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SOUTHERN CROSS AUSTEREO

H1 FY15 INVESTOR PRESENTATION
25 FEBRUARY 2015



SOUTHERN CROSS AUSTEREO
absolutely engaging

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RESULTS SUMMARY

- Results delivered in line with market guidance

Revenue	\$307.6m	(7.3%)	↓
EBITDA	\$85.8m	(18.3%)	↓
NPAT	\$34.7m	(24.4%)	↓
EPS	4.9 cps	(24.6%)	↓
Net Debt	\$573.1m	(2.5%)	↓

- Declared interim fully franked dividend of 3.0 cents per share - DRP shortfall agreement for up to 100%, conserves cash

HEADLINE ACHIEVEMENTS



RHYS HOLLERAN



HEADLINE ACHIEVEMENTS

- Regional radio remains stable – 0.6% increase in revenue.
- Total costs down 2.2% whilst increasing investment in content.
- Re-signed key talent agreements – Triple M Hot Breakfast and Hamish & Andy.
- Net debt reduced by \$14.8m to \$573.1m.
- Finance costs reduced by \$4.2m, ongoing benefit from January 2014 refinance.
- \$75.2m cashflow from operations - 87.7% of EBITDA conversion.

OPERATIONAL STRATEGY

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Regain Metro Share

- Investment in developing and proven talent in Sydney and nationally
- Renewal of #1 FM Melbourne breakfast show for 3 years (Hot Breakfast)
- New shows launched in 2014 now in second year
 - Target audience up 9% across Melbourne, Brisbane, Adelaide & Perth¹

Leverage Digital

- 17.3% year on year growth in digital revenues
- The radio industry creates the highest level of social media engagement in Australia and SCA has 70.5% share of this – digital revenue from social media up 347% year on year
- SCA leads the way in mobile first product strategy – 80% of interaction is via a mobile device

Operational Efficiency

- 2.2% reduction in operating expenses
- Roll out of single traffic and billing system nearing completion
- Renegotiation of communication agreements delivered \$2.5m savings in H1 FY15

¹Survey 8 2014 v. Survey 8 2013, Cume female 18 – 39 demo.

METRO RADIO GROWTH STRATEGY

\$700M METRO RADIO AD MARKET



24% FEMALES
18 – 39¹

36% MALES
25- 54¹



Complementary brand strategy targets optimum market share

Target

Most listened to network in Australia

Success

- Implemented programming investment strategy
- **2.7m** listeners, **0.8m** in target demo ²
- **1.5m** listeners with Dan & Maz in Drive ²
- **#1** Breakfast & Drive shows in Melbourne, Brisbane & Perth (target demo) ²

Target

Dominate target demographic with deep engagement

Success

- **#1** network for men around the country ²
- **2.2m** listeners – 11% growth on PY ²
- **8%** revenue growth
- Renewal of key talent
- **#1** Breakfast shows in all markets (target demo) ²

CAPITAL MANAGEMENT STRATEGY

Capital management initiatives targeting reduction in leverage to 2.5x

Investment in talent to deliver ratings and revenue growth



- Dan & Maz breakfast show launched in Sydney
- Hamish & Andy national drive show from July 2015

Increased cashflow from cost savings



- \$11.6m reduction in operating expenses, capex and finance costs in H1 FY15
- \$320m new interest rate swaps from April 2015 to January 2018 – forecast net finance costs reduce to around \$39 million for full year FY15 and between \$32 million and \$34 million for FY16

Cash conservation through underwritten DRP



- \$21.2m in cash conserved in H1 FY15
- DRP with shortfall placement facility continues in H2 FY15

Review of non-core assets



- \$8.0m proceeds from property divestment expected H2 FY15
- Review of other freehold property assets

SCA lenders are supportive of capital management strategy. Leverage covenant headroom raised to 3.75x through to December 2015 to provide incremental covenant headroom for 12 months to enable programming investment to take effect.

CAPITAL MANAGEMENT STRATEGY (CONT)

- Leverage ratio may increase further at June 2015, but still well within previous covenant of 3.5x. Additional headroom to 3.75x until December 2015 provides investors with increased certainty that leverage ratio covenant will not be breached.
- Leverage ratio expected to reduce to 2.5x between June 2016 and December 2016, even with limited improvement in operating results and no proceeds from disposal of assets.
- Progressively reducing debt, coupled with operational plans to increase earnings, considered most effective strategy towards achieving leverage targets.

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H1 FY15 FINANCIAL RESULTS



NICK MCKECHNIE



GROUP REPORTED STATUTORY RESULTS

\$ millions	H1 FY15	H1 FY14	% Var. Fav/(unfav)
Revenue	307.6	331.9	(7.3%)
Expenses	(221.9)	(226.8)	2.2%
Equity Accounted Profit	0.1	(0.1)	nm
EBITDA	85.8	105.0	(18.3%)
Depreciation & Amortisation	(13.6)	(13.7)	0.7%
EBIT	72.2	91.3	(20.9%)
Net Finance Costs	(20.4)	(24.6)	17.1%
PBT	51.8	66.7	(22.3%)
Tax	(17.1)	(20.8)	17.8%
NPAT	34.7	45.9	(24.4%)

Revenue and EBITDA in line with market guidance

CASHFLOW

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\$ millions	H1 FY15
Opening Cash	62.1
Cash from Operations	75.2
Payments for Non - Current Assets	(12.5)
Net Financing Payments	(20.4)
Tax Payment	(27.5)
Closing Cash Balance	76.9
Reported EBITDA	85.8
Operating Cash Conversion	87.7%

Cashflow highlights and outlook

- Refinancing benefits realised – net financing payments down 25.3% on H1 FY14.
- Underwritten DRP has delivered returns to shareholders whilst conserving \$21.2m cash.
- Strong conversion of EBITDA to cash.

Includes \$14.0m non-recurring payment to settle outstanding tax issue.

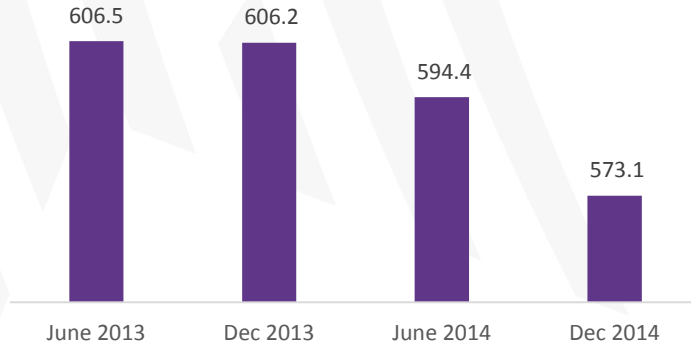
DEBT FACILITIES

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\$ millions	December 2014	June 2014
Drawn Debt	650.0	650.0
Less Cash	(76.9)	(55.6)
Net Debt (Borrowing Group)	573.1	594.4
Net Debt (Group)	573.1	587.9

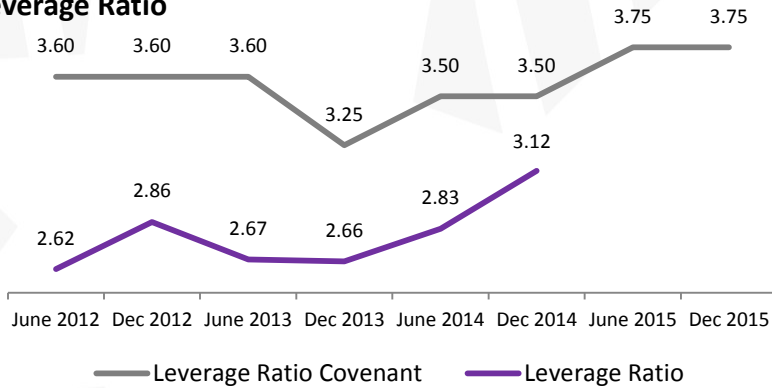
- \$14.8m reduction in net debt (\$21.3m borrowing group).
- Cancellation of \$50m undrawn revolving facility (original maturity January 2016).
- No short term refinancing requirements – drawn facility matures January 2019.
- Reduced financing costs and capital management initiatives will deliver continuing reductions in net debt in H2 FY15;
 - Underwritten DRP saves \$22.0m
 - Lower tax payments
 - Expected \$8.0m in proceeds from property divestment

Borrowing Group Net Debt (m's)

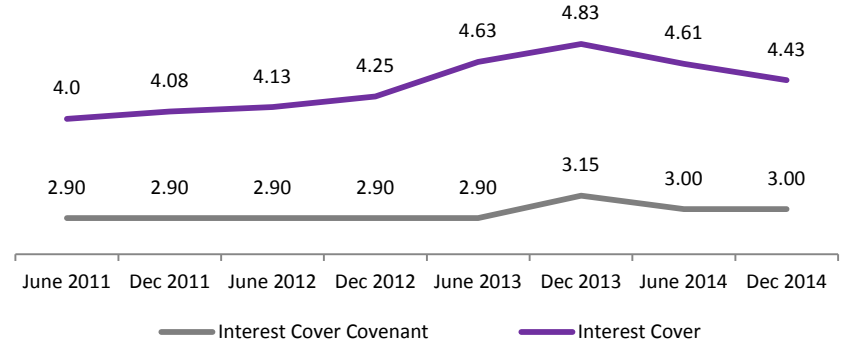


COVENANTS

Leverage Ratio



Interest Cover



- Increase in leverage ratio covenant to 3.75x (until December 2015) provides further headroom.
- Demonstrated support from lenders for talent investment strategy and capital management plan.
- New interest rate swaps from April 2015 to January 2018 – improving debt serviceability. \$11.9m in annualised cash interest savings will increase interest cover further in FY16.
- Further reduction in net debt will positively impact leverage ratio:
 - On current borrowing group earnings, a \$30m reduction equates to 16 basis points of leverage.

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OPERATIONAL REVIEW



NICK MCKECHNIE



OPERATIONAL REVIEW

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\$ millions	H1 FY15	H1 FY14	% Variance Fav/(Unfav)
Regional Revenue	182.6	188.5	(3.1%)
Metro Revenue	113.2	130.4	(13.2%)
Corporate Revenue	11.8	13.0	(9.2%)
Total Revenue	307.6	331.9	(7.3%)
Regional Expenses	(123.7)	(126.4)	2.1%
Metro Expenses	(83.0)	(86.9)	4.5%
Corporate Expenses	(15.1)	(13.6)	(11.0%)
Total Expenses	(221.8)	(226.9)	2.3%
Regional EBITDA	58.9	62.1	(5.2%)
Metro EBITDA	30.2	43.5	(30.6%)
Corporate EBITDA	(3.3)	(0.6)	nm
Total EBITDA	85.8	105.0	(18.3%)

REGIONAL

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\$ millions	H1 FY15	H1 FY14	% Variance FAV/(UNFAV.)
TV	102.4	108.8	(5.9%)
Radio	80.2	79.7	0.6%
Total Revenue	182.6	188.5	(3.1%)
Broadcast & Production	(43.1)	(43.0)	(0.2%)
Employee	(32.8)	(33.3)	1.5%
Selling, General & Admin	(47.8)	(50.1)	4.6%
Total Expenses	(123.7)	(126.4)	2.1%
EBITDA	58.9	62.1	(5.2%)
<i>EBITDA Margin</i>	<i>32.3%</i>	<i>33.0%</i>	

TV: Local sales continue to provide growth, National sales remain challenged by ratings.
Radio: Remains stable with good growth from National sales.

Cost control remains a key focus whilst we increase our investment in content.

Revenue Breakdown



METRO

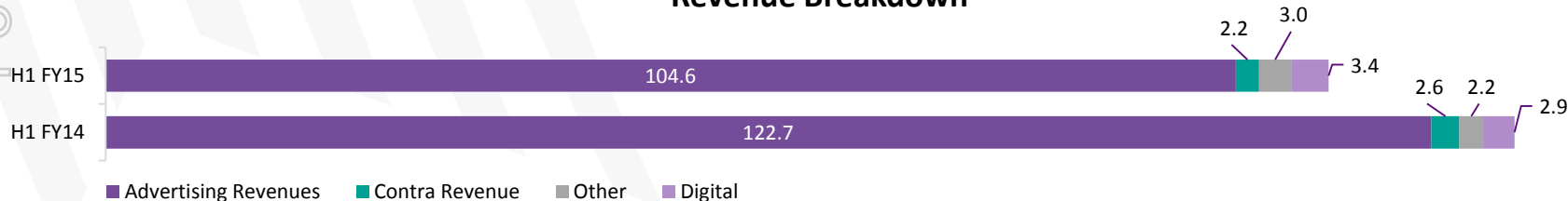
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\$ millions	H1 FY15	H1 FY14	% Variance FAV/(UNFAV.)
Total Revenue	113.2	130.4	(13.2%)
Broadcast & Production	(9.4)	(10.5)	10.5%
Employee	(35.5)	(36.5)	2.7%
Selling, General & Admin	(38.1)	(39.9)	4.5%
Total Expenses	(83.0)	(86.9)	4.5%
EBITDA	30.2	43.5	(30.6%)
<i>EBITDA Margin</i>	<i>26.7%</i>	<i>33.4%</i>	

Challenges in Sydney have impacted revenues across the Today's Hit Network, whilst Triple M continues to grow. Digital revenues continue to grow at 17+%

Cost base supporting content led recovery.

Revenue Breakdown



CORPORATE

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\$ millions	H1 FY15	H1 FY14	% Variance FAV/(UNFAV.)
Total Revenue	11.8	13.0	(9.2%)
Broadcast & Production	(1.4)	(1.1)	(27.3%)
Employee	(16.0)	(17.0)	5.9%
Selling, General & Admin	2.3	4.5	(48.9%)
Total Expenses	(15.1)	(13.6)	(11.0%)
EBITDA	(3.2)	(0.6)	nm

Selling, General and Admin is net of cost recovery charge to Metro and Regional, increase relates to revenue related lower cost recovery.

Revenue Breakdown



Advertising revenues relate to Canberra JV (50% owned with ARN).

■ Advertising Revenues ■ Other

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KEY REVENUE ANALYSIS



NICK MCKECHNIE

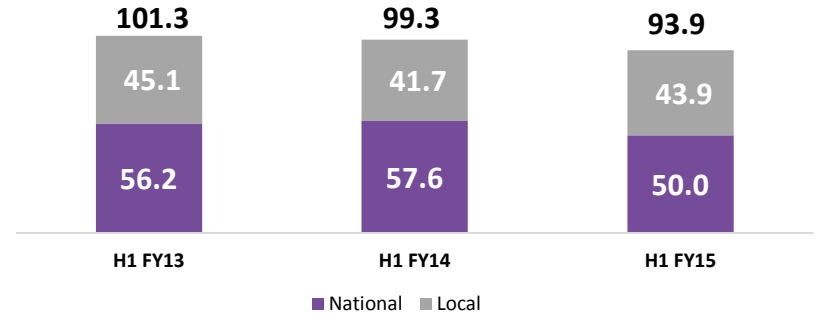


REGIONAL TV ADVERTISING REVENUES

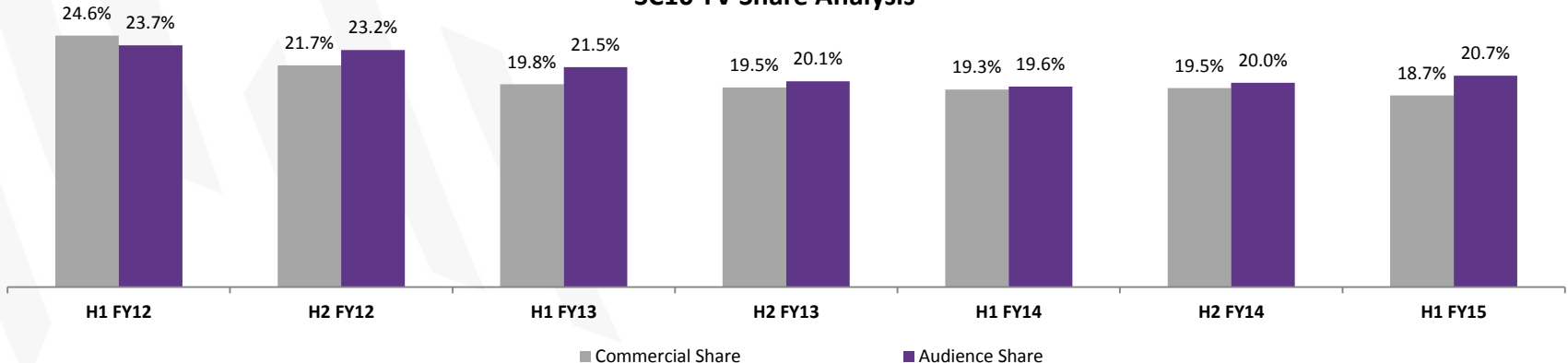
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- TV markets have declined 5.0% whilst TV revenues are back 5.4%.
- Local TV revenues remain the standout – up 5.3% with power ratio of 1.1.
- Improving CH10 ratings are a positive, but lag effect of translating to commercial share.

National/Local Split

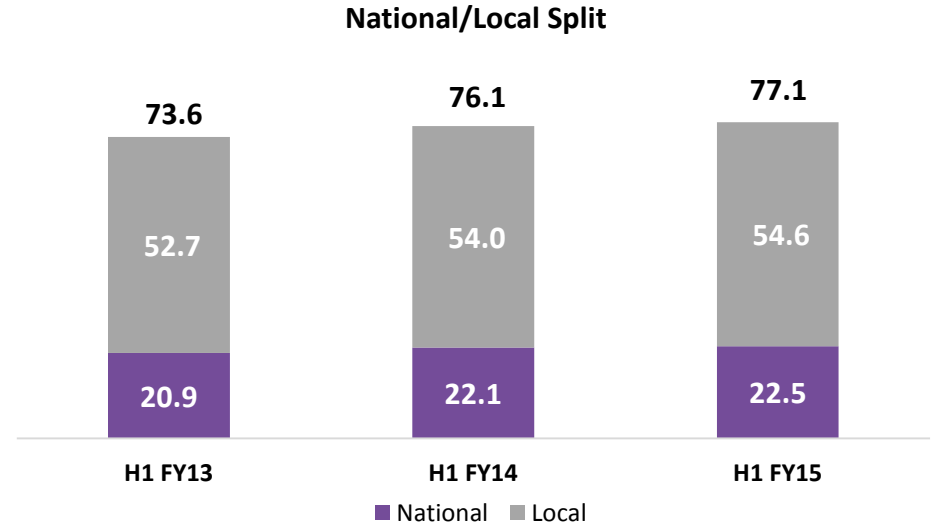


SC10 TV Share Analysis



REGIONAL RADIO ADVERTISING REVENUES

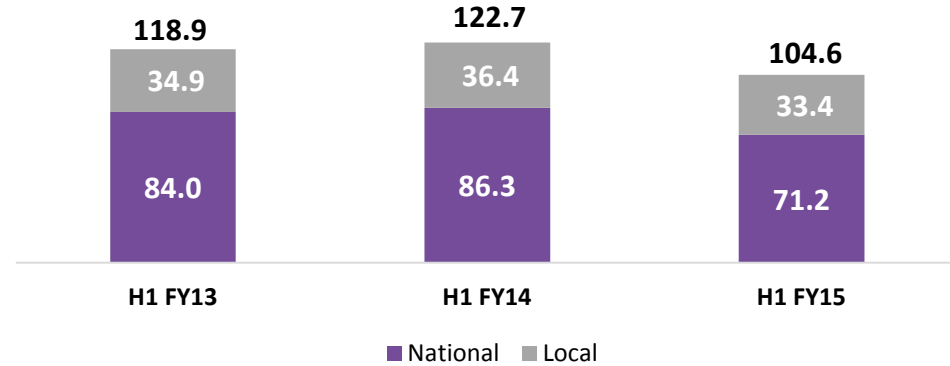
- Embedded market position continues to drive growth in regional radio revenues.
- A broad, diverse revenue base has led to consistent performance;
 - 71% of revenues are local, a traditionally less volatile revenue stream.
 - Diversified revenue base: 93% of our stations account for 76% of total regional radio revenues.



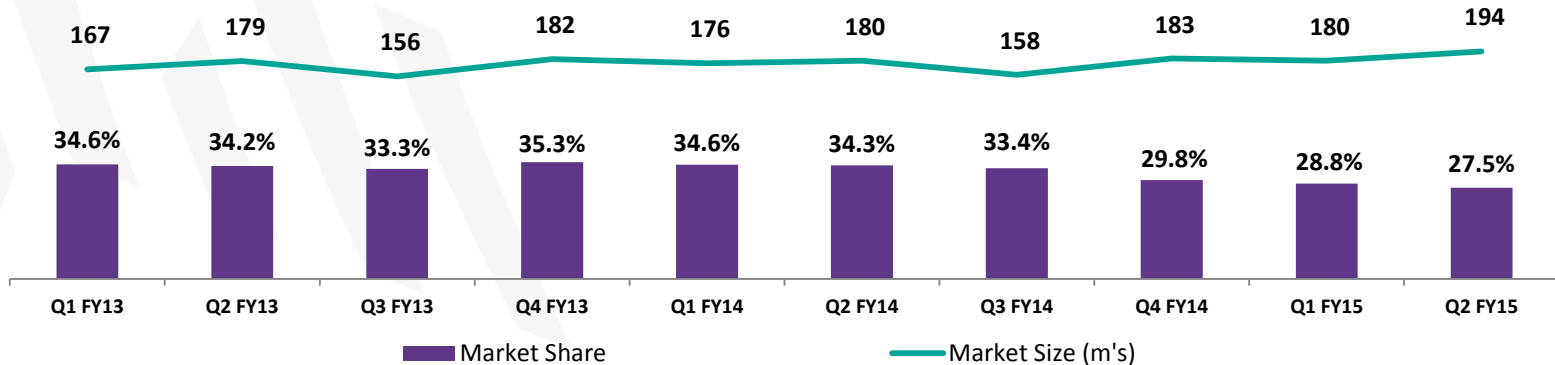
METRO RADIO ADVERTISING REVENUES

- Continued growth on the Triple M Network with revenues up 8%, partially offsetting declines on Today's Hit Network, back 33%.
- Excluding Hit 104.1 2Day in Sydney, revenues across the network are back 3.4%, whilst the market was up 5%.

National/Local Split



Commercial Share



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OUTLOOK & SUMMARY



RHYS HOLLERAN



H2 FY15 OUTLOOK

REGIONAL

- Q3 trading conditions are steady with the some strong results out of the Queensland election and continuation of positive momentum with Big Bash League.
- Revenue growth expected in Q3.

METRO RADIO

- Q3 trading conditions consistent with H1 FY15 – January share of 27.9%.
- Hit 104.1 2Day FM's breakfast show with Dan and Maz clearly differentiates us the from the pack but will take time to grow.
- The market reaction to the return of The Hamish & Andy drive show in H1 FY16, has been very encouraging.

While we remain very upbeat about programming changes of Today's Hit Network and Channel 10, these changes are still relatively new and will take time. We therefore remain cautious in our outlook for H2 FY15.

SUMMARY

- Commitment to investing in talent and regeneration of Today's Hit Network whilst steadily growing Triple M.
- Capital management strategy designed to deliver reduced gearing metrics
 - Strong support of lenders for strategy with increase in covenant headroom during regeneration period.
 - Further reductions in finance costs will underpin increasing debt serviceability and contribute to reducing net debt.
- Growth in digital product suite will continue.
 - New Head of Digital and Innovation appointed.
- Continued cost control with use of technology enablers to drive efficiencies.

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THANK YOU

QUESTIONS & ANSWERS



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