Southern Cross Media Group Limited
Level 2, 257 Clarendon Street,
South Melbourne VIC 3205
ABN 91 116 024 536

ASX RELEASE

Monday, 6 April 2020

Southern Cross Austereo announces Capital Structure and Operational Initiatives
Launches a fully underwritten[1] c.$169m Equity Raising

Southern Cross Media Group Limited (ASX: SXL) (**SCA** or the **Company**) has implemented a series of capital structure and operational initiatives (**Initiatives**) which will enhance liquidity and support a more efficient operating model appropriate for the current macroeconomic environment.

The Initiatives are outlined in the table, below:

Equity Raising	• The launch of a fully underwritten[1] c.$169m equity raising • Proceeds to be kept on balance sheet, reducing Net Debt, and to fund transaction costs
Bank Support	• SCA's Syndicated Debt Facility (expiring January 2023) amended to increase leverage covenant from 3.5x to 4.5x Net Debt / EBITDA from June 30, 2020 through to June 30, 2021[2] • $50m immediate drawdown of existing facilities to further enhance liquidity, with $57m further undrawn facilities
Operating Expenditure Savings	• $40m – $45m savings in non-revenue related costs to be realised in CY20[3] • Additional cost saving measures could be implemented depending on the length and severity of the economic impact of COVID-19[4]
Capital Expenditure (capex) Reduction	• Capex reductions of $3m – $6m over FY20 and FY21 • Capex in FY20 reduced to $17m – $18m in comparison to the previous guidance range of $19m – $21m[5] • Capex in FY21 will be reduced to $15m – $16m
Dividends	• FY20 interim dividend cancelled ($21m cash retained) and no FY20 final dividend will be paid • The Board expects no FY21 dividends will be paid[6]

The Initiatives strengthen SCA's balance sheet and provide the Company with improved financial flexibility and liquidity, with pro forma leverage at 31 December 2019 reducing from 2.29x to 1.17x

[1] Refer to note 1 on Page 1 of the Company's investor presentation released to ASX on 6 April 2020
[2] In addition, the Leverage Ratio and Interest Cover Ratio at 31 December 2020 will be calculated on a Q2 FY21 annualised basis, instead of the customary trailing 12-month basis
[3] Cost savings exclude SCA's estimate of potential additional bad debts provision of $5m in H2 FY20, c. $6.5M of operating expenditure savings are non-cash.
[4] Based on preliminary details announced by the Federal Government on 30 March 2020, SCA expects to be eligible for the JobKeeper subsidy for approximately 1,600 of its full time employees. This subsidy is not included in these operating expenditure savings.
[5] Full year capex guidance provided in H1 FY20 results announcement on 20 February 2020
[6] Syndicated Debt Facility prohibits dividends while amended leverage covenant applies or while the leverage ratio exceeds 3.5x Net Debt / EBITDA

Net Debt / EBITDA[7] (**Leverage**). The Company believes these actions are prudent in the current macroeconomic environment.

FY20 Trading to 31 March 2020 by segment

Advertising Markets

FY20 advertising revenue for the nine months ended 31 March 2020 is trading 10% down compared to the prior corresponding period (**pcp**). Forecasting of calendar year revenue is difficult in the current uncertain macroeconomic environment and the Company is not in a position to issue guidance. However, Q4 FY20 and Q1 FY21 advertising revenues are expected to be materially impacted by COVID-19 and to be 30% or more down on pcp.

Radio & Digital Audio

SCA's audio assets are well positioned to benefit from recovery in advertising markets. Radio audiences continue to grow while Time Spent Listening remains stable. Digital and on-demand audio is experiencing strong growth through original podcasting, catch-up radio podcasting and live-streaming of broadcast radio. PodcastOne Australia revenues of $2.1m in H1 FY20 were up 141% on pcp.

Television

Television remains challenged; however, in the current COVID-19 environment, regional TV audiences have increased across all age groups.

SCA has transformed its television business to focus on its core strength in sales, with capital intensive transmission and playout functions now outsourced to specialised service providers.

Operating Expenditure Savings

SCA has implemented a series of cost saving measures to remove $40m – $45m of non-revenue related costs from CY20, adjusting the cost base to reflect the current market environment. These operating expenditure savings are outlined in the table, below:

Initiative	CY20 Impact	Overview
Salary / Bonus Reductions	$20 – $23m	• Mandatory pay reductions of 10% for all directors, executives, and employees earning over $68,000 per year • Cancellation of executive bonuses • Mandatory annual leave
Marketing, Programming and Other Costs	$20 – $22m	• Reduced marketing and promotions • Reduced programming spend • Reduced or cancelled travel and entertainment, conferences and non-essential equipment upgrades • Relief from key suppliers and landlords
Total Operational Initiatives	**$40 – $45m**	

[7] Pro forma Leverage Ratio (Net Debt/EBITDA) as at 31 December 2019, based on CY19 EBITDA in accordance with the Syndicated Debt Facility Agreement. Based on proceeds raised from the Offer, net of transaction costs ($161.4m)

SCA has also deferred non-essential capex, reducing its expected capex for FY20 to $17m – $18m (compared to the previous guidance range of $19m – $21m[8]) and its expected capex in FY21 to $15m – $16m.

Additional cost saving measures are identified and can be implemented depending on the length and severity of the economic impact of COVID-19, including further significant reductions in labour costs. SCA also expects to be eligible for the Federal Government's JobKeeper subsidy for around 1,600 of its full-time employees[9].

When economic conditions begin to recover, these cost saving measures may be reversed to ensure SCA is able to capture returning revenue opportunities.

Bank Support

SCA appreciates the strong support of its lenders who have agreed to amend its Syndicated Debt Facility (expiring January 2023) to increase the leverage covenant from 3.5x to 4.5x Net Debt / EBITDA from June 30, 2020 through to June 30, 2021[10].

Following completion of the Equity Raising, there will be a reduction in the Company's pro-forma leverage at 31 December 2019 from 2.29x to 1.17x Net Debt / EBITDA.[11] In addition to the Equity Raising proceeds, SCA intends to draw down a further $50m of the available $107m under its existing facilities, further enhancing its liquidity position.[12]

Dividend Policy

The SCA Board has determined to cancel the previously announced FY20 interim dividend. The Board considers this to be prudent to maximise liquidity in response to the impact of the COVID-19 pandemic. Cancellation of the interim dividend will preserve cash of $21m and limit the size of the Equity Raising. The Board has also decided that no FY20 final dividend will be paid and expects that no dividends will be paid in FY21.[13]

SCA's Chief Executive Officer Grant Blackley commented:

"*SCA believes these initiatives will provide the business with the balance sheet and a more efficient operating model appropriate for the current uncertain macroeconomic environment. The COVID-19 crisis is causing significant dislocation across advertising markets, but the fundamentals of SCA's business remain sound. The initiatives announced today position us to trade through this crisis and rebound when the recovery phase begins.*"

Equity Raising

The fully underwritten[1] c.$169m Equity Raising[14] will be undertaken through the issue of new fully paid ordinary shares (**New Shares**) via a fully underwritten[1]:

- placement to institutional and sophisticated investors to raise approximately $47m (**Placement**); and

[8] Full year capex guidance provided in H1 FY20 results announcement on 20 February 2020
[9] Based on the preliminary details announced by the Federal Government on March 30, 2020. This subsidy is not included in the calculated operating expenditure savings
[10] In addition, the Leverage Ratio and Interest Cover Ratio at 31 December 2020 will be calculated on a Q2 FY21 annualised basis, instead of the customary trailing 12-month basis
[11] Pro forma Leverage Ratio (Net Debt/EBITDA) as at 31 December 2019, based on CY19 EBITDA in accordance with the Syndicated Debt Facility Agreement. Based on proceeds raised from the Offer, net of transaction costs ($161.4m)
[12] Available debt facilities include $25m working capital facility maturing January 2021.
[13] SCA's Syndicated Debt Facility prohibits dividends while amended leverage covenant applies or while the leverage ratio exceeds 3.5x per Net Debt / EBITDA
[14] Components of the Equity Raising may not add to $169m due to rounding

- entitlement offer of approximately $121m at a ratio of 1.75 New Shares for every 1 existing fully paid ordinary share held by eligible shareholders on the record date of 7.00pm (Sydney time), Wednesday, 8 April 2020 (**Entitlement Offer**), consisting of:
  - an accelerated institutional component of approximately $103m (**Institutional Entitlement Offer**); and
  - a retail component of approximately $18m (**Retail Entitlement Offer**)

The offer price for the Placement and the Entitlement Offer will be $0.09 per share (**Offer Price**), representing a:

- 19.5% discount to the theoretical ex-rights price (**TERP)**[15] of $0.112; and
- 45.5% discount to the last traded price of $0.165 on 23 March 2020.

SCA directors and senior leadership team members who are shareholders have confirmed their intention to participate in the Entitlement Offer by taking up their pro rata entitlement for New Shares.

The Equity Raising will result in the issue of approximately 1,873m New Shares representing approximately 244% of existing SCA shares on issue. The Equity Raising proceeds will be kept on balance sheet to improve liquidity, reducing Net Debt, and to fund transaction costs.

New Shares issued under the Equity Raising will rank equally with existing SCA shares as at their date of issue. New Shares issued under the Placement will not be entitled to participate in the Entitlement Offer.

Eligible shareholders who do not take up their entitlement under the Entitlement Offer in full or in part, will not receive any value in respect of those entitlements not taken up. Any entitlements under the Entitlement Offer that are not taken up by eligible shareholders within the required timeframes, as well as entitlements of ineligible shareholders, will lapse.

The Entitlement Offer is non-renounceable, and rights are not transferrable and will not be traded on the ASX or otherwise.

Placement

In conducting the Placement, SCA has relied on the class waiver decision "Temporary Extra Placement Capacity" issued by ASX on 31 March 2020 which lifts the limit on the number of New Shares that SCA can issue without obtaining prior shareholder approval pursuant to Listing Rule 7.1 from 15% to 25%. The class waiver also permits the Company to include in its calculation for the purposes of Listing Rule 7.1 the number of New Shares that may be issued under the underwritten Entitlement Offer.

Institutional Entitlement Offer

Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer.

Under the Institutional Entitlement Offer, eligible institutional shareholders can choose to take up all, part or none of their Entitlement. Entitlements not taken up under the Institutional Entitlement Offer will be offered to eligible institutional investors at the Offer Price.

Retail Entitlement Offer

[15] TERP includes shares issued under the Placement, Institutional Entitlement Offer and the Retail Entitlement Offer. TERP is the theoretical price at which SCA shares should trade after the ex-date for the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which SCA shares trade at that time will depend on many factors and may not be equal to TERP. TERP is calculated by reference to the last traded price on 23 March 2020 being $0.165

Eligible retail shareholders with a registered address in Australia or New Zealand on the Record Date of 7.00pm (Sydney time), Wednesday, 8 April 2020, will have the opportunity to invest in New Shares at the Offer Price under the Retail Entitlement Offer. The terms and conditions of the Retail Entitlement Offer will be outlined in an offer booklet (**Retail Offer Booklet**) to be sent to eligible retail shareholders on or about Wednesday, 15 April 2020.

Further details as to eligibility will be set out in the Retail Offer Booklet.

In conducting the Entitlement Offer, SCA has relied on the class waiver decision "Non-renounceable Offers" issued by ASX on 31 March 2020 which permits the ratio of New Shares to be offered under the Entitlement Offer to be greater than one New Share offered for each Share held.

Retail Investor Enquiries
For further information in relation to the Retail Entitlement Offer, please contact the Offer Information Line on 1300 069 341(within Australia) or +613 9415 4282 (from outside Australia) at any time between 8.30am and 5.30pm (Sydney time), Monday to Friday during the retail offer period.

Equity Raising indicative timetable

The timetable below is indicative only and subject to change. SCA reserves the right to alter the below dates at its full discretion and without prior notice, subject to the ASX Listing Rules and the Corporations Act 2001 (Cth).

The quotation of New Shares is subject to confirmation from the ASX.

All times below are based on Sydney, Australia time.

Event	***Indicative Date (2020)***
Equity Raising announcement and Placement and Institutional Entitlement Offer opens	Monday, 6 April
Placement and Institutional Entitlement Offer closes	Monday, 6 April
Trading in SCA shares resumes on an ex-entitlement basis	Tuesday, 7 April
Record date for determining entitlement for the Entitlement Offer	Wednesday, 8 April
Despatch of Retail Offer Booklet and Retail Entitlement Offer opens	Wednesday, 15 April
Settlement of Placement and Institutional Entitlement Offer	Friday, 17 April
Allotment and normal trading of New Shares issued under the Placement and Institutional Entitlement Offer	Monday, 20 April
Retail Entitlement Offer closing date	Monday, 27 April
Settlement of Retail Entitlement Offer	Friday, 1 May
Allotment of New Shares issued under the Retail Entitlement Offer	Monday, 4 May

Normal trading of New Shares issued under the Retail Entitlement Offer	Tuesday,5 May
Despatch of holding statements	Wednesday, 6 May

This announcement has been authorised for release to ASX by the SCA Board of Directors.

Contact details:

Investor Relations:

Nick McKechnie
Chief Financial Officer
Tel: 03 9922 2001

Media:
Rochelle Burbury
Corporate Communications Manager
Tel: 0408 774 577

SCA address:
Level 2
257 Clarendon St
South Melbourne, Victoria 3205
Australia

***

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

This announcement has been prepared for publication in Australia and may not be released or distributed in the United States. This announcement does not constitute an offer, invitation or recommendation to subscribe for or purchase any security or financial product and neither this announcement nor anything attached to this announcement shall form the basis of any contract or commitment. In particular, this announcement does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to any person who is acting for the account or benefit of any person in the United States (to the extent such person is acting for the account or benefit of a person in the United States), or in any other jurisdiction in which, or to any person to whom, such an offer would be illegal. None of the entitlements or the New Shares have been, or will be, registered under the U.S. Securities Act of 1933 (**U.S. Securities Act**) or the securities laws of any state or other jurisdiction of the United States. Accordingly, none of the entitlements nor the New Shares may be offered or sold, directly or indirectly, in the United States, or to any person who is acting for the account or benefit of any person in the United States (to the extent such person is acting for the account or benefit of a person in the United States), except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act and any other applicable securities law of any state or other jurisdiction of the United States.

Forward-looking statements and forecasts

This announcement contains certain "forward looking statements" which involve subjective judgment and analysis and are subject to significant uncertainties, risks and contingencies including those risk factors associated with the media and entertainment industry, many of which are outside the control of, change without notice, and may be unknown to the Company. Statements as to timetable and outcome of the Equity Raising, use of funds, and statements about the plans and strategies of the Company are forward looking statements, as are statements about market and industry trends, which are based on interpretation of market conditions. Forward looking statements can generally be identified by the use of forward looking words such as "anticipate", "expect", "likely", "propose", "will", "intend", "should", "could", "may, "propose, "will", "believe", "forecast ", "estimate", "target", "outlook", "guidance" and other similar expressions within the meaning of securities laws of applicable jurisdictions and include, but are not limited to, the future performance of the Company and the outcome and effects of the Equity Raising and use of proceeds.

No representation, warranty or assurance, express or implied, is given or made in relation to any forward looking statement. In particular no representation, warranty or assumption, express or implied, is given in relation to any underlying assumption or that any forward looking statement will be achieved. Actual and future events may vary materially from the forward looking statements and the assumptions on which the forward looking statements were based, because events and actual circumstances frequently do not occur as forecast and future results are subject to know and unknown risks such as changes in market conditions and regulations.

Given these uncertainties, readers are cautioned not to place undue reliance on such forward looking statements, and should rely on their own independent enquiries, investigations and advice regarding information contained in this announcement. Any reliance by a reader on the information contained in this announcement is wholly at the reader's own risk.

To the maximum extent permitted by law or any relevant listing rules of the ASX, the Company and its related bodies corporate and affiliates and their respective directors, officers, employees, advisors, agents and intermediaries disclaim any obligation or undertaking to disseminate any updates or revisions to the information in this announcement to reflect any change in expectations in relation to any forward looking statements or any such change in events, conditions or circumstances on which any such statements were based.

Disclaimer

Investors should be aware that this announcement contains certain financial information and measures that are "non-IFRS financial information" under Regulatory Guide 230: ‘Disclosing non-IFRS financial information’ published by the Australian Securities and Investments Commission (**ASIC**) and "non-GAAP financial measures" within the meaning of Regulation G under the U.S. Securities Exchange Act of 1934, as amended, and are not recognised under Australian Accounting Standards (**AAS**) and International Financial Reporting Standards (**IFRS**). The non-IFRS financial information and non-GAAP financial measures include EBITDA and Net Debt. The disclosure of such non-GAAP financial measures in the manner included in this announcement would not be permissible in a registration statement under the U.S. Securities Act. The non-

IFRS financial information and non-GAAP financial measures do not have a standardised meaning prescribed by the applicable AAS or IFRS, and therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with the applicable AAS or IFRS. Although the Company believes the non-GAAP and non-IFRS financial information and financial measures provide useful information to users in measuring the financial performance and condition of the Company, investors are cautioned not to place undue reliance on any non-GAAP or non-IFRS financial information or financial measures included in this announcement.

Investors should further note that this announcement contains pro forma historical financial information. The pro forma historical financial information provided in this announcement is for illustrative purposes only and should not be relied upon as, and is not represented as, being indicative of the Company's future financial condition and/or performance. Investors should further note that the pro forma historical financial information included in this announcement does not purport to be in compliance with Article 11 of Regulation S-X of the rules and regulations of the U.S. Securities and Exchange Commission.

- ENDS -