



ASX RELEASE

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Recommendation on alternative ARN proposal and SXL trading update

ARN Alternative Indicative Proposal

Southern Cross Media Group Limited (ASX: SXL) (**SCA**) refers to its announcement on 13 May 2024 in relation to withdrawal by the Consortium comprising ARN Media Limited (ASX: A1N) (**ARN**) and Anchorage Capital Partners Pty Limited (**ACP**) of its proposal to acquire SCA and to ARN's announcement on 13 May 2024 indicating ARN's intention to engage with SCA on a revised proposal which would result in SCA shareholders exchanging their interest in SCA for ~36%¹ of "New ARN" together with 100% of "New SCA" (**Alternative Indicative Proposal**).

Under the Alternative Indicative Proposal, New ARN would comprise a metro radio network of 10 stations under the KIIS and Triple M brands and 100% of ARN's and SCA's existing digital audio assets, while New SCA would comprise the radio and TV assets that would have been acquired by ACP under the previous Consortium proposal, namely 44 radio stations, comprising 5 HIT and 3 Gold-branded metro stations and 36 regional radio stations, and SCA's regional TV assets.

SCA does not consider it to be in its shareholders' interests to engage further with ARN on the Alternative Indicative Proposal.

SCA has not received any formal proposal from ARN following ARN's announcement that the Consortium's proposal was withdrawn. However, the SCA Board confirms that, having considered the Alternative Indicative Proposal with the benefit of financial and legal advice, it has determined not to engage on any future proposal which may be provided by ARN in terms consistent with the Alternative Indicative Proposal.

SCA has carefully considered the following factors in reaching this decision.

- SCA already has high quality radio and digital audio assets that deliver the largest radio audience in Australia. With 10 metro radio stations and 78 regional radio stations, all networked under SCA's national Triple M and Hit brands, SCA reaches over nine million people each week. SCA's LiSTNR platform has over 1.9 million signed-up users and the largest Australian podcast sales network, reaching over seven million Australians each month. And, after completion of a five year digitisation investment cycle, SCA's LiSTNR digital audio business is the fastest growing audio platform in Australia and is now generating positive EBITDA.
- The Alternative Indicative Proposal would involve incurring significant costs to break up SCA's highly networked and integrated audio platform, and would reduce SCA shareholders' exposure to this high quality platform while maintaining their exposure to regional television, which SCA has identified as non-core.

¹ Reflects SCA's implied ownership in ARN assuming an 0.87 exchange ratio

- Under the Alternative Indicative Proposal, SCA shareholders would be left with interests in two competing media businesses, both with listed company governance and group costs, and one of which would have a market capitalisation of ~\$100 million², which SCA considers would be sub-scale and less liquid than SCA today.
- The Alternative Indicative Proposal would require SCA to transfer its LiSTNR platform and digital audio assets to ARN. As a result, SCA shareholders' exposure to digital audio would reduce from 100% in SCA today to ~36%.¹ SCA continues to see strong momentum in its LiSTNR digital audio business, which is now generating positive EBITDA. The LiSTNR AdTech Hub offers market-leading commercial opportunities in digital audio through increased personalisation and targeting, extensive dynamic creative optimisation, and an Australia-based CDP with first party data clean room solutions and services. SCA believes that retaining 100% exposure to LiSTNR is in the best interests of its shareholders.

The SCA Board and its advisers have reviewed the economics and structure of the Alternative Indicative Proposal. SCA considers that the Alternative Indicative Proposal will not generate the incremental earnings or value outlined or implied in ARN's announcement and accordingly is not in the best interests of SCA's shareholders.

In addition, SCA has also considered the execution risks associated with the Alternative Indicative Proposal. Upon receiving the Consortium's original proposal, SCA highlighted the significant structural, technical, and other separation challenges - with resulting execution risk - that would be involved in delivering the Consortium's original proposal. As of last week, despite the significant time, costs and resources dedicated to engagement with the Consortium over the last seven months, the Consortium had not yet been able to advise a deliverable solution to resolve those fundamental structural challenges.

The Alternative Indicative Proposal retains these unresolved structural challenges and raises additional execution risks associated with the need to agree upon a new structure to demerge and list New SCA on the ASX and satisfy the requisite regulatory and governance requirements. Based on its engagement with the Consortium over the last seven months, SCA is not confident in ARN's ability to resolve the structural challenges associated with the Alternative Indicative Proposal.

Neither reverse due diligence nor negotiation of the key commercial terms were substantially complete in respect of the previous proposal from the Consortium. The Consortium had not responded to the first draft of key transaction documentation provided by SCA over a month ago.

SCA believes that the Alternative Indicative Proposal is not currently actionable and considers that there are significant execution risks to its implementation.

SCA remains open to considering proposals that would deliver fair value and be in the best interests of all SCA shareholders. The SCA Board considers that the Alternative Indicative Proposal does not satisfy either of these requirements.

SCA Chair, Heith Mackay-Cruise, said:

"The alternative proposal provides downside for SCA shareholders, even if the execution challenges could be overcome.

² Based on the indicative assumptions outlined by ARN, being PF FY24 EBITDA of \$40m (pre-AASB16), 1.0x net debt / PF FY24 EBITDA and an illustrative 3.5x EV / PF FY24 EBITDA trading multiple.

“SCA is Australia’s largest commercial radio and fastest growing digital audio business. Under the alternative proposal, SCA shareholders would be left with a minority interest in an expanded ARN business and full ownership of sub-scale commercial radio assets and declining regional television assets, with limited exposure to the fastest growing media sector of digital audio, and with no cash in return.

“Over seven months of engagement, the Consortium was unable to deliver its original proposal in an executable form. The SCA Board does not believe transferring that complexity, value and execution risk to SCA shareholders is in their best interests.”

SCA recommends shareholders take no further action in relation to the Alternative Indicative Proposal.

Trading update

SCA provides the following trading update for the four months ended 30 April 2024.

- SCA Audio outperformed the market with revenues³ up 2% on the prior corresponding period (**pcp**):
 - Digital audio has continued to grow strongly, led by LiSTNR, with SCA delivering gross revenue growth of 56% on pcp which is substantially above overall market growth.
 - SCA radio advertising revenues declined by 2% on the pcp, but SCA’s metro market share improved, given the comparable decline of 4% in the metro radio advertising market.
- SCA’s regional television business has continued to decline at a rate consistent with the first half of FY24, with YTD revenues down 10%. The recently announced closure of the Network 10 programmed WIN/Seven joint venture in Mildura will have an immaterial financial impact on SCA. SCA provides national sales representation, programming and support services for this joint venture for which it expects to earn \$150,000 in FY24.
- Total group revenues were in line with the pcp.

SCA provides the following guidance for the the full financial year to 30 June 2024.

- May and June total group advertising bookings are pacing slightly ahead of the pcp.
- LiSTNR delivered positive EBITDA for the first time in April and is on track to be EBITDA profitable for Q4 FY24.
- We affirm previous guidance in February 2024 that:
 - Full year capital expenditure will be around \$15m.
 - Our \$30m cost reduction program will deliver full year non-revenue-related costs below \$310m.

³ In this trading update, SCA revenues are gross billing revenues and relevant market shares are as reported in the CRA April 2024 industry report. SCA digital audio revenues on a net revenue basis have grown by 43% for the four-month period ended 30 April 2024.

- Transaction costs associated with the Consortium's proposal are expected to be between \$4m and \$5m and will be recognised as a non-recurring item in SCA's FY24 results.
- Continued active capital management will see year-end leverage remain below two times EBITDA and well within banking covenants.

Approved for release by the Board of Directors.

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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.

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