

# Southern Cross Austereo

## H1 FY12 Results Presentation

# Sizzle Reel



# Headline Achievements

- **Underlying Net Profit After Tax up 73% to \$58.0m (pcp \$33.6m)**
  - Reported NPAT up 180% to \$94.0m
- **EBIT margin expanded by 1.1% to 30.6%**
- **Revenue only down 2.7% on a “like for like” basis to \$364.1m despite difficult TV comps (Commonwealth games) and subdued markets**
- **Total “like for like” expenses down 4.1% (\$10.1m)**
- **Net Debt levels reduced by \$46.6m to \$646.8m**
  - Leverage ratio reduced to 2.75x
- **Synergies run rate well ahead of plan at \$11.1m**
  - Revised target increased to \$20m by end of FY14
- **Group net assets increased by \$50.4m on finalisation of Austereo purchase price accounting and tax consolidation**



# Headline Achievements

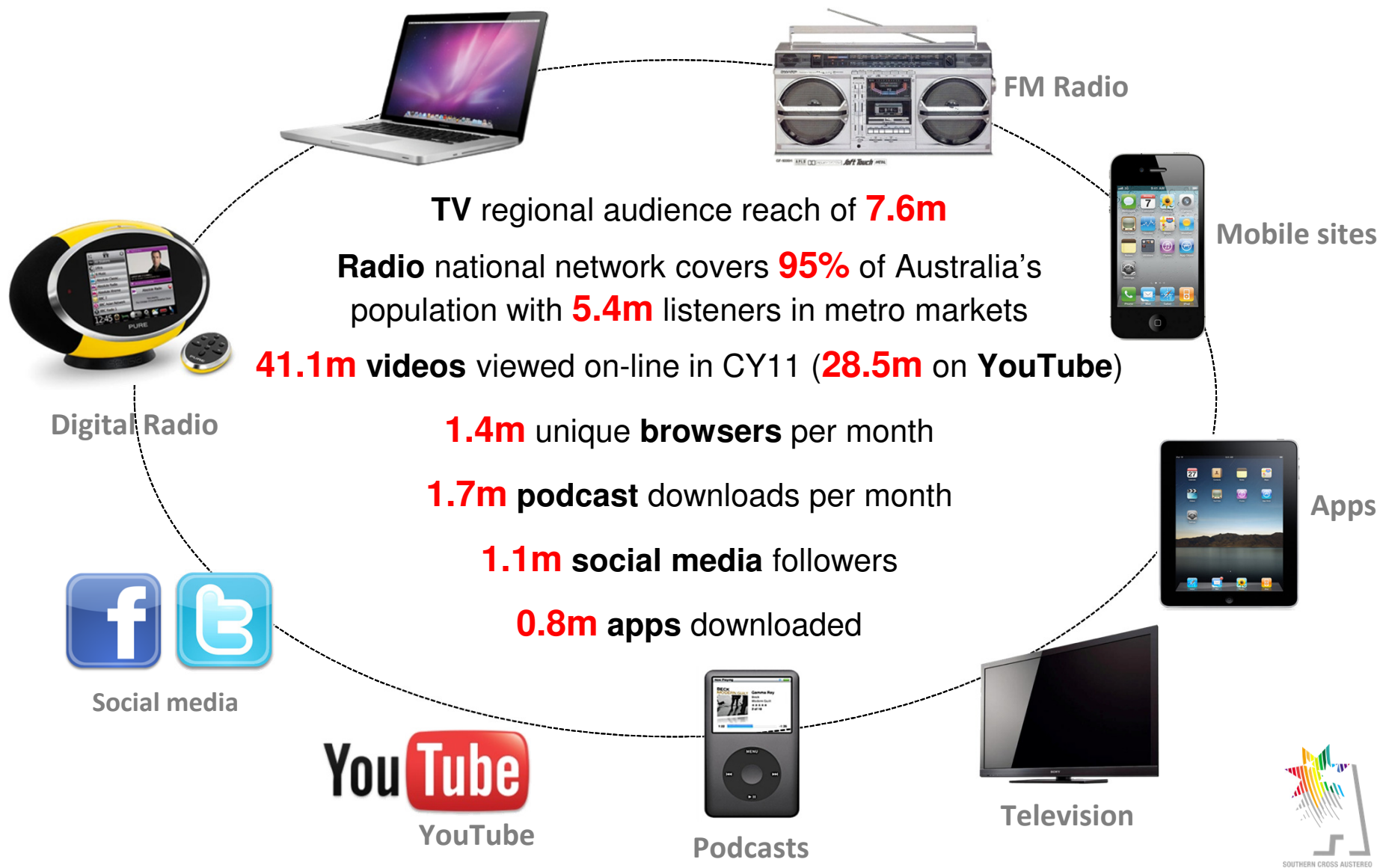
- **Number 1 Metro Radio Network with 37.05%<sup>1</sup> market share**
  - Today network 23.03% & MMM 14.02%
  - Number 1 Ranked FM station in Melbourne, Sydney & Perth
  - Number 1 Drive show in Sydney, Melbourne, Adelaide & Perth<sup>2</sup>
  - Number 1 Breakfast show in Sydney, Melbourne, Brisbane and Perth<sup>2</sup>
- **Conversion of TV ratings into revenue (power ratio) was 1.04 in H1**
- **New Ten product has provided a promising start to 2012 ratings**
  - New Girl number 1 show in all key demographics
  - Homeland number 2 show in P25-54 demographic
- **Regional TV market outperformed metro market**



<sup>1</sup> Source: Deloitte Market Share Reports

<sup>2</sup> Source: Nielsen Market Survey 8

# Only One Media Company









# Steve Kelly, CFO

## H1 FY12 Financial Analysis

# Group Statutory Results

## Key Financial Numbers

<i>\$ millions</i>	H1 FY12	H1 FY11	% Variance
<b>Revenue</b>	<b>362.6</b>	<b>218.7</b>	 <b>65.8%</b>
Expenses	(239.0)	(150.2)	
Equity accounted profit	(0.3)	1.1	
<b>EBITDA</b>	<b>123.3</b>	<b>69.6</b>	 <b>77.2%</b>
Depreciation & Amortisation	(16.9)	(10.0)	
<b>EBIT</b>	<b>106.4</b>	<b>59.6</b>	 <b>78.5%</b>
Net Finance Costs	(30.0)	(15.4)	
Financial Derivatives	-	3.4	
<b>PBT</b>	<b>76.4</b>	<b>47.6</b>	 <b>60.5%</b>
Tax	17.6	(14.0)	
<b>NPAT</b>	<b>94.0</b>	<b>33.6</b>	 <b>179.7%</b>
<b>EPS</b>	<b>13.3 cents</b>	<b>8.9 cents</b>	 <b>49.4%</b>



# Group Statutory Results

## Reconciliation to Underlying Results H1 FY12

*\$ millions*

	Reported	Proportional Consol. of JV's	One off Adjustments	Underlying
<b>Revenue</b>	<b>362.6</b>	<b>1.5</b>		<b>364.1</b>
Expenses <sup>1</sup>	(239.0)	(1.8)	1.1	(239.7)
Equity Accounted Profit	(0.3)	0.3		-
<b>EBITDA</b>	<b>123.3</b>	<b>-</b>	<b>1.1</b>	<b>124.4</b>
Depreciation & Amortisation	(16.9)		3.8	(13.1)
<b>EBIT</b>	<b>106.4</b>	<b>-</b>	<b>4.9</b>	<b>111.3</b>
Net Finance Costs	(30.0)			(30.0)
<b>PBT</b>	<b>76.4</b>	<b>-</b>	<b>4.9</b>	<b>81.3</b>
Tax <sup>2</sup>	17.6		(40.9)	(23.3)
<b>NPAT</b>	<b>94.0</b>	<b>-</b>	<b>(36.0)</b>	<b>58.0</b>

<sup>1</sup> Includes Corporate expenses of \$3.0m

<sup>2</sup> Includes a \$39.5m one off tax benefit due to reset of tax cost base of assets on tax consolidation



# Underlying Pro Forma Results Comparative

<i>\$ millions</i>	H1 FY12 <sup>1</sup>	H1 FY11 <sup>2</sup>	% Variance
TV	135.3	143.1	(5.5%)
Radio	228.8	231.1	(1.0%)
<b>Total Revenue</b>	<b>364.1</b>	<b>374.2</b>	<b>(2.7%)</b>
Broadcast & Production	(62.5)	(69.5)	(10.1%)
Employee	(87.2)	(84.8)	2.8%
Selling, General & Admin	(90.0)	(95.5)	(5.8%)
<b>Total Expenses</b>	<b>(239.7)</b>	<b>(249.8)</b>	<b>(4.1%)</b>
<b>EBITDA</b>	<b>124.4</b>	<b>124.4</b>	<b>0.0%</b>
Depreciation & Amortisation	(13.1)	(13.9)	(5.8%)
<b>EBIT</b>	<b>111.3</b>	<b>110.5</b>	<b>0.7%</b>
<b>EBIT %</b>	<b>30.6%</b>	<b>29.5%</b>	

<sup>1</sup> Refer Appendix 1

<sup>2</sup> Refer Appendix 2 and Appendix 3

# Regional Results Comparative Performance

<i>\$ millions</i>	H1 FY12	H1 FY11 <sup>1</sup>	% Variance
TV	135.3	143.1	(5.5%)
Radio	85.6	85.4	0.2%
<b>Total Revenue</b>	<b>220.9</b>	<b>228.5</b>	<b>(3.3%)</b>
Broadcast & Production	(50.7)	(56.1)	(9.6%)
Employee	(41.2)	(41.9)	(1.7%)
Selling, General & Admin	(57.6)	(58.4)	(1.4%)
<b>Total Expenses <sup>2</sup></b>	<b>(149.5)</b>	<b>(156.4)</b>	<b>(4.4%)</b>
<b>EBITDA</b>	<b>71.4</b>	<b>72.1</b>	<b>(1.0%)</b>
Depreciation & Amortisation	(9.2)	(10.1)	(8.9%)
<b>EBIT</b>	<b>62.2</b>	<b>62.0</b>	<b>0.3%</b>
<b>EBIT %</b>	<b>28.2%</b>	<b>27.1%</b>	

<sup>1</sup> Prior year numbers have been adjusted to include 100% of Newcastle, previously a 50% owned JV with Austereo. Refer Appendix 2

<sup>2</sup> Expenses include Corporate costs of \$3.0m in H1FY12 and \$3.9m in H1FY11

# Metro Results Comparative Performance

<i>\$ millions</i>	H1 FY12	H1 FY11 <sup>1</sup>	% Variance
Radio	143.2	145.7	(1.7%)
<b>Total Revenue</b>	<b>143.2</b>	<b>145.7</b>	<b>(1.7%)</b>
Broadcast & Production	(11.8)	(13.4)	(11.9%)
Employee	(46.0)	(42.9)	7.2%
Selling, General & Admin	(32.4)	(37.1)	(12.7%)
<b>Total Expenses</b>	<b>(90.2)</b>	<b>(93.4)</b>	<b>(3.4%)</b>
<b>EBITDA</b>	<b>53.0</b>	<b>52.3</b>	<b>1.4%</b>
Depreciation & Amortisation	(3.9)	(3.8)	2.6%
<b>EBIT</b>	<b>49.1</b>	<b>48.5</b>	<b>1.2%</b>
<b>EBIT %</b>	<b>34.3%</b>	<b>33.3%</b>	

<sup>1</sup> Refer Appendix 3

# Debt Facilities

<i>\$ millions</i>	Dec 2011	June 2011
Reported Borrowings	710.6	708.5
Borrowing Costs	14.7	16.9
Lease Liabilities	(0.3)	(0.4)
Drawn Debt	725.0	725.0
Less Cash	(78.2)	(31.6)
Net Debt	646.8	693.4

- Annualised leverage ratio (Net Debt : EBITDA) for secured group of 2.75
- Interest cover ratio for secured group of 4.08
- Leverage ratio less than 3 means a 20bps reduction on debt margins in H2 FY12

# Cash Flow

*\$ millions*

<i>Opening Cash</i>	31.6
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<b>Cash From Operations (pre tax)</b>	127.1
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Interest, Derivative & Borrowing Cost payments	(30.1)
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Tax	(17.4)
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Capital expenditure	(10.9)
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Distributions to Security Holders	(21.2)
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Share Buy-back	(0.9)
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<b>Closing Cash</b>	<b>78.2</b>
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<i>EBITDA (Reported)</i>	123.3
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<i>Conversion</i>	<b>103%</b>
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# EPS Analysis

*cents per share*

H1 FY12

H1 FY11

Underlying Operations

8.2

8.3

Derivative Impact

-

0.6

One – Off Costs

(0.5)

-

One – Off Tax Benefit

5.6

-

Reported

13.3

8.9

*Weighted average # of Shares*

**705.7m**

378.8m

*Actual closing # of Shares*

**705.6m**

378.8m



# Acquisition creating Shareholder Value

*\$ millions*

**Austereo and Radio Newcastle joining the tax consolidated group resulted in an income tax benefit at 31 December 2011**

**39.5**

**Valuation of acquired assets and subsequent restatement of FY11 acquisition balance sheet resulted in an uplift in carrying value of Radio Newcastle in Regional business**

**10.9**

*Revaluation of acquisition balance sheet resulted in :-*

Recognition of Today Network and Triple M Brand values

88.9

Licence values and Goodwill reduced by

(50.9)

Recognition of Net Deferred Tax Liabilities

(19.9)

Other Net adjustments to Assets and Liabilities

(7.2)



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# Rhys Holleran, CEO

## Operations



# Trading Commentary

- TV advertising revenues down 6.2% due to lower TV ratings and no comparative event to replace the Commonwealth games in H1 FY11
- Regional radio advertising revenue up 1.1% due to stronger agency sales
  - Retail at a National level has had some strong wins
  - National footprint has already realised “All Australia” buys
  - Economic conditions in regional Australia remain subdued
- Metro radio advertising revenue down 3.2%
  - Retail, Government, Telcos, media & entertainment have been weaker
  - Automotive, financial and real estate sectors have grown
  - Marginal share loss was expected over all time highs in 2010
- The Kyle Sandilands on-air incident has had a minor effect on revenues in H1 and is expected to be immaterial in H2



# Advertising Revenues

Half Year	Regional Radio		Metro Radio <sup>1</sup>		Metro Radio Market <sup>2</sup>
	% split of revenues	% change vs pcp	% split of revenues	% change vs pcp	% change vs pcp
Local Advertising	64.6%	(1.4%)	27.1%	(3.2%)	(1.7%)
National Advertising	26.1%	8.1%	67.3%	(3.1%)	0.5%
Total Advertising	90.7%	1.1%	94.4%	(3.2%)	(0.3%)
Other	9.3%	(8.3%)	5.6%	24.1%	
Total Revenue	100.0%	0.2%	100.0%	(2.0%)	

Half Year	TV		Regional TV Market <sup>3</sup>
	% split of revenues	% change vs pcp	% change vs pcp
Local Advertising	36.3%	(8.6%)	(5.1%)
National Advertising	54.6%	(4.5%)	0.5%
Total Advertising	90.9%	(6.2%)	(1.6%)
Other	9.1%	3.0%	
Total Revenue	100.0%	(5.5%)	

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

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

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



# Acquisition Update

- Integration of business operations continues and is *realising greater benefits* than originally anticipated
- Co-location completed
- *ONE United* sales force under ONE business name
- *Integrated content* teams operating in unison leveraging brands and content properties across media platforms
- Back office systems integrations commenced in H2 FY12 with the first milestones to be completed in H1 FY13



# Outlook

- Most recent survey recorded total audience share of 21.1% for the duopoly in Metro markets dominating all competition <sup>1</sup> (see chart in Appendix 4)
- MMM resurgence expected to continue with the addition of Merrick & The Highway Patrol
- Trading conditions remain subdued and uncertain and reflect market sentiment
- New TEN line-up off to a promising start



# Questions?

**Rhys Holleran, CEO**

**Steve Kelly, CFO**



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# Appendix 1 – Financial Analysis

## Underlying Pro Forma Results Components H1 FY12

<i>\$ millions</i>	Regional	Metro	Underlying
TV	135.3		135.3
Radio	85.6	143.2	228.8
<b>Total Revenue</b>	<b>220.9</b>	<b>143.2</b>	<b>364.1</b>
Broadcast & Production	(50.7)	(11.8)	(62.5)
Employee	(41.2)	(46.0)	(87.2)
Selling, General & Admin	(57.6)	(32.4)	(90.0)
<b>Total Expenses</b>	<b>(149.5)</b>	<b>(90.2)</b>	<b>(239.7)</b>
<b>EBITDA</b>	<b>71.4</b>	<b>53.0</b>	<b>124.4</b>
Depreciation & Amortisation	(9.2)	(3.9)	(13.1)
<b>EBIT</b>	<b>62.2</b>	<b>49.1</b>	<b>111.3</b>

# Appendix 2 – Financial Analysis

## Reconciliation of H1 FY11 Regional Results

*\$ millions*

	Reported	Proportional Consol. of JV's	50% Newcastle	Underlying
<b>Revenue</b>	<b>218.7</b>	<b>5.7</b>	<b>4.1</b>	<b>228.5</b>
Expenses	(150.2)	(3.9)	(2.3)	(156.4)
Equity Accounted Profit	1.1	(1.1)		
<b>EBITDA</b>	<b>69.6</b>	<b>0.7</b>	<b>1.8</b>	<b>72.1</b>
Depreciation & Amortisation	(10.0)	(0.1)	0	(10.1)
<b>EBIT</b>	<b>59.6</b>	<b>0.6</b>	<b>1.8</b>	<b>62.0</b>

# Appendix 3 – Financial Analysis

## Reconciliation of H1 FY11 Metro Results

*\$ millions*

	Reported	Proportional Consol. of JV's	Adjustments <sup>1</sup>	Remove 50% Newcastle	Underlying
<b>Revenue</b>	<b>146.2</b>	<b>4.1</b>	<b>(0.5)</b>	<b>(4.1)</b>	<b>145.7</b>
Expenses	(93.9)	(2.3)	0.5	2.3	(93.4)
Equity Accounted Profit	1.2	(1.2)	-		
<b>EBITDA</b>	<b>53.5</b>	<b>0.6</b>	<b>-</b>	<b>(1.8)</b>	<b>52.3</b>
Depreciation & Amortisation	(3.8)	-	-	-	(3.8)
<b>EBIT</b>	<b>49.7</b>	<b>0.6</b>		<b>(1.8)</b>	<b>48.5</b>

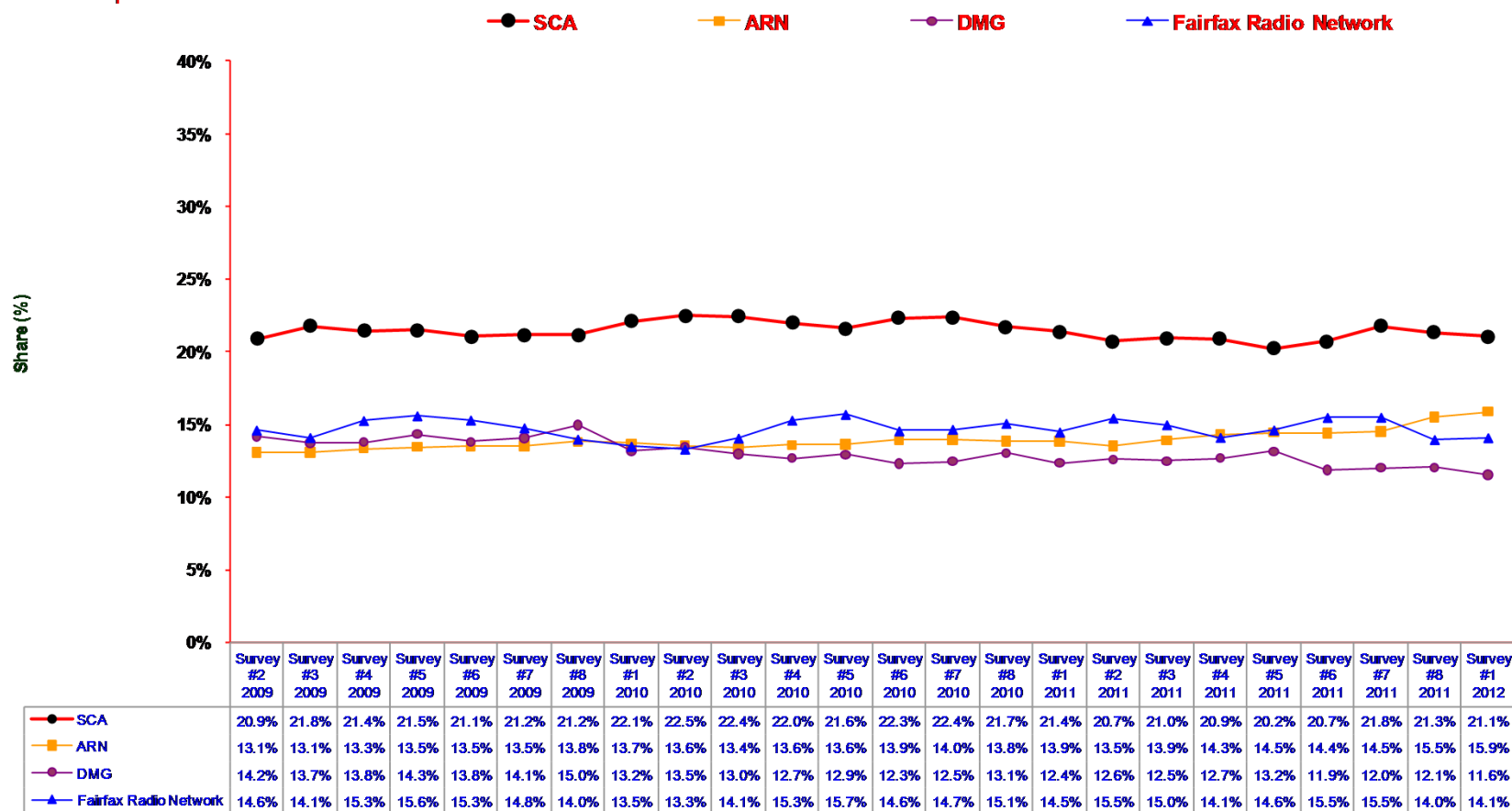
<sup>1</sup> Adjustments for \$0.5m in Newcastle Management Fees



# Appendix 4 – National Audience Share Trends<sup>1</sup>

All People 10+

National Radio Network Share Trends



<sup>1</sup> Source: Nielsen Media Research Survey #1 2012