AGREEMENT FOR SALE OF NNSW TV OPERATIONS AND TRADING UPDATE

Sale of NNSW TV operations

Southern Cross Media Group Limited (ASX:SXL) (SCA) announces that it has today executed agreements for sale of SCA’s northern NSW (NNSW) television assets and operations to the WIN Television Network. All necessary conditions are expected to be satisfied for completion of the sale to take place with effect from 31 May 2017.

The sale proceeds of $55m are payable in two instalments: $45m on completion and $10m on the first anniversary of completion, with the second instalment secured by an unconditional bank guarantee.

The estimated FY2018 EBITDA impact from disposal of the Group’s NNSW TV operations is $10m and, with the proceeds from the sale further reducing net financing costs, the impact on NPAT is expected to be $6m.

SCA will use the proceeds of the sale to further reduce leverage and financing costs, while enhancing future balance sheet flexibility.

Trading update

SCA provides the following earnings guidance and trading update for the year ending 30 June 2017.

When presenting the group’s 31 December 2016 half year results, SCA provided guidance that EBITDA for FY2017 was expected to be at the lower end of a range of $177m - $183m. While SCA continues to perform well in each asset class, advertising markets remain challenging and short.

Metro radio markets have declined 2.2% over the period from January to April and are trading flat for the financial year to date. Regional radio markets continue to grow albeit at lower than historical levels. SCA has maintained or grown its commercial share in both sectors.

Regional TV markets continue to be challenged and have declined further in recent months. The market has contracted by mid-single digits for the financial year to date and is forecast to deliver weaker revenue as the industry cycles over increased spending from last year’s Federal Election. SCA has achieved solid year-on-year growth in revenues following the switch to Nine affiliation along the eastern seaboard from 1 July 2016. Completion in coming months of the roll-out of Nine’s regional news bulletins throughout Queensland will provide further revenue and ratings potential.

Taking into account the current and forecast trading environment, SCA now expects FY2017 trading EBITDA will fall slightly below the prior year’s EBITDA of $168m. SCA has made a concerted effort to reduce net debt over the past 18 months and, as a result of lower financing costs, trading NPAT is expected to show positive year on year growth.
This guidance excludes the impact of the profit or loss on disposal of assets during the year (including disposal of the group’s NNSW TV operations and broadcast towers) and the likely positive impact of the reduction in television and radio licence fees proposed in the Federal Budget.

For further information, please contact:

Nick McKechnie  
Chief Financial Officer  
Tel: 03 9922 2001

Creina Chapman  
Head of Corporate Communications and Regulatory Affairs  
Mob: 0411 535 176