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SOUTHERN CROSS AUSTEREO

H1 FY21 INVESTOR PRESENTATION

25 February 2021

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H1 FY21 RESULTS

Grant Blackley

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GROUP RESULTS SUMMARY

$ millions	H1 FY21	H1 FY20	Var.
Revenue	259.2	308.1	**(15.9%)**
Expenses	(183.9)	(240.6)	**(23.6%)**
EBITDA	75.3	67.5	**11.5%**
NPAT	32.5	20.4	**59.3%**
Free Cash Conversion	134%	108%	-
Net Debt [1]	66.4	131.6	**(49.5%)**

- EBITDA of $75.3m, up 11.5% on prior year
- NPAT of $32.5m, up 59.3% on prior year
- Revenue for H1 was 15.9% below corresponding period – but advertising trends and rate of recovery improving
- Expenses reduced by $56.7m, reflecting operational cost savings, coupled with temporary government support (JobKeeper $31.9m and PING[2] $3.4m)
- Free cash conversion of 134% reflecting improving revenues, strong receivables collection and working capital benefits
- Net Debt reduced to $66m, down 50% compared to June 2020
- Dividends to recommence with payment of FY21 final dividend in October 2021 [3]

[1] Net Debt in comparative period (H1 FY20) reflects position at 30 June 2020
[2] Public Interest News Gathering grant
[3] Subject to no material adverse change in advertising markets

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HEADLINE ACHIEVEMENTS

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Operational Improvements

- Implementation of leaner operating model – structural reduction in non-revenue related cost base of $30m on FY19
- Launching the "Ultimate audio destination for Australians – LiSTNR", coupled with implementation of Digital First Audio Operating Model
- Increasing investment in smart technology systems to drive efficiencies, improve ease of doing business and grow revenues

Sales & Content Performance

- Advertising markets are recovering at pace – led by stronger national advertiser investment across multiple categories
- Investment in new metro radio shows and marketing to boost network audiences and group revenues
- Market leading power ratio for TV grew to 1.11 (vs 1.09 in H2 FY20)
- Strong growth in digital audio revenues up 59% on p.c.p

Financial Stability

- Group EBITDA, NPAT and margin improvements from H1 FY20
- Net debt reduced to historic lows – strengthening balance sheet and providing for next stage of growth
- Strong positive cashflow from improved trading environment and working capital benefits
- Recommencement of dividends with FY21 final dividend payable October 2021

H1 FY21 FINANCIAL RESULTS

Nick McKechnie

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GROUP REPORTED STATUTORY RESULTS

$ millions	H1 FY21	H1 FY20	Var.
Revenue	259.2	308.1	**(15.9%)**
Expenses	(183.9)	(240.6)	**(23.6%)**
EBITDA	**75.3**	**67.5**	**11.5%**
EBITDA Margin	*29.1%*	*21.9%*	-
Depreciation & Amortisation	(15.9)	(19.3)	**(17.5%)**
Impairments	0.0	(3.3)	**nm**
EBIT	**59.4**	**44.9**	**32.3%**
Net Finance Costs	(11.9)	(14.1)	**(15.5%)**
PBT	**47.5**	**30.8**	**54.3%**
Tax	(15.0)	(10.4)	**44.2%**
NPAT	**32.5**	**20.4**	**59.3%**

- Revenues down 15.9% to $259.2m with recovery accelerating in Q2
- Results benefited from timely and targeted government support – offsetting ~70% of the shortfall in revenue caused by public health restrictions
- Permanent structural cost reductions coupled with strong on-going cost controls have, and will continue to, positively impact results
- Group EBITDA margin improved from 21.9% to 29.1%
- Outsource of capital intensive television playout and transmission services has further reduced depreciation and benefited cashflow
- Net Finance Costs of $11.9m were 15.5% or $2.2m below prior period – with further reduction to come in 2021

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CASHFLOW

$ millions	H1 FY21	H1 FY20
Opening Cash	271.4	32.4
Net Cash from Operations	**84.8**	**62.2**
Leases	(2.7)	(4.3)
Tax Payment	(4.7)	(15.8)
Payments for Non-Current Assets	(4.4)	(10.1)
Proceeds from sale of Non Core Assets	1.6	0.9
Net Interest	(9.4)	(9.7)
Cash flow pre-dividend & non recurring items	**65.2**	**23.2**
Net outflow from Purchase of Operations	0.0	(28.4)
Dividends to security holders	0.0	(30.8)
Debt (repayment)/drawdown	(100.0)	28.0
Closing Cash Balance	**236.6**	**24.4**
EBITDA	75.3	67.5
Operating Cash Conversion	**112.6%**	**92.1%**
Free Cashflow (Cash from Ops. -Net Capital Exp. & Leases)	79.3	48.7
EBIT	59.4	44.9
Free Cash conversion	**133.5%**	**108.3%**

- Free cash conversion of 134% achieved with assistance of $15m working capital benefits, respecting some benefits will naturally reverse in H2
- Cash collections have remained strong with no adverse changes in collections profile
- Measured approach to capex throughout H1, full year spend expected to be ~$15m.
- 55% of capex spend in FY21 directed towards innovation and core systems investment, with balance on maintenance and property projects
- Targeting 90% – 100% operating cash conversion in FY21, pre working capital changes, as revenues increase in H2 compared to H1

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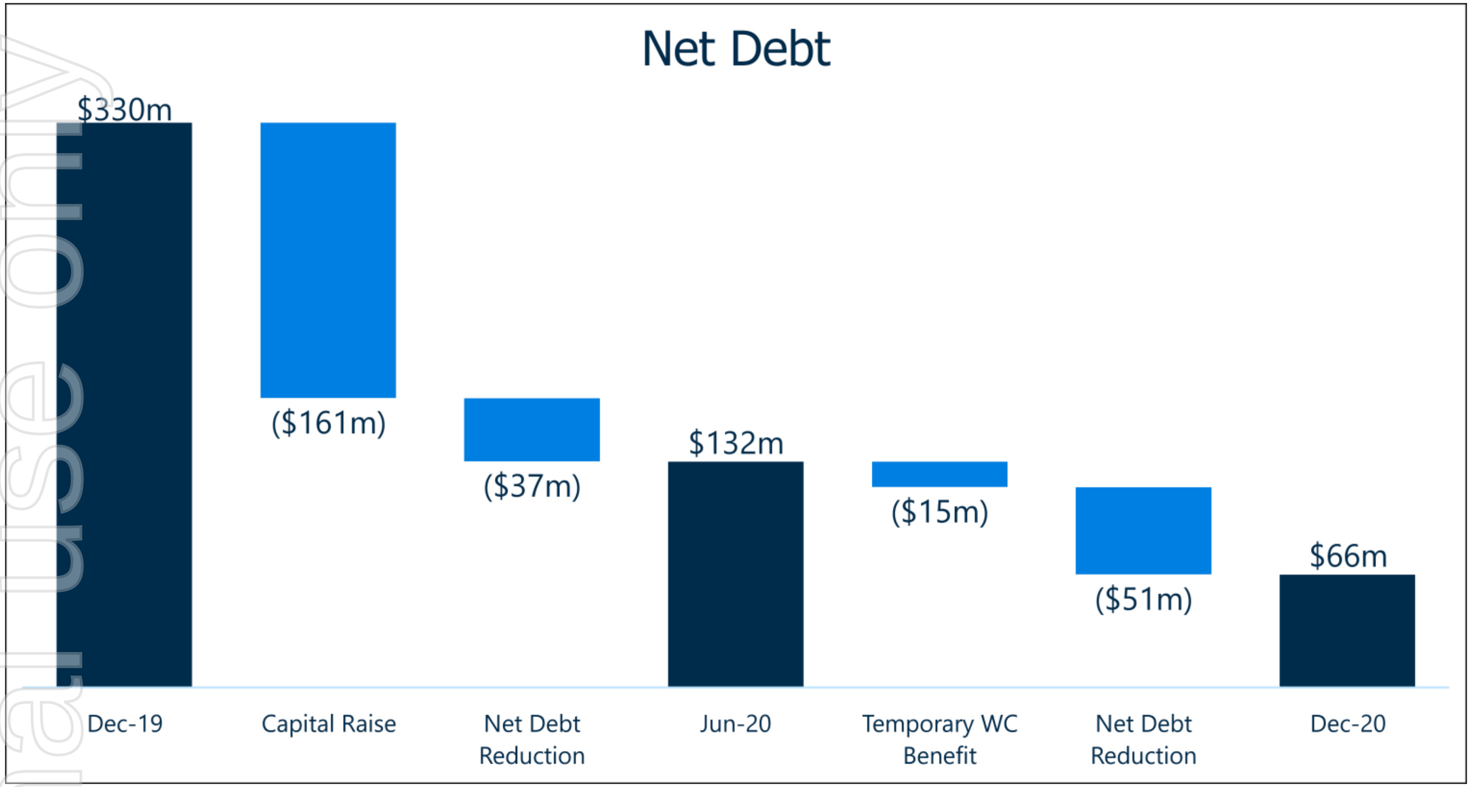
STRONGER BALANCE SHEET



- Net debt reduced to $66m, 50% down on June 20
- Temporary working capital benefit from deferral of payables of $15m (COVID related), which will unwind in H2
- $100m of debt repaid in January 2021, including the $25m one year facility, which was terminated
- Drawn debt currently $203m

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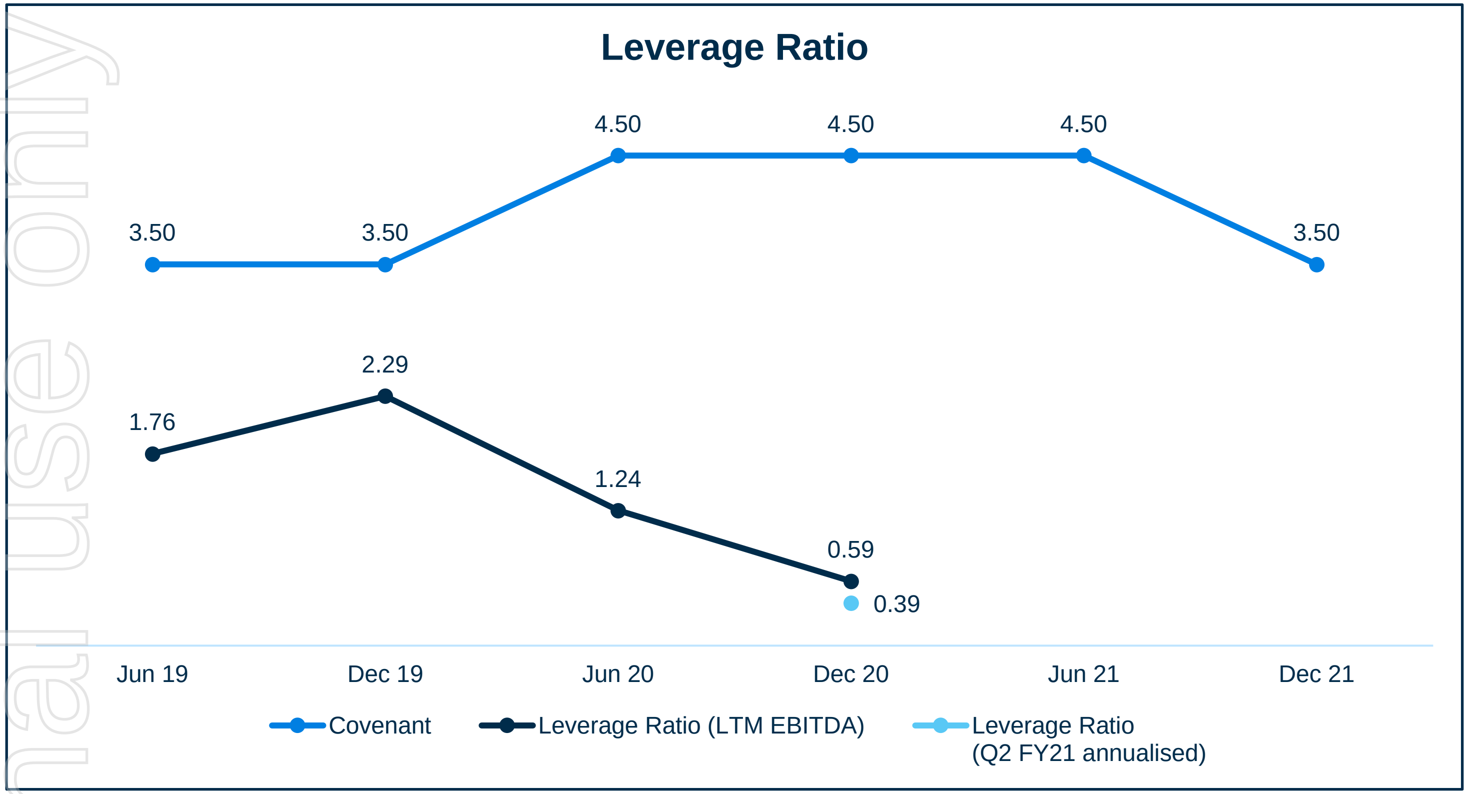
BANK COVENANTS



- Leverage ratio at historic lows:
    - 0.59x based on LTM[1] EBITDA
    - 0.39x based on annualised Q2 EBITDA, which is the December 2020 testing measure
- Significant headroom to leverage covenant:
    - June 2021 leverage ratio based on LTM EBITDA
    - Strong H1 results and low net debt will continue to provide significant headroom under standard 3.5x leverage covenant
- Interest cover ratio at 9.6x – comfortably in excess of 3.0x minimum covenant level

[1] LTM = Last Twelve Months

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DIGITAL TRANSFORMATION – LAUNCH OF LiSTNR

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LiSTNR WILL EXPAND SCA’s DIGITAL AUDIO ECOSYSTEM

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SCA’s digital transformation is accelerating through the launch of LiSTNR, capitalising on the rapidly growing digital audio environment

1	**Changing audience behaviour**	The number of Australians accessing digital audio has doubled since 2016 & is projected to reach 80% of Australians by 2024.[1]
2	**Creating category leadership**	Scale and Simplicity. High quality, personalised and free app – aggregating SCA’s extensive depth of digital audio content in a single destination
3	**Customer Experience**	A personalised listening experience that enables consumers to easily discover a new world of premium, relevant audio that’s live, timely and timeless
4	**Value of data**	A real time deep understanding of SCA’s audiences’ listening behaviour enables SCA to deliver targeted audiences at scale
5	**The time is now**	Depth of insights and new audience identities, accelerated digital audio listening and a focus on digital-first behaviour across SCA

[1] Source: GfK Australian Share of Audio, 2019

LiSTNR WILL EXPAND EXISTING SCA CONTENT WITH NEW DIGITAL CONTENT IN PODCASTS, MUSIC, LOCALISED NEWS AND INFORMATION AND MORE

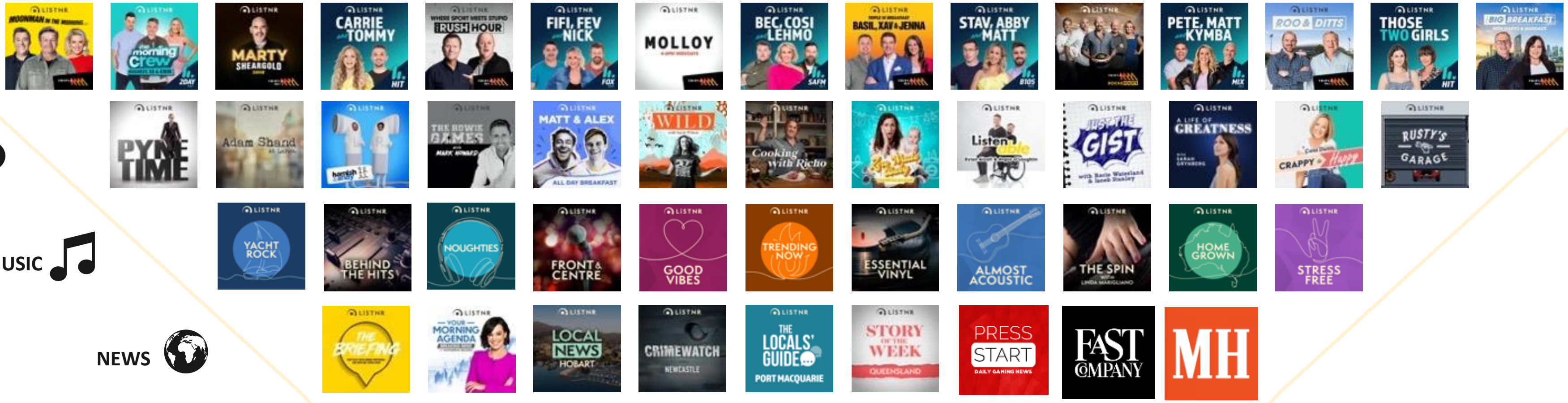
PARTNERS / BRANDS

RADIO

PODCASTS

MUSIC

NEWS



- ORIGINAL CONTENT
- LIVE & ON DEMAND
- DISCOVERY
- PERSONALISED

LiSTNR

- INCREMENTAL REACH
- ACTIVE KNOWN USERS
- TARGETING
- PREMIUM CONTENT

ENGAGED AUDIENCES AT SCALE

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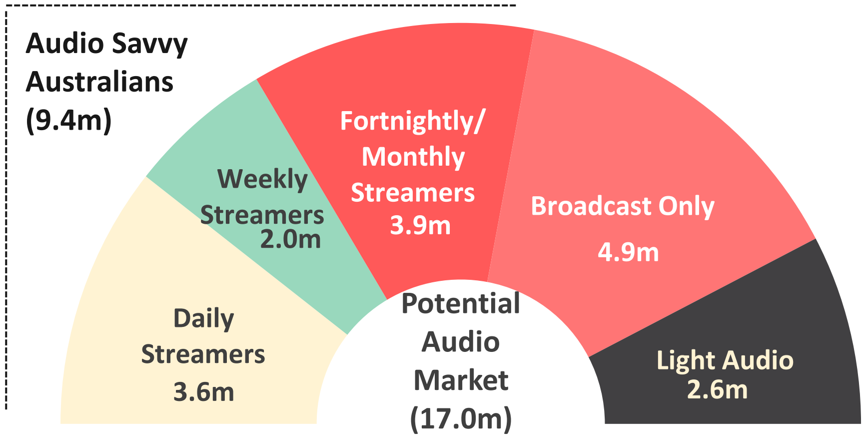
LiSTNR IS TARGETING AUDIO STREAMERS

LiSTNR

RADIO • PODCASTS • MUSIC • NEWS

The ultimate audio destination for all Australians



- Audio savvy Australians represent 9.4m[3] people – and will be our core focus and are naturally engaged and attracted to premium audio solutions
- Our secondary target extends our market to a further 7.5m Australians – encompassing Audio broadcast and Light Audio users
- The total addressable market will represent over 17 million Australians in 2021
- SCA's audio products already reach 1.4m[1] radio streamers and 2.1m[2] podcast listeners each month

1. AdsWizz AudioMetrix
2. Triton Webcast Metrics
3. SCAR Nielsen CMV. National Survey 5, 2020 (12 Month Database. People 14-64. Media Summary P7D / Streaming Audio – How Often. By How Often.

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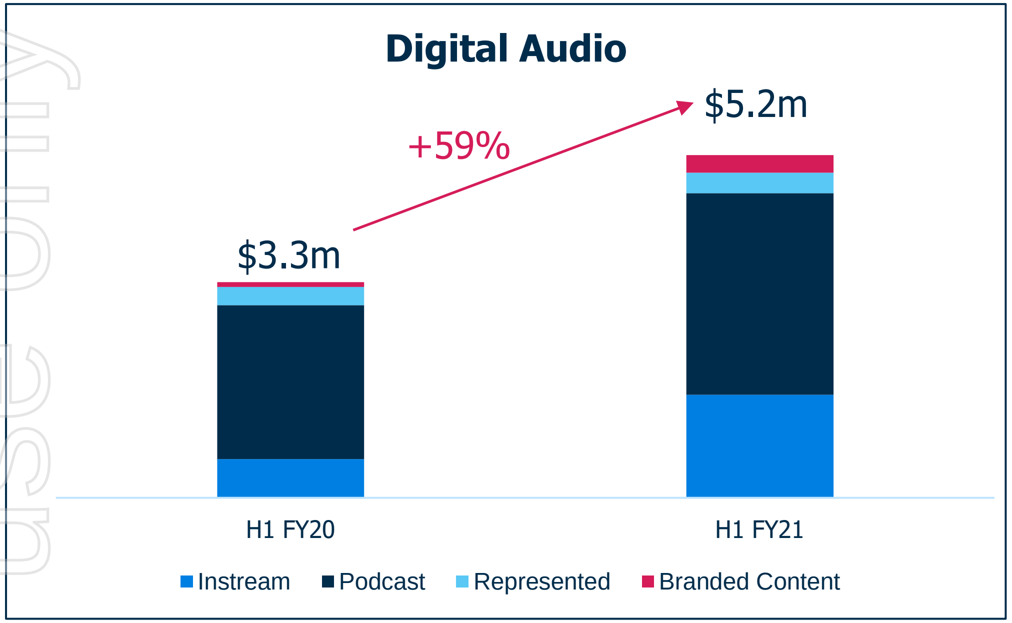
LiSTNR WILL BE MONETISED THROUGH DIGITAL AUDIO ADVERTISING



LiSTNR provides the platform to accelerate digital audio revenue growth

- SCA's digital audio revenue base is well established and delivered 59% YoY growth (despite adverse economic conditions)
- PodcastOne achieved cashflow breakeven after initial investment period
- Launch of LiSTNR will enable SCA to expand addressable listener base – creating a scaled digital ecosystem
- Increasing supply of inventory will support growing market demand for addressable digital advertising
- The digital audio revenue pool is growing rapidly with +47% growth YoY and is separate from traditional radio budget pools[1]

$5m investment in H2 FY21 to support initial launch of platform

Expected 2-3 year investment horizon to drive adoption and achieve key targets

Digital listening expected to accelerate – delivering meaningful new revenues and contribution to profit over time

[1] Source: Standard Media Index

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OPERATIONAL REVIEW

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OPERATIONAL REVIEW

$ millions	H1 FY21	H1 FY20	Var.
Audio Revenue	173.3	210.9	(17.8%)
Television Revenue	84.9	96.1	(11.7%)
Corporate Revenue	1.0	1.1	(9.1%)
Total Revenue	**259.2**	**308.1**	**(15.9%)**
Audio Expenses	(102.6)	(145.8)	(29.7%)
Television Expenses	(65.4)	(82.0)	(20.2%)
Corporate Expenses	(15.9)	(12.8)	24.2%
Total Expenses	**(183.9)**	**(240.6)**	**(23.6%)**
Audio EBITDA	70.7	65.1	8.6%
Television EBITDA	19.5	14.1	38.3%
Corporate EBITDA	(14.9)	(11.7)	(27.3%)
EBITDA	**75.3**	**67.5**	**11.5%**

- EBITDA was $75.3m, 11.5% above prior corresponding period
- Audio revenues back 17.8% on prior year – but steadily improving month to month. TV revenues generally leading recovery – underpinned by growing national advertiser spend
- Total group expenses down 23.6% or $56.8m to $183.9m
    - Combination of strong cost control, reduced revenue related costs and receipt of government support
    - Corporate costs reflect substantial increases in D&O Insurance and addition of one-off advisory fees (audit, tax, legal) related to managing COVID

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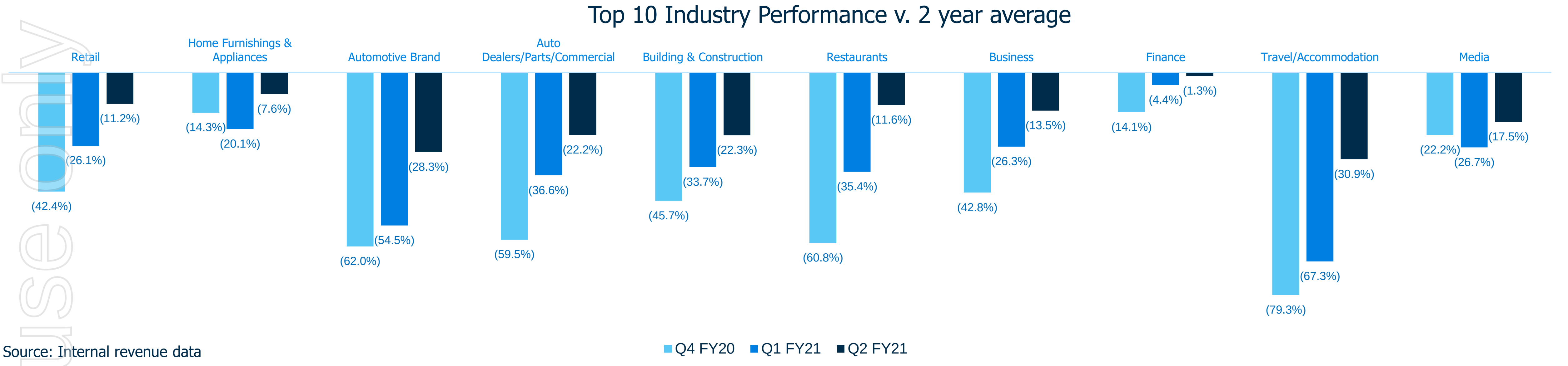
SCA REVENUE CATEGORY ANALYSIS – IMPROVING TREND



Source: Internal revenue data

- Internal revenue data confirms improving investment profile by major advertiser categories over last three quarters
- Top 10 industries equate to 60-70% of revenue and there is an improving and sustainable recovery trend
- Government & Public Service Announcements, Alcoholic Beverages and In-Home entertainment continue to be areas of growth
- Further improvement forecast as Live Entertainment, Sport, Cinemas and Theme Parks categories open up around the country

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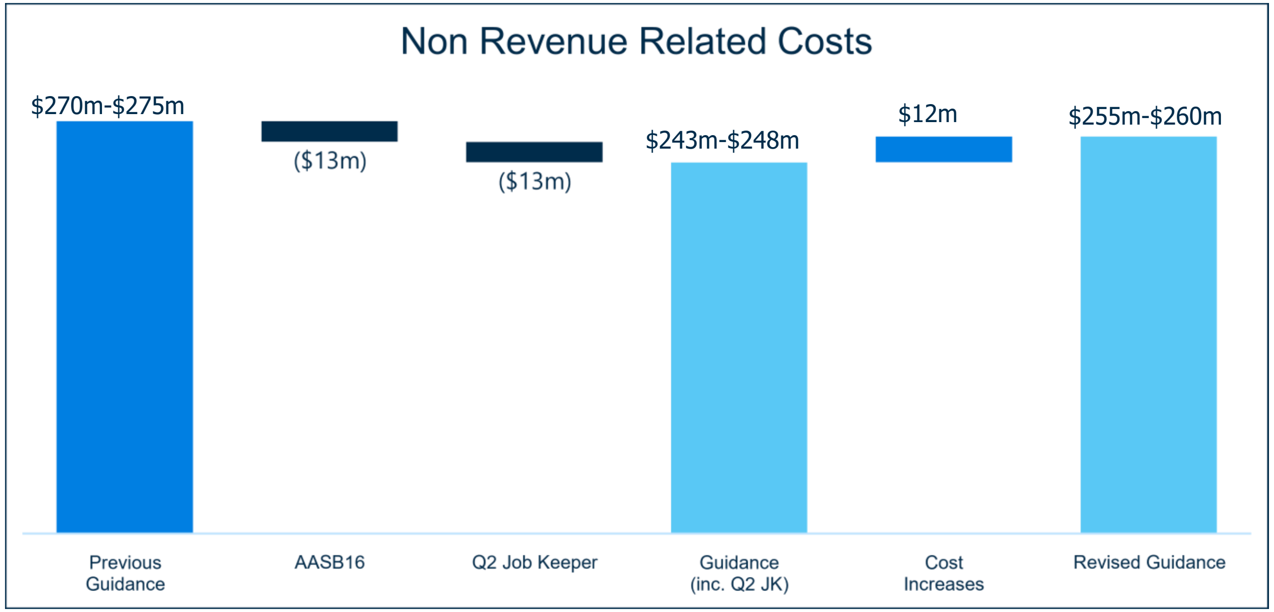
LEANER COST MODEL - OPERATING AND CAPEX

$ millions	H1 FY21	H1 FY20	Var.
Revenue	259.2	308.1	**(15.9%)**
Revenue Related Costs	(77.7)	(88.7)	**(12.4%)**
Revenue related costs as % of revenue	*30%*	*29%*	**-**
Non Revenue Related Costs	(106.1)	(151.9)	**(30.0%)**
EBITDA	75.3	67.5	**11.5%**



- Non revenue related (NRR) costs reduced $45.8m or 30% from $151.9m in H1 FY20 to $106.1m in H1 FY21
- Revenue related costs are ~30% of revenue, up 1 ppt in H1 FY21 due to strong recovery in TV revenue
- FY21 NRR costs forecast of $255m-$260m[1], inclusive of:
  - Increased investment in digital audio for launch and growth of LiSTNR
  - Increased promotion and marketing to support major new metro shows in key markets
  - Reinstatement of costs temporarily removed due to COVID
  - Benefit of $10m PING grant and $32m H1 impact of JobKeeper (both Q1 and Q2)
  - Full year impact of structural cost restructures
  - $13.5m cost credit related to AASB16 adjustment

[1] Full year Non-Revenue Related Cost guidance is now inclusive of AASB16 credit entries

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AUDIO - OVERVIEW

$ millions	H1 FY21	H1 FY20	Var.
Total Revenue	**173.3**	**210.9**	**(17.8%)**
Broadcast & Production	(12.7)	(12.6)	**0.8%**
Employee	(47.1)	(79.4)	**(40.7%)**
Selling, General & Admin	(42.8)	(53.8)	**(20.4%)**
Total Expenses	**(102.6)**	**(145.8)**	**(29.7%)**
EBITDA	**70.7**	**65.1**	**8.6%**
EBITDA Margin	*40.8%*	*30.9%*	

- EBITDA margin improved to 40.8%
- Linear Broadcast & Production costs trended lower, but have been directly offset by investment in digital audio products and services
- Employee costs substantially impacted by:
  - Temporary COVID related cost measures
  - Permanent reduction in headcount
  - Receipt of government support
- Selling, General & Admin expenses down 20.4% or $11m due to reduced discretionary spend and lower revenue related costs

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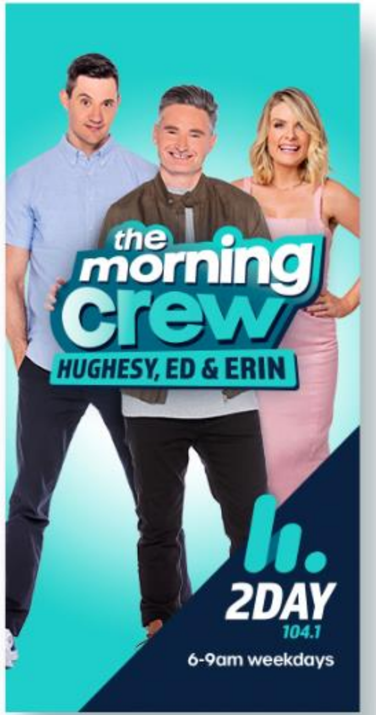
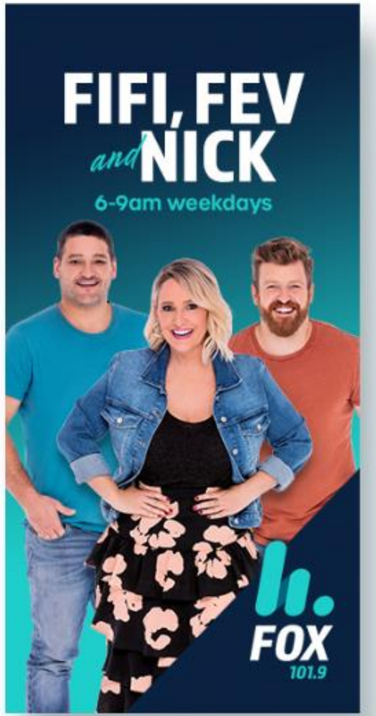
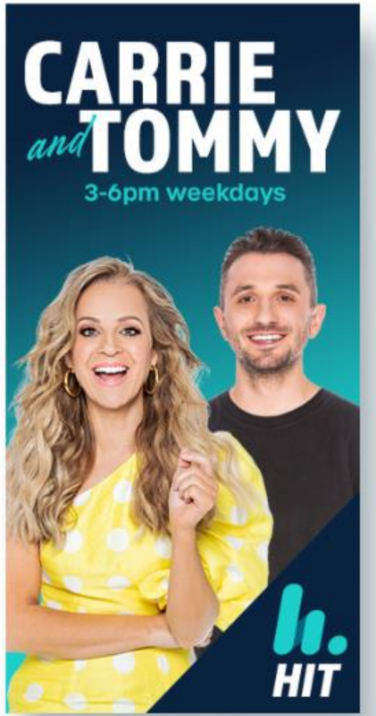
CONTENT REGENERATION: KEY SHOWS & KEY MARKETS







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AUDIO – RADIO ADVERTISING REVENUES

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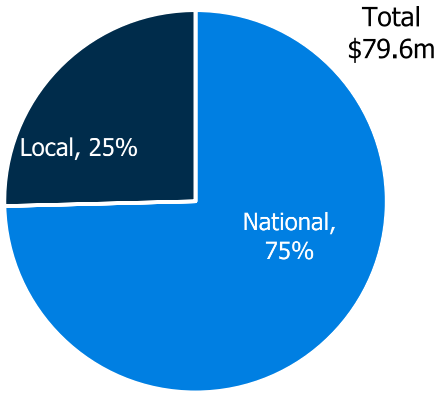
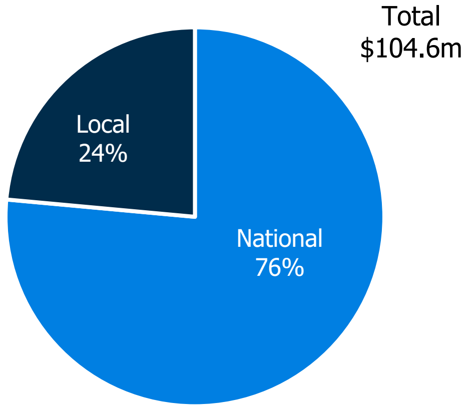
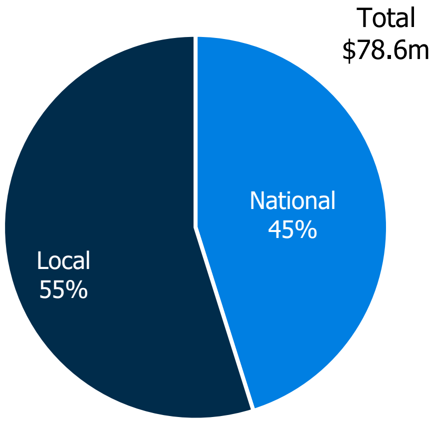
Metro Revenue H1 FY21



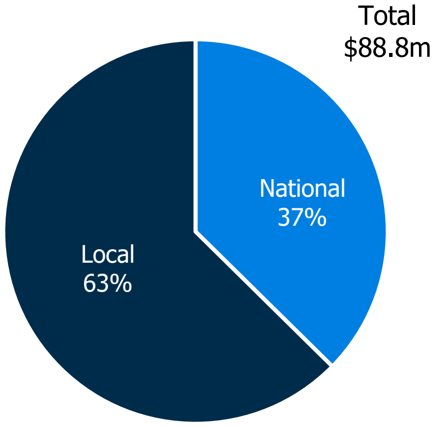
Metro Revenue H1 FY20



Regional Revenue H1 FY21



Regional Revenue H1 FY20



- SCA has benefited from a broad geographic and diverse client base
- National Regional Radio has posted growth of 6.8% and continues to benefit from the Boomtown initiative and growing appreciation of regional market economies which have performed relatively better than metro markets in 2020 with favourable economic indicators:
  - Net migration from capital cities
  - Regional house prices rising more rapidly
  - Smaller impact on employment from COVID[1]
- Metro radio revenue recovery accelerated in Q2 due to strength of national advertisers return to normal investment behaviour – underpinned by the strength and normalisation of listening habits

[1] Source: CBA Economics 'Have the regions outperformed during the pandemic? 9 February 2021

TELEVISION - OVERVIEW

$ millions	H1 FY21	H1 FY20	Var.
Total Revenue	**84.9**	**96.1**	**(11.7%)**
Broadcast & Production	(40.9)	(46.2)	**(11.5%)**
Employee	(4.6)	(16.5)	**(71.9%)**
Selling, General & Admin	(19.9)	(19.3)	**3.2%**
Total Expenses	**(65.4)**	**(82.0)**	**(20.2%)**
EBITDA	**19.5**	**14.1**	**38.0%**
EBITDA Margin	*23.0%*	*14.7%*	

- EBITDA margin improved to 23.0%
- TV revenues have held up well – down 11.7%, with strong recovery in Q2 FY21
- Variable programming expenses coupled with significant savings in employee related costs have mitigated revenue decline
- Employee costs have been reduced by;
  - Temporary COVID related cost measures
  - Permanent reduction in headcount
  - Receipt of government support
- Outsource of Playout and Transmission fully complete (ends 5 year strategic overhaul to optimise asset)
- Cost savings in Selling, General & Admin have been offset by service fees relating to outsourced contracts

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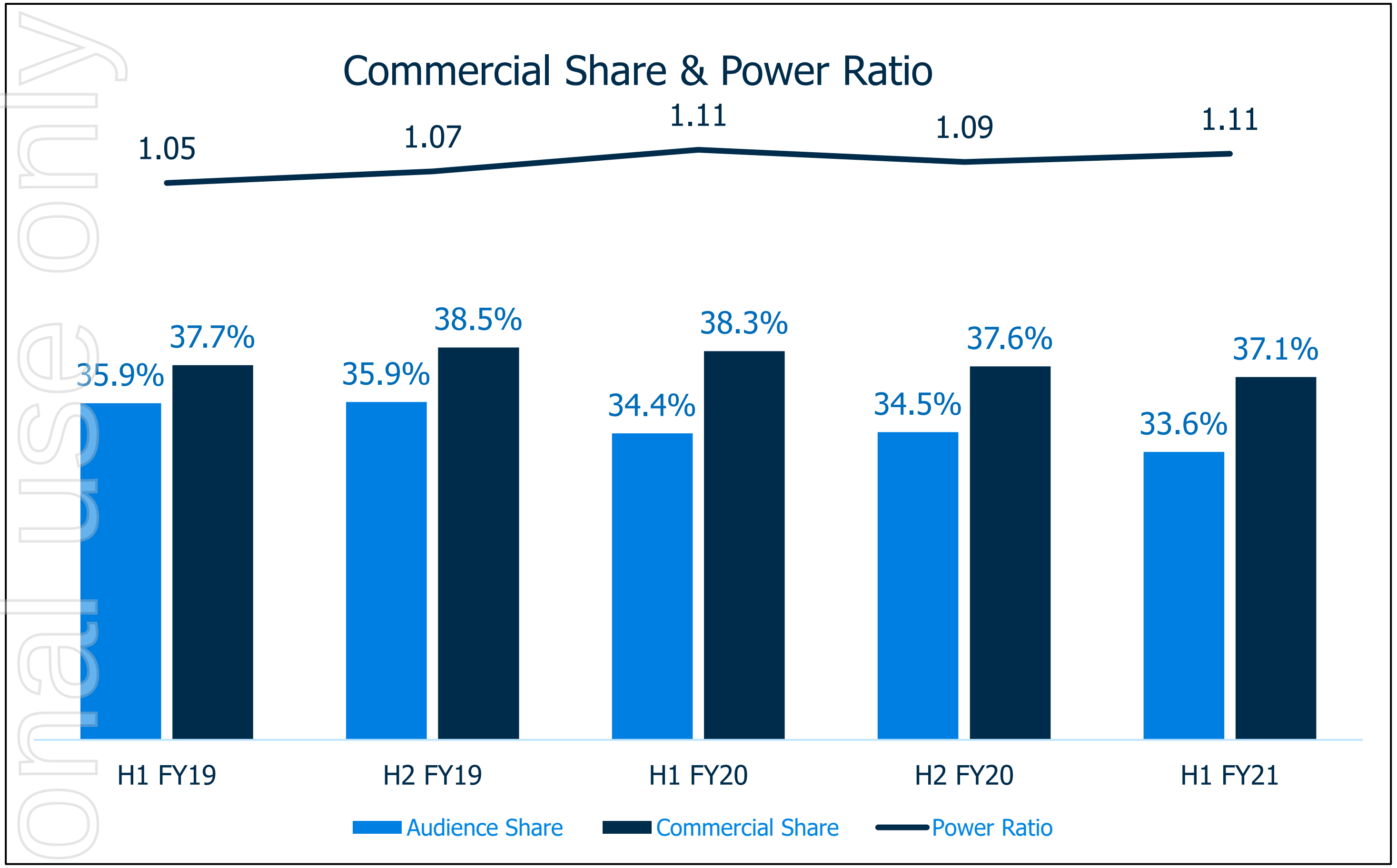
TELEVISION – MARKET LEADING POWER RATIO



- Further improvement on market leading power ratio performance, up to 1.11 from 1.09
- Improvement in sales monetisation underpinned by experienced sales leadership team

Source: KPMG Market Share Report for Regional Queensland, SNSW, NNSW & Regional Victoria

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KEY PRIORITIES FOR THE YEAR AHEAD

Audio

- Launch, grow and mature LiSTNR as the "Ultimate Audio Destination for Australians"
- Grow core radio audiences in key markets with new shows and formats
- Expand & monetise new digital audio inventory – creating a meaningful new stream of revenue via addressable advertising at scale

Television

- Affiliation with Nine matures in June 2021 – renewal discussions with Nine ongoing
- Affiliation with Seven extended by 12 months to June 2022 (Tasmania, Darwin, Central)
- Focus on growing our market leading revenue power ratios

Business Transformation

- Implement "Digital First" operating model
- Invest and deploy smart new technology to unlock greater efficiency in operating costs & monetisation
- Expand our digital audio content library within LiSTNR, engaging more deeply with known audiences

Financial

- Accelerate recovery of underlying earnings for core assets – while investing in new revenue streams
- Recommencement of dividends – final FY21 dividend to be paid in October 2021
- Maintain strong balance sheet allowing SCA the ability to invest and grow

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TRADING UPDATE

- Revenue recovery continuing – Q3 forecast to be -6% to -8% on pcp
- Full year cost guidance – 30% revenue related costs and $255- $260m non-revenue related costs[1]
- Full year capex expected at ~$15m
- Depreciation and Amortisation ~$32m - H2 consistent with H1
- Full year Financing costs ~$22m, 2H FY21 ~$2m lower than H1 due to lower debt and improved swap rates

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[1]All cost guidance is inclusive of AASB16 adjustments

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