the paid-up equity share capital of the Company to 960,483,235 Equity shares of Re1/- each.
- In November 2019, Brickwork Ratings India Pvt. Ltd. revised rating of the Company's Listed Preference Shares from BWR AAA (Outlook: Credit watch with Negative Implications) to BWR AA+ (Credit Watch with Negative Implications). The said revision was further revised to BWR AA (Credit Watch with Negative Implications) in December 2019.



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Caution Concerning Forward-Looking Statements

This document includes certain forward-looking statements. These statements are based on management's current expectations or beliefs and are subject to uncertainty and changes in circumstances. Actual results may vary materially from those expressed or implied by the statements herein due to changes in economic, business, competitive, technological and/or regulatory factors. Zee Entertainment Enterprises Limited is under no obligation to, and expressly disclaims any such obligation to, update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.

About Zee Entertainment Enterprises Limited (“ZEEL”)

Zee Entertainment Enterprises Limited is one of India's leading media and entertainment companies. It is amongst the largest producers and aggregators of entertainment content in the world, with an extensive library housing over 250,000 hours of television content. With rights to more than 4,200 movie titles from foremost studios and of iconic film stars, ZEEL houses the world's largest Hindi film library. Through its strong presence worldwide, ZEEL entertains over 1.3 billion viewers across more than 170 countries.

Pioneer of television entertainment industry in India, ZEEL's well-known brands include Zee TV, &tv, Zee Anmol, Big Magic, Zee Cinema, &pictures, Zee Action, Zee Bollywood, Zee Classic, Zee Anmol Cinema, Zee Cafe, &flix, Zing, ETC Bollywood. The company also has a strong offering in the regional language domain with channels such as Zee Marathi, Zee Talkies, Zee Yuva, Zee Bangla, Zee Bangla Cinema, Zee Telugu, Zee Cinemalu, Zee Kannada, Zee Tamil, Zee Thirai, Zee Keralam, Zee Sarthak, Zee Punjabi, Zee Ganga and Zee Biskope. The company's HD offerings include Zee TV HD, &tv HD, Zee Cinema HD, &pictures HD, Zee Marathi HD, Zee Talkies HD, Zee Bangla HD, Zee Tamil HD, Zee Telugu HD, Zee Kannada HD, Zee Keralam HD, Zee Cinemalu HD, &flix HD, Zee Café HD and &privé HD. ZEE5, ZEEL's OTT platform, ZEE5, has 100,000+ hours of catch-up content and 80+ live TV channels. The company has a strong presence in the movies and music space through Zee Studios and Zee Music Company respectively.

ZEE and its affiliate companies have leading presence across the media value chain including television broadcasting, cable distribution, direct-to-home satellite services, digital media and print media amongst others. More information about ZEEL and its businesses is available on www.zeeentertainment.com.