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Southern Cross Austereo

H1 FY12 Results Presentation



Sizzle Reel



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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%¹ 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 & Perth²
 - Number 1 Breakfast show in Sydney, Melbourne, Brisbane and Perth²
- **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**

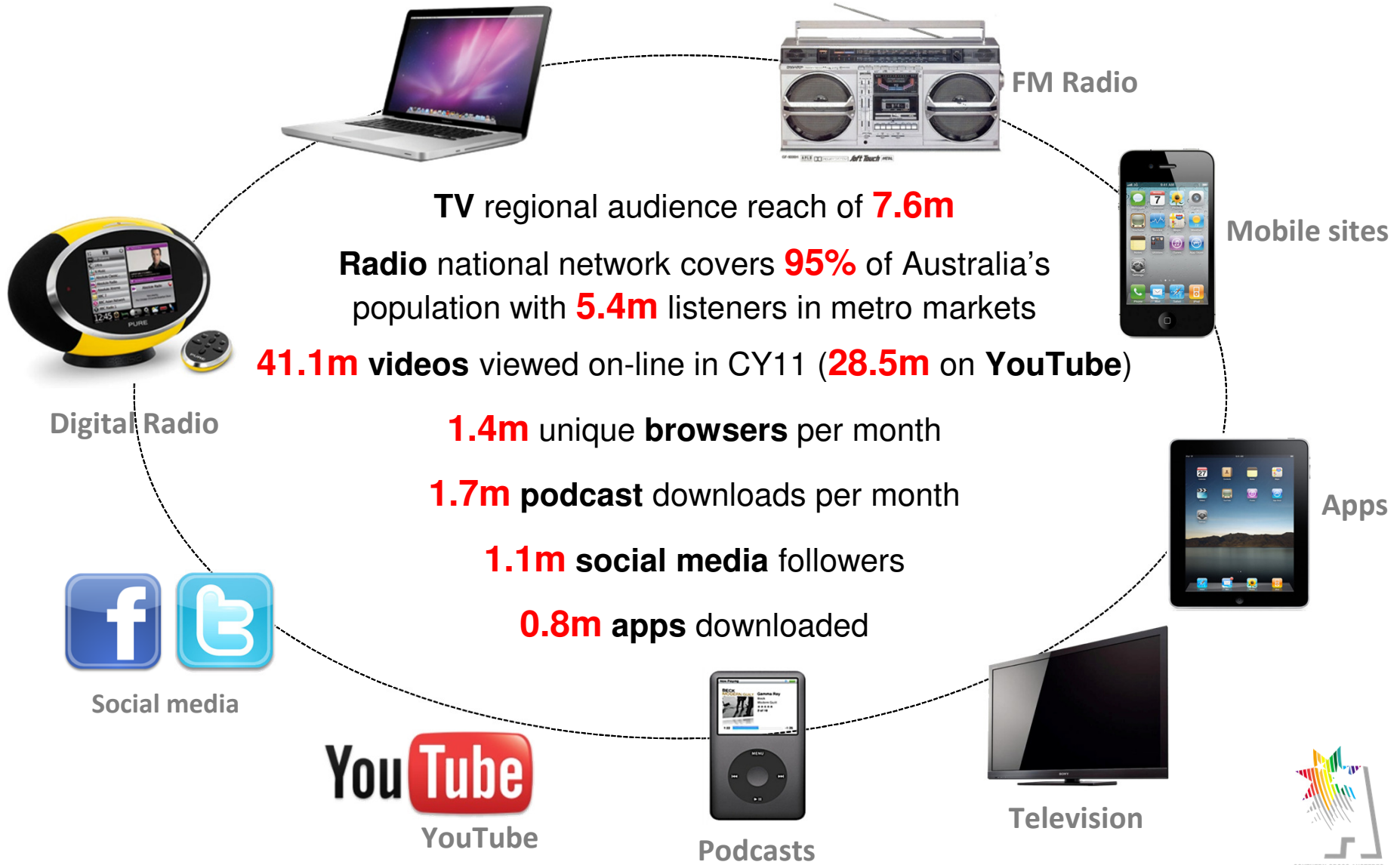


¹ Source: Deloitte Market Share Reports

² Source: Nielsen Market Survey 8

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Steve Kelly, CFO

H1 FY12 Financial Analysis



Group Statutory Results

Key Financial Numbers

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



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Group Statutory Results

Reconciliation to Underlying Results H1 FY12

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

¹ Includes Corporate expenses of \$3.0m

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



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Underlying Pro Forma Results Comparative

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

¹ Refer Appendix 1

² Refer Appendix 2 and Appendix 3



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Regional Results Comparative Performance

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

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

² 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 ¹	% Variance
Radio	143.2	145.7	(1.7%)
Total Revenue	143.2	145.7	(1.7%)
Broadcast & Production	(11.8)	(13.4)	(11.9%)
Employee	(46.0)	(42.9)	7.2%
Selling, General & Admin	(32.4)	(37.1)	(12.7%)
Total Expenses	(90.2)	(93.4)	(3.4%)
EBITDA	53.0	52.3	1.4%
Depreciation & Amortisation	(3.9)	(3.8)	2.6%
EBIT	49.1	48.5	1.2%
EBIT %	34.3%	33.3%	

¹ 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



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Cash Flow

\$ millions

<i>Opening Cash</i>	31.6
Cash From Operations (pre tax)	127.1
Interest, Derivative & Borrowing Cost payments	(30.1)
Tax	(17.4)
Capital expenditure	(10.9)
Distributions to Security Holders	(21.2)
Share Buy-back	(0.9)
Closing Cash	78.2

EBITDA (Reported) 123.3

Conversion 103%



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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



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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**



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Advertising Revenues

Half Year	Regional Radio		Metro Radio ¹		Metro Radio Market ²
	% 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 ³
	% 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%)	

¹ 5 Capital cities only

² Deloitte metro radio market report

³ 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



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Outlook

- Most recent survey recorded total audience share of 21.1% for the duopoly in Metro markets dominating all competition ¹ (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
Total Revenue	220.9	143.2	364.1
Broadcast & Production	(50.7)	(11.8)	(62.5)
Employee	(41.2)	(46.0)	(87.2)
Selling, General & Admin	(57.6)	(32.4)	(90.0)
Total Expenses	(149.5)	(90.2)	(239.7)
EBITDA	71.4	53.0	124.4
Depreciation & Amortisation	(9.2)	(3.9)	(13.1)
EBIT	62.2	49.1	111.3



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Appendix 2 – Financial Analysis

Reconciliation of H1 FY11 Regional Results

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



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Appendix 3 – Financial Analysis

Reconciliation of H1 FY11 Metro Results

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

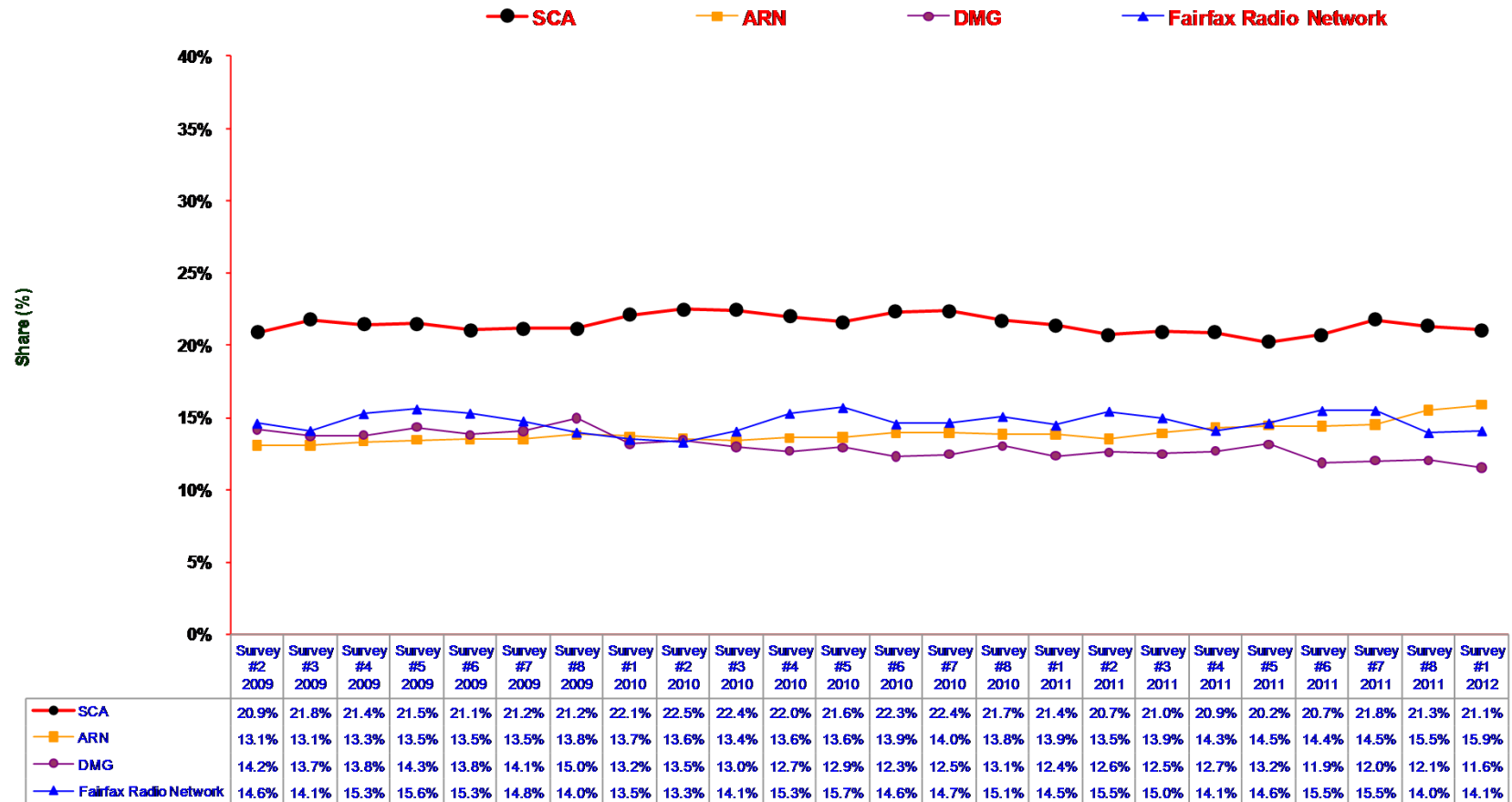
¹ Adjustments for \$0.5m in Newcastle Management Fees



Appendix 4 – National Audience Share Trends¹

All People 10+

National Radio Network Share Trends



¹ Source: Nielsen Media Research Survey #1 2012



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