



# **SOUTHERN CROSS AUSTEREO**

## **FY13 INVESTOR PRESENTATION**

**14 AUGUST 2013**





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**HEADLINES**  
**RHYS HOLLERAN, CEO**

# HEADLINE ACHIEVEMENTS

- FY result – both reported and underlying – in line with previous guidance
- Reported **NPAT \$96m** – Underlying NPAT \$91m
- **Net Debt \$600m**
  - Leverage Ratio of borrowing Group 2.67 times
- Despite revenue reduction EPS maintained at **13.6 cents per share**
- Dividend payout ratio maintained in 60% to 70% range resulting in **4.5 cents per share** final dividend (9.0 cents per share for the full year) fully franked
- **Number 1 FM Metro Radio Network** with 34.4%<sup>1</sup> market share for the year (35.3% in Q4)
- Renewed TEN and SEVEN affiliation agreements

<sup>1</sup> Deloitte market share reports



# HEADLINE ACHIEVEMENTS

## Continued Radio ratings success

- #1 and #2 FM breakfast shows in Melbourne<sup>1</sup>
- #1 FM breakfast shows in Sydney, Perth, Gold Coast, Newcastle<sup>1</sup>
- Triple M Rock, Sport and Comedy format continuing to attract greater audience improving 1 share point year on year to an 11.9 share<sup>1</sup>
- NRL call in its first year has been a big success
- Hamish and Andy's Happy Hour and Fifi and Jules now five days a week

<sup>1</sup> Nielsen market surveys



# HEADLINE ACHIEVEMENTS

## Largest Online & Social Media Footprint

- SCA's Group wide Facebook community ranks in the **top three** in the ASX 200<sup>1</sup>
- **#12** Australian daily publisher via mobile browser<sup>2</sup>
- **#18** Australian daily publisher on all devices<sup>2</sup>
- **#1 and #2** radio brands (Today Network & Triple M Network) on Web, Mobile and Social platforms<sup>3</sup>

## SCA Digital Presence

- **1.3m** smartphone app downloads<sup>4</sup>
- **52%** growth in Facebook Community<sup>5</sup>
- **61%** growth in Twitter Community<sup>6</sup>
- Over **2.2m** unique monthly browsers worldwide<sup>7</sup>
- SCA commands **70%** share of all fans on Facebook within radio<sup>8</sup>

<sup>1</sup> Cumulative likes / fans Australian Facebook Performance Report (June 2013)  
– The Online Circle

<sup>2</sup> Average daily UB's via Nielsen Market Intelligence

<sup>3</sup> Google Analytics / Nielsen Market Intelligence April / June average

<sup>4</sup> Cumulative iTunes Connect July 2013 (excluding updates)

<sup>5</sup> Facebook Insights tools / Zuom Social Reporting June 2012 – June 2013

<sup>6</sup> Twitter.com insights / Zuom Social Reporting June 2012 – June 2013

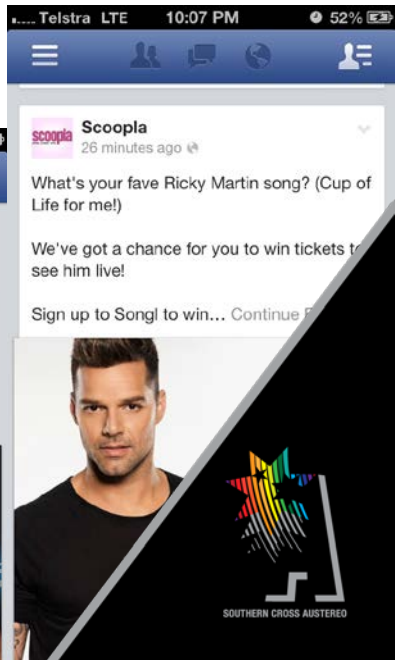
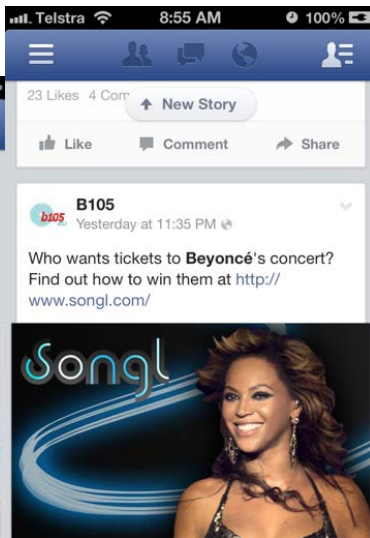
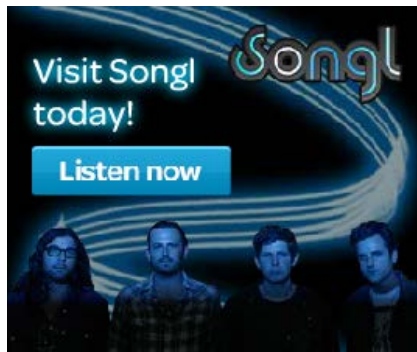
<sup>7</sup> 75 Websites Nielsen Site Census (June 2012 – 2013)

<sup>8</sup> Australian Commercial and Public Radio Industry Zuom Social Reporting (June 2013)



# HEADLINE ACHIEVEMENTS

- Songl launched in April 2013
- Has grown rapidly to over **35,000** registrants since launch
- Partnered with Nine Entertainment across multiple platforms – i.e. integration with Big Brother





FY13

FINANCIAL ANALYSIS

STEPHEN KELLY, CFO

# GROUP REPORTED RESULTS

<i>\$ millions</i>	FY13	FY12	% Variance
Revenue	642.7	687.3	(6.5%) ↓
Expenses	(441.5)	(460.8)	(4.2%) ↓
Equity Accounted Profit	(0.7)	(0.7)	
Profit on sale of Sunshine Coast radio	10.4	-	
<b>EBITDA</b>	<b>210.9</b>	<b>225.8</b>	<b>(6.6%) ↓</b>
Depreciation & Amortisation	(26.5)	(30.5)	(13.1%) ↓
<b>EBIT</b>	<b>184.4</b>	<b>195.3</b>	<b>(5.6%) ↓</b>
Net Finance Costs	(51.2)	(69.0)	(25.8%) ↓
<b>PBT</b>	<b>133.2</b>	<b>126.3</b>	<b>5.5%</b> ↑
Tax	(37.2)	(31.3)	18.9% ↑
<b>NPAT</b>	<b>96.0</b>	<b>95.0</b>	<b>1.1%</b> ↑
EPS (cps)	13.6	13.5	





# GROUP UNDERLYING RESULTS

<i>\$ millions</i>	Reported FY13	Adjustments <sup>1</sup>	Underlying FY13	Underlying <sup>2</sup> FY12	% Variance
Revenue	642.7	7.8	650.5	687.3	(5.4%) ↓
Expenses	(441.5)	(0.3)	(441.8)	(458.7)	(3.7%) ↓
Equity Accounted Profit	(0.7)	-	(0.7)	(0.7)	
Profit on sale of Sunshine Coast Radio	10.4	(10.4)	-	-	
<b>EBITDA</b>	210.9	(2.9)	208.0	227.9	(8.7%) ↓
Depreciation & Amortisation	(26.5)	-	(26.5)	(26.8)	(1.1%) ↓
<b>EBIT</b>	184.4	(2.9)	181.5	201.1	(9.8%) ↓
Net Finance Costs	(51.2)	-	(51.2)	(58.1)	(11.9%) ↓
<b>PBT</b>	133.2	(2.9)	130.3	143.0	(8.9%) ↓
Tax	(37.2)	(2.3)	(39.5)	(42.9)	(7.9%) ↓
<b>NPAT</b>	96.0	(5.2)	90.8	100.1	(9.3%) ↓

<sup>1</sup> Refer to Appendix 1.

<sup>2</sup> Adjusted to remove proportional consolidation of joint ventures – no change to underlying EBITDA or NPAT.



# METRO UNDERLYING RESULTS COMPARATIVE

<i>\$ millions</i>	FY13	FY12	% Variance	
<b>Revenue</b>	<b>267.8</b>	<b>273.6</b>	<b>(2.1%)</b>	<b>↓</b>
Broadcast & Production	(23.3)	(23.2)	0.4%	↑
Employee	(91.3)	(91.5)	(0.2%)	↓
Selling, General & Administration	(63.9)	(60.1)	6.3%	↑
<b>Total Expenses</b>	<b>(178.5)</b>	<b>(174.8)</b>	<b>2.1%</b>	<b>↑</b>
<b>EBITDA</b>	<b>89.3</b>	<b>98.8</b>	<b>(9.6%)</b>	<b>↓</b>
Depreciation & Amortisation	(7.4)	(7.7)	(3.9%)	↓
<b>EBIT</b>	<b>81.9</b>	<b>91.1</b>	<b>(10.1%)</b>	<b>↓</b>
<i>EBIT Margin</i>	<i>30.6%</i>	<i>33.3%</i>		

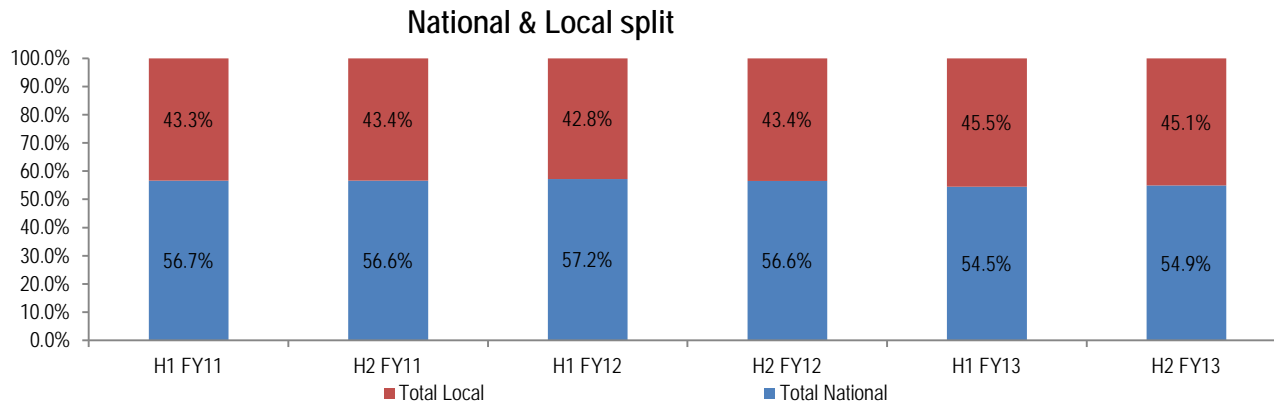
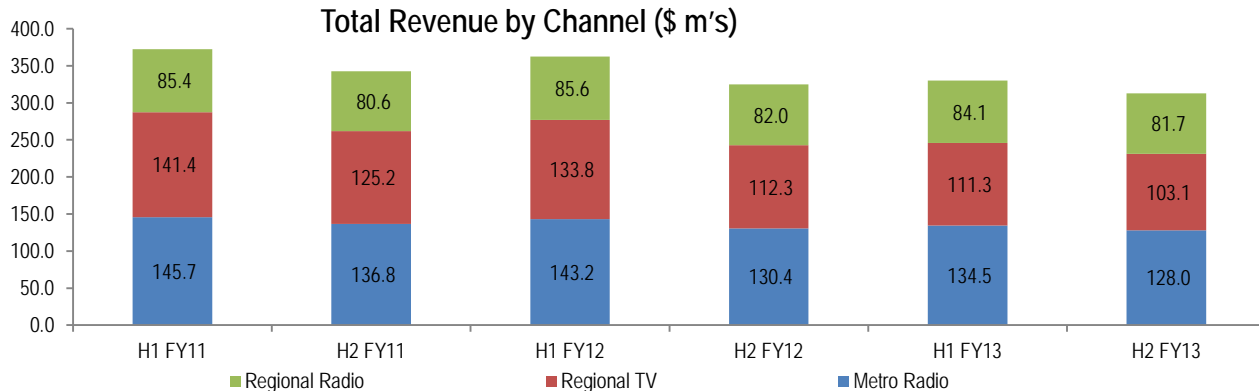
# REGIONAL UNDERLYING RESULTS COMPARATIVE

<i>\$ millions</i>	FY13	FY12 <sup>1</sup>	% Variance
TV	214.4	246.1	(12.9%) ↓
Radio	168.3	167.6	0.4% ↑
<b>Total Revenue</b>	<b>382.7</b>	<b>413.7</b>	<b>(7.5%) ↓</b>
Broadcast & Production	(82.1)	(92.2)	(11.0%) ↓
Employee	(83.3)	(83.3)	-
Selling, General & Administration	(97.9)	(108.4)	(9.7%) ↓
Equity Accounted Profit	(0.7)	(0.7)	-
<b>Total Expenses</b>	<b>(264.0)</b>	<b>(284.6)</b>	<b>(7.2%) ↓</b>
<b>EBITDA</b>	<b>118.7</b>	<b>129.1</b>	<b>(8.1%) ↓</b>
Depreciation & Amortisation	(19.1)	(19.2)	(0.5%) ↓
<b>EBIT</b>	<b>99.6</b>	<b>109.9</b>	<b>(9.4%) ↓</b>
<i>EBIT Margin</i>	<i>26.0%</i>	<i>26.6%</i>	

<sup>1</sup> Adjusted to remove proportional consolidation of joint ventures – no change to underlying EBITDA or NPAT.



# REVENUE ANALYSIS

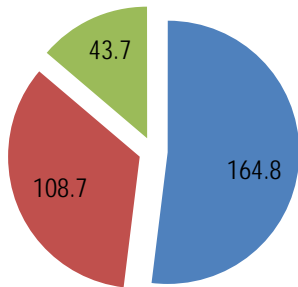


\* The above analysis has not been adjusted for the impact of one off events or normalised for the sale of the Sunshine Coast radio licences

# ADVERTISING REVENUE ANALYSIS

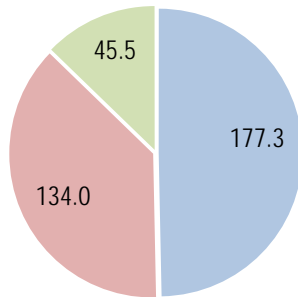
FY13

National Revenues \$317.2m



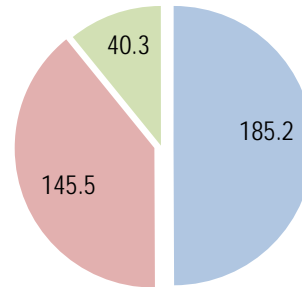
FY12

National Revenues \$356.8m

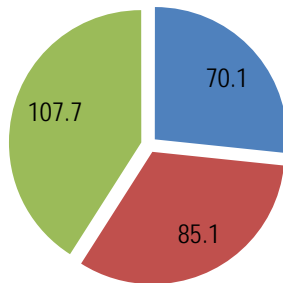


FY11

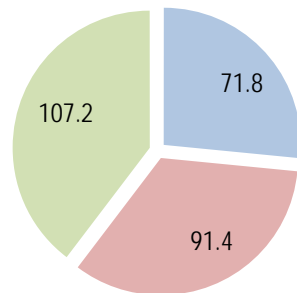
National Revenues \$371.0m



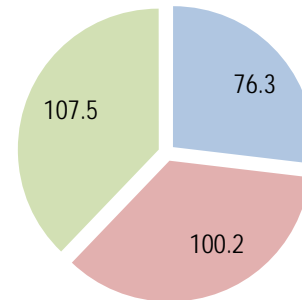
Local Revenues \$262.9m



Local Revenues \$270.4m



Local Revenues \$284.0m



- National - Metro Radio
- National - TV
- National - Regional Radio

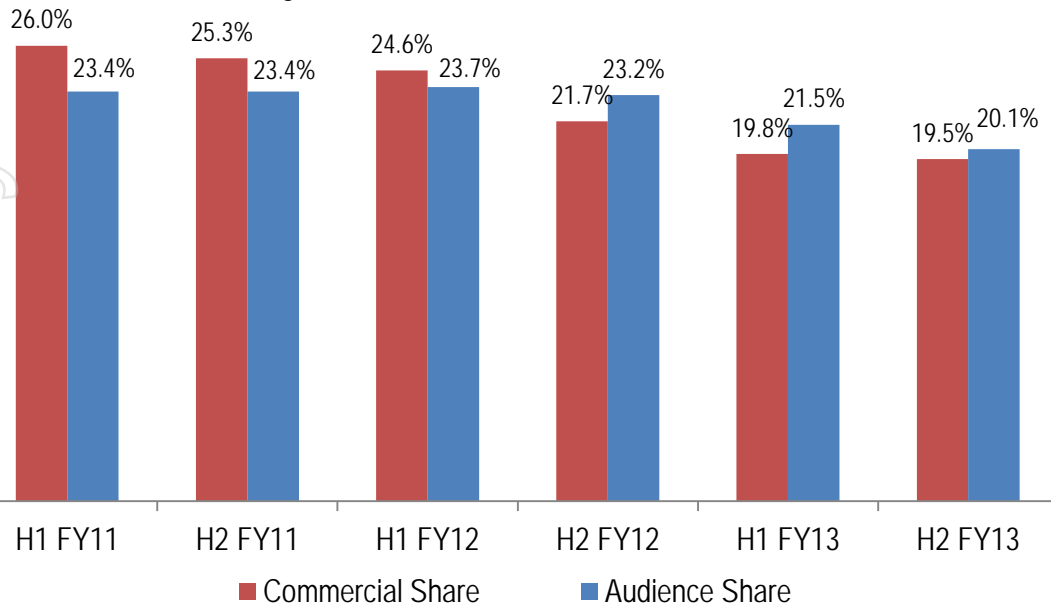
- Local - Metro Radio
- Local - TV
- Local - Regional Radio

\* The above analysis has not been adjusted for the impact of one off events or normalised for the sale of the Sunshine Coast radio licences



# TV SHARE

## SC Ten – Share Analysis<sup>1</sup>

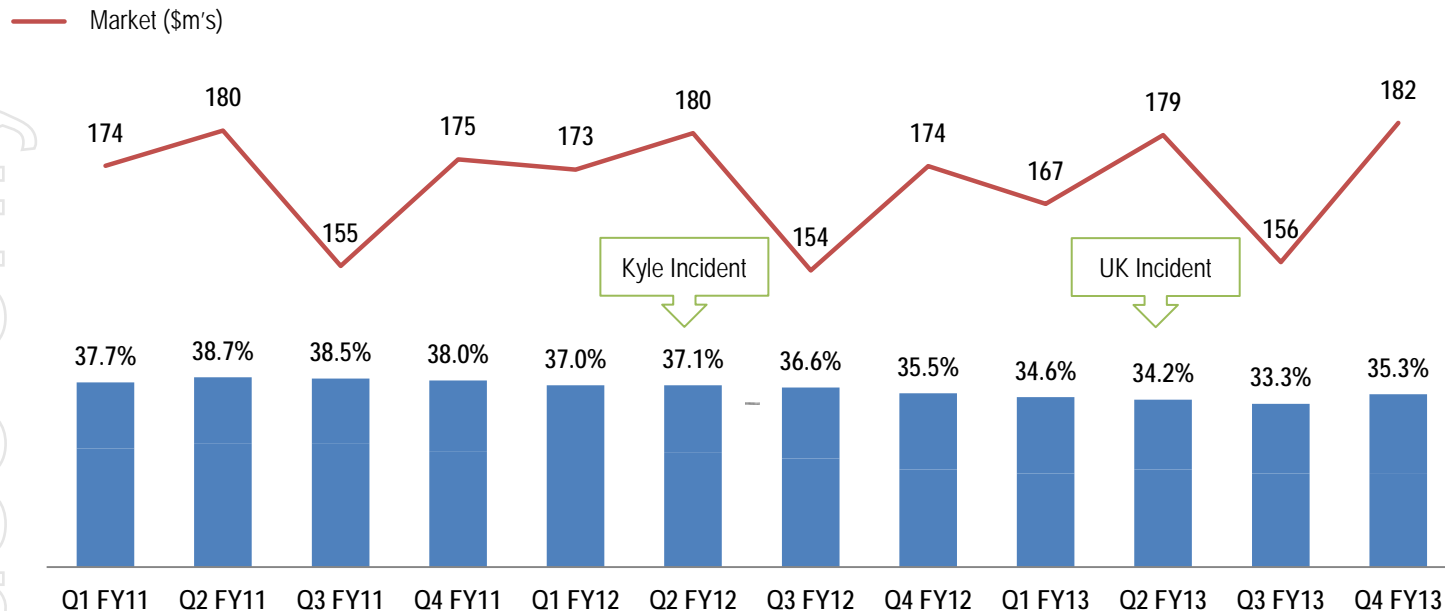


- Power ratio of < 1 reflecting lag in effect of National sales cycle.
- Gap expected to improve as better ratings and refocussed sales effort impacts



<sup>1</sup> Four mainland markets only, excludes Tasmania, Northern Territory and South Australia

# METRO RADIO COMMERCIAL SHARE



\* Revenue figures have not been adjusted for the impact of the UK incident.



# DEBT FACILITIES

<i>\$ millions</i>	June 2013	Dec 2012
Drawn Debt	703.0	713.0
Less Cash	(102.9)	(83.8)
<b>Net Debt (Group)</b>	<b>600.1</b>	<b>629.2</b>
<b>Net Debt (Borrowing Group)</b>	<b>606.5</b>	<b>635.6</b>

- Current debt facility matures March 2015.
- Refinancing expected to be completed by 30 June 2014.





# DEBT FACILITY COVENANTS

## Leverage Ratio & Net Debt



## Interest Cover



- Leverage ratio covenant for borrowing group of 3.25 from 31 December 2013.
- Interest Cover ratio covenant for borrowing group of 3.15 from 31 December 2013.

# CASH FLOW

	<i>\$ millions</i>
<i>Opening Cash</i>	97.2
<b>Cash From Operations (pre tax)</b>	<b>192.0</b>
Proceeds from sale of Land & Buildings	1.8
Interest, Derivative & Borrowing Cost payments	(57.7)
Tax	(38.7)
Capital expenditure	(25.1)
Payments for investments and intangibles	(1.3)
Proceeds from sale of Sunshine Coast Radio	17.7
Dividends to Security Holders	(67.0)
Debt repayment	(16.0)
<b>Closing Cash</b>	<b>102.9</b>
<i>EBITDA (Reported)</i>	210.9
<b>Conversion</b>	<b>91.0%</b>



# EPS ANALYSIS

<i>Cents per share</i>	FY13	FY12
<b>Underlying Operations</b>	<b>12.9</b>	<b>14.2</b>
One Off Costs	(0.7)	(0.6)
Profit on Sale of Radio Licences	1.5	
Sunshine Coast – 4 months normalisation	(0.1)	
One Off Tax Benefit		5.6
Tax on Amended Assessment		(4.6)
Interest on Amended Assessment (net of tax)		(1.1)
<b>Reported</b>	<b>13.6</b>	<b>13.5</b>
<i>Weighted average # of shares (m's)</i>	704.8	705.1
<i>Actual closing # of shares (m's)</i>	704.9	704.6



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**OPERATIONAL UPDATE  
RHYS HOLLERAN, CEO**

# THE YEAR IN REVIEW

- Revenue down overall 5.4% - 87% due to our Television business
  - TEN commercial share of 4 Agg markets fell to 19.5%
  - On-air incidents have impacted Metro radio share
  - Regional Radio outperformed metro markets on the back of a good local result
  - A highlight is the continued strong performance of our local sales force – particularly with TV
- Expense management remains a key focus in current trading environments
  - Employee expenses have been kept flat despite upward pressure on wages from the market and increased investment in content
  - New projects have been commenced focussed on delivering a cost structure that reflects further integration as a multi-media business



# THE YEAR IN REVIEW

- We remain dominant in the key radio demographics of 18-39 and 25-54
- National Sales is under new leadership with Andrea Ingham – ex Nine – commencing in February as our National Sales Director. Andrea has had an immediate positive impact on improving our sales effort and importantly brings strong relationships with Agencies and key partners – in particular TEN – with her.
- Clive Dickens commenced as Head of Digital and Innovation in March and has delivered a much needed focus and boost to our considerable digital footprint. We expect to be turbo charging our efforts in the on-line and social media spaces through Clive's leadership.



# THE YEAR IN REVIEW

- Digital developments include:-
  - Launch of Song1 and partnering with Nine Entertainment on the development of the subscriber base
  - Continuing development and growth of DAB+ as a point of engagement
  - Many more integrated campaigns for our clients such as “Shapefestival” for Arnotts; Car-B-Q for the meat and livestock industry; “Car Swap” for Suzuki



# COMMUNITY



- Give Me 5 For Kids raised over **\$2.3 million** in July 2013 and over **\$10 million** since inception with all donations going to local hospitals
- I Believe in Christmas, in partnership with the Salvation Army, donated over **22,000** toys to children in need in December 2012
- My Community Connect has over **31,000** memberships and has advertised over **70,000** community events
- Matt & Jo's \$200K for 200 kids raised **\$425,031**
- 92.9FM's participation in Telethon raised **\$500,407** with donations focussing on the Princess Margaret Children's Hospital and raising over **\$1 million** over the past four years
- Brisbane's B105 Children's Hospital Appeal raised **\$434,562** in 2012 and over **\$11 million** in 19 years of participation
- Media partner for the Vinnies CEO Sleepout





# WHAT'S AHEAD

- We are positive about the new direction being taken at TEN which should yield improvement in audience numbers and revenue share over the next three years
- Investment in our Metro Radio content is expected to see further improvements in ratings and sales shares over the coming year
- DAB+ continues to grow nationally and our three pronged strategy will exploit the large amount of spectrum we hold (28%)
  - Simulcast of our national brands;
  - Extending the strength of these brands with complementary product offerings; and
  - Further development of our new offerings that will build new audiences – Buddha, Stardust & Loveland



# WHAT'S AHEAD

- On-line and Social Media will be utilised to further enhance our engagement with our fans
  - New environments will continue to build “fans not listeners”
- Regulatory Environment
  - 75% Reach Rule: we maintain our view this should be abolished in a modern media world
- Ubiquity of access will continue to challenge the media industry. Whilst we are well positioned to respond to the way fans wish to access our content, the regulatory environment needs to refresh quickly to enable existing media companies to respond to the rapidly changing environment.



# WHAT'S AHEAD

- A further review of our business has commenced and is expected to result in further enhancements to our operating model over the coming few years.
- Q1 trading thus far has been satisfactory and met our expectations.
- It is difficult to predict markets at present which – as always for our industry – will be influenced by the electoral cycle and consumers response to the outcome.



# QUESTIONS

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# APPENDICES



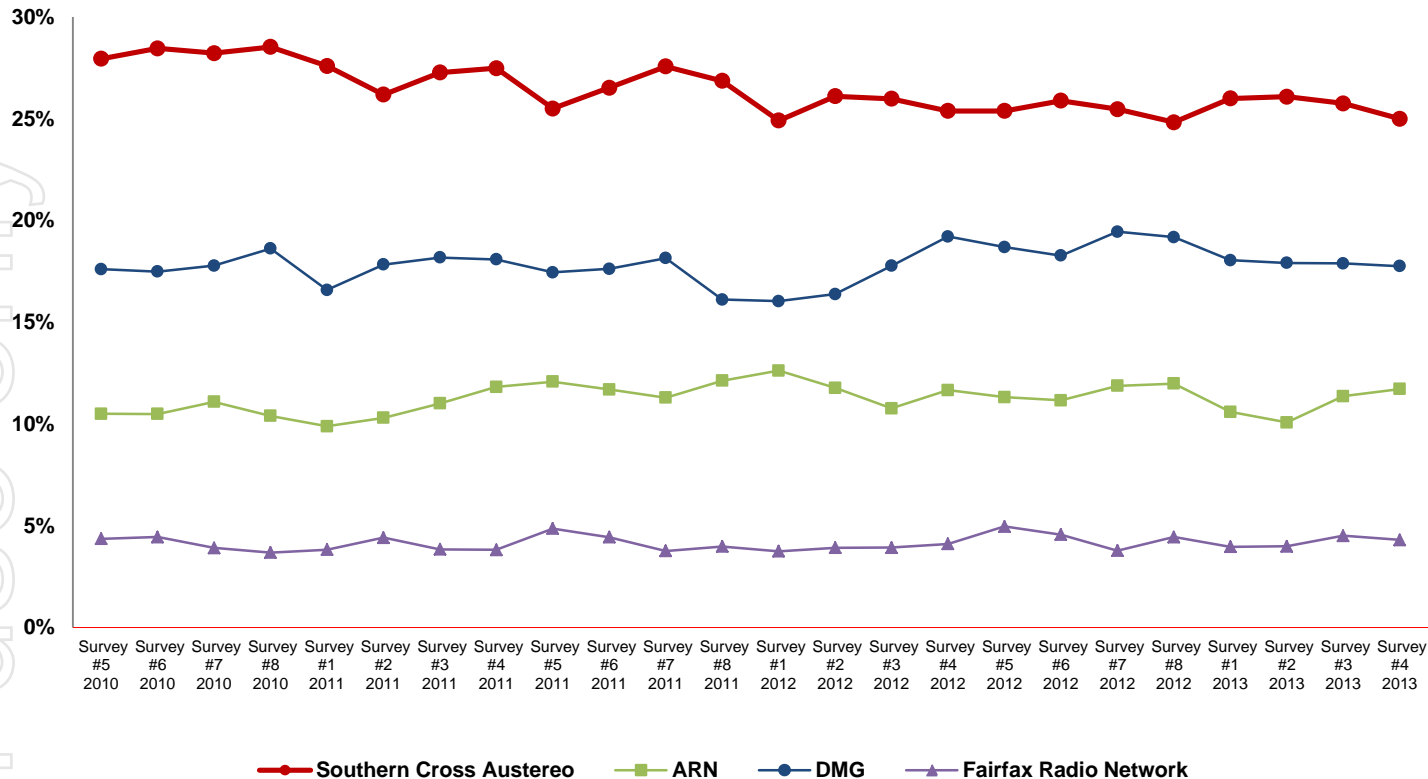
# ADJUSTMENT TO UNDERLYING RESULTS

<i>\$ millions</i>	Reported FY13	Impact of One Off Events	Sunshine Coast Normalisation	Underlying FY13
Revenue	642.7	5.3	2.5	650.5
Expenses	(441.5)	1.3	(1.6)	(441.8)
Equity Accounted Profit	(0.7)	-	-	(0.7)
Profit from discontinued ops.	10.4	(10.4)	-	-
<b>EBITDA</b>	210.9	(3.8)	0.9	208.0
Depreciation & Amortisation	(26.5)	-	-	(26.5)
<b>EBIT</b>	184.4	(3.8)	0.9	181.5
Net Finance Costs	(51.2)	-	-	(51.2)
<b>PBT</b>	133.3	(3.8)	0.9	130.3
Tax	(37.2)	(2.0)	(0.3)	(39.5)
<b>NPAT</b>	96.1	(5.8)	0.6	90.8

- One off events include estimated financial impact of the UK incident, costs of due diligence and the profit on the sale of the Sunshine Coast.
- March to June results extrapolation of the divested Sunshine Coast radio business.



# METRO RATINGS (18-39)



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SOUTHERN CROSS AUSTEREO

