



ASX RELEASE

21 October 2022

## 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)**. Shareholders and proxyholders will be able attend and participate in the AGM in person at **Level 15, 50 Goulburn Street, Sydney NSW 2000** or via a live webcast through the Computershare AGM online platform. Shareholders will be able to ask questions in relation to the business of the meeting and to vote in real time at the meeting. These processes are explained in the notice of meeting.

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.

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/>

The year's results were below our expectations as the recovery in broadcast radio markets has been slower than expected. Although SCA's audio revenue grew by 9.2 percent to \$392 million, it remains below pre-COVID 2019 levels. Natural disasters, geo-political events, and numerous ongoing pandemic impacts dampened business and consumer confidence during the year. Our many thousands of small and medium business advertisers continue to be affected by labour shortages and supply chain disruptions, heightened inflation and, in Queensland and New South Wales, by the devastating impacts of the floods earlier this year.

In the face of ongoing economic uncertainty and an increase in the cost of capital globally, the group recognised impairment charges of \$178.6 million (net of tax) relating to impairment in the carrying value of radio licences, goodwill, and brands.

The Board acknowledges shareholders have experienced a difficult journey since COVID first began to affect SCA and media markets more broadly from early 2020. That said, we were pleased this year to pay dividends of 9.25 cents per share, up 85 percent on the prior year. In addition, we have implemented a share buy-back to further improve shareholders returns and this will continue into the new year. However, we acknowledge there is much to be done to build value for shareholders in the future.

Significant positive indicators that emerged this year are the growth to record levels of live radio audiences on both our Triple M and Hit Networks, and the continuing growth in the number of signed-in users of LiSTNR. These trends augur well for the audio sector and SCA. We are actively educating the advertiser and agency markets about these trends and the resilience of the audio sector, and we are cautiously optimistic that advertisers will recognise the value of the reach provided by our platforms and our increasing ability to address our advertisers' messages to highly engaged and relevant audiences.

In the most recent survey in September this year, the cumulative audience of SCA's Hit and Triple M stations in the five metro capitals of 6.1 million was its highest ever and 23 percent higher than in the final survey of 2021. Including our network of 78 radio stations in regional Australia, we have a total radio audience of over 8.6 million Australians. In our top seven annually surveyed locations, SCA most recently ranked number one in 60 percent of available dayparts for our target demographics of men aged 25 to 54 for the Triple M Network and women aged 25 to 54 for the Hit Network. With over 70 percent of all advertising briefs targeted at these demographics, our radio networks provide a strong proposition for advertisers.

The continuing trends towards digital consumption and commercialisation of media content, including audio, present strategic opportunities for SCA. The group's digital audio revenue grew by 35 percent in the financial year just ended and we expect similar growth in the current financial year. At \$20.8 million in the last financial year, digital audio revenue remains a small proportion of group revenue, but the trajectory is clear.

As consumers increasingly choose to listen to live and on-demand audio on digital devices, and as advertisers demand more information about the audiences for their commercial messages, SCA will control its own destiny through owning and operating LiSTNR. Our core competency and commitment to localism – in the content we create and distribute on LiSTNR together with the trusted way we engage with our physical and online communities – differentiate us from global technology platforms and services.

For these reasons, we will continue to invest in evolving and driving the scale of LiSTNR to provide audiences with an easy-to-use, intuitive and personalised experience, while building and enhancing the suite of premium content available on LiSTNR. This will include targeted investment in our live and local radio shows and news and information services around Australia, along with curation of our original podcasts, such as Hamish and Andy and The Howie Games, and expansion of our domestic and international content and sales partnerships with the BBC, Stitcher, Wondery, Schwartz Media, the Royal Institution of Australia, SoundCloud, and others.

With record radio audiences migrating to listen to our shows on mobile phones, desktop computers, smart speakers, connected cars, and other digital devices, the commercial radio industry and SCA are carefully migrating listeners to new ways of listening and engaging with our brands.

At the same time, our industry body, Commercial Radio and Audio, is urging the new federal government to legislate to ensure local AM, FM, and DAB+ radio is prominently available on car dashboards and other digital devices, given its unique and meaningful contribution to all communities in Australia. This has become an increasingly significant issue as car manufacturing has moved offshore and manufacturers develop cars for global markets.

As shareholders are aware, during the year, the Board completed a strategic review of the group's television assets, including engagement with several interested parties. Bids from these parties did not align with the Board's valuation, and the Board concluded that value for shareholders will be maximised by continuing to operate the television business.

Free-to-air television remains an important and trusted source of information and entertainment in regional Australia, especially in the still large areas with no or limited Internet coverage. Through Free TV Australia, we are therefore also asking the federal government to legislate to ensure free-to-air television is prominently available on connected televisions and other connected devices, and to update anti-siphoning rules to protect the community's access to major Australian and international sporting events on free-to-air television.

Turning now to internal matters, I would like to make a few comments on the Board's approach to executive remuneration. 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.

The 2022 financial year was the first year of operation for our combined Executive Incentive Plan, which has replaced the former short-term and long-term incentive plans. This new plan – which operates over five-year cycles – provides 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 is based on profitability and financial performance hurdles. Non-financial measures – accounting for 40 percent of the annual award – include execution of strategic projects and cultural improvements. The annual award to each executive is settled partly in cash and partly in equity performance rights. These performance rights will be eligible for vesting and conversion to ordinary shares at the end of year three, 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 plan. A further restriction on disposal of vested shares will apply until the end of year five, two years after allocation of any vested shares.

As explained in our annual report, the group did not achieve this year's profitability and financial performance measures except in relation to management of non-revenue-related costs. The Board accepted that the group's underperformance against financial targets was in large part due to public health, macroeconomic and global factors that were not foreseeable at the time targets were set and which were beyond the control of the executive team.

In these circumstances, the Board recognised the proactive and effective actions taken by the executive team to control costs during the year but exercised its discretion downward to award only 25 percent of the available reward for achievement of this target. As a result, executives received a small award of 3 percent out of a possible 60 percent under the profitability and financial performance component of the plan.

In contrast, the Board acknowledged the good progress made during the year on strategic initiatives designed to embed a sustainable digital audio operating model in the business and to grow the user base and commercial potential of LiSTNR. These outcomes were driven by targeted investments in original and partner content, technology, and marketing, as well as recruitment, training, and development of our people. Cultural and behavioural goals were also substantially achieved during the year, although the Board made some further downward adjustments to recognise a few internal issues.

As a result of these assessments, executives received between 38 and 41 percent of their target incentive opportunities. Half of their awards - and sixty percent of the CEO's award – have been settled by grant of

performance rights that will be eligible for vesting after 30 June 2024, strongly aligning executives' interests with those of other shareholders.

Melanie Willis retired as a director during the year, having made a significant contribution to SCA, including for five years as Chair of the Board's Audit and Risk Committee. The Board has decided not to seek a replacement for Melanie. The Board's reduced size and its mix of skills and experience are appropriate for SCA's needs. We will, however, make some changes to our committees to balance the responsibilities of directors and plan for future succession. This will include Heith Mackay-Cruise shortly taking over from Helen Nash as Chair of the People and Culture Committee, and Carole Campbell replacing Heith as a member of the Digital Transformation Committee.

I thank my fellow directors for their contribution and support during the year and look forward to working with them in the year ahead.

I would also like to thank SCA's leadership team and all our people around Australia for their dedication and commitment during the year.

Finally, let me confirm our commitment to converting the recent and ongoing growth in our live and on-demand audiences to meaningful positive returns for our shareholders this year and in years to come.

Rob Murray  
Chair

21 October 2022

The world has changed considerably in the past year. The media markets in which SCA operates have been among the most affected by the lingering impacts of the pandemic and more recent geo-political events. As Rob has said, the group's financial results last year were disappointing, and current economic conditions remain challenging.

In these circumstances, we have focused on the things we can control to position the group to benefit from positive trends in consumption of our content as markets return to a normal state. This includes improving the way we acquire, market, distribute, and monetise our expanding library of premium broadcast and on-demand audio content.

This focus includes an ongoing diligent and disciplined approach to the group's operating costs. Through structural adjustments, particularly of our broadcast teams, as well as reduction in discretionary costs for marketing, training, travel, and entertainment, we were able to partially mitigate the impact of lower than forecast revenue during last financial year.

However, at the same time, we have continued to invest in implementing a digital first operating model for audio. We successfully completed a five-year program to install a digital operating infrastructure across all offices and every studio. This infrastructure now enables us to create, ingest and distribute our premium content from any location to audiences at a time and on a device of their choice, and positions us to capture the commercial value of the ever-increasing appetite of Australians for audio content.

Completion of this program was a core driver of our mission to entertain, inform, and inspire Australians, anytime, anywhere.

Core drivers for the next phase of our corporate strategy will be to continue to evolve our LiSTNR audio ecosystem into a unique, world class audio platform while optimising and simplifying our sales offering in pursuit of higher revenues. To achieve and measure these outcomes, we will continue to embed a digital audio first operating model.

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

A successful media company must consistently deliver large and engaged audiences to attract interest and investment from our advertising clients.

The ending of COVID-19 related lockdowns since late last calendar year has seen workers in Australia's major population centres return to their offices. Home-to-office commuting, particularly in cars but also by public transport or on foot, is a prime driver of audio consumption. As Rob has mentioned, radio audiences, led by entertainment and music formats such as SCA's Hit and Triple M stations, have returned in record numbers.

Our Sydney Hit Network station, 2DayFM, remains the biggest opportunity for growth in our portfolio. In September 2021, we relaunched the station as the "new" 2DayFM with a refreshed music strategy and a female-skewed format. Hughesy, Ed & Erin took their Breakfast show to key communities to build engagement and encourage more listening. While much work remains to be done, the number of weekly listeners to 2DayFM has grown nearly 50 percent since relaunch of the station. The strategy for 2DayFM in the year ahead is directed at attracting and retaining new listeners while extending the time they spend listening. Sustained growth in the audience of the Breakfast show will flow through to

listening in other dayparts, including the national Carrie and Tommy Drive show which has grown its weekly national metro audience to nearly 1.8 million listeners.

The Triple M Network has doubled down on its local roots this year. All Triple M stations around the country now have state-based Rush Hour Drive shows. This differentiates Triple M from our own Hit Network and other competitors which, for the most part, offer national Drive shows. These state-based Rush Hour shows have quickly resonated with audiences as survey results have improved over the year.

We were delighted earlier this month to announce enhanced and extended partnerships with the AFL (until 2024) and the NRL (until 2027). This was no surprise because Triple M consistently attracts the largest commercial AFL and NRL metro footy audiences, delivering almost 50 percent more listeners than the closest commercial competitor. Triple M also returned last summer to cover international cricket until 2024.

Most notably, Triple M audiences can now listen to Triple M's AFL, NRL and cricket commentary on LiSTNR. Sporting bodies had previously reserved streaming rights for themselves or other parties and extending these rights to LiSTNR has expanded the reach and influence of these sports to a broader fan base.

We have also continued to expand the volume and diversity of live and on-demand audio content hosted on LiSTNR. The house of LiSTNR enjoys 99 live radio stations; 25 music genre stations; 124 original podcasts; live AFL, NRL, and international cricket; expert local news and information around Australia; and licensed content from premium domestic and international partners. We also provide extensive sales representation for many of those partners including recently announced global leaders, Wondery and Stitcher.

### **Evolve LiSTNR into a unique, world class audio platform**

For background, we released LiSTNR in February 2021 as a minimum viable product and have progressively added to its functionality and user experience. Housing all of our live, on-demand, original and partner content, LiSTNR has recently passed one million signed-in users. This success enabled us to confidently close down our previously independent Hit and Triple M apps, encouraging and welcoming listeners into the house of LiSTNR. Importantly, unlike our previous apps, the requirement to sign into LiSTNR means that LiSTNR is a known user environment.

Signing in to LiSTNR enables users to express their audio interests and preferences. Using built-in artificial intelligence and machine learning, LiSTNR interprets this information and users' actual listening habits to help users find other content that is likely to be of interest to them. In turn, this will build trust and loyalty to LiSTNR. We also use this information to commission new content for LiSTNR and to organise the content available on LiSTNR to make it intuitive for users.

To date, we have made most LiSTNR content available on other audio-on-demand platforms in Australia. This has been essential to maximise the reach of LiSTNR content for our creators and advertisers. However, over time it will be important to grow the on-platform audience for LiSTNR content, deepening the first party data and insights available - to help our advertisers connect to addressable and targeted audiences at scale.

### **Optimise and simplify our sales offering to grow revenue**

The range of content we create and for which we provide sales representation services, as well as the ways in which our audiences consume that content, continue to diversify. LiSTNR now provides sales representation for 20 of the top 50 podcasts in the Australian Podcast Ranker, enabling SCA to provide advertisers with access to large, targeted and addressable audiences at scale.

Our range of advertising products is expanding in tandem. For example, in August, we launched a world first dynamic sport campaign delivering live AFL and NRL Friday night game scores inside audio ads on broadcast and digital audio platforms. Specifically, live score updates are delivered during Triple M Footy ad breaks, so fans know who's winning, even while the ads are on. Enhanced audio transcription of our content now enables us to report accurately and quickly to clients on credits delivered during live sport and other shows.

During the year, SCA's insights division, SCAiQ worked with Amplified Intelligence and Professor Karen Nelson-Field to conduct a feasibility study into broadcast audio attention to understand how live radio influences listeners' brand choice. The feasibility study found broadcast audio commands high attention, on par with other broadcast mediums, while SCA's suite of audio performed better than some visual attention counterparts. Commercial Radio and Audio, our peak industry body, has committed to continue this testing to develop audio attention metrics for broadcast audio and podcasting.

It's more important than ever for our sales and creative teams to know the audio content we represent, to understand our advertising products, and to be able to explain them simply and match them to our clients' objectives. Our success will be defined by how we deliver success for our clients.

Taking a client-centric approach, we've therefore created an integrated radio and digital audio sales structure. Our sales training provides 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.

SCA is also at the forefront of industry initiatives to educate buyers about digital audio and improve the tools available to buyers to transact with us. As Chairman of Commercial Radio and Audio, I am proud to say we have made good progress with the official survey provider - GfK - to evolve the commercial radio industry's audience measurement currency. Radio audience survey data is now collected predominantly by electronic diary and passive wearable devices with livestreaming data to be incorporated in coming months. The Australian Podcast Ranker, of which SCA was a founding member, now provides monthly data on both listeners (reach) and downloads (frequency), helping media buyers to plan and value their investment in digital audio inventory.

### **Re-imagine and restructure SCA's operating model**

Increasingly, content created for broadcast is consumed by our audiences on connected devices, whether live or later as a radio show podcast, or in snippets posted to LiSTNR. Our radio shows build engagement and loyalty with our audiences through audio and video clips posted to social media. In fact, audio visualisation is becoming increasingly important in the world of digital audio.

To meet these imperatives, SCA is committed to a digital first operating model for audio. We have made substantial progress in this direction, but work remains to optimise our workforce and systems. Actions

underway to close gaps in our current business model include designing new workflows, performance measures, and measurement and reporting tools; educating and upskilling our people to ensure we have the required capabilities; educating our clients about the benefits of digital audio advertising products; and partnering with leading content creators and technology innovators from around the world.

### **Television**

We are very comfortable retaining our television assets.

Through the sale of capital assets and outsourcing of asset intensive activities to specialist service providers since 2017, SCA has created a streamlined, efficient and capital light service. In the most recent financial year, SCA's television assets delivered EBITDA of \$30 million, with an improved EBITDA margin of 23.7% and a market leading revenue-to-audience power ratio of 1.09 in the three aggregated markets of regional Queensland, Southern NSW and regional Victoria. These outcomes followed a seamless transition to affiliation with Network 10 in the three aggregated markets from 1 July 2021.

SCA's provision of national sales representation services for Network 10 programming in Northern NSW, Western Australia, Tasmania, Darwin, and Mildura/Riverland deliver a simple and scaled "Total 10" sales proposition for national buyers of advertising in Network 10 programming in regional Australia.

Television is also a valuable and strong marketing platform to grow awareness and the number of users of LiSTNR in regional Australia. Our television business delivered around \$10 million of in-kind marketing support in the last financial year.

### **Executive leadership changes**

During the year, I was pleased to promote and welcome Rebecca Ackland to our executive leadership team as Chief People and Culture Officer. Rebecca joined our People and Culture team four years ago and has progressed rapidly from operational human resources responsibilities to designing and implementing initiatives to ensure SCA is agile, skilled and culturally leading our marketplace. Rebecca brings a fresh perspective to the leadership team and is a role model for other aspiring women at or considering joining SCA.

After eight years, we have recently farewelled Nick McKechnie as Chief Financial Officer. On behalf of SCA, I wish Nick success in his new role. I'm pleased to report we have identified a highly skilled and experienced executive to take over this important role and we will be in a position to announce that appointment later this month.

### **Trading update**

I'd now like to update you on our trading performance for the first four months of this fiscal year (being July – October).

Audio advertising markets have recovered this calendar year after Sydney and Melbourne emerged from the most recent lockdowns. That recovery has been led by national advertisers with local advertisers strengthening in recent times.



Our broadcast audio revenues in the first four months of this fiscal year have improved by seven percent against the prior comparative period.

Television markets recovered more quickly than other markets during 2021 and have generally contracted this year. SCA's television revenues for the first four months of this fiscal year are down by six percent - respecting that television is cycling over stronger comps.

Digital audio markets are growing strongly with the number of advertisers and volume per campaign rising. We expect these trends to continue as advertisers acknowledge the scale, diversity of content and incremental reach provided by over one million signed-in users on LiSTNR. We have also recently announced our exclusive sales representation of the world-acclaimed Stitcher and Wondery podcast libraries - which has meaningfully strengthened our proposition to advertisers and users of LiSTNR.

As a testament to the growth in digital audio, SCA's digital audio revenues for July to October have grown by forty percent compared to the same period last year.

Regarding our cost base, our management team continues to take a highly disciplined approach to limit cost growth despite inflationary pressures. As we said when releasing our results in August, we expect non-revenue related costs for the full financial year to grow by between two and four percent.

Finally, I confirm that our strong balance sheet, modest gearing, and consistent free cash flow generation will enable us to continue the current on-market buy-back. To date, we have expended \$13 million to buy back just over four percent of issued capital. At current prices, we believe the buy back is an effective use of capital to enhance shareholder returns.

### **Conclusion**

In conclusion, we are enormously proud of the culture we have built at SCA that encourages inclusion, diversity, agility, and collaboration. Our people are highly skilled, passionate, and curious by nature. They are dedicated to their local communities. This was – and is - exemplified during the year by our teams in Queensland and New South Wales – and currently in Victoria - keeping their communities informed as floods wreak physical and emotional damage in many of our communities.

Broadcast radio is an essential service, and our business continuity arrangements keep us on air when communities and emergency service providers need us most. At the same time, we continue to support thousands of small and medium business clients struggling to overcome these events, along with ongoing supply chain disruptions and labour shortages.

Our teams are passionate, engaged, and effective and will work hard in the year ahead to improve the pace of recovery and adapt to the changing and increasing consumption of our content anytime and anywhere. All with an ultimate focus on building value for our shareholders.

Grant Blackley  
Chief Executive Officer  
21 October 2022