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Southern Cross Austereo FY12 Results Presentation



Sizzle Reel



Headline Achievements

- Net Profit After Tax up 48.3% to \$95.0m (pcp \$64.1m)
- Total “like for like” expenses down 4.8% to \$462.5m
- EBITDA margin expanded by 0.7% to 33.0% on a “like for like” basis
- Leverage ratio reduced to 2.62
 - Net debt level reduced by \$71.6m to \$621.8m
- Synergies run rate well ahead of plan at \$14.9m
 - 100% of acquisition target achieved 12 months ahead of schedule
 - Revised target increased to \$20m by end of FY14
- National Sales onto Regional Radio up 13%
- Focus on Content enhanced

Headline Achievements

- Number 1 Metro Radio Network with 36.6%¹ market share
 - Today network 22.0% & MMM 14.6%
- Continued radio ratings dominance;
 - 2Day celebrates 5 years as Sydney's #1 FM breakfast show
 - Fox & MMM are the #1 & #2 FM breakfast shows in Melbourne
 - Fox continues to be the most listened to commercial radio station in Australia
 - Mix 94.5 makes radio history winning 100 consecutive surveys
 - Dominant in all Regional markets
- Engaging audiences through multiple platforms;
 - 2dayfm.com.au is Australia's most visited radio website
 - 1.4m unique browsers per month across all our sites
 - 60.2m video views online³
 - 0.2m online listeners per month³
 - 32.6m podcast downloads³
 - 1.0m apps downloaded³



¹ Source: Deloitte Market Share Reports

² Source: Nielsen Market Survey 4

³ Full year, FY12 figures

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Steve Kelly, CFO

FY12 Financial Analysis



Reported Group Statutory Results

Key Financial Numbers

<i>\$ millions</i>	FY12	FY11 ¹	% Variance	
Revenue	687.3	492.8	↑	39.5%
Expenses	(460.8)	(344.1)		
Fair Value Gains on Business Combinations	-	10.9		
Equity Accounted Profit	(0.7)	1.4		
EBITDA	225.8	161.0	↑	40.2%
Depreciation & Amortisation	(30.5)	(22.3)		
EBIT	195.3	138.7	↑	40.8%
Net Finance Costs	(69.0)	(50.2)		
Financial Derivatives	-	(1.3)		
PBT	126.3	87.2	↑	44.8%
Tax	(31.3)	(23.1)		
NPAT	95.0	64.1	↑	48.2%
EPS	13.5	13.9	↓	2.9%

¹ Restated as required under Australian Accounting Standards due to finalisation of purchase price accounting for Austereo Business Combination



Group Underlying Results Comparative

Reconciliation to Underlying Results for FY12

\$ millions

	Reported	Proportional Consol. of JV's	Adjustments	Underlying	Comparative Pro Forma ¹	% Variance
	FY12	FY12	FY12	FY12	FY11	
Revenue	687.3	3.2	-	690.5	718.5	(3.9%)
Expenses ²	(460.8)	(3.8)	2.1	(462.5)	(485.9)	
Equity Accounted Profit	(0.7)	0.7	-	-	-	
EBITDA	225.8	0.1	2.1	228.0	232.6	(2.0%)
Depreciation & Amortisation	(30.5)	(0.1)	3.7	(26.9)	(28.5)	
EBIT	195.3	-	5.8	201.1	204.1	(1.5%)
Net Finance Costs ³	(69.0)	-	10.9	(58.1)		
PBT	126.3	-	16.7	143.0		
Tax ⁴	(31.3)	-	(11.6)	(42.9)		
NPAT	95.0	-	5.1	100.1		

¹ Refer Appendix 2. Represents comparative results for FY11 including 12 months of Austereo.

² Expense adjustments include integration costs associated with Austereo acquisition.

³ Net finance cost adjustments include accrued interest on amended tax assessments of \$10.9m.

⁴ Tax adjustments include a \$39.5m one off tax benefit due to reset of tax cost base of assets on tax consolidation, additional tax on amended assessments of \$32.9m, and tax benefit on interest on amended assessments of \$3.3m



Regional Underlying Results Comparative

\$ millions

FY12 ¹

FY11 ²

% Variance

TV 249.3 270.0 (7.7%)

Radio 167.6 166.0 1.0%

Total Revenue 416.9 436.0 (4.4%)

Broadcast & Production (92.2) (104.1) (11.4%)

Employee (82.5) (83.0) (0.6%)

Selling, General & Admin (113.0) (112.0) 0.9%

Total Expenses ³ (287.7) (299.1) (3.8%)

EBITDA 129.2 136.9 (5.6%)

Depreciation & Amortisation (19.2) (19.9) (3.5%)

EBIT 110.0 117.0 (6.0%)

EBIT % 26.4% 26.9%

¹ Refer Appendix 1.

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

³ Expenses include Corporate costs of \$11.3m in FY12 and \$6.7m in FY11.



Metro Underlying Results Comparative

\$ millions

	FY12 ¹	FY11 ²	% Variance
Radio	273.6	282.5	(3.2%)
Total Revenue	273.6	282.5	(3.2%)
Broadcast & Production	(23.2)	(25.7)	(9.7%)
Employee	(91.5)	(90.0)	1.7%
Selling, General & Admin	(60.1)	(71.1)	(15.5%)
Total Expenses	(174.8)	(186.8)	(6.4%)
EBITDA	98.8	95.7	3.2%
Depreciation & Amortisation	(7.7)	(8.6)	(10.5%)
EBIT	91.1	87.1	4.6%
EBIT %	33.3%	30.8%	

¹ Refer Appendix 1

² Refer Appendix 2



Debt Facilities

\$ millions

	Jun 2012	Dec 2011	Jun 2011
Reported Borrowings	707.0	710.6	708.6
Borrowing Costs	12.4	14.7	16.9
Lease Liabilities	(0.4)	(0.3)	(0.5)
Drawn Debt	719.0	725.0	725.0
Less Cash	(97.2)	(78.2)	(31.6)
Net Debt	621.8	646.8	693.4

- Annualised leverage ratio (Net Debt : EBITDA) for secured group of 2.62 (2.73 at Dec 2011)
- Interest cover ratio for secured group of 4.13 (4.56 at Dec 2011) reflecting first full year with interest on new debt agreement



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Cash Flow

\$ millions

Opening Cash 31.6

Cash From Operations (pre tax) 232.6

Interest, Derivative & Borrowing Cost payments (58.5)

Tax (23.2)

Capital expenditure (21.6)

Dividends to Security Holders (56.4)

Share Buy-back (1.3)

Debt repayment (6.0)

Closing Cash 97.2

EBITDA (Reported) 225.8

Conversion 103%



EPS Analysis

cents per share

FY12

Restated FY11

Underlying Operations

14.2

15.1

Derivative Impact

-

(0.3)

One-Off Costs

(0.6)

(3.3)

FV Gains on Business Combinations

-

2.4

One-Off Tax Benefit

5.6

-

Tax on Amended Assessment

(4.6)

-

Interest on Amended Assessments,
Net of Tax

(1.1)

-

Reported

13.5

13.9

Weighted average # of Shares

705.1m

461.6m

Actual closing # of Shares

704.6m

705.7m



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

License 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



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Trading Commentary

- Regional radio advertising revenue up 3.4% due to stronger National Sales
 - National footprint has already realised “All Australia” buys
 - Economic conditions in regional Australia remain subdued
- Metro radio advertising revenue down 4.7%
 - Today network share loss has impacted revenue, primarily out of drive
 - Marginal share loss was expected over all time highs in 2010
- TV advertising revenues down 8.2% due to:-
 - Poor ratings
 - A negative TV advertising market

FY12 Advertising Revenues

	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	64.0%	(0.2%)	27.2%	(5.8%)	(2.6%)
National Advertising	27.2%	13.0%	67.0%	(4.2%)	0.8%
Total Advertising	91.1%	3.4%	94.2%	(4.7%)	(0.5%)
Other	8.9%	(18.2%)	5.8%	21.7%	
Total Revenue	100.0%	1.0%	100.0%	(3.5%)	

	TV		Regional TV Market ³
	% split of revenues	% change vs pcp	% change vs pcp
Local Advertising	36.7%	(8.8%)	(4.4%)
National Advertising	53.9%	(7.9%)	1.3%
Total Advertising	90.6%	(8.2%)	(0.8%)
Other	9.4%	(4.1%)	
Total Revenue	100.0%	(7.9%)	

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
- *Operating as a single entity*
 - *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 with the first milestones to be completed in H1 FY13.

Outlook

- Most recent survey recorded 25 to 54 audience share of 22.7% for the duopoly in Metro markets dominating all competition ¹ (see chart in Appendix 4)
- Triple M resurgence continuing with the addition of Merrick & The Highway Patrol
- Trading conditions have not improved over the last 12 months and remain subdued and uncertain
- July market was very challenging – market more subdued than expected
- Audience declines continuing as a result of TEN programming challenges
- Continued focus on Content – emphasized with the appointment of Guy Dobson as Chief Content Officer - will underpin the development of the business further into digital and on-line

Questions?

Rhys Holleran, CEO

Steve Kelly, CFO

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Appendix 1 – Financial Analysis

Underlying Results FY12

\$ millions

	Regional	Metro	Underlying
TV	249.3	-	249.3
Radio	167.6	273.6	441.2
Total Revenue	416.9	273.6	690.5
Broadcast & Production	(92.2)	(23.2)	(115.4)
Employee	(82.5)	(91.5)	(174.0)
Selling, General & Admin	(113.0)	(60.1)	(173.1)
Total Expenses	(287.7)	(174.8)	(462.5)
EBITDA	129.2	98.8	228.0
Depreciation & Amortisation	(19.2)	(7.7)	(26.9)
EBIT	110.0	91.1	201.1

Appendix 2 – Financial Analysis

Comparative Pro-Forma Results FY11

\$ millions

	Regional	Metro	Comparative Pro-forma ¹
TV	270.0	-	270.0
Radio	166.0	282.5	448.5
Total Revenue	436.0	282.5	718.5
Broadcast & Production	(104.1)	(25.7)	(129.8)
Employee	(83.0)	(90.0)	(173.0)
Selling, General & Admin	(112.0)	(71.1)	(183.1)
Total Expenses	(299.1)	(186.8)	(485.9)
EBITDA	136.9	95.7	232.6
Depreciation & Amortisation	(19.9)	(8.6)	(28.5)
EBIT	117.0	87.1	204.1

¹ Refer Appendix 3.



Appendix 3 – Financial Analysis

Reported to Underlying results FY11

\$ millions

	Reported	Proportional Consol. of JV's	Transaction Costs and FV Gains	Underlying Reported	Pre Acquisition Metro Results ¹	Pre Acquisition Transaction Costs	Comparative Pro Forma ²
	FY11	FY11	FY11	FY11	FY11	FY11	FY11
Revenue	492.8	9.3	-	502.1	216.4	-	718.5
Expenses	(344.1)	(7.1)	7.3	(343.9)	(144.8)	2.8	(485.9)
FV Gains	10.9	-	(10.9)	-	-	-	-
Equity Accounted Profit	1.4	(1.4)	-	-	-	-	-
EBITDA	161.0	0.8	(3.6)	158.2	71.6	2.8	232.6
Depreciation & Amortisation	(22.3)	(0.1)	-	(22.4)	(6.1)	-	(28.5)
EBIT	138.7	0.7	(3.6)	135.8	65.5	2.8	204.1
Net Finance Costs	(50.2)	-	13.1	(37.1)			
Financial Derivatives	(1.3)	-	-	(1.3)			
PBT	87.2	0.7	9.5	97.4			
Tax	(23.1)	(0.7)	(5.2)	(29.0)			
NPAT	64.1	-	4.3	68.4			

¹ Metro results include proportional consolidation of Radio Newcastle for period July 2010 to March 2011.

² Includes intercompany eliminations of \$0.7m. Calculated to EBIT as different financing structure pre acquisition does not provide a valid comparative.



Appendix 4 – Duopoly Share

All People 25-54

National Radio Network Share Trends

