



ASX RELEASE

30 October 2020

Chair's and CEO's addresses to AGM and trading update

Southern Cross Media Group Limited (ASX: SXL) (SCA) will hold its Annual General Meeting of shareholders today at **10:30am (AEDT)**.

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

The AGM will be held using virtual technology. There will not be a physical venue for shareholders to attend.

Shareholders can participate in the AGM and watch the webcast online using their computer or mobile device by entering the URL in their browser: <https://web.lumiagm.com/369011557>.

The online platform will allow shareholders to view the meeting, vote and ask questions in real-time.

Approved for release by the Board of directors.

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About Southern Cross Austereo

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 99 stations across FM, AM and DAB+ radio. SCA provides national sales representation for 23 other regional radio stations. SCA broadcasts 92 free to air TV signals across regional Australia, reaching 4.4 million people a week, 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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The most recent financial year was a difficult one for SCA and broadcast media more generally.

Full year revenue of \$540.2 million was 18.2% lower than the prior year and EBITDA of \$93.0 million (excluding AASB16) was 36.9% below the comparable amount in the prior year.

The metropolitan free-to-air radio advertising market decreased 20.2% year on year which, combined with a fall in market share, led to a 25.3% decline in SCA's metro radio advertising revenues. Regional radio performed somewhat better, although advertising revenues were down by 13.1% on 2019. In contrast, revenues from digital audio streaming and podcasting doubled to \$7.1 million.

The health and economic impacts of the COVID-19 pandemic since late March were the most significant factors in these results, but the Company's advertising markets were also affected by low business and consumer confidence earlier in the year. Government restrictions in response to the pandemic – while appropriate - exacerbated those low confidence levels.

I believe our team responded well to these challenges. Business continuity plans were quickly rolled out to ensure our 1700 people in 62 locations around Australia could work safely and effectively from home. We asked our directors and nearly all our employees to accept reduced pay and many to accept reduced hours of work. We asked our executives to forgo their annual bonuses and long term incentives. Our 99 radio stations and 92 television stations continued to broadcast 24 hours a day, seven days a week - keeping our audiences and communities informed and entertained and delivering value to our clients, many of whom have also been severely affected by the pandemic.

On behalf of the Board, I would also like to record our appreciation for the support of our shareholders who took up their entitlements in the \$169 million equity raising conducted in April. The Board was especially pleased that all shares in the placement component of the raising were allocated to existing shareholders.

We are also grateful for the support of the Company's lenders who agreed to provide additional covenant headroom until June 2021 under our syndicated debt facility.

These actions, together with other changes to create a leaner operating model, have stabilised the Company and set a sound base for the future.

The Company enters this new year with an enhanced and robust capital structure. Net debt on 30 September was \$93 million. The Company's leverage ratio on 31 December is expected to be below one times net debt to EBITDA, providing comfortable headroom compared to the leverage covenant of four point five, as well as flexibility to weather further disruptions from COVID-19 and to invest in strategic initiatives.

At last year's AGM, we spoke about the strategic imperative to increase our investment in smart audio consumed through internet-enabled devices to protect and expand our audiences. Our commitment to that strategy remains and is reinforced by growing consumption of digital audio during the pandemic. With Australia's largest portfolio of homegrown audio assets, including 99 FM, AM and DAB+ radio stations available on broadcast and by Internet livestream as well as Australia's leading premium commercial podcast network in PodcastOne Australia, SCA is well-positioned to lead Australia's growing digital audio industry.

Our television business presents different strategic challenges. As an affiliate broadcaster, we have a streamlined operating structure under which our sales expertise drives positive commercial

outcomes for both SCA and our metro program suppliers. Our television business delivered EBITDA (before lease standard adjustments) of \$19.5 million in the last financial year, down 40.5% compared to the prior year.

But free-to-air broadcast television in regional Australia continues to be burdened by out-of-date regulation that constrains the ability of incumbent operators to compete in the Internet era. Competition for audience and advertisers is ever growing from subscription video-on-demand platforms, such as Netflix and Stan, as well as other online platforms like YouTube and Facebook. These platforms are subject to minimal regulation regarding their content or distribution, and they are distributed on the NBN constructed by the Australian government. Our own metropolitan program suppliers also compete with us by streaming their programming live and on-demand in regional markets.

Together with other regional media companies, we have asked the federal government for the last three years to address the one-to-a-market and voices rules that prevent consolidation of regional media businesses. The recently launched Save our Voices campaign fronted by Ray Martin aims to raise public awareness of the urgent need for reform of regional media regulation.

I'm pleased to report that the Board has completed its immediate succession needs. Three new candidates - Carole Campbell, Ido Leffler and Heith Mackay-Cruise - offer themselves today for election by shareholders. All three were identified by the Board after an extensive search to fill the vacancies resulting from today's retirements of Peter Bush and Leon Pasternak and to ensure the Board continues to have an appropriate range of skills and experience, including as the Company expands its digital audio operations. I encourage shareholders to vote in favour of their election, as well as in favour of Helen Nash's re-election as a director.

As shareholders are aware, Peter Bush and Leon Pasternak will retire as directors at the end of today's meeting. Both have made invaluable contributions to SCA. Peter Bush recently stood down after five years as Chair of the Company. Peter oversaw a comprehensive renewal of the Board and executive leadership team and a streamlining of the business to focus on the core competencies of creating compelling audio content and sales. Leon Pasternak is the Company's longest standing director, having been on the Board since 2005. His wisdom and corporate knowledge have underpinned the significant renewal of the Board's composition since 2014. On behalf of my fellow directors and shareholders, I thank both Peter and Leon for their contributions and wish them well for the future.

Two other matters shareholders are asked to vote on today are the Remuneration Report and the grant of performance rights to our Managing Director, Grant Blackley. I believe the Board and executive team have taken a responsible approach to remuneration in the highly unusual circumstances of 2020. Directors and executives accepted temporary pay reductions from April until October and executives have foregone all short term and long term incentive remuneration in the most recent financial year. These sacrifices did not at all reflect the amount or quality of work carried out by the executive team during the year. They have worked diligently and with energy to strengthen the Company's balance sheet, adapt our business to the unprecedented operating environment and develop a renewed strategic focus.

For the new financial year, the Board has crafted an executive long term incentive plan focused on restoring the market capitalisation of the Company over the next three years. The plan is explained in the notice of meeting in relation to the resolution seeking approval for the grant of performance rights to Grant Blackley. By specifying total shareholder return as the sole performance measure, the plan provides a direct and clear link between shareholder returns and executive remuneration.

In closing, I would like to thank SCA's management and employees for their commitment, care and tenacity in a difficult year. My Board colleagues and I look forward to working with them in the year ahead as we evolve our business towards a more digital future and deliver positive and reliable outcomes for our audiences, advertisers, communities and shareholders.

I will now invite Grant Blackley to say a few words.

Rob Murray
Chairman
30 October 2020

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Thank you, Rob. Good morning everyone.

COVID-19 has had a severe impact on our business since March this year. But it has also accelerated consumer trends that will play to our strengths and strategy as economic activity progressively recovers. Consumption of audio has grown strongly during the year. This is because audio is more accessible than ever through internet-enabled devices such as mobile phones, tablets, desktop computers and smart speakers. SCA's suite of radio stations, radio podcasts, original podcasts and smart news updates is available on all these devices.

Key statistics from September this year illustrate the growth in consumption of SCA's digital audio products:

- SCA's audiences listened to 10.5 million hours of digital audio in September, a year-on-year increase of 31%
- live streaming of Hit and Triple M radio shows increased by 58% to 1.5 million unique listeners, with 9.1 million active live streams - the highest ever
- listening on smart speakers grew by 62% year-on-year to 2.3 million hours.

As a commercial audio business, we're buoyed by these positive trends in consumption of our products and focused on converting them to strong commercial outcomes as the recovery from COVID-19 progresses. In the year ahead, this will include growing our digital audio ecosystem with premium content, platforms and products attractive to our listeners and advertisers.

Creating compelling content that is expertly curated will continue to be at our core – whether our audiences listen to our linear broadcast, our digital livestreams, or our digital on-demand podcasts and news updates. Equally important is our commitment to localism. Our Triple M and Hit network radio stations are strongly connected to their cities, towns, and communities. PodcastOne Australia curates and produces original podcasts that tell Australian stories.

We expanded our radio portfolio to 99 stations during the year by acquiring 10 new radio stations in Western Australia and launching SoundCloud Radio. In fact, we temporarily have 100 stations, including Little Fox, a DAB+ pop-up children's station on-air during the strict COVID-19 lockdowns in Melbourne.

In July, we unveiled a new look Hit Network, bringing back the much loved heritage brands, SAFM in Adelaide and B105 in Brisbane, and introducing a new "Get that feeling" tagline and playlist to target a female-skewed audience aged 30-54. In August, we introduced state-wide Breakfast shows to our 40 Hit stations in regional markets, complemented by locally hosted morning or afternoon shows and local news and weather services.

The highest content priority in our radio network is to establish a new and successful Breakfast show on 2Day FM in Sydney. After reverting temporarily to a music format over the past year, we're looking forward in coming weeks to announcing a new Breakfast show for 2Day FM in 2021.

SoundCloud Radio is available on DAB+ in the five metro markets and by live stream around Australia. It is unique in our portfolio, offering listeners the chance to hear undiscovered tracks from emerging artists launching their careers on SoundCloud. This new radio station extends our successful advertising

partnership with SoundCloud and gives brands another way to connect with SoundCloud's young and highly engaged audience.

PodcastOne Australia has consolidated its position as Australia's leading premium commercial podcast network. With more than 90 original Australian titles, PodcastOne Australia grew revenue by 96% to \$4.6M in the 2020 financial year. Titles such as Hamish & Andy and The Howie Games are consistently ranked among the top Australian original podcasts in the official Australian Podcast Ranker. We've also recently upgraded and added features to our PodcastOne Australia app to improve the experience for listeners wanting to enjoy their favourite podcasts and to find others they might like.

Importantly, our talent-led approach to original podcasting is delivering valuable returns for our clients, whether as advertisers or as sponsors of branded podcasts to promote their products or issues of importance to them.

As audiences increasingly enjoy our radio shows, podcasts and news updates on digital devices, there is an opportunity and imperative to expand and improve the audience data and insights we create for our sales and content teams, and for our clients. Digital technology allows us to place targeted advertising in our radio livestreams, meaning that advertisements on our livestreams, which can be sold at premium rates, will not always be the same as on the radio broadcast. Our radio livestreaming advertising revenue grew by 112% in the 2020 financial year.

We now have over 630,000 signed-in users for our radio station apps, and our inhouse SCA iQ team houses the Asia Pacific's largest entertainment insight community with more than 300,000 members in metro and regional areas. These communities provide first party data to inform our decisions and those of our clients to support ongoing growth in our instream advertising revenue.

In addition, we recently announced two innovative digital audio campaign attribution products: SCA Footsteps and SCA Soundcheck.

SCA Footsteps provides advertisers with rich insights from listeners who have heard an audio ad and then gone to a specific location, retailer or precinct within a measured timeframe. This enables advertisers to measure return on investment from an audio ad campaign by tracking consumer responses to the campaign.

SCA Soundcheck uses technology to identify listeners who heard a digital audio ad and retargets them with a campaign study questionnaire, allowing comparison to a control group of internet users who have not heard the ad. This provides valuable information for advertisers about overall campaign effectiveness including increased consideration, ad recall and purchase intent.

We're also acutely aware of the ongoing need to educate advertisers about the benefits of investing in radio – whether broadcast or digital - and to make it easy for them to do so. The ongoing Boomtown trade marketing initiative and the new RadioMATRIX advertising buying platform are two examples of sensible and effective collaboration by the commercial radio industry to deliver better outcomes for the industry and media buyers.

Boomtown is a regional media initiative to encourage national advertisers to consider higher investment in regional areas. In the year ahead, Boomtown will kick off a new education masterclass series designed in conjunction with the Media Federation of Australia, which represents media agency buyers.

The series will provide participants in the MFA's NGEN program with knowledge and tools to understand and book regional media. At the same time, Boomtown will launch an online portal to offer agencies a one-stop shop to locate regional media coverage areas of SCA and other regional media owners, along with relevant industry updates and consumer insights.

The RadioMATRIX platform allows media agencies to book advertising on commercial radio stations around Australia. Since launch in 2017, over 200 media agencies have used RadioMATRIX to process more than 1.5 billion items of radio inventory on 370 Australian commercial radio stations. RadioMATRIX will be expanded in the year ahead to provide a virtual and paperless workspace for media agencies to send out briefs, receive proposals and undertake modelling of audience reach, frequency and cost against real-time availability.

SCA itself has recently launched SCA Advertise Now, a self-service radio buying platform that allows small to medium sized enterprises to create and book radio ad campaigns online. The new platform is being trialled for our Triple M and Hit network stations in Townsville and, if successful, will be rolled out in other regional markets.

Next, I'd like to update you on our trading performance for the first quarter and our outlook for the first half.

As announced to the ASX on 8 October, SCA is eligible for JobKeeper support through to 3 January 2021. We expect to receive approximately \$12 million in JobKeeper payments to offset employee costs from 28 September 2020 to 3 January 2021.

However, with advertising bookings strengthening, we expect SCA will not be eligible for JobKeeper support beyond that date.

We expect that revenues for the quarter ending 31 December 2020 will be 10% to 15% lower than in the corresponding period in 2019. This represents a further substantial improvement compared to the previous two quarters as media markets progressively improve.

SCA has strong and trusted platforms to deliver our content and our advertisers' messages to mass audiences in brand-safe environments around Australia. Increasingly, our platforms and insights are enabling us to target valuable segments of our audiences, creating higher value for our advertisers and premium returns for SCA. Importantly, we have a resilient and dedicated team with the right skills to rebuild our value and deliver long term returns to shareholders.

Thank you.

Grant Blackley
Chief Executive Officer
30 October 2020