



ASX RELEASE

16 February 2023

Audio revenues continue to grow

Southern Cross Media Group Limited (ASX: SXL) (**SCA**) today announced its financial results for the six months ended 31 December 2022.

The following table shows comparisons to the prior corresponding period:

	H1 FY23	Comparison to H1 FY22	
		H1 FY22	Variance
Revenue	260.1M	\$259.8M	0.1%
Expenses	(\$217.0M)	\$(213.3)	1.7%
EBITDA	\$43.1M	\$46.5M	(7.3%)
NPAT	\$14.6M	\$15.6M	(6.1%)
Net debt	\$102.5M	\$67.7M	51.7%
Free cash conversion	77.8%	52.4%	-
Interim dividend (cps)	4.60 cps	4.50 cps	-

The results for the prior corresponding period exclude the \$1.7M cost offset and \$0.5M tax impact of the Public Interest News Gathering (PING) government grant received by SCA in FY22. The PING grant is included in SCA's FY22 statutory results as an offset to employee expenses.

Results overview

Headline achievements for the period are outlined below. Unless stated otherwise, comparisons are to H1 FY22.

- SCA's group revenue of \$260.1M was flat, while group EBITDA of \$43.1M was \$3.4M lower.
- SCA's metro radio revenue grew 6.8% during the half, increasing its share of revenue when compared to 4.6% market growth. This result was underpinned by record radio audiences and SCA maintaining the #1 Metro radio network in the coveted 25-54 audience demographic (around 70% of advertising briefs target this demographic).
- SCA's audio revenue of \$200.4M was up \$6.7M or 3.5%, although audio EBITDA of \$40.6M was \$3.7M or 8.3% below the prior corresponding period reflecting ongoing investment in scaling LiSTNR, as well as wage increases and CPI-linked increases in broadcast transmission costs.
- LiSTNR reached 1.2M signed-up users and monthly stream starts on LiSTNR reached 5.9M, compared to just 1.7M two years ago.
- Digital audio revenue grew 37.5% to \$10.5M, significantly exceeding digital audio market growth of 11%. The digital audio EBITDA loss of \$9.3M narrowed by 12.3% compared to the prior year.

- Regional broadcast media markets had a challenging period. SCA's regional radio revenue was down 2.5% while television revenue was down 9.5%. This contraction was mostly due to the lower spends by some key national advertiser segments and subdued recovery by small and medium businesses.
- SCA was delighted to expand our national sales representation network to include ACE Radio's 21 radio stations which are mostly located in regional Victoria this year.
- All broadcast media markets performed more strongly in the first four months of the period than in November and December. In the case of audio, revenue growth of 8.7% in the first four months was paired with a contraction of 5.1% in the final two months. The advertising categories that declined the most included Government (down 28.8%), Consumer Electronics (down 19.5%), and Financial Services (down 37.4%).
- Despite inflationary pressures, group expenses were limited to 1.7% over the prior corresponding period, as a result of prudent and targeted cost management initiatives.
- SCA's balance sheet remains strong and able to support future growth and consistent returns for shareholders. Net debt of \$102.5M is modest and debt facilities are locked in until January 2026.
- Free cash conversion of 78% was higher than the prior corresponding period as working capital continued to normalise and capex reduced.

Capital management

SCA will pay a fully franked interim dividend of 4.6 cents per share, up from 4.5 cents per share in the prior corresponding period. At 76% of NPAT, the interim dividend is within SCA's policy to pay dividends of 65% to 85% of NPAT.

SCA has to date bought back 83.3% of the shares permitted under the on-market share buy-back at a total cost of \$24.4M. The Board intends to resume the buy-back after today's results and continue it until expiry of the permitted 12 months on 7 April.

Management commentary and outlook

SCA CEO, Grant Blackley, said:

"SCA's portfolio of audio assets, supported by our efficient and resilient operating structure, is positioning us for growth while continuing to return funds to shareholders through fully franked dividends and our on-market share buy-back.

"SCA creates more live and on-demand audio content than anyone else in Australia. And our investment in digital infrastructure over the past five years means we create an ever-expanding range of content for our audiences to enjoy anywhere, at any time, on the device of their choice. Despite reducing our headcount by 12% since 2019, we have grown our content output by 66% or 400,000 hours over the same period.

"Audiences for our broadcast content in the five Metro markets grew to record highs in 2022, making SCA the #1 Metro radio network in the coveted 25-54 audience demographic. This is the money demographic targeted by around 70% of advertising briefs.

“Awareness and use of our LiSTNR digital audio ecosystem continued to scale. With over 1.2 million signed-in users, and nearly 6 million monthly stream starts, LiSTNR is providing critical mass for brands to reach engaged and addressable audiences at scale. Our exclusive Australian sales representation of premium partners, such as Wondery and Stitcher, has expanded the reach of the LiSTNR sales network to 6.6 million monthly listeners. Whether you listen to a Wondery or a Stitcher podcast on LiSTNR or another distribution platform, you’ll always receive advertisements sold exclusively by SCA.

“SCA’s Q3 broadcast radio revenue is forecast to show flat to low single digit growth. January Metro revenue was up 3.4% and, in February, is forecast to be up 2%.

“In regional markets, local radio revenue was up 7% in January and is expected to be up 10% in February. However, national radio revenue, accounting for approximately 32% of all regional radio revenues, declined by 14.8% in January and is forecast to be back 8% in February. The television market is tracking 10 – 12% below last year for Q3.”

“Digital audio revenues will be up more than 65% for January and February compared to the prior corresponding period underpinned by more consumption on platform and new premium content partnerships. We expect the EBITDA loss on digital audio to continue to narrow as revenue grows well ahead of costs.

“For LiSTNR, we are targeting 2 million signed-in users by July 2024, and we currently forecast achieving cashflow break-even during the 2025 financial year.

“On the expense side, we expect non-revenue related costs to be up between 0 and 2% for the full year to 30 June, below prior guidance of 2 – 4%. Financing costs will be around \$17 million and full year capex is forecast to reduce by \$10M to around \$20 million for FY23.”

Approved for release by the Board of directors.

For further information, please contact:

Southern Cross Media Group Limited

Investors:

Tim Young
Chief Financial Officer
Tel: 03 9922 2036

Media:

Rochelle Burbury
Head of Corporate Communications
Mob: 0408 774 577

About Southern Cross Austereo

Southern Cross Austereo (SCA) is one of Australia’s leading media companies and the home of LiSTNR, the Hit and Triple M networks and regional television stations, reaching more than 95% of the Australian population. The LiSTNR digital audio app hosts a library of free and compelling digital audio content available anytime, anywhere. It houses SCA’s 99 FM, AM and DAB+ radio stations, including AFL, NRL and international cricket coverage, 27 music genre stations, and over 600 podcasts from leading Australian and global creators, plus local news and information. With more than one million signed-in users, LiSTNR has something to entertain, inform, and inspire all Australians and helps advertisers to connect with highly engaged and addressable audiences. The LiSTNR digital audio sales network reaches 8 million people a month. SCA owns 99 radio stations across FM, AM, and DAB+ radio under the Triple M and Hit network brands and provides national sales representation for 56 regional radio stations, with 6.131 million listeners across the Hit and Triple M networks. SCA broadcasts 96 free to air TV signals across regional Australia and represents or has a joint venture with 39 TV stations, reaching 3.6 million people a week. SCA broadcasts Network 10 programs in regional Queensland, southern NSW, and Victoria and provides national advertising sales representation for Network 10 programming in all Australian states and territories. SCA also broadcasts and provides sales representation for Seven Network programming in Tasmania, Darwin, and Remote Central and Eastern Australia and for Seven and Nine Network programming in Spencer Gulf and Broken Hill. SCA also features Sky News Regional in regional Queensland, southern NSW, and Victoria and sales representation in northern NSW, Griffith and Mount Gambier. SCA provides Australian sales representation for global open audio platform SoundCloud and Sonos Radio. www.southerncrossaustereo.com.au.