Southern Cross Austereo H1 FY20 Investor Presentation

20 February 2020

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Disclaimer

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FY20 Interim Results

Grant Blackley

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GROUP RESULTS SUMMARY

$ millions	H1 FY20 (Reported)	H1 FY20 (exc. AASB16)	H1 FY19	Var. To H1 FY20 (excl AASB16)
Revenue	308.1	308.1	335.7	**(8.2%)**
EBITDA	67.5	59.3	82.1	**(27.7%)**
Underlying EBITDA[1]		62.2	84.8	**(26.7%)**
NPAT	20.4	22.4	(119.2)	**n.m.**
Underlying NPAT[1]		28.6	41.5	**(31.1%)**
Net Debt		330.5	295.1	**12.0%**
Interim Dividend (CPS)		2.75	3.75	**(26.7%)**

- Underlying EBITDA $62.2m – in line with October, 2019 trading update guidance
- Group revenue down 8.2%, against a broad advertising contraction impacting all markets and segments – including Audio and Television
- Statutory EBITDA $67.5m impacted by $8.2m non-cash benefit relating to adoption of AASB 16 (Leases) and $2.9m in one-off restructure costs
- Net Debt increased 12% due to debt funded acquisition of Redwave Media
- Interim dividend declared at 2.75 cps, fully franked

[1] References to underlying numbers exclude the impact of Significant Items.

HEADLINE ACHIEVEMENTS

Sales Performance	• National regional advertiser investment boosts revenue – outperforming metro markets • Television affiliation – market leading power ratio further improved with Nine – now 1.11x • Digital audio revenues in podcasting and addressable advertising grew 140% over prior year
Investment	• Redwave Media acquisition complete – expanding national footprint to 96 stations • Two additional DAB stations launched - Hit Dance and Triple M Soft Rock • Continued investment in digital audio products – PodcastOne set to achieve cashflow breakeven
Financial Stability	• Active review of cost base - will positively impact 2H FY20 operating and capital expenditure • Debt Refinancing complete – certainty of funding through to end 2022 - significant headroom under covenants • Cash conversion remains very strong and highlights the quality of assets and sector attractiveness

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COST BASE ADJUSTED

- **Respecting the weaker advertising conditions in H1 FY20, a thorough and holistic review of operating & capital costs was completed in late H1 FY20** – resulting in:
  - ✓ Meaningful savings in labour, discretionary costs and capital expenditure
  - ✓ $2.9m of restructuring costs was incurred H1 FY20 associated with actions to resize headcount
- **Full year operating expenses (pre AASB16 adjustments) forecast to be $5m- $10m below prior year** after accounting for:
  - ➢ Wage inflation and other contracted cost increases of $8m
  - ➢ ~$4.5m of capex costs transferred to opex triggered by outsourcing of transmission & playout services
  - ➢ ~$1.5m of investment for new and emerging audio on-demand products – to launch in H2
- **Full year capex to be $6m - $8m lower than prior year - forecast to be in range of $19m - $21m**

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FY20 INTERIM FINANCIAL RESULTS

Nick McKechnie

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GROUP REPORTED STATUTORY RESULTS

$ millions	H1 FY20 (Reported)	H1 FY20 (exc. AASB16)	H1 FY19	Var. to H1 FY20 (excl AASB16)
Revenue	308.1	308.1	335.7	(8.2%)
Expenses	(240.6)	(248.8)	(253.7)	(1.9%)
EBITDA	**67.5**	**59.3**	**82.1**	**(27.7%)**
EBITDA Margin	*21.9%*	*19.2%*	*24.4%*	
Depreciation & Amortisation	(19.3)	(11.6)	(14.9)	(22.0%)
Impairments	(3.3)	(3.3)	(226.9)	nm
EBIT	**44.9**	**44.3**	**(159.7)**	**nm**
Net Finance Costs	(14.1)	(10.7)	(9.8)	9.2%
PBT	**30.8**	**33.6**	**(169.5)**	**nm**
Tax	(10.4)	(11.2)	(17.8)	(36.8%)
Tax impact of Impairment			68.1	
NPAT	**20.4**	**22.4**	**(119.2)**	**nm**

- Group NPAT $20.4m
  - $22.4m excluding AASB16
- Group revenues down 8.2% - backdrop of a challenging and weak market impacting every sector
- Group operating expenses down $13.1m including AASB16 and $4.9m excluding AASB16
- Operating expenses include:
  - ✓ One-off restructure costs of $2.9m associated with cost review initiative
- $3.3m non-cash impairment of contra based investment in MVNO telco
- Lower depreciation charge (pre AASB16) reflects change in asset base with outsourcing of TV playout and transmission services

nm = not meaningful

CASHFLOW

$ millions	H1 FY20	H1 FY19
Opening Cash	32.4	56.1
Net Cash from Operations	**62.2**	**80.9**
Leases	(7.7)	(0.1)
Cash from Operations less Leases	**54.5**	**80.8**
Tax Payment	(15.8)	(19.8)
Net Payments for Non-Current Assets	(11.1)	(14.9)
Net Interest	(6.3)	(6.6)
Cash flow pre-dividend & non recurring items	**21.2**	**39.6**
Net outflow from Purchase of Operations	(28.3)	0.0
Dividends to security holders	(30.8)	(30.8)
Debt (repayment)/drawdown	28.0	(15.0)
Closing Cash Balance	**22.5**	**49.9**
Reported EBITDA (exc. AASB16)	59.3	82.1
Operating Cash Conversion	**91.9%**	**98.5%**
Free Cashflow (Cash from Ops. - Capital Exp. & Leases)	43.4	65.9
EBIT (exc. AASB16 and Impairment)	47.7	69.9
Free Cash conversion	**91.0%**	**94.3%**

- Free cash conversion of 91.0% remains high given strong quality of assets
- Reduced capex reflects positive impact of outsourcing of capital intensive activities. Lower recurring capital expenditure in future
- Redwave Media acquisition funded from available debt facilities
- Working capital improvements – aided by a reduction in debtor days reducing from 59 days to 57 days

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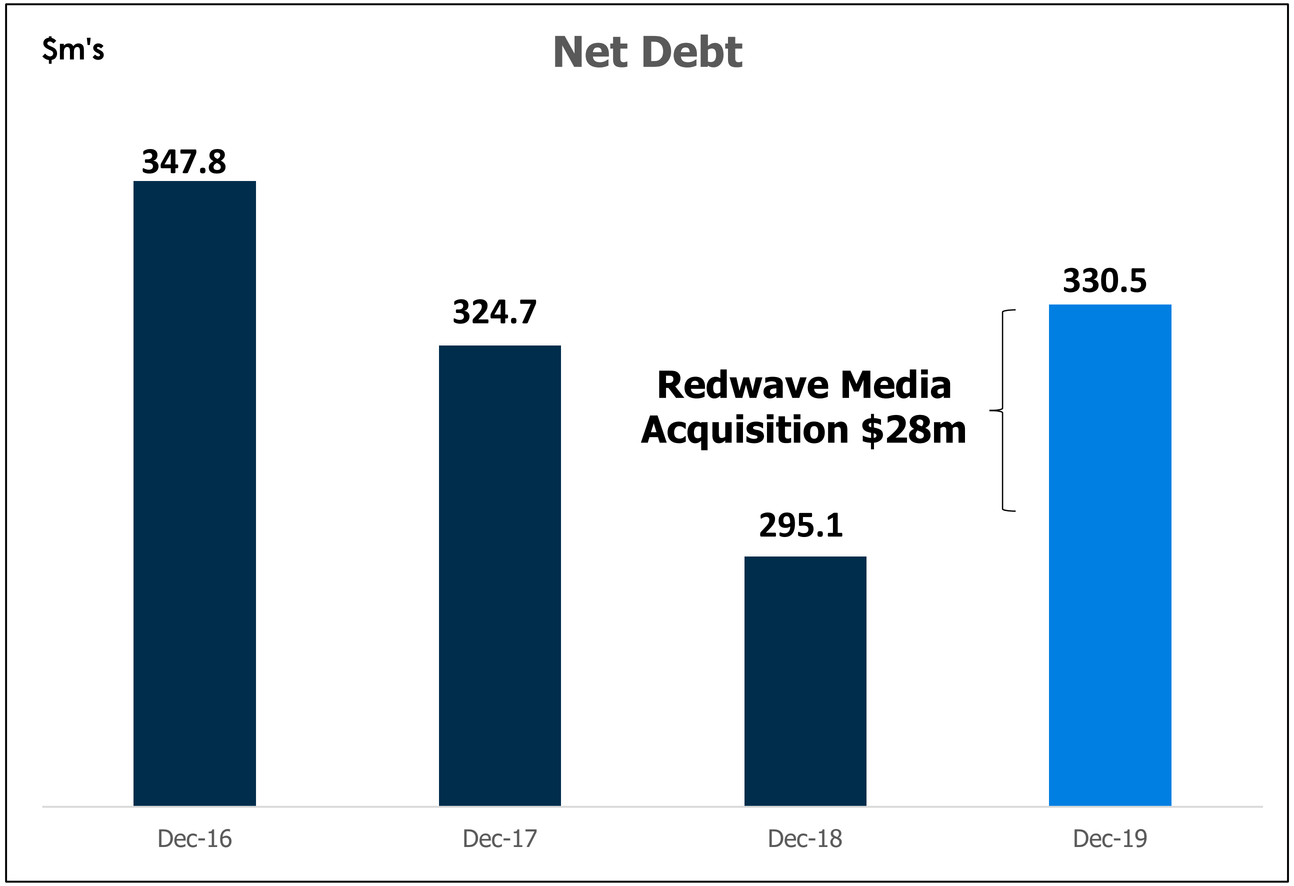
BALANCE SHEET



- SCAs existing balance sheet strength enabled debt funded acquisition of Redwave media
  - $28m purchase price increased net debt to $330.5m
- Bank facilities successfully refinanced December 2019:

Facility	Maturity	Drawn
$435m	Jan 2023	$328m
$25m	Jan 2021	$25m
	Cash	$(22.5m)
		$330.5m

- Credit Metrics – 31 December 2019:
  - ✓ Leverage Ratio 2.29x
  - ✓ Interest Cover Ratio 11.47x

OPERATIONAL REVIEW

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OPERATIONAL REVIEW

$ millions	H1 FY20	H1 FY19	Var.
Audio Revenue	210.9	230.2	(8.4%)
Television Revenue	96.2	104.7	(8.1%)
Corporate Revenue	1.1	0.9	23.2%
Total Revenue	**308.1**	**335.7**	(8.2%)
Audio Expenses	(149.8)	(150.0)	(0.1%)
Television Expenses	(83.1)	(88.4)	(6.0%)
Corporate Expenses	(13.1)	(12.5)	4.4%
Total Expenses	**(245.9)**	**(250.9)**	(2.0%)
Audio EBITDA	61.1	80.2	(23.8%)
Television EBITDA	13.1	16.2	(19.6%)
Corporate EBITDA	(12.0)	(11.6)	(3.0%)
Total Underlying EBITDA	**62.2**	**84.8**	(26.7%)
AASB16	8.2		
Restructuring Costs	(2.9)	(2.8)	
Statutory EBITDA	**67.5**	**82.1**	(17.7%)

AUDIO - OVERVIEW

$ millions	H1 FY20	H1 FY19	Var.
Total Revenue	**210.9**	**230.2**	(8.4%)
Broadcast & Production	(12.6)	(12.4)	2.3%
Employee	(78.1)	(75.6)	3.3%
Selling, General & Admin	(59.0)	(62.1)	(4.9%)
Total Expenses	**(149.8)**	**(150.0)**	(0.1%)
Underlying EBITDA	**61.1**	**80.2**	(23.8%)
Underlying EBITDA Margin	*29.0%*	*34.8%*	
AASB16	5.3	0.0	
Restructuring Costs	(1.3)	(1.1)	
Statutory EBITDA	**65.1**	**79.1**	(17.7%)

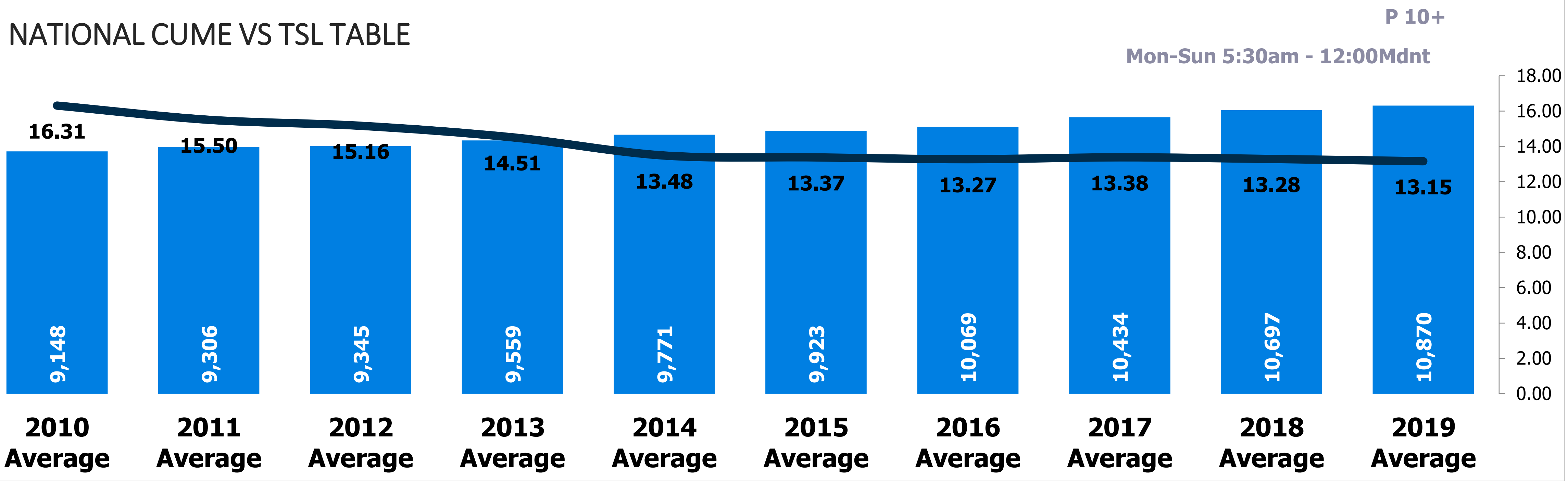
- Underlying EBITDA was back 23.8% to $61.1m delivering an Underlying EBITDA margin of 29.0%
- Revenues declined 8.4% due to lower advertising spend across the entire radio market
- Operating costs were flat against the prior period. Cost savings initiatives offsetting contracted increases in operating expenses including wage inflation and the impact of outsourcing contracts

AUDIO – RADIO AUDIENCES

Radio remains a healthy platform – cumulative audiences grow while Time Spent Listening remains stable

Market experiencing a cyclical weakness – audio assets are well positioned for market improvement

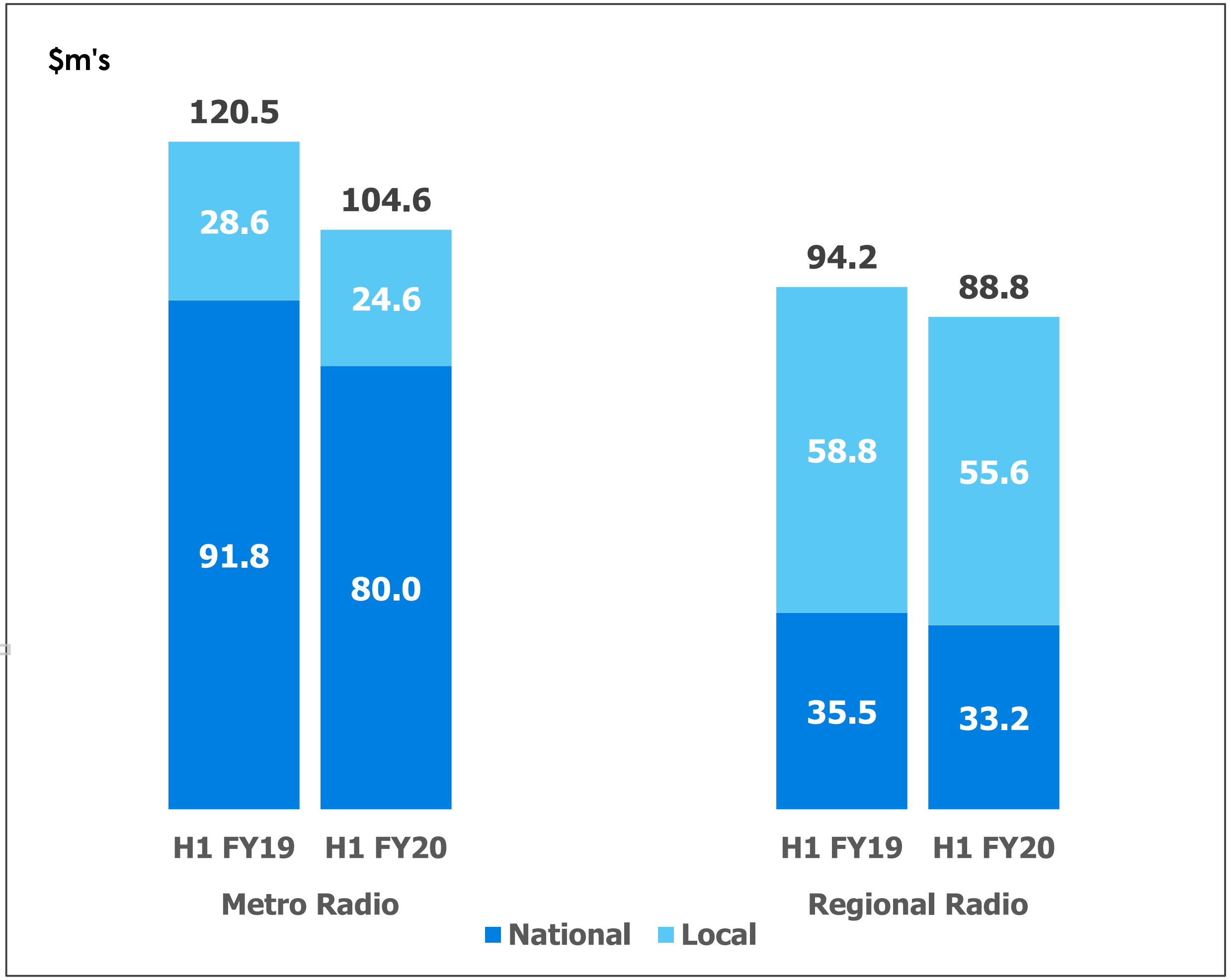
NATIONAL CUME VS TSL TABLE



Source: GfK Metro radio surveys – All Commercial Stations (average of 5 cap cities)

Key:
Cume – blue bar – total average audience numbers per week, '000
TSL – black line – average hrs:mins spent listening per week

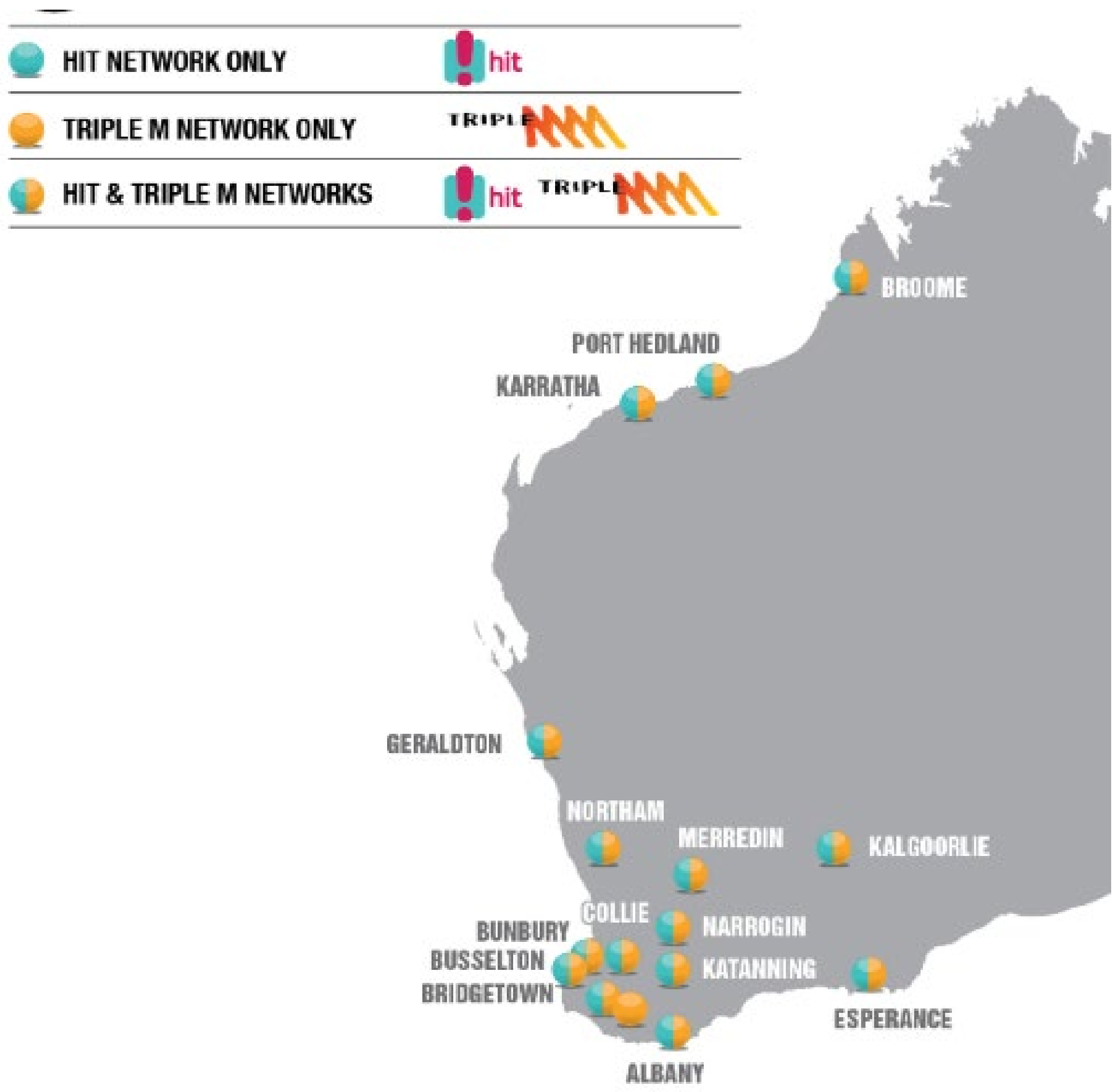
AUDIO – BROADCAST ADVERTISING REVENUES



- Metro advertising revenues contracted $15.9m or 13.2% with weakness across both local and national markets
- Regional advertising revenues declined $5.4m or 5.7% - highlighting resilience of this important media segment
- National revenues into regional radio have risen 9.5% from H1 FY17 – highlighting the benefits of the industry trade marketing initiative "Boomtown"
- SCA continues to lead and mature "Boomtown" initiative along with industry peers - with further tools and education to develop and mature market

AUDIO – REDWAVE RADIO AQUISITION

- Important acquisition – taking SCA's network to 96 stations across Australia – the largest Radio Group in Australia
- $28.0m Redwave acquisition further extends network coverage across Western Australia- with an additional 8 radio stations across major regional centres
- Incremental $2m EBITDA contribution forecast in H2 FY20
- Integration on track with acquisition plan – forecasting $1m in annual synergy realisation – will deliver EPS and ROIC accretion
- Bunbury licence acquired as a result of the transaction will be divested in a timely manner



DIGITAL AUDIO IS EXPANDING RAPIDLY

Consumption and distribution of digital audio is expanding rapidly – SCA is at the forefront :

PodcastOne Australia (P1A)

- ✓ Australia's Leading premium podcast network - 38% increase in episodes over prior year
- ✓ Increased incremental reach through distribution partnership with Spotify
- ✓ Premium revenues $2.1m in H1 and up 140% over pcp
- ✓ PodcastOne will achieve cashflow breakeven in H2 FY20

Catch-up radio Podcasting

- ✓ Bundled premium catch-up model being deployed – consistent with premium P1A model
- ✓ 2 million monthly downloads of catch-up radio alone
- ✓ Revenues – strong double digit growth set to continue

pcp – prior comparative period

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DIGITAL AUDIO IS EXPANDING RAPIDLY

Instream Addressable Advertising – the BVOD of Radio:

- ✓ Scale is important – SCA addressable audience via mobile devices in excess of 3m monthly users
- ✓ SCA signed in unique known users growing strongly, with over 450,000 Australians – unlocking premium selling extension
- ✓ SCA News – over 1m smart speaker downloads
- ✓ Targeting – able to target consumer interests, behaviours and passion for first time
- ✓ Advertisers – will be able to isolate store locations by geography to maximise the digital investment
- ✓ Growth will emanate from the broader digital pool of revenues

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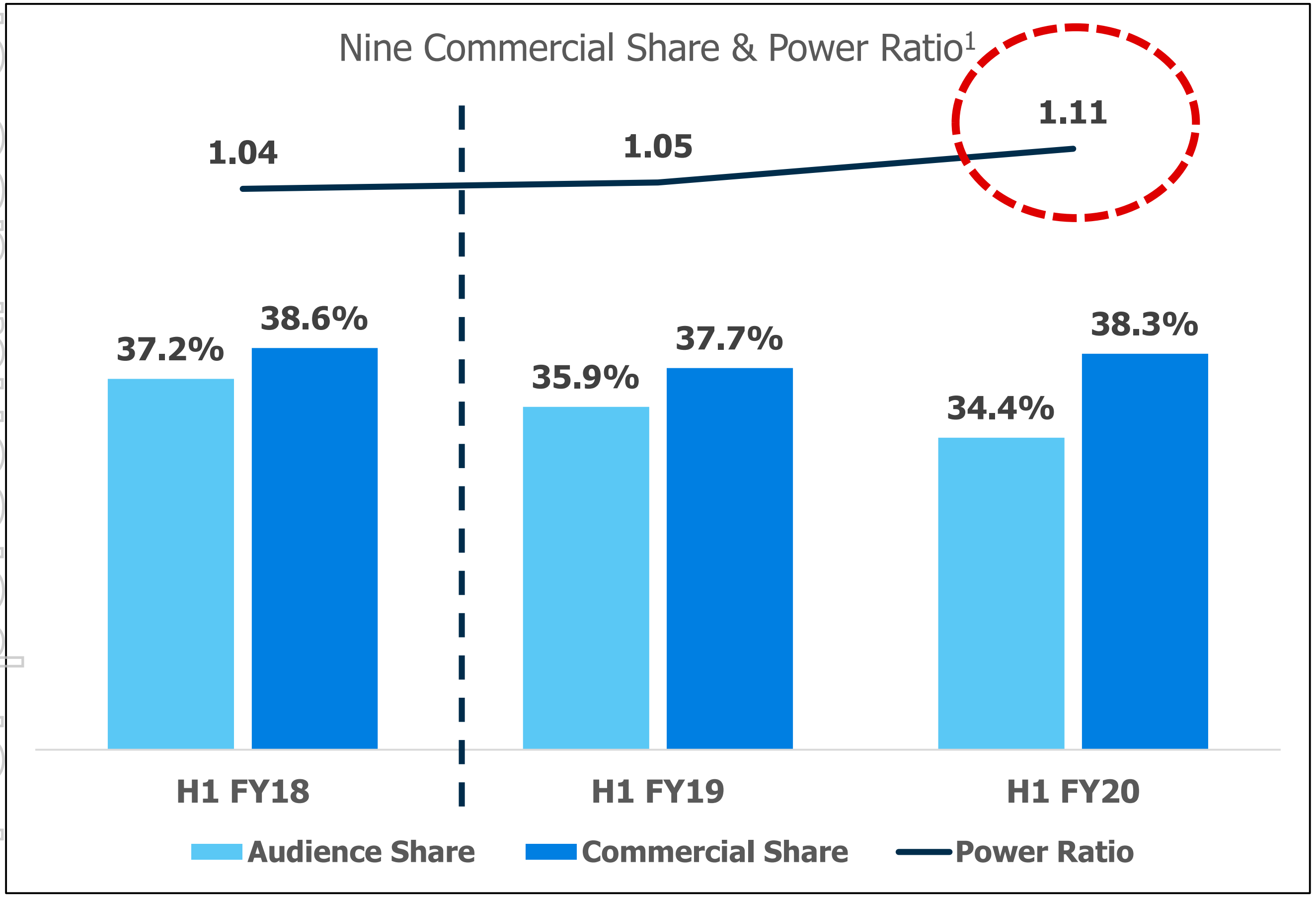
TELEVISION - OVERVIEW

$ millions	H1 FY20	H1 FY19	Var.
Total Revenue	**96.2**	**104.7**	**(8.1%)**
Broadcast & Production	(46.2)	(50.1)	**(7.7%)**
Employee	(14.9)	(15.0)	**(1.1%)**
Selling, General & Admin	(22.0)	(23.3)	**(5.6%)**
Total Expenses	**(83.1)**	**(88.4)**	**(6.0%)**
Underlying EBITDA	**13.1**	**16.2**	**(19.6%)**
Underlying EBITDA Margin	*13.6%*	*15.5%*	
AASB16	2.7	0.0	
Restructuring Costs	(1.6)	(1.6)	
Statutory EBITDA	**14.1**	**14.6**	**(3.2%)**

- Underlying EBITDA of $13.1m down $3.1m on FY19
- Overall Television revenues reduced $8.5m or 8.1%
- $1.0m revenue impact resulting from one-off loss of transmitter rent following outsourcing of transmission services to Broadcast Australia
- Underlying expenses were down 6.0%, reflecting the benefit of a variable cost base with reduced program supply fees

TELEVISION – LEADING POWER RATIO



- SCA continues to grow the 4-aggregated revenue power ratio for Nine – delivering highest ever revenue power ratio of 1.11x
- Commercial revenue share has grown in H1 FY20 - despite lower audience share and loss of Cricket across 1H19/1H20
- SCA's monetisation strategy for Television assets continues to deliver strong results in a weak market

[1] KPMG Market Share Report – Regional Queensland, SNSW, NNSW & Regional Victoria. Power Ratio = Commercial Share/ Audience Share

[2] Effective 1 July 2018 SCA and Nine entered into a local sales representation agreement for the NNSW Television licence area

OUTLOOK

Grant Blackley

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STRATEGIC UPDATE

SCA adopts a Dual Transformation Pathway

Transformation A:
Make SCA's existing core business more resilient, effective & efficient

- Relentless focus on content quality & improved creativity
- Superior customer solutions focus by all teams in every geography
- Increasing investment and focus on stronger automation and cost efficiency
- Cash generative platform enables investment in digital growth engines

Transformation B:
Build new, scaled, profitable and sustainable revenue streams

- Capital afforded to developing new audio products in the year ahead
- Audio On-Demand and Personalisation are key drivers
- Evolving technologies providing unique opportunity to scale and mature assets

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UNDERPINING OUR COMPETITIVE ADVANTAGE

Proudly National, Fiercely Local

We are Proudly National

- Largest Radio Group in Australia – 96 radio stations in portfolio
- Specialist TV Broadcast affiliate – 105 TV signals across 35 markets
- Australia's #1 Commercial Podcast Network
- We reach 95% of the Australian population – each and every week

We are Fiercely Local

- We serve local communities and clients through a network of 55 offices across Australia – with over 2,000 skilled people
- We produce over 2,000 hours of local programming and 4,000 news updates each week – and maintain a commitment to providing timely, local and accurate updates 24 hours a day - in times of need
- Strong relations with thousands of small and medium sized local businesses across the country
- We are deeply connected and proud of our local community and charitable partnerships

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TRADING UPDATE

Trading Update

- Advertising markets remain challenging across January and February – with similar levels of trading to the first half of the year
- Q2 analysis forecasting improving category trend – lead by Insurance and Banking segments – both weak sectors in 2019. Expectation local and federal governments will resume spending in year ahead following post election hiatus
- Digital Audio revenues continue to grow strongly over prior year – this includes the Premium Podcasting, Catch Up Podcasting and Instream Addressable advertising segments
- Group Expenses forecast to be $5m - $10m below the full year FY19 (after accounting for $8m in labour and other contracted cost increases – as well as $4.5m in annual capex moving to opex as a result of the outsourcing of transmission and playout services)
- Full Year Capex expected to be $6m - $8m below FY19

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APPENDIX

RECONCILIATION OF UNDERLYING RESULTS

$ millions	Reported H1 FY20	AASB16	Significant Items	Underlying H1 FY20	H1 FY19	Significant Items	Underlying H1 FY19
Revenue	308.1			308.1	335.7		335.7
Expenses	(240.6)	(8.2)	2.9	(245.9)	(253.7)	2.8	(250.9)
EBITDA	**67.5**			**62.2**	**82.1**		**84.8**
EBITDA Margin	*21.9%*			*20.2%*	*24.4%*		
Depreciation & Amortisation	(19.3)	7.6		(11.7)	(14.9)		(14.9)
Impairments	(3.3)		3.3	0.0	(226.9)	226.9	0.0
EBIT	**44.9**			**50.5**	**(159.7)**		**69.9**
Net Finance Costs	(14.1)	3.4	1.2	(9.5)	(9.8)		(9.8)
PBT	**30.8**			**41.0**	**(169.5)**		**60.1**
Tax	(10.4)	(0.8)	(1.2)	(12.4)	(17.8)	(0.8)	(18.6)
Tax impact of Impairment					68.1	(68.1)	0.0
NPAT	**20.4**			**28.6**	**(119.2)**		**41.5**

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