

# ► Southern Cross Austereo FY11 Results Presentation



# Headline Achievements

- Like for Like sales up 4.7% to \$719.2m
- Like for Like EBIT up 8.4% to \$204.4m
- Acquired Austereo to create a National multimedia company
- Launched Southern Cross Austereo Brand
  - Formed one management team
  - Ahead of plan with integration and corresponding synergies



# Headline Achievements (cont.)

- Successfully secured new financing (expiring March 2015) at better pricing and covenant package
- Net Debt at 30 June of \$693.4m (Covenant ratio < 3 times)
- Increased EBITDA and EBIT margins
- EPS from operations up 20.6% to 15.0 cps (Reported 11.55 cps)
- Cash conversion 110%
- Full year dividend of 10 cps fully franked – final dividend 3 cps
  - Full year payout ratio of 90% on reported NPAT

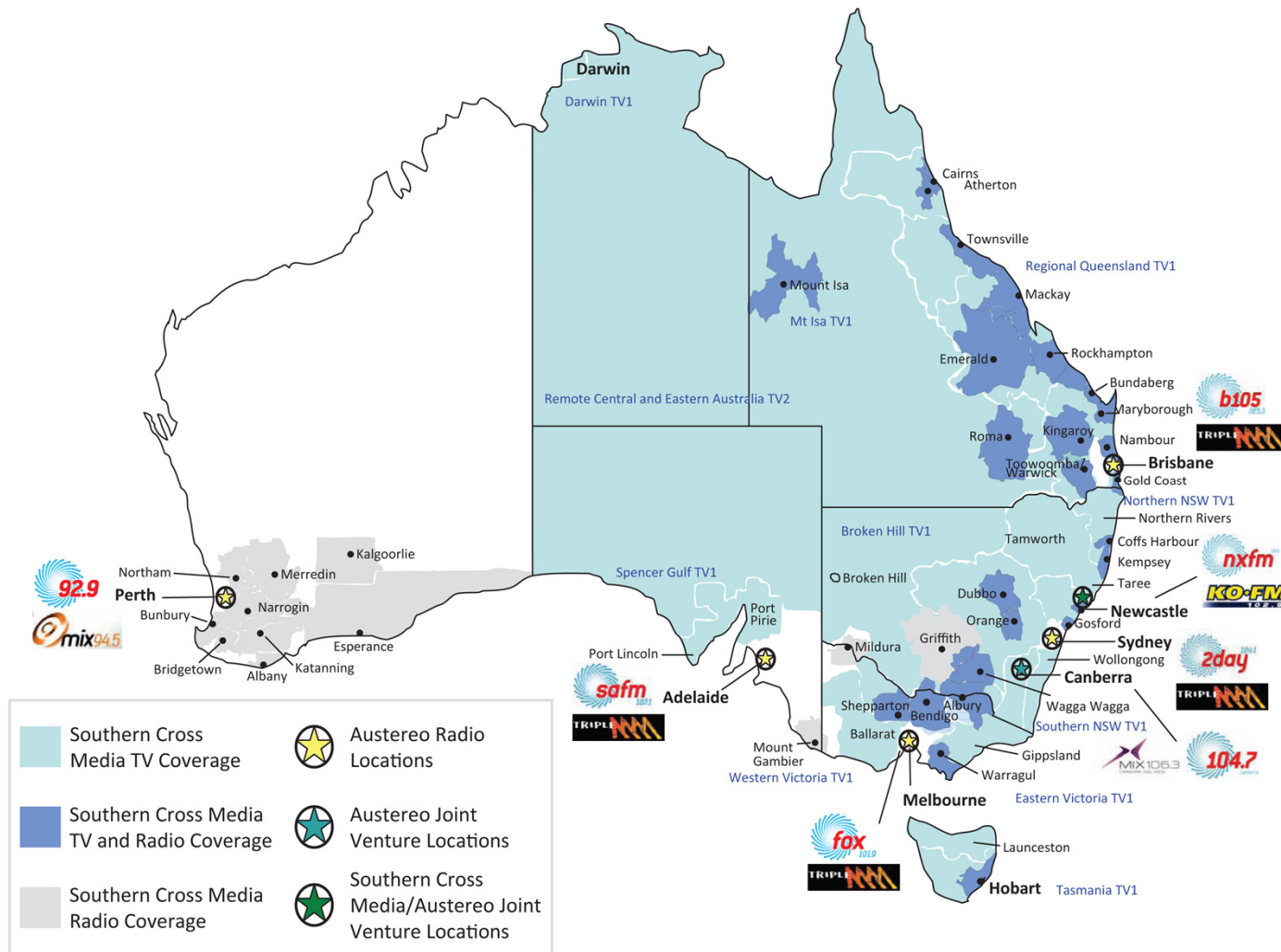


# Sizzle Reel Slide





# Australia's biggest broadcasting group with potential audience reach of over 95% of Australians...



# Multi Media Entertainment Solutions



Steve Kelly, CFO

# FY11 Financial Analysis



# Financial Analysis Contents

- **FY11 reported to underlying results**
- **Underlying results summary**
- **Underlying results components**
- **Regional results FY11 v FY10 comparative**
- **Metro results reconciliation**





# Financial Analysis Contents (cont.)

- **Metro results FY11 to FY10 comparative**
- **Pro forma full year Group comparative result**
- **Balance Sheet Summary**
- **Debt Facilities**
- **Cash Flow summary**
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# FY11 Underlying Results

| <i>\$ millions</i>      | Reported     | Proportional<br>Consol. of<br>JV's | Transaction<br>Costs | Underlying   |
|-------------------------|--------------|------------------------------------|----------------------|--------------|
| <b>Revenue</b>          | <b>492.8</b> | <b>9.3</b>                         | -                    | <b>502.1</b> |
| Expenses                | (344.0)      | (7.1)                              | 7.3                  | (343.8)      |
| Equity accounted profit | 1.4          | (1.4)                              | -                    | -            |
| <b>EBITDA</b>           | <b>150.2</b> | <b>0.8</b>                         | <b>7.3</b>           | <b>158.3</b> |
| Depreciation & Amort.   | (22.1)       | (0.1)                              | -                    | (22.2)       |
| Net Finance Costs       | (50.2)       | -                                  | 13.1                 | (37.1)       |
| Financial Derivatives   | (1.3)        | -                                  | -                    | (1.3)        |
| <b>PBT</b>              | <b>76.6</b>  | <b>0.7</b>                         | <b>20.4</b>          | <b>97.7</b>  |
| Tax                     | (23.3)       | (0.7)                              | (5.2)                | (29.1)       |
| <b>NPAT</b>             | <b>53.3</b>  | -                                  | <b>15.2</b>          | <b>68.5</b>  |



# FY11 Underlying Results Components

| <i>\$ millions</i>          | Regional       | Metro<br>(April to June) | Underlying*    |
|-----------------------------|----------------|--------------------------|----------------|
| TV                          | 270.0          | -                        | 270.0          |
| Radio                       | 158.3          | 74.5                     | 232.8          |
| <b>Total Revenue</b>        | <b>428.3</b>   | <b>74.5</b>              | <b>502.8</b>   |
| Broadcast & Production      | (112.7)        | (6.6)                    | (119.3)        |
| Employee                    | (93.7)         | (26.6)                   | (120.3)        |
| Selling, General & Admin    | (81.5)         | (16.7)                   | (98.2)         |
| Corporate                   | (6.7)          | -                        | (6.7)          |
| <b>Total Expenses</b>       | <b>(294.6)</b> | <b>(49.9)</b>            | <b>(344.5)</b> |
| <b>EBITDA</b>               | <b>133.7</b>   | <b>24.6</b>              | <b>158.3</b>   |
| Depreciation & Amortisation | (19.7)         | (2.5)                    | (22.2)         |
| <b>EBIT</b>                 | <b>114.0</b>   | <b>22.1</b>              | <b>136.1</b>   |

\*Excludes intercompany eliminations of \$0.7m



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# FY11 Underlying Comparative Summary

|                      | FY11         | FY10                  |   |       |
|----------------------|--------------|-----------------------|---|-------|
| Revenue              | \$502.1m     | \$416.7m              | ↑ | 20.5% |
| EBITDA               | \$158.3m     | \$129.8m              | ↑ | 22.0% |
| <i>EBITDA Margin</i> | <i>31.5%</i> | <i>31.1%</i>          |   |       |
| EBIT                 | \$136.1m     | \$107.7m              | ↑ | 26.4% |
| <i>EBIT Margin</i>   | <i>27.1%</i> | <i>25.8%</i>          |   |       |
| NPAT                 | \$68.5m      | \$52.3m               | ↑ | 31.0% |
| <i>NPAT Margin</i>   | <i>13.6%</i> | <i>12.6%</i>          |   |       |
| Reported EPS         | 11.55 cps    | 5.76 <sup>1</sup> cps | ↑ | 100%  |

<sup>1</sup> Reported EPS for FY10 is from Continuing Operations



# Regional Results Comparative Performance

| <i>\$ millions</i>          | <b>FY11</b>    | <b>FY10</b>    | <b>% Variance</b> |
|-----------------------------|----------------|----------------|-------------------|
| TV                          | 270.0          | 265.9          | 1.5%              |
| Radio                       | 158.3          | 150.8          | 5.0%              |
| <b>Total Revenue</b>        | <b>428.3</b>   | <b>416.7</b>   | <b>2.8%</b>       |
| Broadcast & Production      | (112.7)        | (104.2)        | 8.2%              |
| Employee                    | (93.7)         | (91.6)         | 2.3%              |
| Selling, General & Admin    | (81.5)         | (82.6)         | (1.4%)            |
| Corporate                   | (6.7)          | (8.5)          | (21.2%)           |
| <b>Total Expenses</b>       | <b>(294.6)</b> | <b>(286.9)</b> | <b>2.7%</b>       |
| <b>EBITDA</b>               | <b>133.7</b>   | <b>129.8</b>   | <b>3.0%</b>       |
| Depreciation & Amortisation | (19.7)         | (22.1)         | (10.9%)           |
| <b>EBIT</b>                 | <b>114.0</b>   | <b>107.7</b>   | <b>5.8%</b>       |
| <b>EBIT %</b>               | <b>26.6%</b>   | <b>25.8%</b>   |                   |





# Metro Results Reconciliation

| <i>\$ millions</i>          | <b>FY11</b><br>(July to March)<br>Pre acquisition | <b>FY11</b><br>(April to June)<br>Post acquisition | <b>FY11</b>    | Pre<br>acquisition<br>One Off<br>Costs | <b>FY11</b><br>Underlying<br>Result |
|-----------------------------|---|--|----------------|--|-------------------------------------|
| Radio                       | 216.4   | 74.5   | 290.9          | -                                      | 290.9                               |
| <b>Total Revenue</b>        | <b>216.4</b>                                      | <b>74.5</b>  | <b>290.9</b>   | -                                      | <b>290.9</b>                        |
| Broadcast & Production      | (18.6)  | (6.6)  | (25.2)         | -                                      | (25.2)                              |
| Employee                    | (72.8)  | (26.6)   | (99.4)         | 0.3                                    | (99.1)                              |
| Selling, General & Admin    | (50.9)  | (16.7)   | (67.6)         | -                                      | (67.6)                              |
| Transaction Costs           | (2.5)   | -  | (2.5)          | 2.5                                    | -                                   |
| <b>Total Expenses</b>       | <b>(144.8)</b>                                    | <b>(49.9)</b>                                      | <b>(194.7)</b> | <b>2.8</b>                             | <b>(191.9)</b>                      |
| <b>EBITDA</b>               | <b>71.6</b>                                       | <b>24.6</b>  | <b>96.2</b>    | <b>2.8</b>                             | <b>99.0</b>                         |
| Depreciation & Amortisation | (6.1)   | (2.5)  | (8.6)          | -                                      | (8.6)                               |
| <b>EBIT</b>                 | <b>65.5</b>                                       | <b>22.1</b>  | <b>87.6</b>    | <b>2.8</b>                             | <b>90.4</b>                         |



# Metro Results Comparative Performance

| <i>\$ millions</i>          | <b>FY11 <sup>1</sup></b> | <b>FY10 <sup>1</sup></b> | <b>% Variance</b> |
|-----------------------------|--------------------------|--------------------------|-------------------|
| Radio                       | 290.9                    | 270.0                    | 7.7%              |
|                             | <b>290.9</b>             | <b>270.0</b>             | <b>7.7%</b>       |
| Broadcast & Production      | (25.2)                   | (24.0)                   | 5.0%              |
| Employee                    | (99.1)                   | (91.4)                   | 8.4%              |
| Selling, General & Admin    | (67.6)                   | (65.6)                   | 3.0%              |
| <b>Total Expenses</b>       | <b>(191.9)</b>           | <b>(181.0)</b>           | <b>6.0%</b>       |
| <b>EBITDA</b>               | <b>99.0</b>              | <b>89.0</b>              | <b>11.2%</b>      |
| Depreciation & Amortisation | (8.6)                    | (8.1)                    | 6.0%              |
| <b>EBIT</b>                 | <b>90.4</b>              | <b>80.9</b>              | <b>11.7%</b>      |
| <b>EBIT %</b>               | <b>31.1%</b>             | <b>29.9%</b>             |                   |

<sup>1</sup> Includes proportional consolidation of JV's



# Pro Forma FY Group Results Comparative

| <i>\$ millions</i>          | <b>FY11</b>    | <b>FY10</b>    | <b>% Variance</b> |
|-----------------------------|----------------|----------------|-------------------|
| TV                          | 270.0          | 265.9          | 1.5%              |
| Radio                       | 449.2          | 420.8          | 6.7%              |
| <b>Total Revenue</b>        | <b>719.2</b>   | <b>686.7</b>   | <b>4.7%</b>       |
| Broadcast & Production      | (137.9)        | (128.2)        | 7.6%              |
| Employee                    | (192.8)        | (183.0)        | 5.4%              |
| Selling, General & Admin    | (149.1)        | (148.2)        | 0.6%              |
| Corporate                   | (6.7)          | (8.5)          | (21.2%)           |
| <b>Total Expenses</b>       | <b>(486.5)</b> | <b>(467.9)</b> | <b>4.0%</b>       |
| <b>EBITDA</b>               | <b>232.7</b>   | <b>218.8</b>   | <b>6.4%</b>       |
| Depreciation & Amortisation | (28.3)         | (30.2)         | (6.3%)            |
| <b>EBIT</b>                 | <b>204.4</b>   | <b>188.6</b>   | <b>8.4%</b>       |
| <b>EBIT %</b>               | <b>28.4%</b>   | <b>27.5%</b>   |                   |



# Balance Sheet Summary

| <i>\$ millions</i>         | <b>FY11*</b>   | <b>FY10</b>    | <b>Movement</b> |
|----------------------------|----------------|----------------|-----------------|
| Intangibles                |                |                |                 |
| Radio & TV Licences        | 1,642.3        | 768.5          | 873.8           |
| Goodwill                   | 355.6          | 295.9          | 59.7            |
| Other                      | 0.1            | 0.4            | (0.3)           |
|                            | <b>1,998.0</b> | <b>1,064.8</b> | <b>933.2</b>    |
| Cash                       | 31.6           | 38.1           | (6.5)           |
| Other assets               | 368.7          | 292.9          | 75.8            |
| <b>Total Assets</b>        | <b>2,398.3</b> | <b>1,395.8</b> | <b>1,002.5</b>  |
| Borrowings                 | (708.5)        | (287.5)        | (421.0)         |
| Payables & Provisions      | (190.8)        | (75.9)         | (114.9)         |
| <b>Shareholders Equity</b> | <b>1,499.0</b> | <b>1,032.4</b> | <b>466.6</b>    |

\* Provisionally accounted at 30 June 2011



# Debt Facilities

| <i>\$ millions</i>  | FY11  | FY10  |
|---------------------|-------|-------|
| Reported Borrowings | 708.5 | 287.5 |
| Borrowing Costs     | 16.9  | 12.8  |
| Lease Liabilities   | (0.4) | (0.3) |
| Drawn Debt          | 725.0 | 300.0 |

- Newly completed \$765m four year syndicated facility, maturing in March 2015
  - \$503m term facility
  - \$222m re-drawable facility
  - \$40m working capital (including \$10m for guarantees etc)
- Leverage ratio (Net Debt : EBITDA) 3.6:1 to 30/6/13 thereafter 3.25:1
  - Current level 2.96\*
- Interest Cover Ratio Covenant 2.9:1 to 30/6/13 thereafter 3.15:1
  - current level over 4

\* Calculation based on pro-forma FY11 Results (refer slide 14)





# Cash Flow

\$ millions

*Opening Cash* 38.1

**Cash From Operations** 164.6

Interest, Derivative & Borrowing Cost payments (38.8)

Capital expenditure (13.9)

Distributions to Security Holders (48.5)

Net Capital raising proceeds 471.6

Debt increase 220.4

Payment for acquisition of Austereo (721.0)

Transaction costs (40.9)

**Closing Cash** 31.6

*EBITDA (Reported)* 150.2

**Conversion** 110%



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# EPS Analysis

| <i>cents per share</i>              | <b>FY11</b>   | <b>FY10*</b> |
|-------------------------------------|---------------|--------------|
| Operations                          | <b>15.04</b>  | 11.62        |
| Derivative Impact                   | <b>(0.20)</b> | 3.52         |
| Transaction & Integration Costs     | <b>(3.29)</b> |              |
| Net Restructuring Cost Impact       |               | (1.19)       |
| Internalisation Impact              |               | (8.19)       |
| Discontinued Operations             |               | (29.69)      |
| Reported                            | <b>11.55</b>  | (23.93)      |
| <i>Weighted average # of Shares</i> | <b>461.6m</b> | 345.5m       |
| <i>Actual closing # of Shares</i>   | <b>705.7m</b> | 378.8m       |

\* Varies from last years calculation due to re-weighting of number of shares as a result of rights issue (LY 322.1m)



# Rhys Holleran, CEO

## Operations



# Trading Highlights

- **Radio up 6.7%**
  - Maintained market leadership position nationally
  - Metro radio business grew 8.0% vs 5.7% market growth
  - Regional business grew 5.0%
- **TV Revenue up 1.5% impacted by:-**
  - Strong power ratio performance in H2 - circa 1.1
  - Commonwealth Games in H1
  - Challenging ratings performance for TEN
- **EBITDA growth in excess of revenue growth due to prudent cost management**
- **Establishment of truly National Multi Media Company via acquisition of Austereo**



# Advertising Revenues

| Full Year                | Regional Radio      |                 | Metro Radio <sup>1</sup> |                 | Metro Radio Market <sup>2</sup> |
|--------------------------|---------------------|-----------------|--------------------------|-----------------|---------------------------------|
|                          | % split of revenues | % change vs pcg | % split of revenues      | % change vs pcg | % change vs pcg                 |
| Local Advertising        | 67.40%              | 1.40%           | 28.75%                   | 3.81%           | 5.90%                           |
| National Advertising     | 24.06%              | 8.40%           | 69.78%                   | 10.19%          | 5.50%                           |
| <i>Total Advertising</i> | <i>91.46%</i>       | <i>3.20%</i>    | <i>98.53%</i>            | <i>8.20%</i>    | <i>5.70%</i>                    |
| Other                    | 8.54%               | 28.93%          | 1.47%                    | -5.24%          |                                 |
| <b>Total Revenue</b>     | <b>100.00%</b>      | <b>5.00%</b>    | <b>100.00%</b>           | <b>8.00%</b>    |                                 |

| Full Year                | TV                  |                 | Regional Market TV <sup>3</sup> |
|--------------------------|---------------------|-----------------|---------------------------------|
|                          | % split of revenues | % change vs pcg | % change vs pcg                 |
| Local Advertising        | 38.04%              | 2.80%           | 3.90%                           |
| National Advertising     | 53.89%              | 0.30%           | 7.40%                           |
| <i>Total Advertising</i> | <i>91.92%</i>       | <i>1.30%</i>    | <i>6.10%</i>                    |
| Other                    | 8.08%               | 4.00%           |                                 |
| <b>Total Revenue</b>     | <b>100.00%</b>      | <b>1.50%</b>    |                                 |

<sup>1</sup> 5 Capital cities only

<sup>2</sup> Deloitte metro radio market report

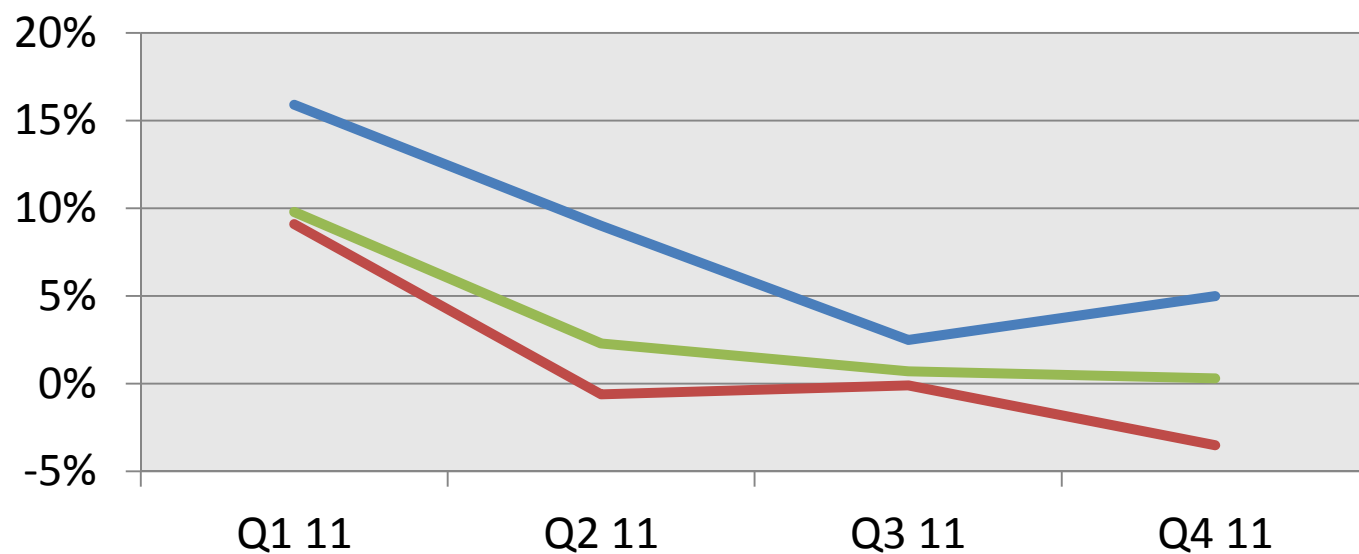
<sup>3</sup> KPMG Report (4 Aggregate Market only)





# Revenue Trends

## PCP Growth



— Metro Radio — Regional TV — Regional Radio



# Acquisition Update

- Southern Cross Austereo launched as new brand
- Peter Harvie appointed to the Board
- One management structure announced
- Integration teams working well and ahead of required run rate
  - Synergy run-rate to date \$5.7m p.a. (40% of total target and 100% of first year target)
- National Content direction firmly established
- Co-location well progressed



# Outlook

- Current revenue performance is mirroring consumer uncertainty
- Agencies and market analysts have ADEX forecasts ranging from 0% to 5% growth with regional being slightly behind metro in most cases.
- Radio forecasts are similarly diverse



## Outlook (cont.)

- Channel TEN have announced 2012 line up
- We expect markets to remain challenging for the remainder of this year
- Despite the uncertain trading conditions we expect to deliver positive underlying profit growth as the benefits of the combination of the Regional and Metro businesses continue to be realised



# Summary

- Another strong year in the development of our business plan - acquiring the leading metropolitan radio business.
- Rapid and co-operative development in creating one Southern Cross Austereo business
- Operational performance of the businesses was not distracted by the transaction
- Operating margins continued to expand – scale and leverage will continue to assist in this area
- Cash conversion of operational performance assisted greatly in executing the acquisition efficiently
- The payment of 3 cps final dividend shows confidence in the business





**Rhys Holleran, CEO**

**Steve Kelly, CFO**



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