



ASX RELEASE

27 October 2023

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 to 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 Chair 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:

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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 800 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 an estimated 8 million people each month. SCA owns 99 radio stations across FM, AM, and DAB+ 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.

As shareholders are aware, last week we received a non-binding indicative offer from a consortium made up of ARN Media and Anchorage Capital Partners for ARN to acquire 100 percent of the shares in SCA and then to reorganise our and ARN's respective radio, television, and digital assets. The Consortium proposes that, in return for transferring shares in SCA, our shareholders would receive a combination of cash and shares in ARN.

While we had no knowledge of the proposal before receiving it last week, we are not surprised that potential acquirers are interested in SCA's assets.

As the home of the Hit and Triple M national radio networks, a regional television network, and our growing LiSTNR digital audio ecosystem, SCA is one of Australia's leading media companies, reaching 95 percent of the Australian population. In the financial year just ended, audiences for our core radio and digital audio assets grew to record levels and we increased our commercial share of metro and regional radio and digital audio markets. With a weekly national audience of nine million Australians, our 88 Triple M and Hit network radio stations reach two million more people than any other Australian commercial radio network. Our 10 metro Triple M and Hit network radio stations now deliver a combined number one overall share of listening nationally, including leading the key 25 to 54 Men, Women, and All People buying demographics.

Australians increasingly are choosing to enjoy our live radio, music streams, and podcasts on their mobile phones and other Internet-connected devices. This has seen signed-in users to LiSTNR surge to more than 1.6 million, and around eight million Australians now listen to one or more of over 800 podcasts on our LiSTNR podcast network every month.

Our advertisers benefit from the mass reach of our broadcast radio and television networks, and also from our increasing ability to target messages to more diverse and niche audiences through digital audio.

As a result of these trends, LiSTNR is on target to be profitable in the last quarter of this financial year and beyond.

Our Board believes that equity markets for some time have undervalued our business, both as it is today but also the growth opportunity in digital audio, and in our LiSTNR ecosystem specifically.

The proposal we have received from ARN and Anchorage is complex and highly conditional. Our Board and executive team are assessing it carefully to work out whether it could create additional value for our shareholders and whether the proposed terms are in our shareholders' best interests. Since receiving the proposal last week, we have set up sub-committees of our Board and management to consider the proposal, and our financial and legal advisers have held initial discussions with the Consortium's advisers.

I understand many of you will be interested to hear more about our progress in assessing the proposal. However, we remain at an early stage and there is nothing further we can tell you today. We will, of course, update our shareholders if there are material developments in our discussions with the Consortium. In the meantime, let me assure you that our focus in considering the proposal and in continuing to operate our business is on growing value for our shareholders.

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

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 group's failure to achieve these targets was due largely to declines in radio and particularly in television advertising markets. The group performed reasonably in areas we could control, growing commercial share in metro radio and especially in digital audio, achieving a parity sales-to-ratings power ratio in regional television, investing in our LiSTNR growth engine, and controlling costs.

The Board assessed that our leadership executives achieved between 29 percent and 59 percent of their incentive opportunities during the year. However, considering that corporate financial outcomes fell short of targets and the significant deterioration in SCA's share price during the year, the Board exercised discretion to reduce the awards of all leadership executives to between 20 percent and 50 percent of their respective opportunities.

Under our Executive Incentive Plan, half of each executive's award (and 40 percent of the CEO's award) have been paid in cash. The remainder has been settled by grant of equity performance rights that will be eligible for vesting after 30 June 2025, strongly aligning executives' interests with those of other shareholders. Members of the executive team who resigned during the year received their cash entitlements but have forfeited their performance rights.

Shareholders will recall the group's final long term incentive plan established in the 2021 financial year was eligible for vesting on 30 June 2023. With a single performance measure of total shareholder return over the three-year performance period to 30 June 2023, this plan focused on increasing SCA's market capitalisation and resuming a reliable flow of dividends over that period. While the group has resumed payment of dividends and conducted an on-market buy-back during the year, the group's market capitalisation deteriorated over the three-year performance period. As a result, the threshold TSR was not achieved, and the performance rights granted this plan did not vest. There are no other performance rights outstanding under the group's former LTI plan.

The Board oversaw several changes in SCA's senior executive ranks during last financial year. On 1 July, John Kelly stepped up as Managing Director and Chief Executive Officer. John brings extensive strategic, operational, and financial leadership experience from 25 years working for Australian media and sporting organisations, including the last seven as SCA's Chief Operating Officer. We were also pleased to welcome Tim Young as Chief Financial Officer and Seb Rennie as Chief Commercial Officer. These internal and external appointments were assisted by the robust succession planning process undertaken by our Board and executive team in recent years.

Under John's leadership, our refreshed, refocused, and streamlined executive team has clear goals to drive improvements in financial performance and returns for shareholders in the year ahead.

I would like to thank my fellow directors for their guidance and support during the year. And, on behalf of the Board, I would also like to thank the group's leadership team and our people all around Australia for your dedication, creativity, and commitment.

I now invite our CEO and Managing Director John Kelly to say a few words.

Rob Murray
Chair
27 October 2023

I am pleased to speak to you today for the first time as SCA's CEO and Managing Director. Having been with SCA as Chief Operating Officer since 2016, I strongly believe in our mission to entertain, inform, and inspire Australians, anytime, anywhere. I have an intimate understanding of our radio, digital audio, and television portfolio of assets, and am confident that our strategy, including the digital transformation of our business model, positions us for future growth and improving returns for shareholders.

I am also a champion of our *Proudly National, Fiercely Local* mantra. As the world becomes more global and more digital, our connections to local communities become ever more important. Put simply, localism is the antidote to globalism. Our 1,600 people - located across the length and breadth of Australia - live, work, play, and actively contribute to their local communities. Our radio and digital audio content is relevant to those local communities, and our advertising services support thousands of local businesses.

We did not achieve our revenue and profitability targets in the 2023 financial year, and broadcast advertising markets remain challenging. In these circumstances, we are continuing to drive initiatives to grow our share of available advertising markets and improve our operating efficiency. We did well in the face of inflationary pressures last year to reduce non-revenue-related expenses by 1.3 percent and total expenses by two percent. As I'll mention later, we have continued to actively reduce our cost base in the current financial year.

For the future, SCA is all about audio. This includes broadcast and livestreamed radio, music streaming, live sport, and on-demand podcasts.

Radio is alive and well, and our radio shows continue to provide large and engaged audiences for our advertisers' commercial messages.

A Deloitte Access Economics report in August 2023 found that 17 million Australians listen to commercial radio, while the 2023 Infinite Dial Australia study found that 81% of Australians aged 12 or older listen to digital radio monthly – this includes live radio as well as catch-up podcasts of our radio shows.

As Rob mentioned, our own Triple M and Hit Network radio stations have nine million weekly listeners. The Hit Network is the number 1 metro network for women, and the Triple M Network is the number 1 metro network for men in the coveted 25 to 54 buying demographic. We've been pleased in recent metro radio surveys that four of our benchmark Breakfast shows have consistently achieved the number one or number two commercial FM share in their cities – they are Fifi, Fev and Nick on Fox FM in Melbourne; Roo, Ditts and Loz on Triple M in Adelaide; Stav, Abby and Matt on B105 in Brisbane; and Pete, Matt and Kymba on Mix 94.5 in Perth. In Sydney, our Triple M and 2Day FM Breakfast shows have both significantly grown their cumulative audiences.

Our Triple M network holds valuable rights for Australia's most popular sports, AFL, NRL, and international cricket. In all cases, we hold radio broadcast rights, as well as digital audio streaming rights. This has expanded the Australia-wide audience for Triple M's leading coverage of these sports, benefiting our audiences, the sports themselves, and our advertising partners. One of the largest spikes we have seen in sign-ups to LiSTNR occurred when we launched our international cricket coverage on LiSTNR in regional Australia.

Our audiences increasingly are choosing to enjoy our radio shows on digital devices – mobile phones, tablets, laptops and desktop computers, smart speakers, and car dashboards – and many of our listeners are choosing to listen to a podcast or watch highlights on social media of our radio

shows at a time and place that suits them. To meet this demand, our radio teams think digital first, so our radio shows can continue to grow and engage our audiences on the platforms our audiences prefer.

Increasing consumption of our radio shows, music streams, and podcasts on digital devices means we are building a deeper understanding of our listeners. The more we know about our listeners, the more we can personalise and enhance their experience on LiSTNR to keep them on-platform to discover and enjoy more of our content. We know from surveys that consumers now expect companies to deliver personalised interactions and will leave a brand when this doesn't happen. That's why we're developing a sophisticated data analytics and insights capability to provide our listeners with a rich and personalised user experience at all touchpoints of our LiSTNR ecosystem.

And lifting the loyalty of our audiences on LiSTNR means we can also provide richer data and audience insights to help our advertising partners connect to relevant and valuable audiences. While our broadcast radio and television assets will continue to provide our advertising partners with valuable reach for their messages, that reach is largely to an unknown audience. Smaller but targeted audiences of "known users" in digital environments such as LiSTNR are highly attractive to our advertising partners, who will pay a premium for improved targeting of their messages.

Our investment in LiSTNR to further improve the user experience, enhance our data analytics capability, and expand the volume and diversity of the available content is directly serving the needs and preferences of our listeners and advertisers. It will also mitigate the impact of the foreshadowed removal of cookies from online environments. This will make first party data from users on LiSTNR more necessary and valuable than ever.

The digital advertising market in Australia was valued at \$14.2 billion in 2022. At present, that market is dominated by Meta and Google, which account for about two-thirds of digital advertising expenditure in Australia. There is an appetite among media buyers and advertisers to broaden their advertising technology stack to reduce their reliance on these global players and to incorporate other platforms, including digital audio.

The digital audio advertising market in Australia has most recently been valued by the Internet Advertising Bureau at \$235 million, which is just 1.6 percent of the total digital advertising market. Clearly, there is a huge opportunity. And, with more than 1.6 million signed-in users and a total digital audience of more than eight million monthly listeners, LiSTNR is well-positioned to take a meaningful share of the growing digital audio advertising market.

It is also worth highlighting that LiSTNR is fully owned, developed and controlled by SCA. International and local leading podcast publishers – including Wondery, Sirius XM, Schwartz Media, and Diamantina Media - have sought us out for hosting, creative, and sales partnerships. LiSTNR is not yet three years old, and we are looking forward in the years ahead to delivering the benefits to our shareholders, our partners, and our communities.

Before giving you an update on current performance and trading, I will touch briefly on our regional television operations which, as shareholders are aware, dragged on our results in the most recent financial year. Audiences for broadcast television are in long term decline. As is the case for listeners to our audio products, television viewers are migrating to digital consumption, including the BVOD offerings of our metropolitan program suppliers. Advertising markets for broadcast television are declining in parallel and, in our case, this decline has been exacerbated by comparatively softer ratings performance by Network 10 programming and our regional television competitors having more unified sales processes. Our television sales teams did well to achieve a parity sales-to-ratings power ratio in our Network 10 markets in the most recent financial year. We are in active

discussions with Network 10 to extend our affiliation beyond 31 December, and to streamline our collective offering to media agencies and national advertisers with a view to stabilising returns to SCA and our shareholders. We will update shareholders once those discussions are complete.

I'd now like to update you on our performance for the current financial year.

- Advertising markets remain short and inconsistent.
- Our cost out program to date has exceeded the upper end of previous guidance, both on an annualised basis and for the current financial year. This means we will reduce our annualised cost base by more than \$15 million, with net savings of more than \$10 million to be realised in the current financial year. Most of these savings will be realised in the second half, and we expect total cost growth will be below CPI for the full year.
- Net capex for the full year is forecast to be in line with previous guidance of around \$17 million.
- Broadcast radio revenues remain steady and are tracking in line with the prior year.
- Digital audio revenue continues to perform strongly and ahead of our radio peers. We confirm our guidance that LiSTNR will reach an EBITDA breakeven run rate in the final quarter of this financial year.
- Television remains challenged, with first quarter revenue below the prior corresponding period and second quarter revenues pacing to remain that way.

In conclusion, we love what we do at SCA, and we're driven to best use our powerful brands, scale, creativity, and technology to build value for our listeners, communities, advertisers, and most importantly shareholders. I join Rob in thanking our people for their contributions to achieving these goals.

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

John Kelly
Chief Executive Officer
27 October 2023