



ASX RELEASE

13 October 2021

## 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 **11:00am (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/322060074>.

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.

For further information, please contact:

### Southern Cross Media Group Limited

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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 regional radio stations. SCA broadcasts 94 free to air TV signals across regional Australia, reaching 2.8 million people a week, with Network 10 programming and advertising representation across Australia's East Coast, Seven Network programming in Tasmania and Darwin, and Seven, Nine and Network 10 programming in Spencer Gulf. SCA operates LiSTNR, Australia's free, personalised audio destination for consumers featuring radio, podcasts, music, and news. SCA also provides Australian sales representation for global open audio platform SoundCloud and Sonos Radio. SCA's premium brands are supported by social media, live events and digital platforms that deliver national and local entertainment and news content. <https://www.southerncrossaustereo.com.au/>

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SCA delivered sound financial results in the financial year just ended. EBITDA of \$125.9 million was up 16.4% compared to the previous year and net profit after tax improved by 91.6% to \$48.1 million. The group's net debt is at historical lows and the group has achieved significant headroom against banking covenants. Based on the group's financial performance and profits in the second half of the financial year, the Board was pleased to pay shareholders a final fully franked dividend of five cents per share on 1 October.

Despite the group's healthy financial position, many challenges remain.

The COVID-19 pandemic continues to create uncertainty for all of us and seems likely to do so for some time. While advertising spending by retail, home furnishing, construction, finance, and government recovered or grew during the last financial year, our advertising clients in many other categories continued to be heavily affected by the pandemic. These include automotive industries, live entertainment, travel, accommodation, cinemas, theme parks, and sport. With the long lockdowns in New South Wales and Victoria expected to taper off and end in coming weeks, there is some light at the end of the tunnel for these sectors.

Vaccination rates are, of course, critical to recovery from the public health, economic, and social impacts of the pandemic. SCA has strongly encouraged its people to be vaccinated. In addition, to promote vaccine equality, SCA has partnered with UNICEF's Give the World a Shot campaign. For every SCA employee who is fully vaccinated, SCA will donate funds to enable UNICEF to deliver vaccines to protect 10 people in developing countries.

Another challenge – and a significant opportunity – is the continuing trend towards digital consumption and commercialisation of media content.

SCA's financial outcomes in the last financial year were generated overwhelmingly from advertising on our well-known linear broadcast media assets – our 99 FM, AM, and DAB+ Triple M and Hit Network radio stations and 92 television signals reaching 95% of Australians. That will be the case in the current year and in the next several years. However, the trends towards digital consumption and commercialisation of media content are irreversible and accelerating. The ways in which the majority of our audiences enjoy our content and in which we create value for our advertisers and shareholders will be very different in the foreseeable future.

The group's digital revenue grew by 40% to \$15.4M during the most recent year. We expect digital revenue to grow by 75% to 100% in the current year and we've set a strategy to support continuing high rates of growth. While the group's Australia-wide radio network remains the creative core of SCA, our teams have a new digital-first mindset. Supported by our technology teams, our content teams are finding ways to make it easy for our listeners to enjoy our radio shows, podcasts, music playlists, news and other local updates anytime and anywhere. The group's sales teams are upskilling to help our clients to understand and optimise their returns from advertising on our digital audio content and platforms.

LiSTNR is at the heart of SCA's digital audio first operating model. Developed in-house and launched in February 2021, the LiSTNR app deploys smart technology to create, distribute and commercialise SCA's digital audio content with a wide range of live and on-demand global, national and local content. Users can personalise their experience on LiSTNR, choosing from a range of live radio, premium original podcasts, radio podcasts, livestreaming music channels, news and information. As the signed-in community on LiSTNR grows, SCA will offer advertisers transparent returns on investment by connecting them to targeted audiences at scale.

Continuing the development of LiSTNR and our data analytics and sales capabilities will require further investment in the current year and beyond. The group's robust balance sheet and steps taken in recent years to create an efficient organisational structure will support that required investment and enable the group to maintain and improve returns to our shareholders.

The operating model for our regional television operations is, of course, very different. As an affiliate broadcaster, we do not create the content we broadcast and do not have rights to distribute that content by digital means. Shareholders will recall the strategic actions taken in recent years to streamline the group's television operations. Payout, distribution, and broadcast transmission services have been outsourced to specialist providers. Fees paid to program suppliers are a percentage of the revenue generated from advertising, mitigating the impact of the long term decline in revenue. At the same time, SCA continues to lead the Boomtown regional media industry marketing campaign which has driven increased investment by national advertisers in regional television and radio.

SCA's television operations delivered EBITDA of \$38.1M in the year just ended, up 59.7% compared to the prior year. While this result benefited from government support in the first half of the year, it also reflected the relatively quicker recovery of television advertising markets and SCA's market-leading sales performance.

The regulatory framework for regional television remains in need of review and reform. Both Free TV Australia and regional television broadcasters including SCA made significant submissions to the federal government's Media Reform Green Paper on Modernising Television Regulation in Australia. These submissions highlighted the important role free-to-air television plays in Australian life and the regulatory conditions required to enable television businesses to adapt to technological change and sustain their role in Australian life.

Current regulation of regional media is out-of-date, especially in the era of the Internet and video streaming. Regional media operators are prevented from adjusting their business models to compete evenly with an expanding number of local and global competitors. SCA encourages the Government to bring regional media regulation into the twenty first century before it is too late.

Having said that, it would be remiss of me not to acknowledge the support received during the year by SCA and our people from the federal government. SCA was eligible for the federal government's JobKeeper program from April until December 2020. In the depths of the pandemic, JobKeeper was critical in enabling us to stay connected to our workforce. Because of the severe impacts of the pandemic on the media industry, many more jobs would have been lost without the program and SCA's recovery in the second half of the year would have been more difficult. SCA was also grateful to receive a grant during the year under the Public Interest News Gathering fund, which has supported the group's regional news journalism.

Turning now to internal matters, I would like to make a few comments on the Board's approach to executive remuneration in the current difficult economic environment. Our executive remuneration framework is designed to attract and retain high-performing executives and to align their reward with creation of sustainable value for shareholders.

In the 2020 financial year, our executive team forfeited all short-term and long-term incentives. While the team worked as hard and effectively as ever during the early onset of the pandemic, forfeiture of all bonuses acknowledged the significant losses suffered by our shareholders during that time.

In the year just ended, the Board approved payment of short-term incentive bonuses to our senior executive team but scaled the payments back by between 40 and 50 per cent. The Board's decision to scale back short-term bonuses did not reflect on the effort or quality of work by executives during the year, especially because that work has enabled SCA to return to paying a final dividend to shareholders. By scaling back bonus payments, the Board sought to reward strong performance by our executive team, while ensuring bonus payments reflected SCA's overall financial performance and outcomes for SCA's shareholders. The Board also wished to acknowledge the benefit of government grants relating to COVID-19 that were received in the first half of the financial year.

For the 2021 financial year, the Board implemented a bespoke long-term incentive plan focused on increasing SCA's market capitalisation and resuming a reliable flow of dividends over the three year performance period to 30 June 2023. Total shareholder return is the sole performance measure under that long-term incentive plan. The Board believes that was the most appropriate measure to align executive reward with shareholder outcomes given the group's circumstances at the start of the 2021 financial year.

As explained in the notice of meeting, the Board has adopted a combined Executive Incentive Plan for the new financial year and beyond. The combined Executive Incentive Plan has replaced the former short-term and long-term incentive plans. In reaching this decision and designing the new plan, the Board consulted with SCA's major shareholders and obtained independent advice on market practices and investor expectations. The Board believes the new plan – which will operate over a five-year cycle - will provide a simpler and more direct way to link executive performance and reward to generation of sustainable positive returns for shareholders.

Sixty percent of the annual award will be based on financial performance hurdles. Non-financial measures – accounting for 40% of the annual award – will include execution of strategic projects and cultural improvements. The annual award to each executive KMP will be settled partly in cash and the remainder in equity performance rights. These performance rights will be eligible for vesting and conversion to ordinary shares at the end of year 3, subject to ongoing employment. Vesting of one-half of the performance rights will potentially be scaled back according to SCA achieving satisfactory growth in earnings per share over the three years of the new plan. A further restriction on disposal of vested shares will apply until the end of year 5, two years after allocation of any vested shares.

The Board welcomed three new directors during the year. Carole Campbell, Ido Leffler, and Heith Mackay-Cruise have become active contributors to the Board and its committees including the Digital Transformation Committee established this year to monitor and guide the progress of LiSTNR and other digital initiatives. I thank all my other fellow directors for their wise counsel during the year and look forward to working with them in the year ahead.

I would like to commend SCA's leadership team - led by our Managing Director, Grant Blackley - and all our people around Australia for navigating SCA through the many challenges of the past 12 months and laying the groundwork for continuing improvements in the years ahead.

Finally, thank you to our shareholders for your support of SCA.

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

Rob Murray  
Chairman  
13 October 2021

Thank you, Rob. Good morning everyone.

We have begun this new year with a true sense of excitement and optimism. We're confident the changes we've made to our business during the pandemic will enable us to achieve our mission over the next four years: To entertain, inform, and inspire Australians. Anytime. Anywhere.

The four pillars of our refreshed corporate strategy are to entertain, inform, and inspire our audiences; to establish LiSTNR as Australia's ultimate audio destination, to use our assets to help our clients succeed; and drive and embed a digital audio first operating model.

### **Entertaining, informing and inspiring our audiences**

Providing compelling audio content is the first and most important requirement for our success. Consistently attracting bigger audiences to our broadcast radio stations and on our new LiSTNR app will drive our commercial success.

On radio, we identified several opportunities for growth in metro markets at the beginning of this calendar year. We created Triple M as an entirely new radio station in Perth in October 2020, adding a new Breakfast show featuring the Lord Mayor of Perth, Basil Zempilas. In January 2021, we also launched new Breakfast shows on 2Day FM in Sydney and on Triple M in Melbourne, and added Nick Cody to Fifi, Fev & Nick on Fox FM in Melbourne.

We're monitoring the audience response to these new shows and adjusting content and music to meet audience preferences. Particularly in Sydney and Melbourne, it has been a difficult time to encourage trial and build audiences for new Breakfast and Drive radio shows. Government lockdowns and working from home have reduced time spent commuting between home and work in cars, and audiences have tended to migrate from FM music and entertainment formats to AM news and talkback formats.

2Day FM remains our highest priority, given its underperformance for several years against well-established and strong competitors in Sydney.

In late 2020, we created state-based Breakfast super shows for regional stations in the Hit Network. This has improved the quality and consistency of content on regional Hit Network stations, while preserving our commitment to providing local news and other local content during the day.

All our radio stations, along with a diverse and rapidly expanding slate of live and on-demand global, national, and local audio content, are also available on our LiSTNR app. In the year to 30 June, livestreaming of our radio stations reached 1.5 million people, up 30% on the previous year. In the month of June, our audiences enjoyed 10.5 million hours of livestreamed radio and we recorded 9.5 million downloads of our podcasts, up 20% on the previous year.

This year's Infinite Dial<sup>1</sup> study confirmed that audio is a popular and growing source of entertainment and information for Australians. Every month, 86% of Australians listen to live radio or catch-up radio podcasts and 74% listen to online audio. Awareness of podcasting has reached 91% while 37% of Australians now listen to at least one podcast each month.

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<sup>1</sup> Source: *The Infinite Dial Australia 2021*

To serve this growth in consumption of audio, we're creating more audio content than ever before. Compared to 2016, we recently calculated we are producing nearly 20% more minutes of audio content in 2021. While the volume of our broadcast radio content has reduced over that time, we are producing fifty times more minutes of podcasts than in 2016. In the years ahead, we will continue to grow our digital audio ecosystem with premium content, platforms and products attractive to our listeners and advertisers.

### **Establish LiSTNR as Australia's ultimate audio destination**

In February this year, we retired our PodcastOne Australia app and launched LiSTNR. We were delighted that listening to podcasts on LiSTNR grew 200% in the first five months from launch and, from a zero base, listening to live radio has exceeded podcast consumption. During this year, we plan to migrate users of our pre-existing Triple M and Hit Network apps to LiSTNR as the single home of SCA's digital audio content.

To maintain and build on its early success, LiSTNR needs to attract and retain a listener community by providing premium content and a first-class user experience. To that end, we have a disciplined process for commissioning new original podcasts and for partnering with other publishers (such as SoundCloud, Disney/ESPN, and the BBC) to improve the chances of content being attractive to audiences and advertisers.

On-demand digital audio content attracts a broader audience, especially in younger demographics, than linear broadcast radio. LiSTNR provides an opportunity for SCA and advertisers to connect to these new audiences.

We require users to sign in to LiSTNR and give them an opportunity to express their audio interests and preferences. This helps users to personalise their experience on LiSTNR and it helps us to improve the way users can discover new content on LiSTNR.

### **Use our assets to help our clients succeed**

We have long recognised that our success will be driven by delivering success for our clients. This requires our sales and creative teams to understand our clients' businesses and how our broadcast and digital products can help them succeed.

We naturally expect our sales teams to know their clients and provide tailored solutions for them. Our in-house training syllabus has been revitalised to build the confidence of our sales teams and optimise their performance. These courses provide detailed knowledge about SCA's products (including our growing suite of digital audio content and audience attribution tools), fundamental skills for effective selling, critical thinking, and tools for motivating, coaching, and performing as part of a team.

Our advertisers want to know more about the audience for their messages. To meet these requirements while respecting our audiences' privacy expectations, SCA tracks and collects information about the characteristics and behaviour of our audiences. We're growing our ability to collect and interpret this information to enhance and personalise the services we provide to our listeners and to optimise returns on investment for our advertisers. As we build our data analytics capabilities, LiSTNR will combine transparent audience measurement with real time insights about listener routines, needs and preferences.

At the same time, as Chair of Commercial Radio Australia, I'm pleased to say the commercial radio industry is continuing its investment to evolve the commercial radio industry's audience measurement currency. On 13 September, CRA announced its new Radio 360 audience measurement system. Developed in collaboration with the industry's official survey provider, GfK, Radio 360 will see the industry transition from paper surveys to the majority use of e-diaries and integration of live streaming data to provide more information on the size and profile of audiences listening across digital platforms. A panel of consumers will also be asked to wear an electronic watch meter to detect when the wearer is in listening range of a radio broadcast and provide encrypted anonymised information to validate and ensure the accuracy of the streaming data.

Coupled with our own investment in LiSTNR, these industry developments will enhance SCA's ability to help advertisers connect to targeted audiences at scale.

### **Embed a digital audio first operating model**

During the year just ended, teams from all around SCA's business participated in workshops facilitated by an organisational design consultant to identify the skills and resources required for SCA to succeed in a world of digital audio. Through these workshops, we also identified gaps in our current business model. To close those gaps, we've established working groups to:

- design new workflows, performance measures, and measurement and reporting tools,
- educate and upskill our people (and recruit where necessary),
- educate our clients about the benefits of digital audio advertising products, and
- partner with leading content creators and technology innovators from around the world.

In April this year, through our innovation program, The LAB at SCA, we asked our people how to make LiSTNR the most engaging audio destination for Australians. Illustrating how innovation and digital-first thinking have become part of our culture, more than 400 of our people submitted entries from 40 of our offices around Australia. After pitches from a selected group, our judging panel anointed three winners whose ideas are being developed for testing on LiSTNR. Two winners are based in Brisbane and one in Griffith and their ideas cover product enhancements, content concepts, and localism. Another six ideas have also been earmarked for further investigation.

As Rob mentioned, our digital advertising revenue grew by 40% to \$15.4M in the year just ended. This outcome was underwritten by audience growth and improving monetisation in live radio streaming, led by the successful launch and maturing of LiSTNR. The actions I've just outlined are all designed to ensure this growth continues and accelerates for the next several years.

### **Television**

I would especially like to thank our television teams for their performance during the year. In the final year of our Nine Network affiliation, we delivered a solid financial return, including a market-leading power ratio of 1.11. Then, supported by a highly collaborative approach from Network 10, we seamlessly transitioned to Network 10 programming from 1 July. We also commenced broadcasting Sky

News Regional in several regional markets to provide those communities with additional political coverage, breaking news, sport, and opinion.

### **Culture**

Before closing, I'd like to mention the work we've been doing since 2016 to measure our culture with Human Synergistics, a global organisational development consultancy.

We believe that looking after our people makes us a more productive, sustainable business. Our belief starts with our values and the importance we place on our culture and leadership. These fundamentals are constant. They inform our people's behaviours and decisions every day and are not affected by short term factors, even significant factors like the COVID-19 pandemic.

I'm pleased to report that Human Synergistics recognised our culture survey results in April this year with its Culture Sustainability Award for maintaining and growing a highly constructive culture that outperforms our peers, one of only three such awards across Australia and New Zealand. Considering the challenges faced by our people and our organisation over the past 18 months, these results demonstrate the strength of SCA's culture.

### **Trading update**

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

Advertising markets have continued to recover with Audio revenues in the September quarter growing by 15% against the prior comparative period. This recovery has been slowed by the impact of the prolonged State lockdowns in both New South Wales and Victoria, which has been felt across September and October. SCA's broad portfolio of assets covering 57 locations around Australia has partially insulated SCA from the adverse impacts of these lockdowns. SCA has also benefited from its exposure to regional television, which has been less affected by the lockdowns and has performed in line with our internal expectations following transition to our new affiliation with Network 10 from 1 July.

The re-opening of New South Wales earlier this week and the plans to re-open Victoria from late October have positively stimulated advertising activity and we are seeing improving booking demand into November and December.

We have remained vigilant and disciplined in managing our controllable costs to mitigate the adverse impacts of weaker markets over the past two months.

In conclusion, let me thank our people for their expertise, passion, and commitment in overcoming the many challenges of the last 18 months. That same expertise, passion, and commitment will drive our success in the years ahead.

Thank you.

Grant Blackley  
Chief Executive Officer  
13 October 2021