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With Ten Network in voluntary administration , efforts are under way to restructure the company . But having lost A$231.2 million in the half-year ending February 2017, it will take a lot to make Ten a viable business.

In the short term, Ten has to focus on reducing costs by renegotiating contracts with its suppliers. Over the long term, Ten has to contend with changing demographics and falling television advertising . The company has to receive more revenue from the content it already has, and the best way to do that may be through a tie-up with Foxtel.

How to make Ten viable

Entering voluntary administration provides an opportunity to reorganise Ten and renegotiate contracts. Changing media ownership laws would doubtless make this easier, by allowing some of the major shareholders to take the company private.

In the short term, Ten should aim to reduce expenses, aiming for annual savings of A$80 million. In a release to the ASX , Ten talks about renegotiating contracts with the studios it buys content off, notably CBS and 20th Century Fox. Ten had already identified these cost reductions, but entering voluntary administration will give the company a stronger bargaining position.

However, these negotiations are just the beginning of content changes. Ten will need to produce content more cheaply and aligned to a changing target demographic. As younger viewers moved away from traditional television , Ten's programming has suffered . Voluntary administration will give Ten more power to renegotiate contracts with domestic suppliers too.

Longer term, Ten needs to protect and expand its revenues. With television advertising declining , Ten needs to reach more viewers so that it can maximise the revenue from the content it has. Distributing content through more channels, such as realising the full potential of streaming, would enable more efficient use of content and increase the potential audience.

But developing these channels by itself might not be a viable option as Ten has neither time nor financial resources. This is why it makes sense to tie up with Foxtel, already a major shareholder and a big player online.

A common theme to these strategies is that Ten needs to compete more effectively for content and advertising revenues. This means that regulatory constraints must be removed if it is to fight for long-term financial sustainability.

Overcoming financial hurdles

A major contributor to Ten's recent half-year loss was a one-off impairment charge – the company wrote down A$214.5 million from the value of its television licences.

But, even allowing for this one-off item, there was still a substantial loss and the financial pressures have been building for some time. Much of this pressure stems from a decline in revenues from A$998 million in 2011 to only A$689 million in 2016 . The 2016 annual report even notes a structural change in advertising as a risk facing the company.

Over this same period Ten has been working to reduce operating costs, but obviously this has been difficult. The financial reports do not give exact breakdowns of costs, but we do know that content contracts with CBS and 20th Century Fox are substantial and need to be reduced .

If there is one thing we can be certain of, it is that there must be substantial change in the business for Ten to recover.

Further contributing to Ten's woes are loan facilities that expire in December. This includes borrowing that amounted to A$73.8 million at the end of February and which needs to be repaid in the short term.

Unless Ten can negotiate an extension to its loan facility at the Commonwealth Bank, the solvency of the business becomes doubtful. Failure to get backing for a new loan to replace the current one in December is reportedly one of the reasons Ten decided to go into voluntary administration.

Previously, major shareholders had provided guarantees for Ten's banking facilities, but this is difficult to justify given the state of the business. Regardless, it would not resolve the underlying issues. For Ten to be viable, it needs to get a handle on costs and reach more viewers with the content it has.

Peter Wells does not work for, consult, own shares in or receive funding from any company or organisation that would benefit from this article, and has disclosed no relevant affiliations beyond the academic appointment above.

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