



**ASX RELEASE**

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### **Chair's and CEO's addresses to AGM**

Southern Cross Media Group Limited (**SCA**) (ASX: SXL) will hold its Annual General Meeting of shareholders today at 11:00am at Primus Hotel, Mezzanine Level, 339 Pitt Street, Sydney NSW.

The addresses to be given by the Chairman and the Chief Executive Officer at today's AGM are attached.

For further information, please contact:

#### **Southern Cross Media Group Limited**

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Southern Cross Austereo (**SCA**) is one of Australia's leading media companies reaching more than 95% of the Australian population through its radio, television and digital assets. Under the Triple M and Hit network brands, SCA owns 76 analogue radio stations across metropolitan and regional Australia plus an additional 10 digital radio brands in Australia's capital cities. SCA provides national sales representation for a further 34 regional radio stations. SCA broadcasts 92 free to air TV signals across regional Australia with Nine Network programming and advertising representation across Australia's East Coast, Seven Network programming in Tasmania and Darwin, and Seven, Nine and Ten programming in Spencer Gulf. SCA operates Australia's leading premium podcasting network - PodcastOne Australia – and provides Australian sales representation for global open audio platform SoundCloud. SCA's premium brands are supported by social media, live events, video, online and mobile assets that deliver national and local entertainment and news content. <https://www.southerncrossaustereo.com.au/>

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**CHAIRMAN'S ADDRESS**

Southern Cross Austereo delivered a credible result in the 2019 financial year. Despite challenging advertising markets, group revenue of \$660.1 million was 0.5% up on the prior year. Supported by disciplined cost control, underlying EBITDA was up by 0.9% to \$159.9 million and underlying net profit after tax was up by 3.1% to \$76.2 million.

The Board was pleased to maintain fully franked dividends of 7.75 cents per share, in line with the prior year.

Shareholders will have seen the trading update we released to ASX on 15 October. We believe that SCA has consolidated the market share gains achieved in the first quarter of last financial year and is continuing to trade in line with media markets. However, in the prevailing weak advertising markets, SCA's revenues for the first quarter were 8.5% lower than in the first quarter last year. With advertising markets continuing to be short and volatile, we expect EBITDA for the six months ending 31 December to be in the range of \$60 million to \$68 million.

I can assure shareholders that your Board and executive team have been proactive in managing the current difficult trading conditions and in shaping the business for the future.

Disciplined management of operating costs is a core focus. Actions already implemented will reduce operating costs in the second half of this year.

Shareholders will be aware of our decisions to outsource our television playout and broadcast transmission services. These "back-of-house" functions are asset-intensive and can be performed more efficiently by specialist service providers. In the current half, we have incurred one-off restructuring costs of \$1.5 million, as well as new operating costs of about \$2 million, in connection with outsourcing these services. However, over time, outsourcing these services will deliver reliable and standardised performance of these functions, while supporting capex savings of \$5 million to \$7 million.

At the same time, the national operating model introduced from 1 July 2018 is supporting our offices around the country to efficiently deliver consistent, high-quality services to our people, audiences, advertisers and communities.

There is a clear focus on our "front-of-house" activities: creating compelling content and using our audio assets to help our advertising partners succeed.

Our strategy for digital radio in metro markets is a powerful example of this. Uniquely in the Australian market, we have curated nine digital radio brands, four under the Hit network and five under the Triple M network. Aggregating our FM and digital radio audiences is providing additional value for advertisers and a sustainable competitive advantage over commercial radio peers. The most recent Metro radio survey in September 2019 showed that SCA's digital radio stations had 317,000 digital only listeners, providing advertisers with a greater aggregate reach of 7% across the Triple M and Hit networks.

We are also increasing our investment in smart audio consumed through internet-enabled devices, both protecting and expanding our audiences. You can listen to our radio programs around the country on your computer, mobile phone or smart speaker, either live or on a catch-up podcast. PodcastOne Australia has expanded beyond its market-leading library of Australian original podcast series to offer branded podcasts, helping companies to better interact and engage with their employees and customers. Our exclusive sales partnership with SoundCloud has expanded our portfolio of digital audio assets and audiences.

Shareholders will also have seen our announcement last week of the proposed acquisition of Redwave Media. We are strong believers in the resilience and value of regional radio as an asset class, and will continue to explore opportunities to expand the footprint of our regional radio network.

In contrast to audio, the regional television model faces significant structural challenges. Advertising revenue in the total regional television market declined by 5.3% compared to the prior year. Competition for audience and advertisers is coming from subscription video-on-demand platforms, such as Netflix and Stan, as well as other online platforms like YouTube and Facebook. Increasingly, competition is also coming from the metropolitan television networks that provide their live programming on-demand and for catch up in regional markets. The networks have also increased product placement and other in-program integrations, reducing the incentive for program sponsors to buy advertising from regional broadcasters.

At the same time, broadcasting legislation unduly constrains the operating model for regional broadcasters to compete in the Internet era. There are significant disparities in regulation of content and advertising on broadcast platforms compared to online platforms. The ACCC's final report on the Digital Platforms Inquiry has recommended that the Government should address these regulatory disparities. SCA looks forward to the Government acting promptly to implement the ACCC's recommendations.

The announcement last week of the proposed merger of Seven West Media and its regional affiliate, Prime, is a logical response to these market dynamics. The merger will create a simple and scaled proposition for advertisers, while maintaining content for local audiences.

Against this backdrop, shareholders should be assured that your Board and executive team have a clear understanding of the available strategic options for SCA to secure and optimise our company's future position.

In the meantime, SCA continues to operate its television assets effectively. Through the Boomtown campaign and other initiatives, our sales and marketing teams have successfully promoted the benefits for national advertisers to invest in regional media. Total television revenue of \$206.6 million was down by 3.2% on the prior year; but national television revenue was slightly up to \$108.1 million, and our sales teams delivered a power ratio of 1.05 in the four aggregated east coast markets. Underlying EBITDA improved by 1.2% to \$33.7 million.

I would like to express my appreciation to my Board colleagues for their commitment and guidance during the year, including during my brief medical leave of absence. Shareholders can be assured that SCA has a highly collaborative and effective group of directors and senior executives.

Finally, I would like to thank SCA's passionate and committed people who continue to drive the group's success. I look forward to working with the Board and executive team in the year ahead to deliver positive outcomes for SCA's audiences, advertisers, communities and shareholders.

Peter Bush  
Chairman  
24 October 2019

## CEO'S PRESENTATION

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During the year, we refreshed our winning aspiration to be 'Proudly National, Fiercely Local'. This clearly states what differentiates SCA from other Australian media businesses.

We have Australia's largest radio network, with 76 analogue radio stations and nine capital city digital radio brands operating under the Hit and Triple M families. Last week, we announced an agreement to buy Redwave Media. Adding Redwave's nine radio stations to our regional network will give SCA comprehensive radio coverage in Western Australia, further expanding our reach and connection with local communities. These are strong, profitable assets and we expect the acquisition to be earnings per share accretive and to meet our 8.9% hurdle for return on invested capital.

In addition to operating Australia's largest radio network, we provide sales representation services for over 30 non-SCA radio and television stations in regional Australia, for 2CH in Sydney, and for the Australian operations of global digital audio platform, SoundCloud. PodcastOne Australia is the leading, premium, commercial podcast network in Australia, now boasting 65 contracted premium podcast creators producing unique, original content. Including some joint ventures, SCA also broadcasts 105 television signals into regional and rural Australia. These national assets are supported by sales and content teams around Australia, all highly engaged and inextricably linked with their local communities.

Our business continues to be largely funded by advertising. Peter has spoken about the current challenges for advertising-funded media businesses. As reflected in our recent trading update, SCA is not immune from those challenges. That said, we believe that we have consolidated the advertising market share gains we achieved in the last financial year and are continuing to trade in line with media markets. We have trimmed our costs in appropriate areas and have restructured other areas to ensure that we can continue to sensibly invest in our core "front-of-house" activities.

We recognise that the media landscape is a shifting one. The trends towards mobile, personalised and on-demand audio content are continuing apace, and smart speakers and connected cars are adding new layers of complexity and opportunity. The global technology platforms – including Amazon, Google, and Apple – have emerged as key players and partners in this new ecosystem and, in some cases, as competitors.

We understand that our content must be compelling to compete. That applies equally for live content on radio or on-demand content in a podcast or in a news update for a smart speaker. Our radio audiences want music, entertainment, information and news about what's going on in their local community. Our podcast audiences want unique and original content that entertains, engages and informs them.

Our content also has to be available wherever and whenever our audiences want to enjoy it. The car radio remains the most popular place to listen to radio; but smartphones, connected cars and smart speakers are growing in importance, both for live radio and for on-demand listening. An indicator of these shifts and of our targeted investment was a 56% increase in signed-in users to our apps over the past year. People are increasingly consuming audio on their mobile phones and other internet-connected devices.

Our success depends on delivering success for our advertising clients. This requires our sales and creative teams to spend more time to understand our clients' businesses. Our research and insights need to be relevant to our clients' needs and to demonstrate the return on investment from advertising on SCA's assets.

A key example is our success in recent years of growing national radio advertising revenues in regional markets by 23.2% over the past two years. This growth has been driven by research that has educated national advertisers about the benefits of investing in major business and population centres like the Gold Coast, Newcastle, New South Wales Central Coast, Townsville, Hobart, Bunbury and Canberra. Collectively, we call these centres Boomtown. The residents of Boomtown – who make up 36% of Australia’s population – have disposable incomes and travel, shopping and spending patterns that are comparable to those of Australia’s capital city residents. And yet only 10% of national media budgets are spent regionally.

We’re developing a culture of innovation to ensure SCA will continue to be a leading media organisation in Australia. This is supported by specialised training for our people and an internal portal for submission of ideas that could create value for SCA. Our Hubble talent development program to build a pipeline of creative talent for our audio platforms is one example of innovation. Our Digital Marketing Agency that helps our regional advertising clients with their online and social media presence is another. The growth of audio listening on digital on-demand platforms is providing new opportunities for companies with creative and technical audio expertise. For SCA, this will include creating branded podcasts for companies who want to engage their customers or staff, helping advertisers with audio branding to improve their prominence on smart speakers and other voice-controlled devices, and exploring new and user-friendly ways for audiences to find and enjoy our compelling content in a brand-safe environment for our clients’ products and services.

In closing, I’d like to thank the Board and all our people for their support, creativity and commitment as we position SCA for ongoing success.

Thank you.

Grant Blackley  
Chief Executive Officer  
24 October 2019