

SOUTHERN CROSS AUSTEREO FY20 INVESTOR PRESENTATION

20 August 2020

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FY20 RESULTS

Grant Blackley

EXECUTIVE SUMMARY

- ✓ EBITDA of \$108.2m (incl AASB16) with positive EBITDA contribution across all 4 quarters while achieving 20% EBITDA margin
- ✓ Significantly improved balance sheet following \$169m capital raising, with net debt and 1.24x leverage both at historic lows
- ✓ Free cash conversion 131% - cash conversion aided by strong working capital benefits from receivables collection
- ✓ Revenue progressively improving from Q4 FY20 through and into Q1 FY21
- ✓ Positioning SCA for the Future
 - Cost base - implementing a leaner, tailored operating model
 - Broadcast TV – 3 year operational transformation now complete
 - Further investment in new Digital Audio products and services
 - Capex targeted at “Efficiency and Innovation” projects

GROUP RESULTS SUMMARY

\$ millions	FY20 (Reported)	FY20 (exc. AASB16)	FY19	Var.
Revenue	540.8	540.8	661.0	(18.2%)
Expenses	(432.6)	(447.8)	(513.6)	(12.8%)
EBITDA	108.2	93.0	147.4	(36.9%)
NPAT	25.1	29.7	(91.4)	n.m.
Underlying NPAT	-	35.8	73.9	(51.6%)
Net Debt	131.6	131.6	292.6	(55.0%)
Free Cash Conversion	-	131.4%	93.4%	-

- Group Revenue for full year reduced by 18.2%
- Expenses reduced by \$65.8m with underlying expenses down \$56.6m
- EBITDA of \$93m, back 36.9% on prior year and heavily influenced by the drop in Q4 EBITDA
- Net Debt reduced substantially by \$161m or 55% to \$132m following successful equity raising
- As announced at equity raising, dividends suspended for FY21, forecast to resume paying dividends in FY22
- Business continues to generate strong free cashflow – 131.4% of EBIT

¹ References to underlying numbers exclude the impact of Impairment & FY19 Significant Items

HEADLINE ACHIEVEMENTS

Sales & Content Performance

- Sales Teams consistently delivered strong commercial outcomes – while leading creative development and insights across sector
- TV power ratio 1.09 demonstrating continued market leading commercial outcome
- New Digital Audio revenues growing strongly - 96% growth in podcasting revenue and 112% growth in instream (addressable) advertising revenue over prior year
- Investment in digital audio assets is accelerating consumption and increasing revenue momentum

Operational Improvements

- Management well advanced in delivering a leaner and more efficient operating model for FY21 and beyond
- Group underlying expenses reduced by \$57m in FY20¹
- Acquisition of Redwave Media expands SCA's leading national network to 99 commercial stations
- 3 Year Broadcast TV operational transformation complete

Financial Stability

- Strong Liquidity with \$271m cash on hand and 1.24x leverage ratio at historic lows
- Enhanced and strengthened balance sheet - 100% of capital raising funds attributed solely to reduction in net debt
- Cash Conversion remains a strong attribute of the company – rising to 131% in FY20

FY20 FINANCIAL RESULTS

Nick McKechnie

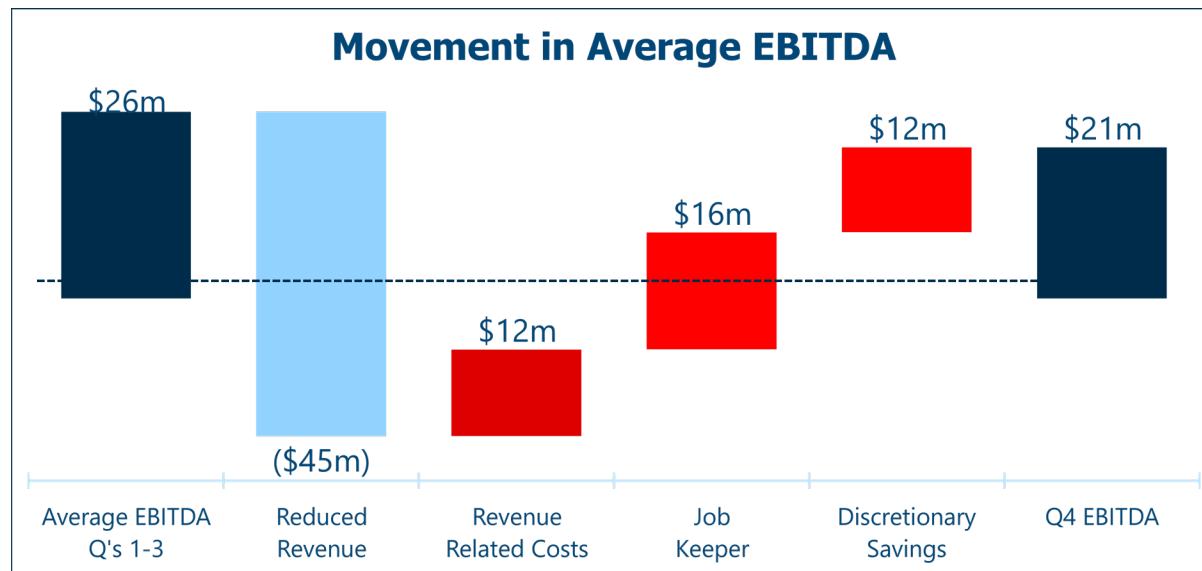
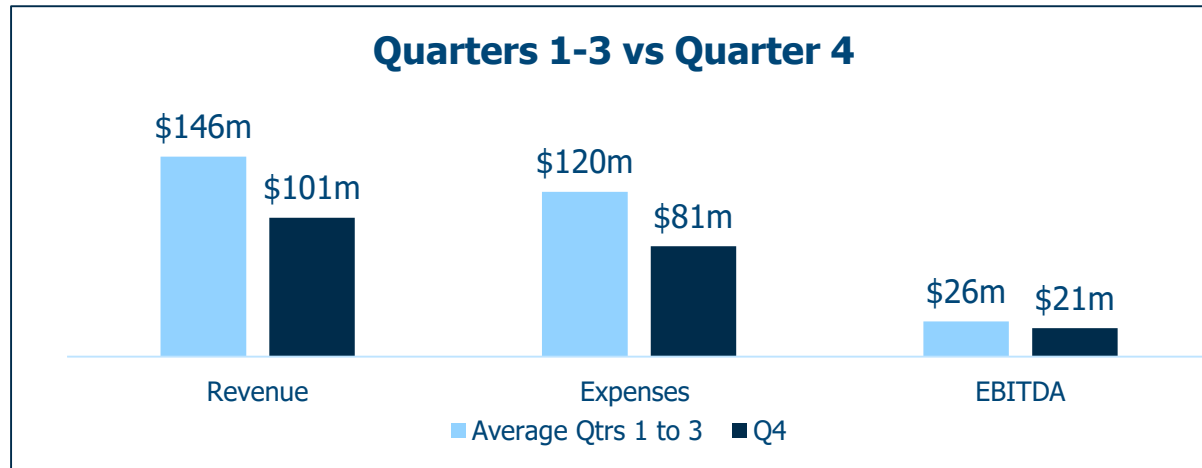
GROUP REPORTED STATUTORY RESULTS

\$ millions	FY20	FY20 (exc. AASB16)	FY19	Var.
Revenue	540.8	540.8	661.0	(18.2%)
Expenses	(432.6)	(447.8)	(513.6)	(12.8%)
EBITDA	108.2	93.0	147.4	(36.9%)
<i>EBITDA Margin</i>	<i>20.0%</i>	<i>17.2%</i>	<i>22.3%</i>	
Depreciation & Amortisation	(36.6)	(23.0)	(30.6)	(24.8%)
Impairments	(6.1)	(6.1)	(226.9)	n.m
EBIT	65.5	63.9	(110.1)	n.m
Net Finance Costs	(27.2)	(19.1)	(19.3)	(1.0%)
PBT	38.3	44.8	(129.4)	n.m
Tax	(13.2)	(15.1)	(30.0)	(49.5%)
Tax impact of Impairment	0.0	0.0	68.1	-
NPAT	25.1	29.7	(91.3)	n.m
Underlying NPAT¹	-	35.8	73.9	(51.6%)

- Reported EBITDA \$108.2m (\$93.0m excluding AASB16)
- Depreciation (excl. AASB16) reduced by \$7.6m following outsourcing of television playout and transmission services
- Impairments represent partial writedowns on several small investments that face increased challenges in current operating environment
- Net finance costs include \$1.3m write-off of unamortised borrowing costs upon successful refinancing in January 2020
- Underlying NPAT of \$35.8m, down 52% on FY19

¹ References to underlying numbers exclude the impact of Impairment & FY19 Significant Items

ANALYSING THE COVID-19 IMPACT



- The COVID-19 impact most pronounced from mid-March - reducing Q4 revenue by approximately \$35m compared to average Q1-3 revenues
- Strong cost offsets, in line with those outlined at time of capital raising, mitigated EBITDA decline to \$5m
- Cost reductions incorporated \$12m discretionary savings across all areas of the business
- \$16m JobKeeper benefit reduced labour cost impact
- \$5m provision for doubtful debts excluded from analysis

CASHFLOW

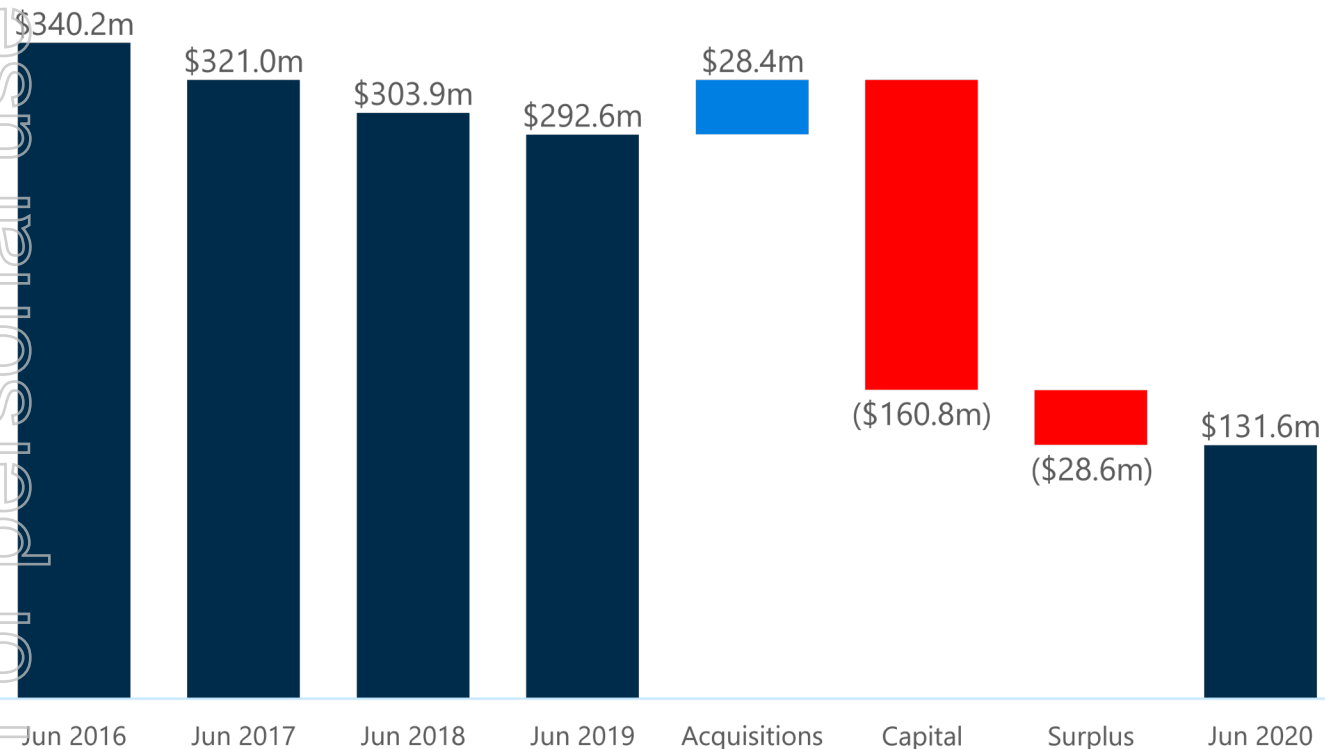
\$ millions	FY20	FY19
Opening Cash	32.4	56.1
Cash from Operations less Finance Leases	106.5	144.9
Tax Payment	(18.3)	(34.6)
Net Payments for Non-Current Assets	(14.5)	(27.2)
Net Interest	(12.5)	(13.0)
Cash flow pre-dividend & non recurring items	61.2	70.0
Dividends to security holders	(30.8)	(59.6)
Debt drawdown / (repayment)	76.1	(35.0)
Net Payment for Acquisitions	(28.4)	0.9
Net proceeds of capital raise	160.8	-
Closing Cash Balance	271.4	31.5
Underlying EBITDA (exc. AASB16)	93.0	156.6
Operating Cash Conversion	114.6%	92.5%
Free Cashflow (Cash from Ops. - Capital Exp. & Finance Leases)	92.0	117.7
EBIT (exc. AASB16 and Impairment)	70.0	125.9
Free Cash conversion	131.4%	93.4%

- SCA continues to generate consistent cashflow - \$61m pre dividend and non-recurring items compared to \$70m in FY19
- Free cash conversion 131% with strong working capital benefits following successful collection of receivables through Q4
- FY20 capex of \$15m, a \$12m or 45% reduction from prior year – with continued investment in new audio products and technology enhancements
- Closing cash of \$271m with high liquidity to be maintained in short term
- Targeting 90% – 100% cash conversion in FY21, pre working capital changes as revenues increase

STRONG & ENHANCED BALANCE SHEET

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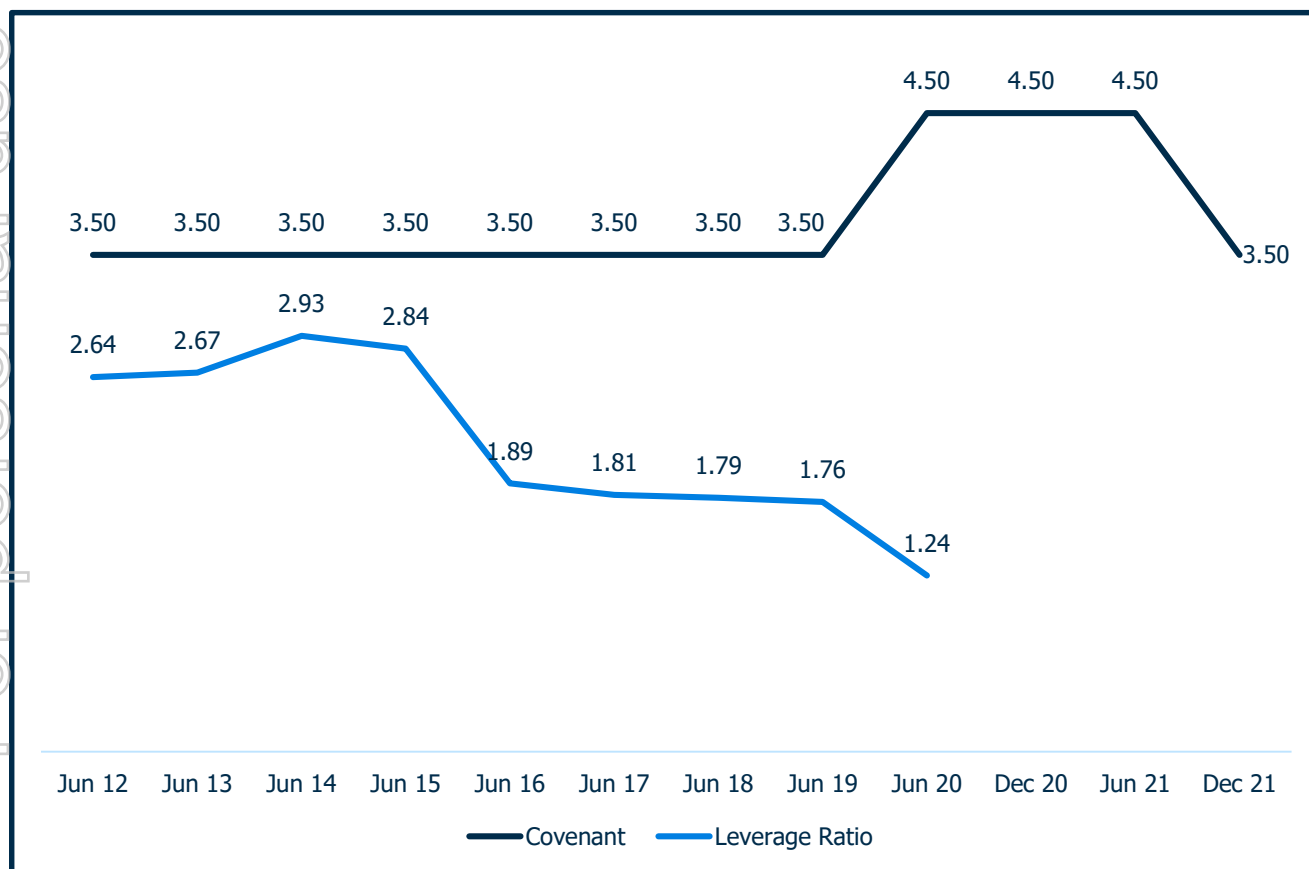
Net Debt



- Net Debt as at June 30 of \$131.6m - a historic low level
- Capital Raising proceeds used exclusively to reduce net debt – with zero capital consumed in Q4
- \$28.4m acquisition relates largely to Redwave Radio – extending our national network by 11 stations to 99 commercial stations across Australia
- Balance sheet strength positions SCA well for recovery phase and beyond
- Bank facilities:
 - \$435m facility maturing Jan 2023
 - \$25m facility maturing Jan 2021 – will be repaid from cash

BANK COVENANTS

Leverage Ratio



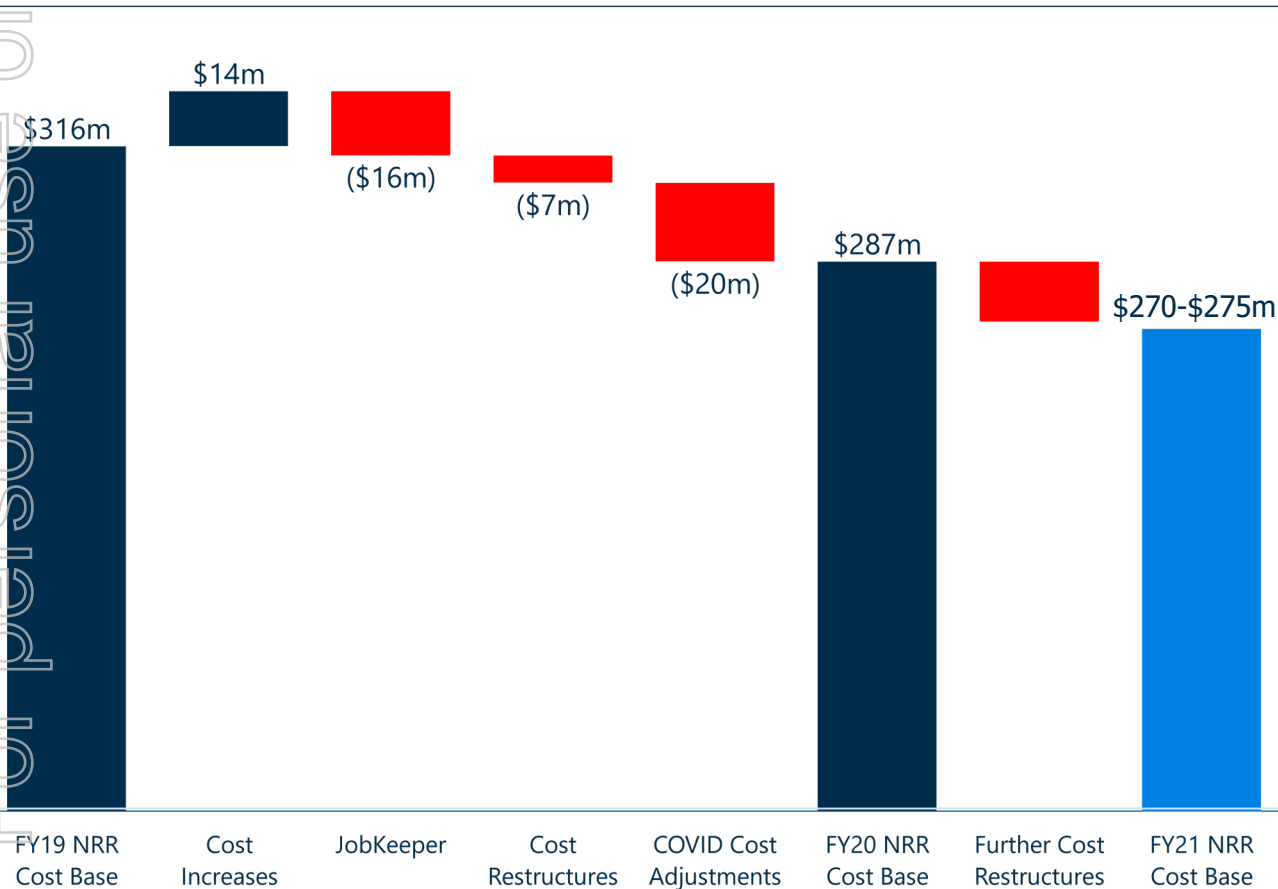
- Leverage ratio at historic lows following capital raising
- Additional testing headroom provided by supportive lenders until June 2021
- December 2020 leverage covenant to be tested on annualised Q2 EBITDA
- Revenue recovery underway but extension to JobKeeper scheme provides potential safety net against possible second wave (if Q1 FY21 revenue > 30% below pcg)
- Interest cover ratio at 8.38x – comfortably in excess of 3.00x minimum covenant level

POSITIONING SCA FOR THE FUTURE

Grant Blackley

LEANER COST MODEL - OPERATING AND CAPEX

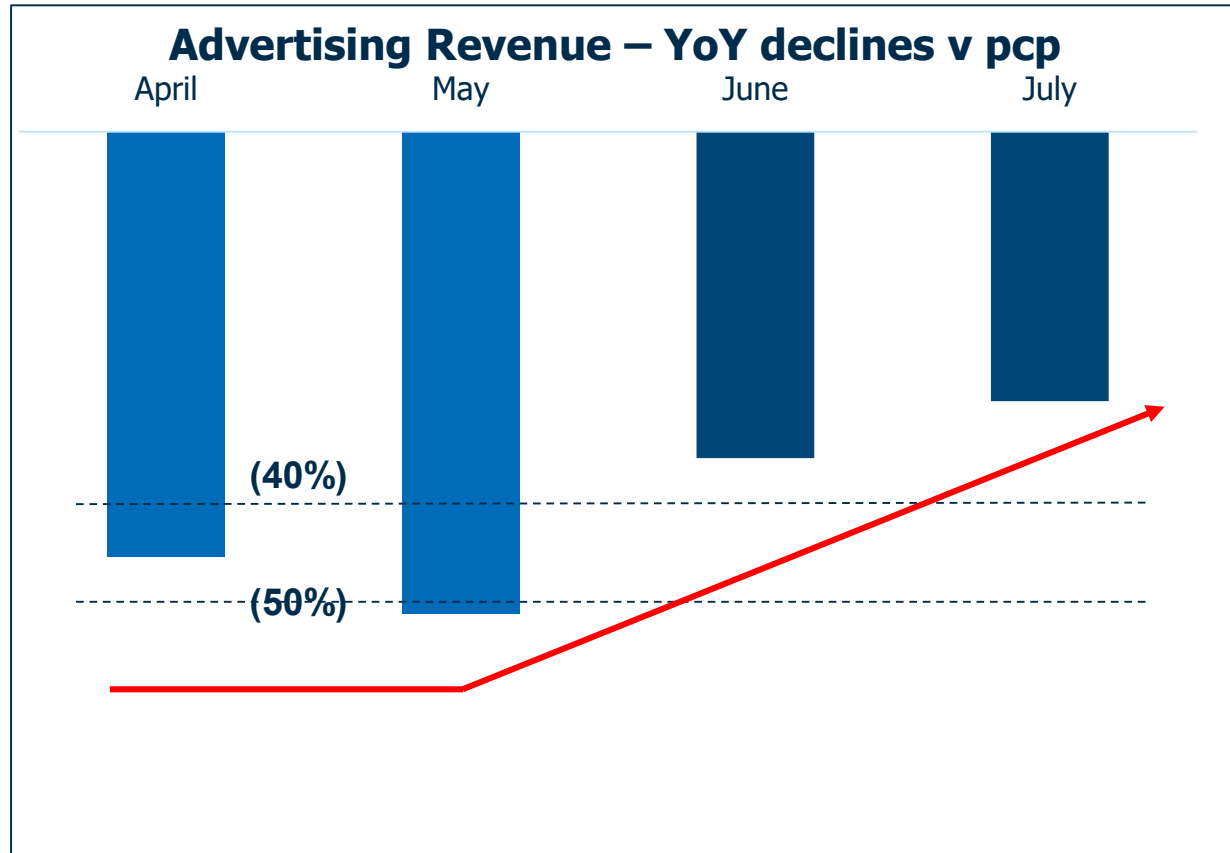
Non Revenue Related Costs



- Revenue related costs are ~29% of revenue
- Non revenue related (NRR) costs reduced from **\$316m** in FY19 to **\$287m** in FY20
- FY21 NRR costs forecast to further reduce to **\$270-\$275m**, including;
 - Full year costs for Redwave, investment in digital audio and annual inflation
 - Benefit of \$10m PING grant expected in support of regional journalism, Q1 continuation of JobKeeper (potential for JK in Q2 not included)
 - Full year impact of cost restructures, broad continuation of COVID Cost adjustments and FY21 impact of further cost restructures
- Leaner operating model achieved through the re-organisation of SCA's internal structure and workflows and adoption of software tools - delivering enhanced efficiency through automation of labour intensive tasks
- Capex - outsource of capital intensive functions allows for heavier weighting to Efficiency and Innovation capex programs – namely \$9.3m or 62% of forecast \$15m spend in FY21

- FY20 cost increases include the acquisition of Redwave (H2), CPI increases and the impact of Capex to Opex from new outsourcing contracts
- COVID Cost adjustments include permanent and temporary cost saving measures
- FY20 NRR Cost Base excludes \$5.0m provision for doubtful debts
- All NRR costs exclude the impact of AASB16

PROGRESSIVE IMPROVEMENT IN REVENUE TREND



- Monthly revenues have steadily improved since the peak national COVID impact during April/May 20¹
- Recovery at early stage but, importantly, the steady and progressive easing of restrictions is positively influencing advertiser sentiment and revenues
- Recent Stage 4 restrictions in Melbourne (which account for 12-13% of group revenue) are impacting the pace of recovery. That said, given the diverse geographic footprint of the SCA asset base we retain positive recovery momentum

SCA REVENUE CATEGORY ANALYSIS – IMPROVING TREND

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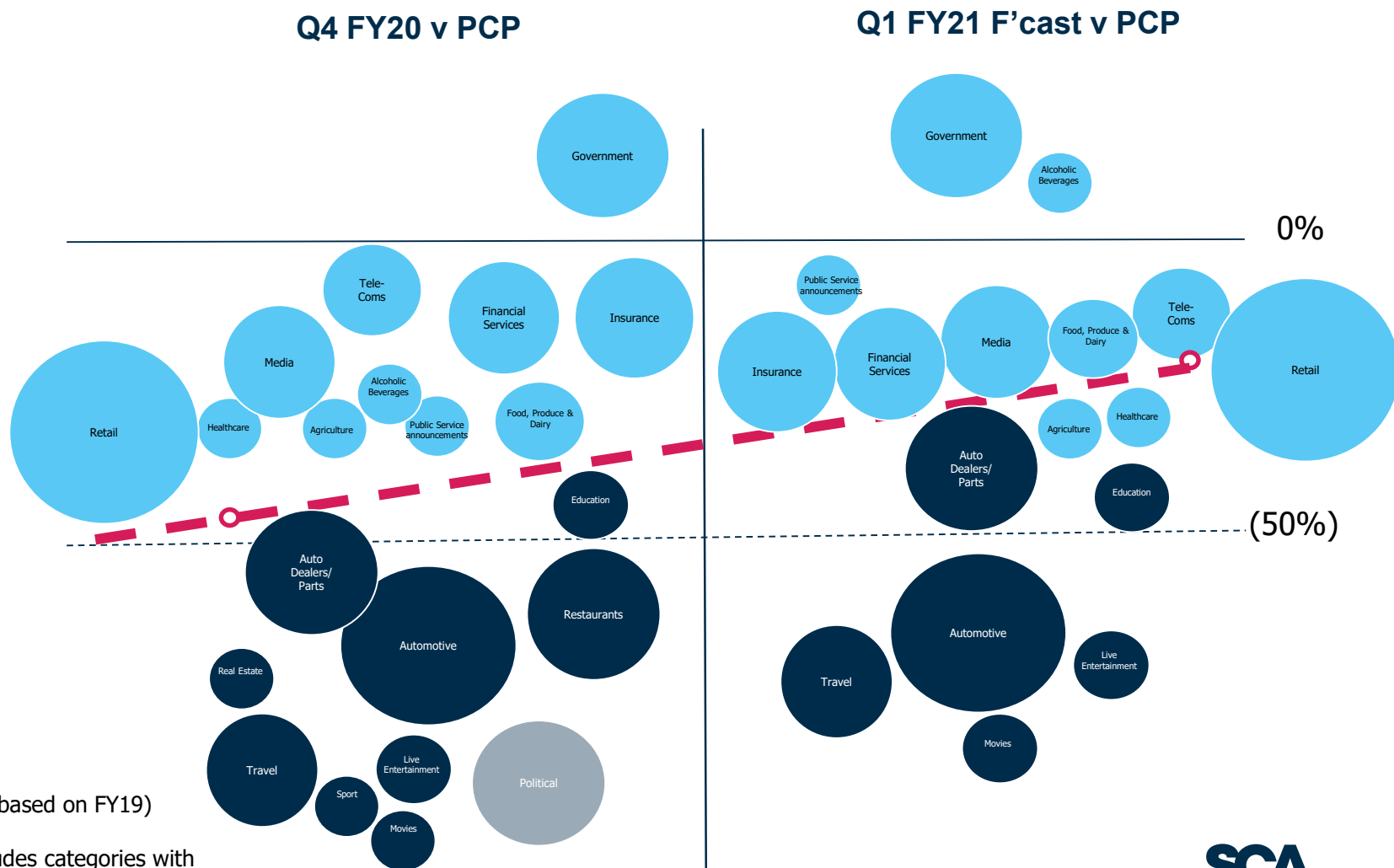
- Overall advertising trend (dotted red line) is improving into Q1 FY21 as advertising spend improves
- Underperforming segments are generally larger categories – which are expected to rebound faster – when restrictions ease
- By example; we are seeing improvement in key categories that under-performed in Q4 (namely auto dealers and food produce)
- Majority of overperforming Q4 categories are also continuing to improve advertising spend in Q1

— — — Reflective of total revenue



Size of bubble indicates % of revenue to SCA (based on FY19)

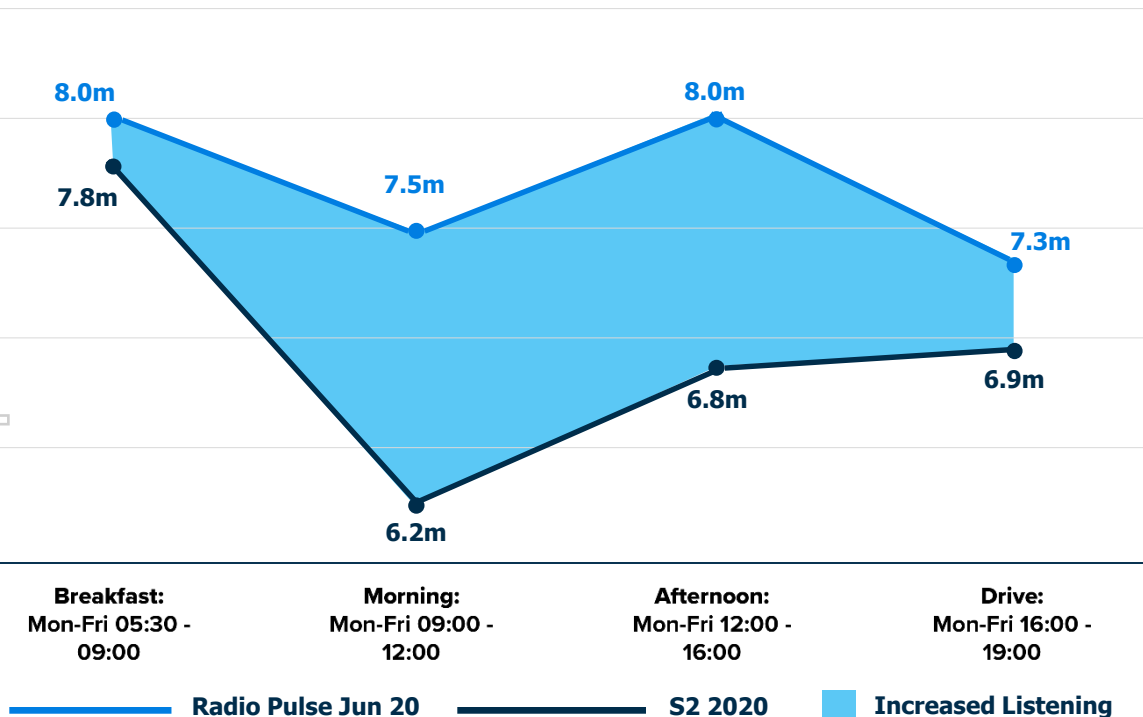
Note: not all categories are shown – chart includes categories with greatest positive or negative variation from trend



BROADCAST AUDIENCE – INCREASED LISTENING & IMPROVING MOBILITY

Radio listening has increased during COVID-19 – with notable increases across the day

Industry Audience

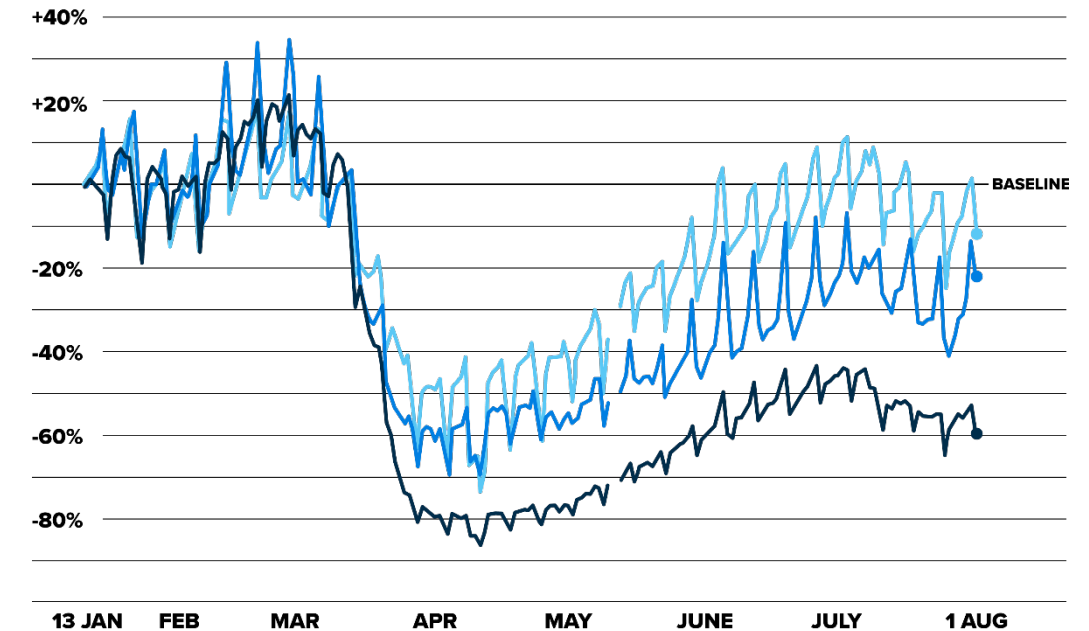


In-car listening to rebound as driving levels lead mobility trends

Mobility Trends

Change in routing requests since 13 January 2020

AUSTRALIA



- DRIVING - 12%
- WALKING - 22%
- PUBLIC TRANSPORT - 59%

SCA

AUDIO ACCESSIBILITY - INCREASED CONSUMPTION ACROSS MULTIPLE DEVICES

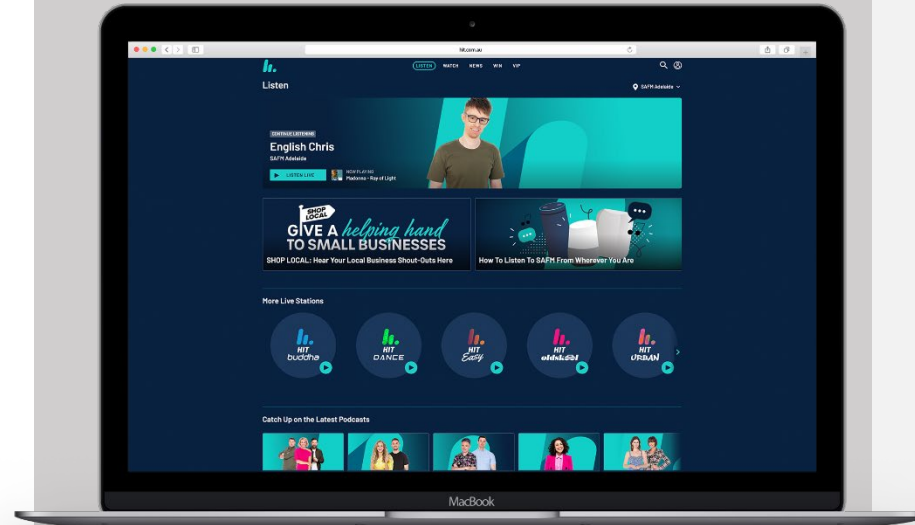
Mobile and Tablet



3M+
listening
hours

+12%
growth

Desktop



4M+
Listening
hours

+10%
growth

Smart Speakers



2hr 20m
Avg. Duration
Per Session

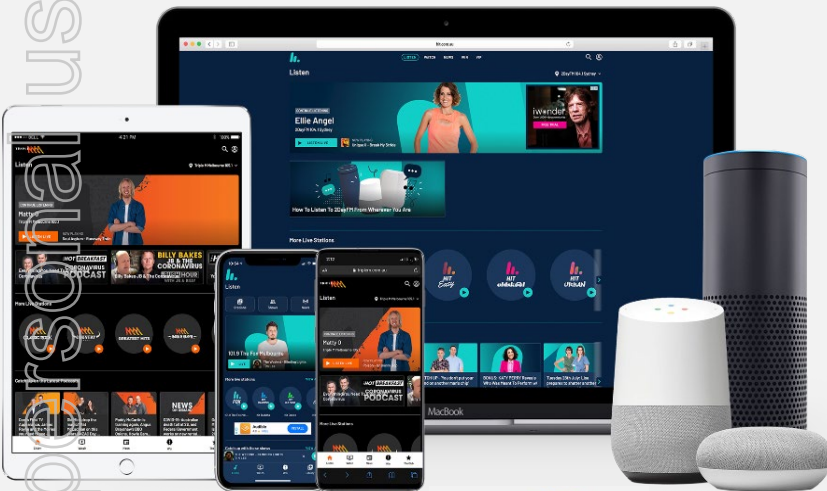
69% YOY
Growth

Smart News
+95%
in July

SCA'S DIGITAL UNIVERSE

LIVE RADIO, RADIO PODCASTS & ORIGINAL PODCASTS

Live Radio & Music Streaming

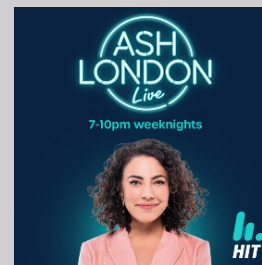
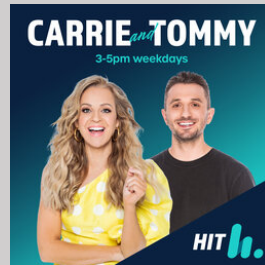


10.1M
Active radio
listening hrs
+30%
YOY

8.5M
Active Radio
Streams
+36%
YOY

SoundCloud
2.5M
monthly
listeners

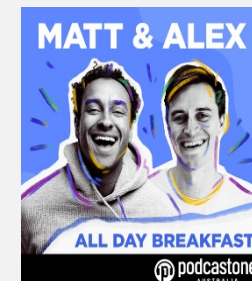
Radio Podcasts



3.5M
Downloads

+80%
YoY

Original Podcasts



155% Growth
since
March 2020

July
biggest
month
ever

Source: AudioMetric | July 2019 v. July 2020
. OMNY | July 2019 v. July 2020
SoundCloud 1st Party Data, Total
Monthly Australian Users, July 2020

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BROADCAST AUDIO

FM, AM, DAB+

ENTERTAINMENT

SPORT

MUSIC

NEWS

Reach and scale

Engaging content

Integrated solutions

Partnerships

SCA EVERYONE'S LISTENING



Australia's
most trusted
talent and
brands



DIGITAL AUDIO

Desktop, Mobile,
Smart Speaker

LIVE RADIO STREAM

RADIO PODCASTS

MUSIC STREAMING

ORIGINAL PODCASTS

Addressable – instream

Dynamic creative

Hyper targeted

Interactive

Reaching 7.5M people across the day. Anytime, anywhere, any device.

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OPERATIONAL REVIEW

OPERATIONAL REVIEW

\$ millions	FY20	FY19	Var.
Audio Revenue	371.1	453.4	(18.2%)
Television Revenue	169.5	207.3	(18.2%)
Corporate Revenue	0.2	0.3	(33.3%)
Total Revenue	540.8	661.0	(18.2%)
Audio Expenses	(273.3)	(302.3)	(9.6%)
Television Expenses	(150.0)	(174.5)	(14.0%)
Corporate Expenses	(24.5)	(27.6)	(11.2%)
Total Expenses	(447.8)	(504.4)	(11.2%)
Audio EBITDA	97.8	151.1	(35.3%)
Television EBITDA	19.5	32.8	(40.5%)
Corporate EBITDA	(24.3)	(27.3)	(11.0)%
Total Underlying EBITDA	93.0	156.6	(40.6%)
AASB16	15.2	-	-
Significant Items ²	-	(9.2)	-
Statutory EBITDA	108.2	147.4	(26.6%)

- Statutory EBITDA \$108.2m
- Audio and Television revenues each contracted by 18% respectively – reflecting the broad market contraction due to COVID-19
- Total expenses down 11.2% or \$57m driven by strong cost controls, active cost mitigation in Q4 and receipt of JobKeeper subsidy
- Television costs reduced by 14% - aided by greater proportion of variable costs due to programming expenses

AUDIO - OVERVIEW

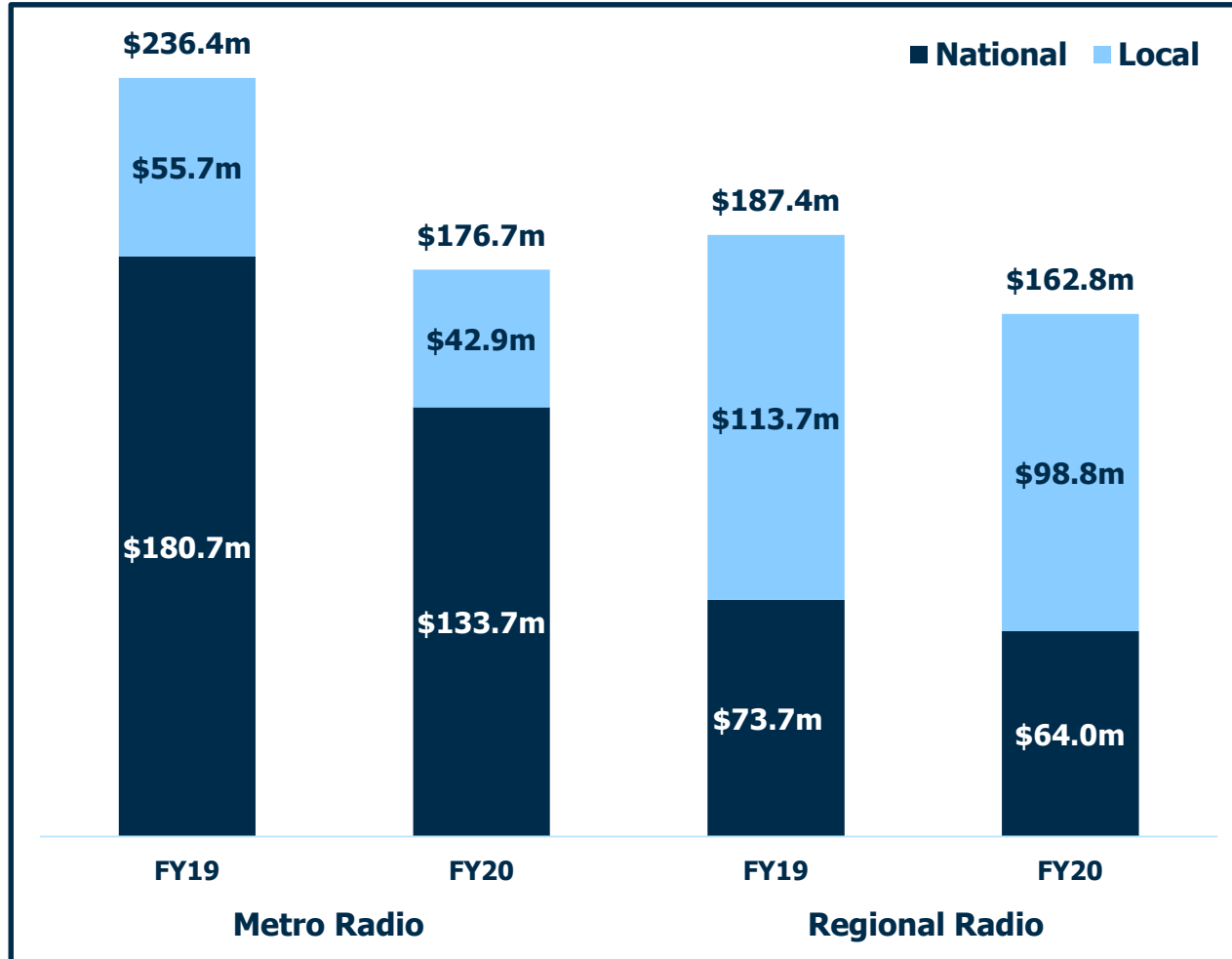
\$ millions	FY20	FY19	Var.
Total Revenue	371.1	453.4	(18.2%)
Broadcast & Production	(25.1)	(25.6)	(2.0%)
Employee	(138.1)	(156.9)	(12.0%)
Selling, General & Admin	(110.1)	(119.8)	(8.1%)
Total Expenses	(273.3)	(302.3)	(9.6%)
Underlying EBITDA	97.8	151.1	(35.3%)
<i>Underlying EBITDA Margin</i>	26.4%	33.3%	-
AASB16	10.7	-	-
Significant Items		(2.4)	-
Statutory EBITDA	108.5	148.7	n.M

- Audio revenues reduced by 18.2%
- Total Audio expenses down \$29m or 10% - heavily influenced by reduction in employee expenses
- Broadcast & Production costs have trended lower, however have been offset by podcast creator revenue-share costs which increased due to 96% growth in revenue over prior period
- Selling, General and Admin cost reduction limited by 'capex to opex' impact of outsourcing implemented in FY20

¹ All numbers exclude the impact of Significant Items except where stated.

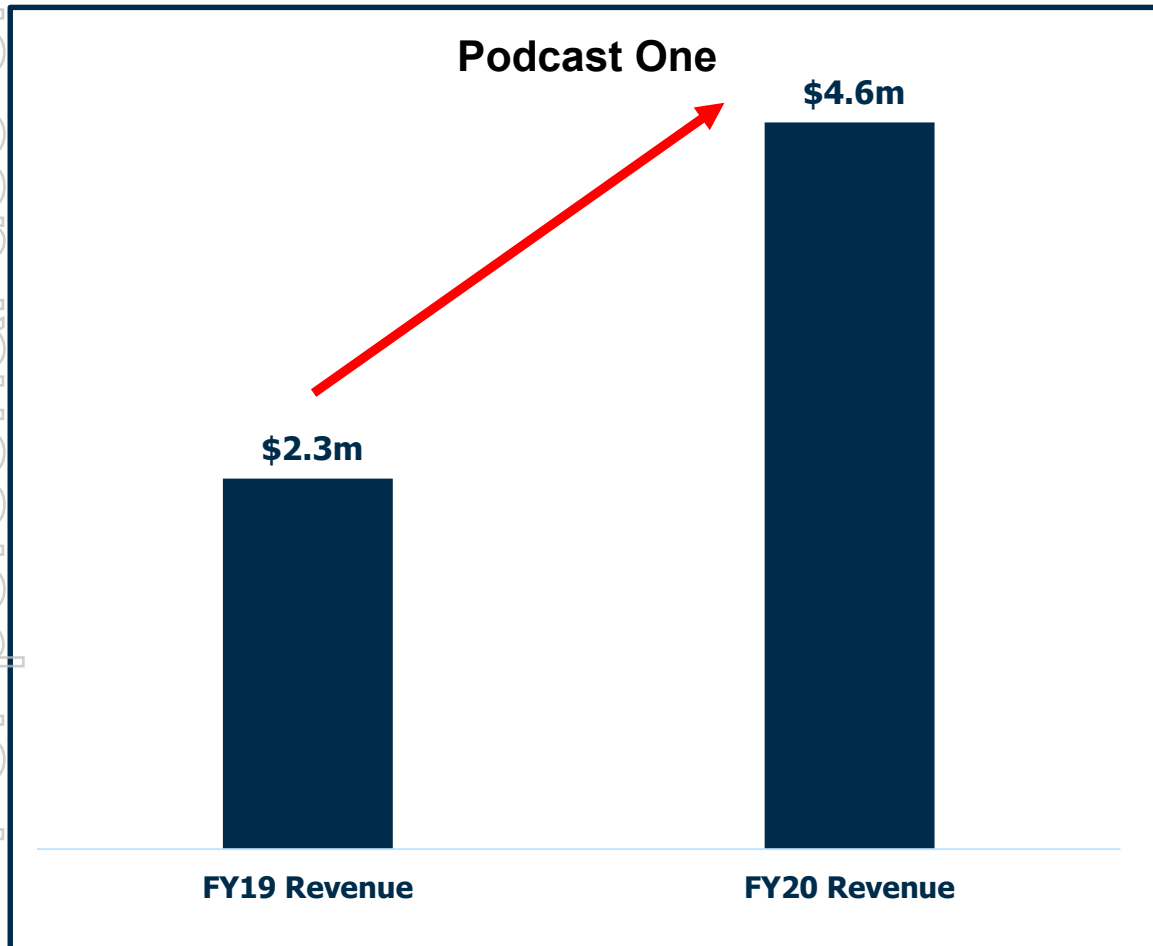
³ Significant Items refers to non-cash charge relating to outsourcing of transmission services.

AUDIO – ADVERTISING REVENUES



- Regional Radio revenues less impacted than Metro Radio
- Stronger relative demand from national advertisers into regional markets
- Lower implied COVID-19 impact in regional, compared to larger more densely populated metro markets
- Boomtown education platform continues to yield strong benefits, with national advertisers still considering higher investment into the regions
- Regional markets are expected to benefit into the future – led by regional tourism and related economic investment. SCA launched a series of local initiatives including “Shop Local”

PODCAST ONE REVENUES GROW 96%



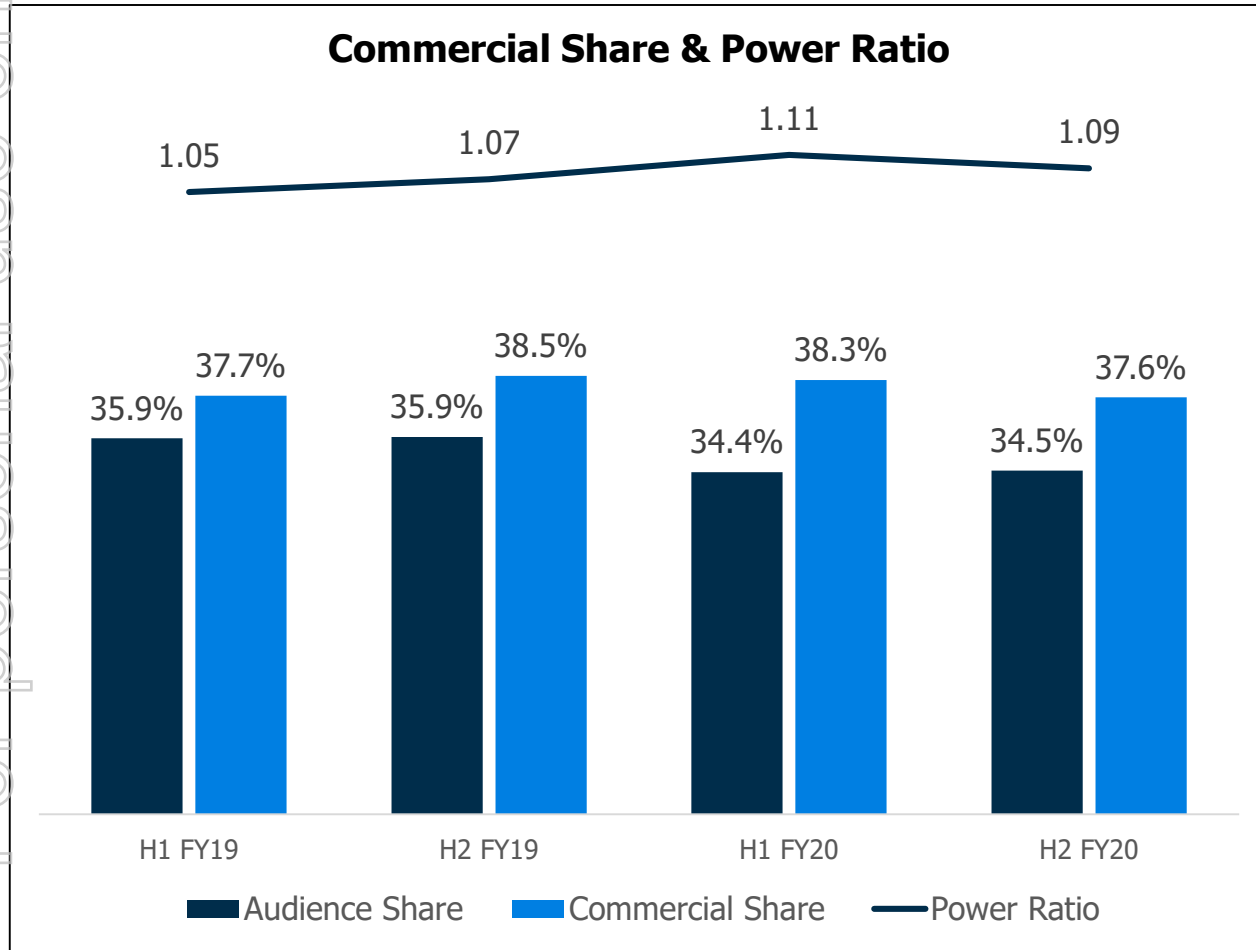
- PodcastOne reached breakeven cashflow early in FY20 and is expected to contribute to earnings growth throughout FY21
- Revenue growth of 96% over prior year - momentum maintained through COVID-19 period evidenced by Q4 FY20 revenue up 47% over Q4 FY19
- Compelling premium content continues to drive consumer engagement;
 - Q4 downloads of 14.1m were up 70% on Q3
 - Total monthly downloads are now 4-5m, compared to ~2m at the beginning of FY20
- PodcastOne exclusively enjoys 92 Original Australian titles – 41% increase in production of marketable and saleable units
- Business is 'capital light' with production leveraging existing studio facilities – while cost base is variable due to revenue sharing arrangements

TELEVISION - OVERVIEW

\$ millions	FY20	FY19	Var.
Total Revenue	169.5	207.3	(18.2%)
Broadcast & Production	(81.4)	(98.0)	(16.9%)
Employee	(25.6)	(32.6)	(21.5%)
Selling, General & Admin	(43.0)	(43.9)	(2.1%)
Total Expenses	(150.0)	(174.5)	(14.0%)
Underlying EBITDA	19.5	32.8	(40.5%)
<i>Underlying EBITDA Margin</i>	<i>11.5%</i>	<i>15.8%</i>	
AASB16	4.4	0.0	-
Significant Items	0.0	(6.9)	-
Statutory EBITDA	23.9	25.9	n.m

- Underlying EBITDA of \$19.5m
- Variable programming expenses coupled with significant savings in employee related costs have mitigated revenue decline
- Selling, General and Admin cost reduction limited by \$2.1m increase following 'capex to opex' impact of outsourcing implemented in FY20
- Minimal future capex spend required

TELEVISION – MARKET LEADING POWER RATIO



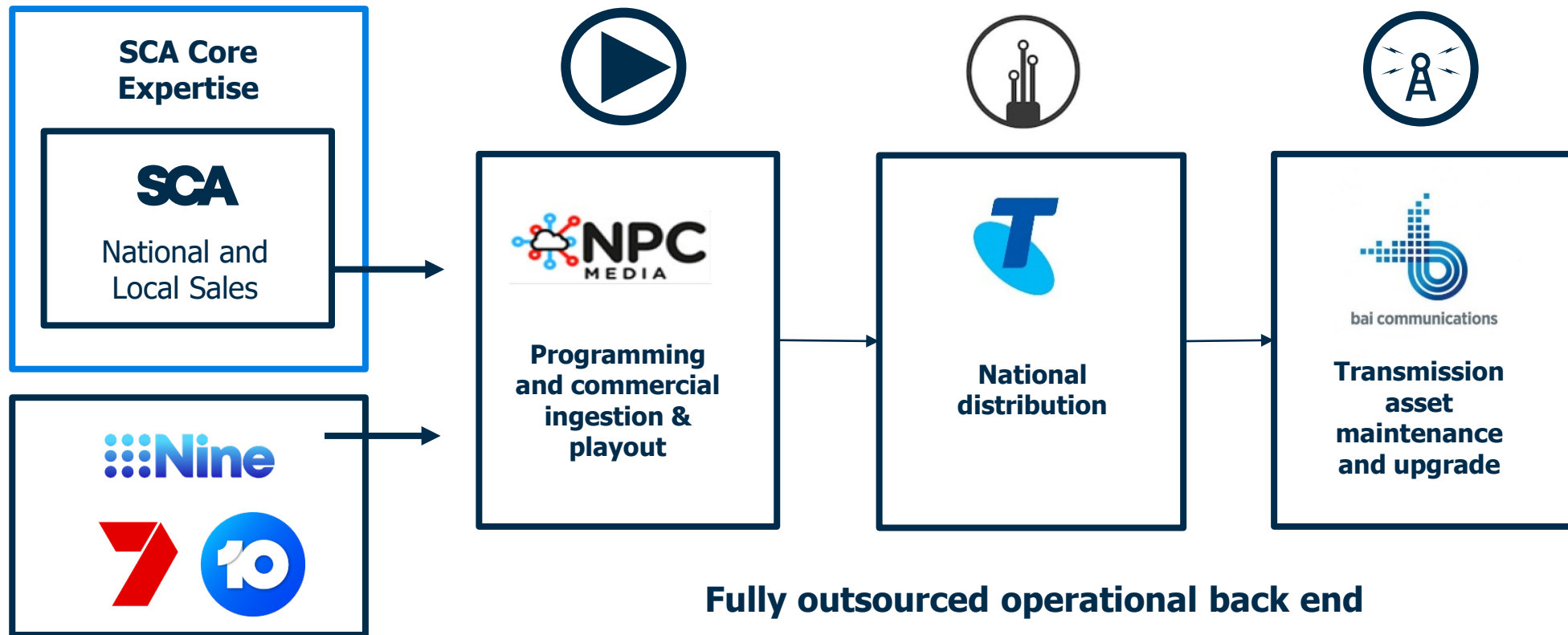
- Market leading power ratio in FY20 further improved with exceptional performance from SCA sales teams
- Power ratio of 1.09 (revenue to ratings ratio) maintained in H2 despite delayed start to NRL season and with the premium State of Origin revenues due to benefit Q2 FY21

¹ KPMG Market Share Report – Regional Queensland, SNSW, NNSW & Regional Victoria

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

TV ASSET – 3 YEAR TRANSFORMATION COMPLETE

SCA has completed a simplification of the television asset - with the creation of a modular structure supported by specialist third party providers. SCA delivering outperformance through focus on core sales expertise



KEY PRIORITIES - THE YEAR AHEAD

Audio

- Increase radio audiences through targeted investment in key timeslots and markets
- Invest in new and existing Digital Audio assets – develop new products and grow revenues
- Grow digital audio eco-system through education of new audio products – expanding inventory and enabling stronger monetisation

Television

- Transformation of television operational structure complete – focus on stronger sales effectiveness
- Maintain and further develop our market leading revenue to ratings power ratio
- Successfully renegotiate east coast licence area affiliation agreement for FY22 and beyond

Business Transformation

- Implement a leaner operating and cost model across the business
- Optimise and improve the use and effectiveness of new technology platforms & assets
- Business geared to deliver a singularly focused investment led philosophy - across both our broadcast and digital platforms

Financial

- Recovery of underlying earnings remains key focus
- Further improve the balance sheet strength through generation of cashflow
- Ensure SCA is positioned to take advantage of any corporate enhancements

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