

SOUTHERN CROSS AUSTEREO FY16 INVESTOR PRESENTATION

25 August 2016



SOUTHERN CROSS AUSTEREO
absolutely engaging

Disclaimer

Summary information

The material in this presentation has been prepared by Southern Cross Media Group Limited ABN 91 116 024 536 (“Southern Cross Austereo”) and contains summary information about Southern Cross Austereo’s activities current as at 25 August 2016. The information in this presentation is of a general background nature and does not purport to be complete. It should be read in conjunction with Southern Cross Austereo’s other periodic and continuous disclosure announcements which are available at www.southerncrossaustereo.com.au

Past performance

Past performance information in this presentation is for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

Future performance

This presentation contains certain “forward-looking statements”. Forward-looking statements, opinions and estimates provided in this presentation are based on assumptions and estimates which are subject to change without notice, as are statements about market and industry trends, which are based on interpretation of market conditions. Although due care has been used in the preparation of forward-looking statements, actual results and performance may vary materially because events and actual circumstances frequently do not occur as forecast. Investors should form their own views as to these matters and any assumptions on which any of the forward-looking statements are based.

Not financial product advice

Information in this presentation, including forecast financial information, should not be considered as advice or a recommendation to investors or potential investors in relation to holding, purchasing or selling securities. Before acting on any information, you should consider the appropriateness of the information having regard to your particular objectives, financial situation and needs, any relevant offer document and in particular, you should seek independent financial advice.

For personal use only

FY16 Results

Grant Blackley



SOUTHERN CROSS AUSTereo
absolutely engaging

Results summary

- Improvement across all key financial measures
- Net Profit After Tax (NPAT) up 19.1%
- Balance sheet repair complete after significant reduction in net debt
- Increased shareholder returns;
 - Final dividend of 3.5 cents per share, fully franked
 - Full year dividends up 12.5%

FY16			
Revenue	\$642.3m	5.1%	↑
EBITDA	\$167.7m	2.8%	↑
NPAT*	\$77.2m	19.1%	↑
Reported EPS	10.1cps	13.3%	↑
Net Debt	\$340.2m	32.9%	↓

*Prior year NPAT excludes Impairment

Headline achievements

Sales Performance

- Advertising revenue growth across all asset classes – group revenue up 5.1%
- Outperformed the market in both Metropolitan Radio and Regional TV sales
- Regional Radio up by 6.1% - 5th consecutive year of advertising growth

Financial stability

- Improved financial position - net debt reduced by \$166m or 32.9%
- Continued divestment of non core assets - \$16.1m converted to cash
- Leverage ratio of 1.9x is within target range and has created increased financial stability

Strategic undertaking

- Landmark long term affiliation agreement with Nine Entertainment
- Renewal of 5 year affiliation agreement with Ten Network (NNSW only)
- Executed long term agreement with the Australian Traffic Network
- Executive re-structure has enhanced company wide performance while improving visibility and strategic disciplines



FY16 Financial Results

Nick McKechnie



SOUTHERN CROSS AUSTereo
absolutely engaging

Group reported statutory results

\$ millions	FY15	FY16	Var.
Revenue	611.1	642.3	5.1%
Expenses	(447.9)	(474.6)	(6.0%)
EBITDA	163.2	167.7	2.8%
<i>EBITDA Margin</i>	26.7%	26.1%	nm
Depreciation & Amortisation	(28.5)	(28.9)	(1.4%)
Significant items – Impairment	(361.4)	-	nm
EBIT	(226.7)	138.8	161.2%
Net Finance Costs	(38.5)	(24.7)	35.8%
PBT	(265.2)	114.1	143.0%
Tax	(31.4)	(36.9)	(17.5%)
Significant items – Tax Effect	11.7	-	nm
NPAT	(284.9)	77.2	127.1%

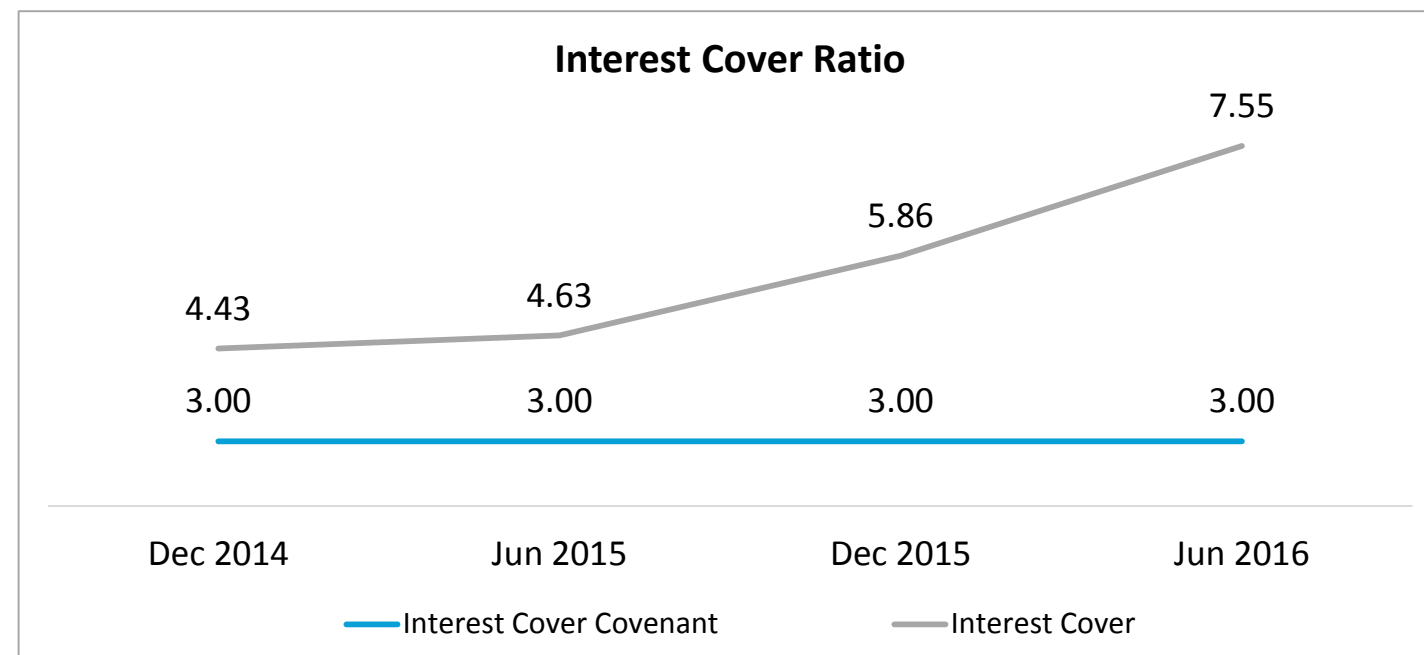
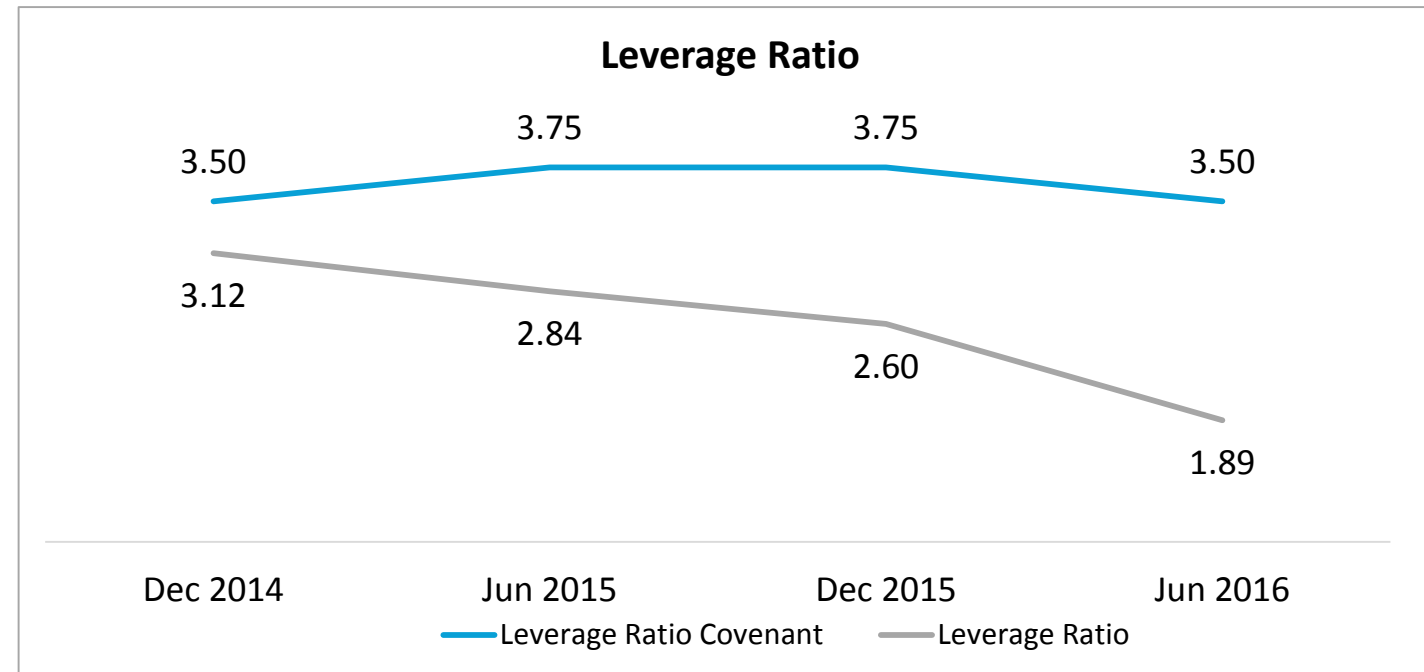
nm = not meaningful

Cashflow

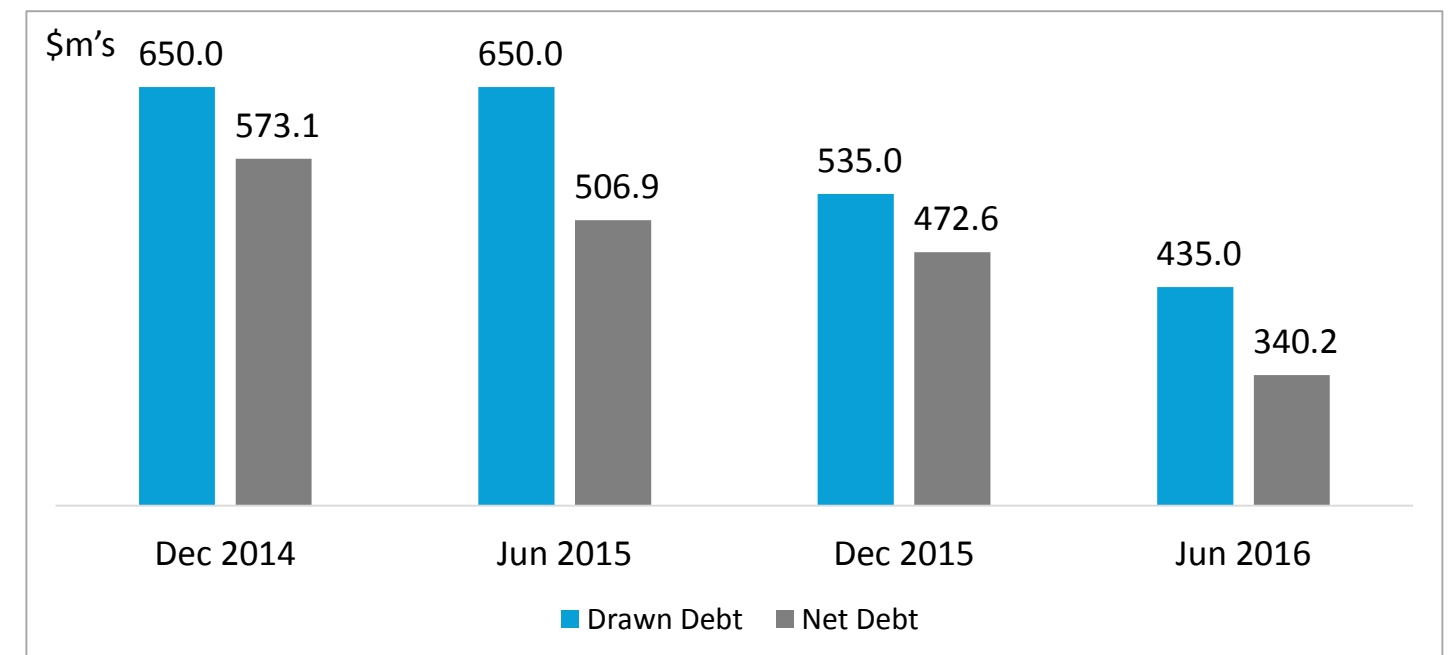
\$ millions		FY16
Opening Cash		143.1
Cash from Operations	156.5	
Tax payment	(32.8)	
Payments for Non-Current Assets	(23.3)	
Net financing payments	(29.4)	
Cash flow pre dividends and non-recurring items		71.0
Net proceeds from non-core assets		16.1
Proceeds from ATN		98.7
Dividends to security holders		(33.7)
Debt repayment		(215.0)
Proceeds from receivables securitisation		14.6
Closing Cash Balance		94.8
Reported EBITDA		167.7
Operating Cash Conversion		93.3%

- Strong EBITDA to cash conversion – 93.3%
- \$215.0m debt repayment funded through combination of ATN proceeds, divestment of non core assets and improved free cash flow
- Net financing payments reduced by 28.5%
- \$71.0m (92.0% of NPAT) in Cash Flow pre dividends and non-recurring items

Debt facilities



- Drawn debt reduced by \$215.0m to \$435.0m
- \$100.0m undrawn facility remains
- Net debt reduced by \$166.7m (32.9%)
- Securitised receivables facility of \$65.0m, \$36.8m utilised at 30 June
- Leverage ratio of 1.89x, significantly reduced from 2.84x in June 2015



For personal use only

Operational Review



SOUTHERN CROSS AUSTEREO
absolutely engaging

Operational Review

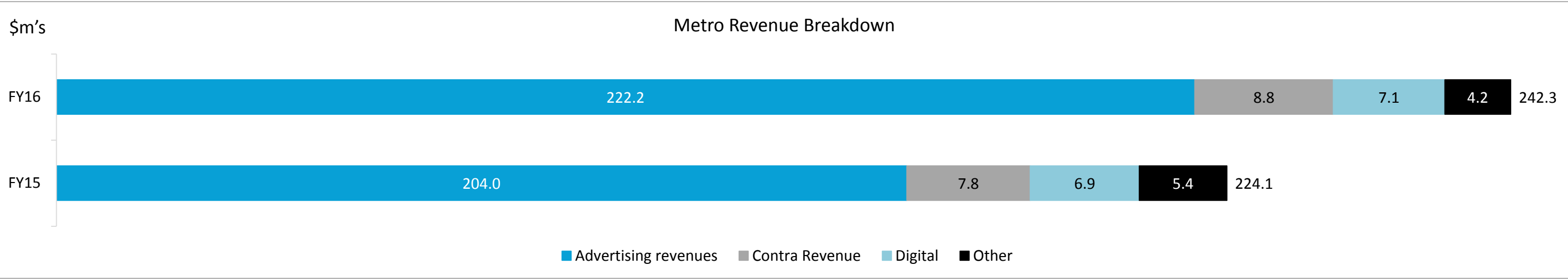
\$ millions	FY15	FY16	Var.	
Regional Revenue	361.6	382.2	5.7%	<ul style="list-style-type: none"> Revenue includes one off gain on sale of land of \$5.6m \$4.7m adverse revenue and EBITDA impact from ATN contract Revenue includes \$5.0m loss on sale of network telecommunication asset (non cash)
Metro Revenue	224.1	242.3	8.1%	
Corporate Revenue	25.4	17.8	(30.0%)	
Total Revenue	611.1	642.3	5.1%	
Regional Expenses	(246.9)	(251.1)	(1.7%)	<ul style="list-style-type: none"> Investment in content enhancements and variable revenue related expenses
Metro Expenses	(166.3)	(190.9)	(14.8%)	
Corporate Expenses	(34.7)	(32.6)	6.1%	
Total Expenses	(447.9)	(474.6)	(6.0%)	
Regional EBITDA	114.7	131.1	14.3%	
Metro EBITDA	57.8	51.4	(11.1%)	
Corporate EBITDA	(9.3)	(14.8)	(59.1%)	
Total EBITDA	163.2	167.7	2.8%	



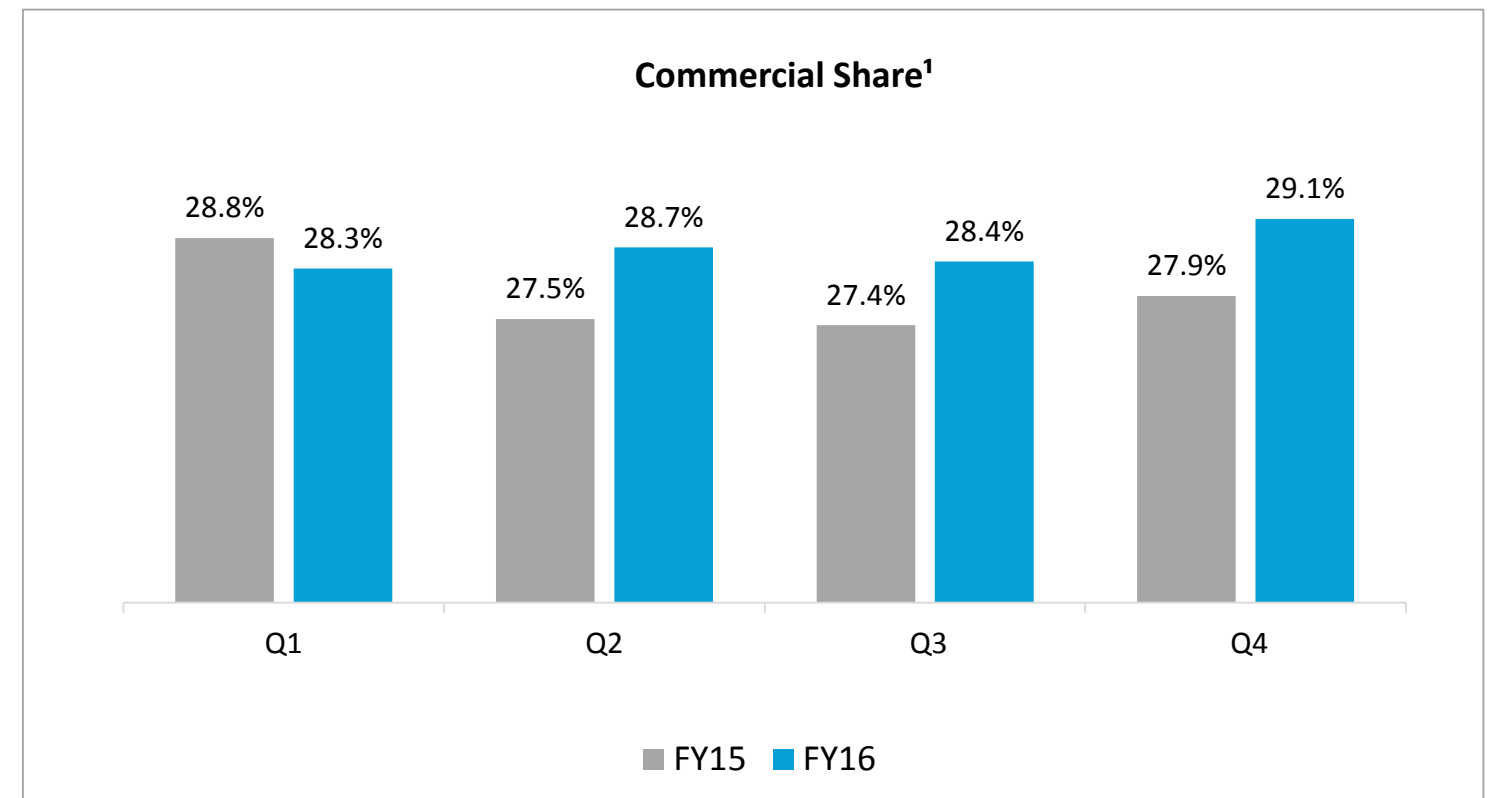
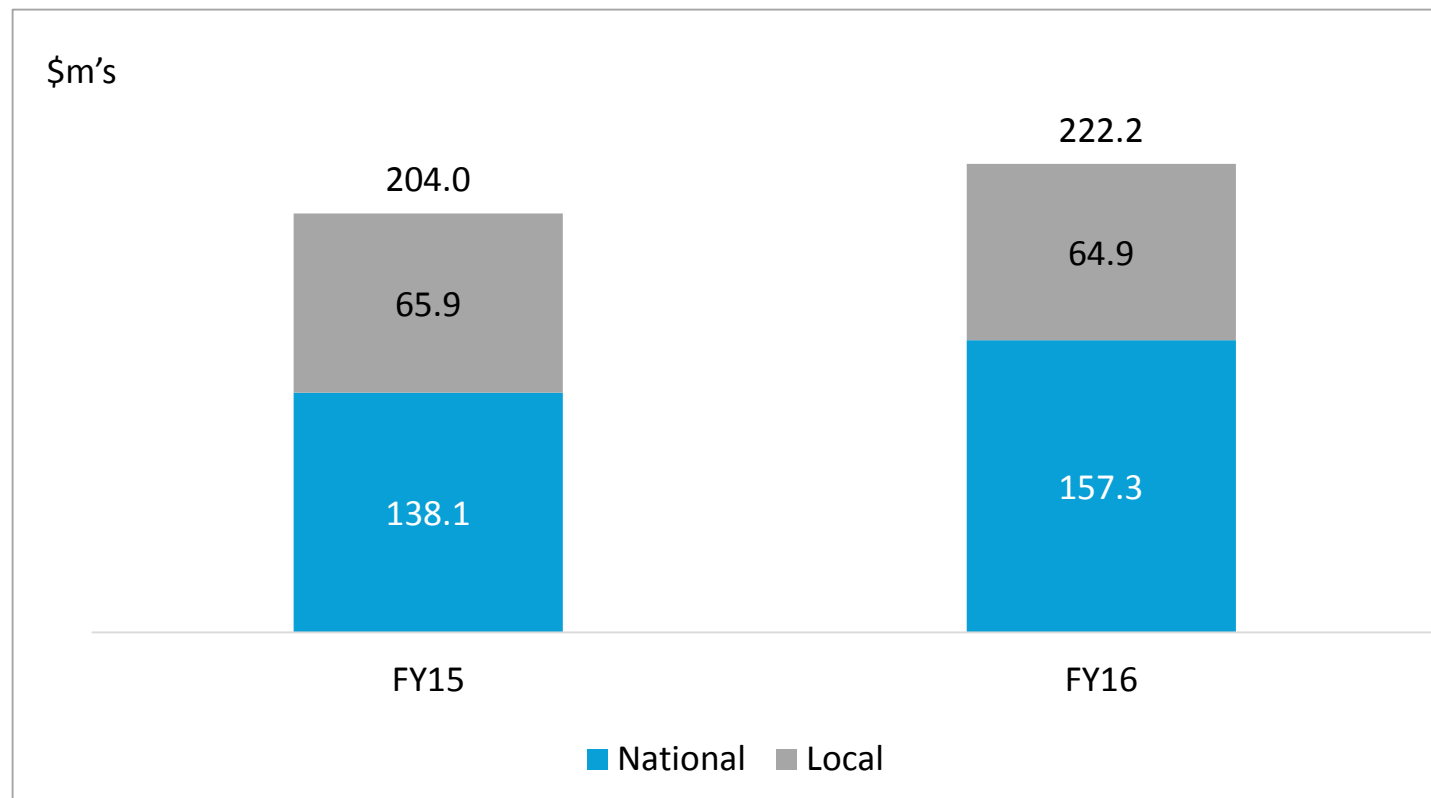
Metro Radio

\$ millions	FY15	FY16	Var.
Total Revenue	224.1	242.3	8.1%
Broadcast & Production	(19.1)	(20.6)	(7.9%)
Employee	(69.7)	(84.4)	(21.1%)
Selling, General & Admin	(77.5)	(85.9)	(10.8%)
Total Expenses	(166.3)	(190.9)	(14.8%)
EBITDA	57.8	51.4	(11.1%)
EBITDA Margin	25.8%	21.2%	

- Strong revenue growth resulting from share improvement and solid market growth
- \$4.7m adverse revenue and EBITDA impact from ATN contract
- Cost growth the result of increased revenue related costs plus investment in content
- Content investment providing residual benefit across regional radio assets



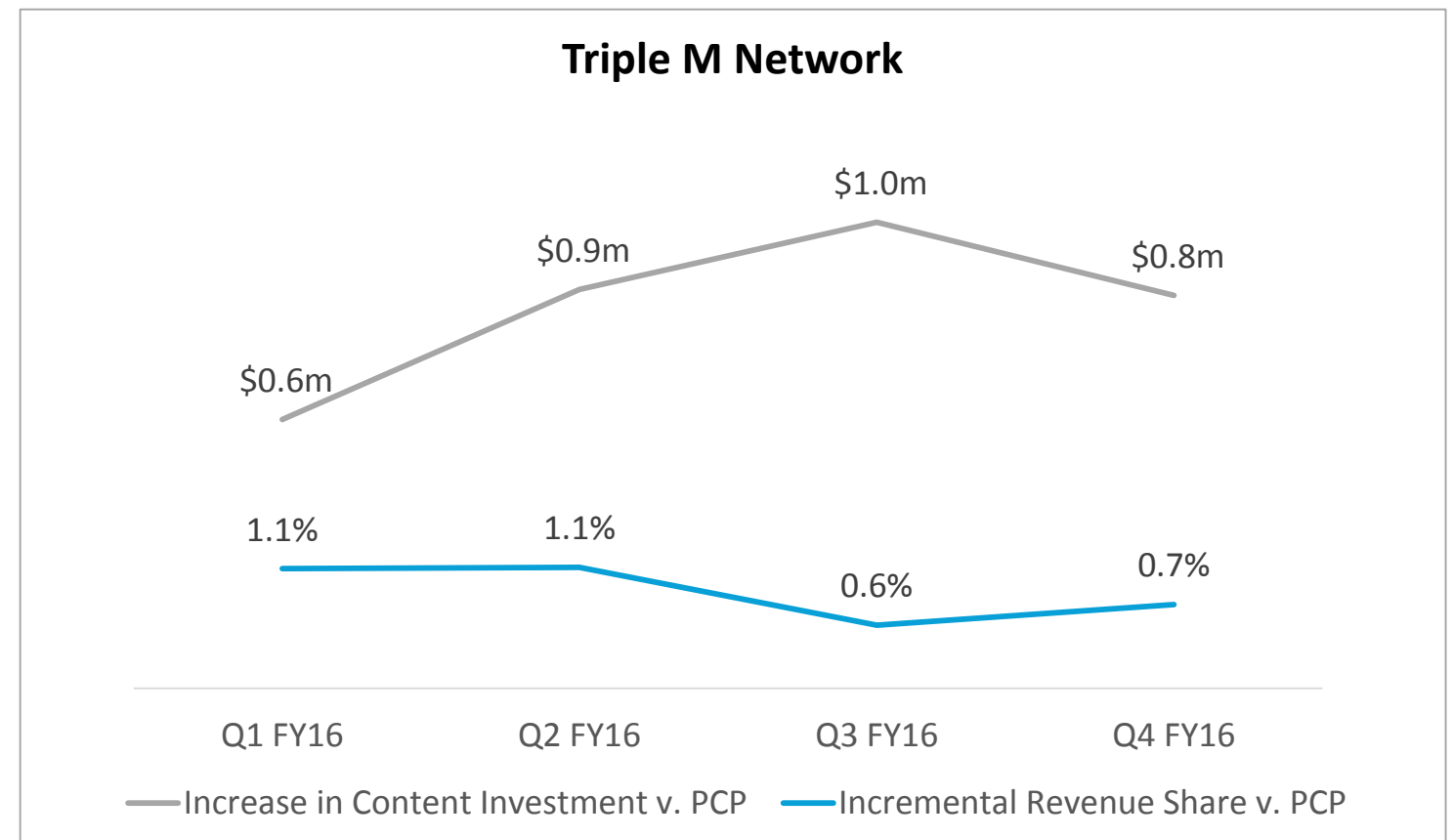
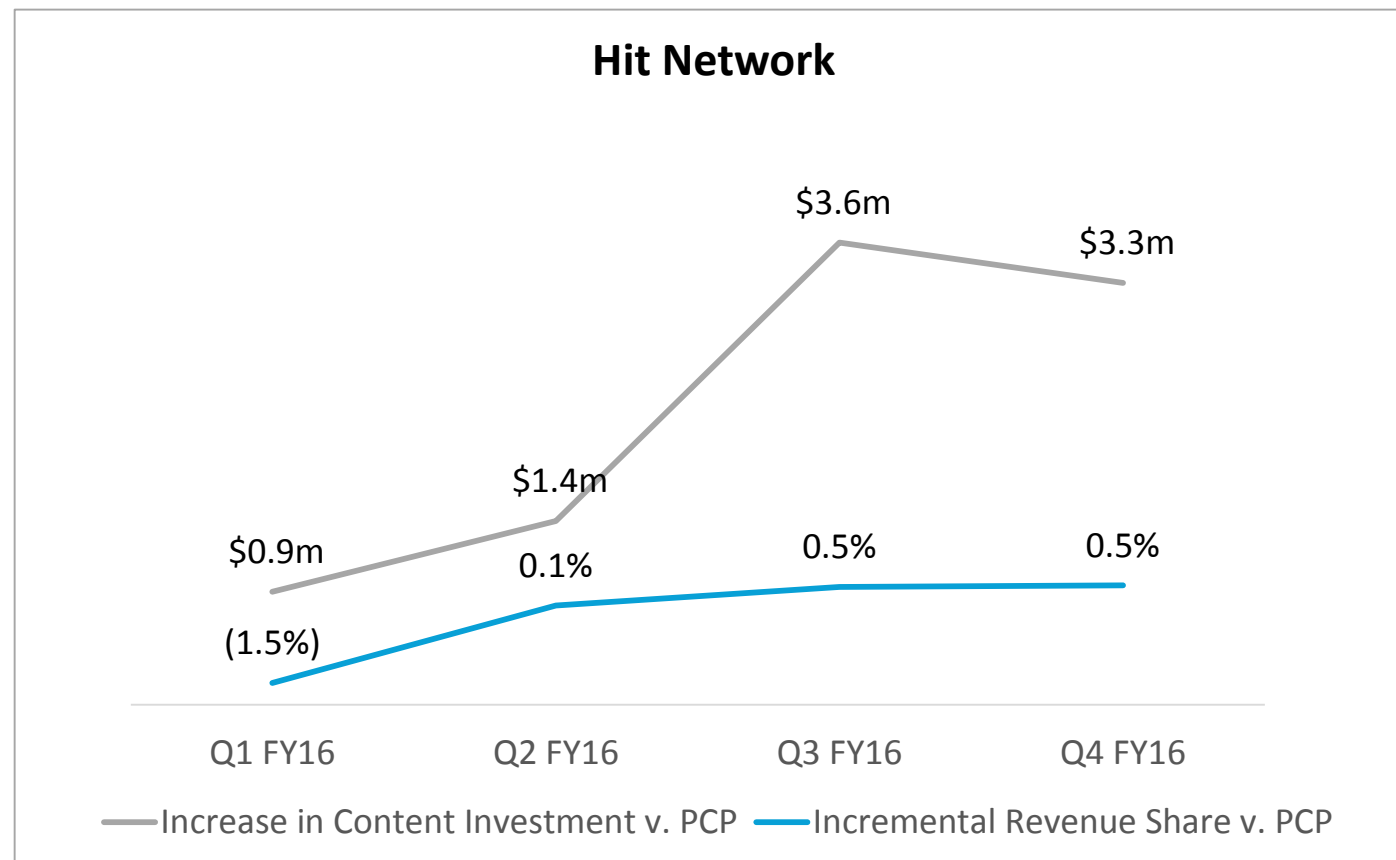
Metro Advertising Revenue



- Outperformed the market - SCA revenue up 8.9% compared to market growth of 5.9%
- Revenue share up 0.8 points to 28.7% (excluding ATN impact)
- Stronger focus on yield and related levers has led to improved agency revenues across both Hit and Triple M, up 10.1% and 16.5% respectively
- National to Local revenue blend – better mix of yield with further improvements expected

¹Deloitte Market Share Report

Metro Radio - Investment in Content & Marketing

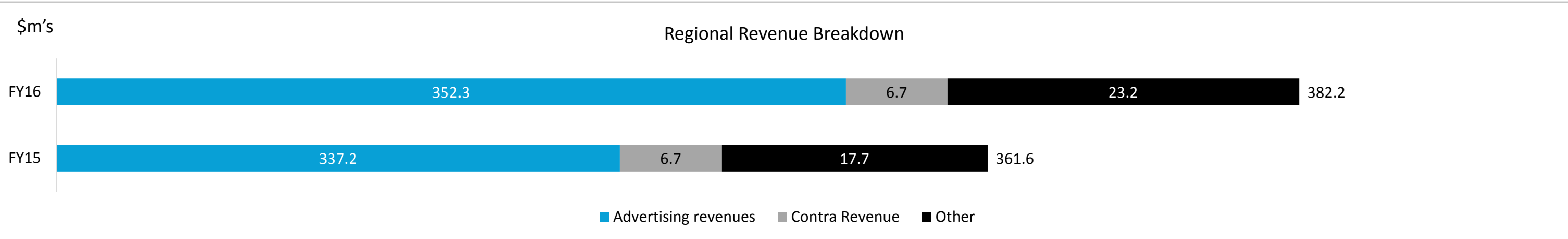


- Continued investment in Hit network content - only partially monetised to date
- Hit Network share improving in the second half - share up 0.5 points
- Triple M margins improving year on year - share up 0.7 points
- Investment in content supported by comprehensive marketing plan

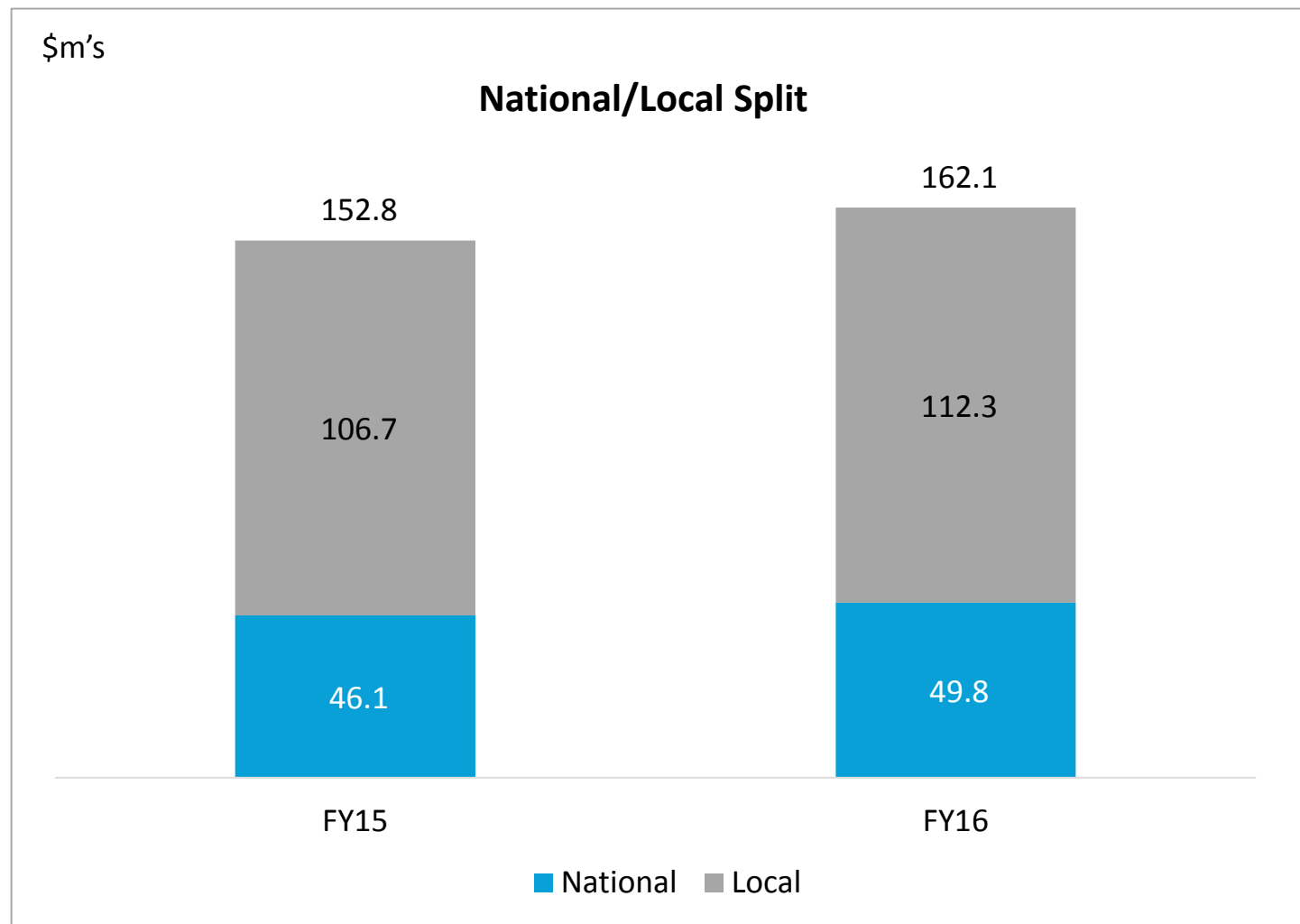
Regional – TV and Radio

\$ millions	FY15	FY16	Var.
TV Revenue	202.3	213.2	5.4%
Radio Revenue	159.3	169.0	6.1%
Total Revenue	361.6	382.2	5.7%
Broadcast & Production	(85.5)	(87.3)	(2.1%)
Employee	(65.4)	(66.9)	(2.3%)
Selling, General & Admin	(96.0)	(96.9)	(0.9%)
Total Expenses	(246.9)	(251.1)	(1.7%)
EBITDA	114.7	131.1	14.3%
<i>EBITDA Margin</i>	<i>31.7%</i>	<i>34.3%</i>	

- Group TV & Radio EBITDA up 14.3% with revenues up 5.7%
- Cost control remains a key focus with the leverage of the existing cost base improving EBITDA margins – up 1.2 points excluding one-off revenue

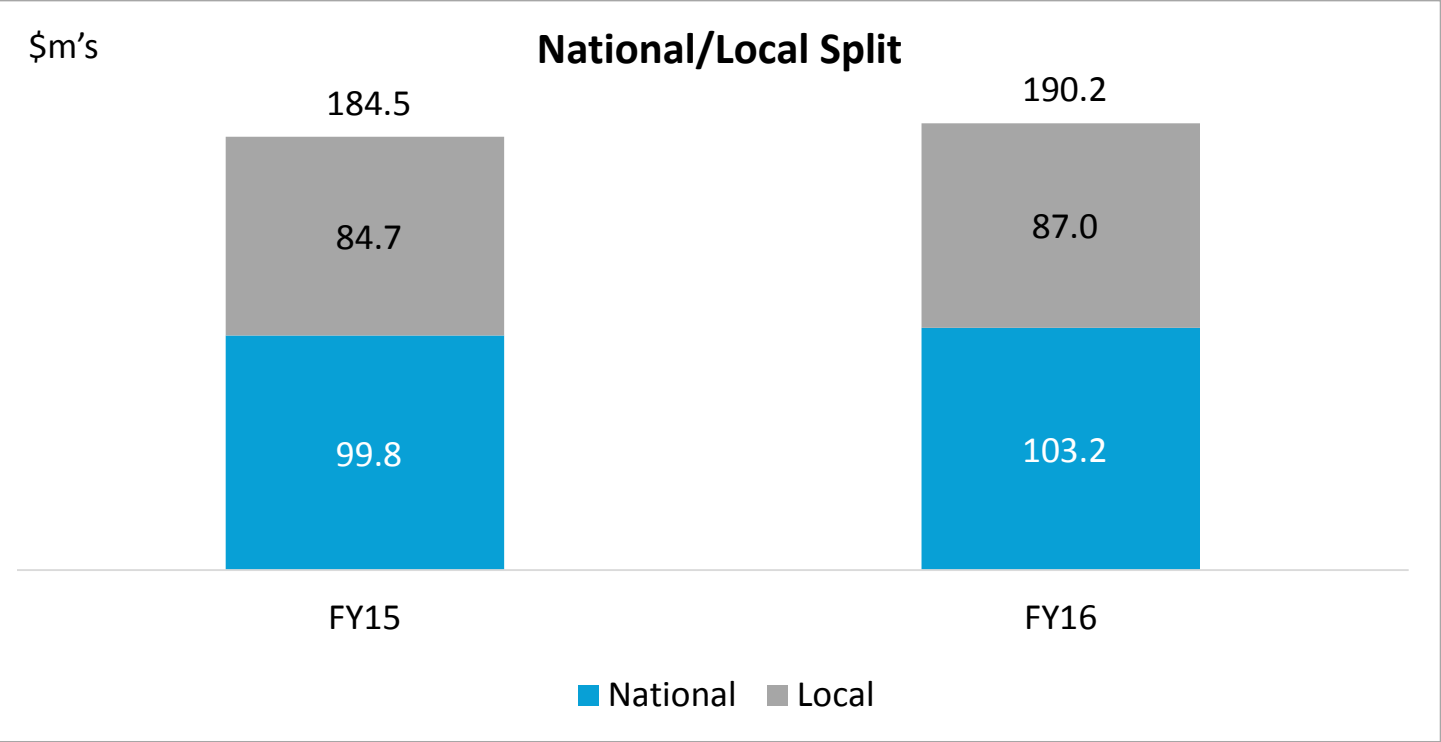


Regional Radio Advertising

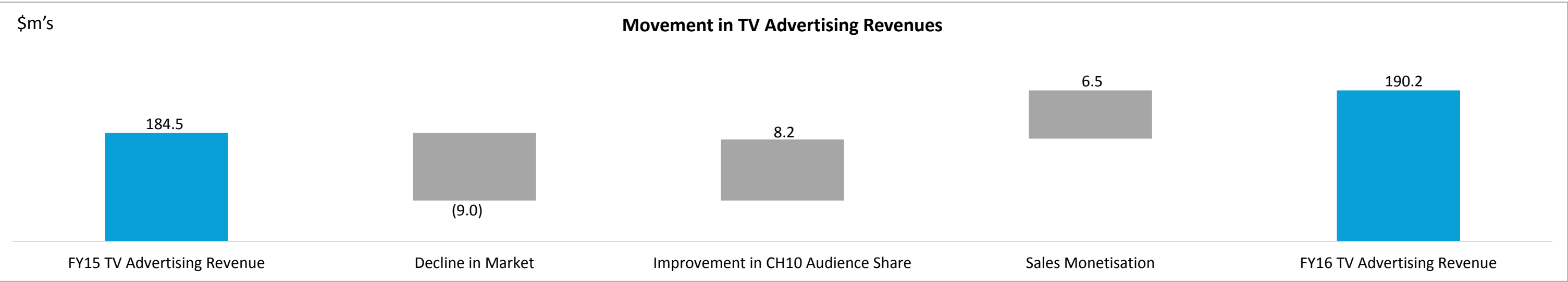


- 6.1% growth in advertising revenues
- Driven by improving blend of national and local clients and better monetisation strategies
- Investment in 21 new audience surveys underpinning increased national and local enquiry with improving conversion of revenue – national revenues up 8.0%
- Improving yield management has and will place positive pressure on rates

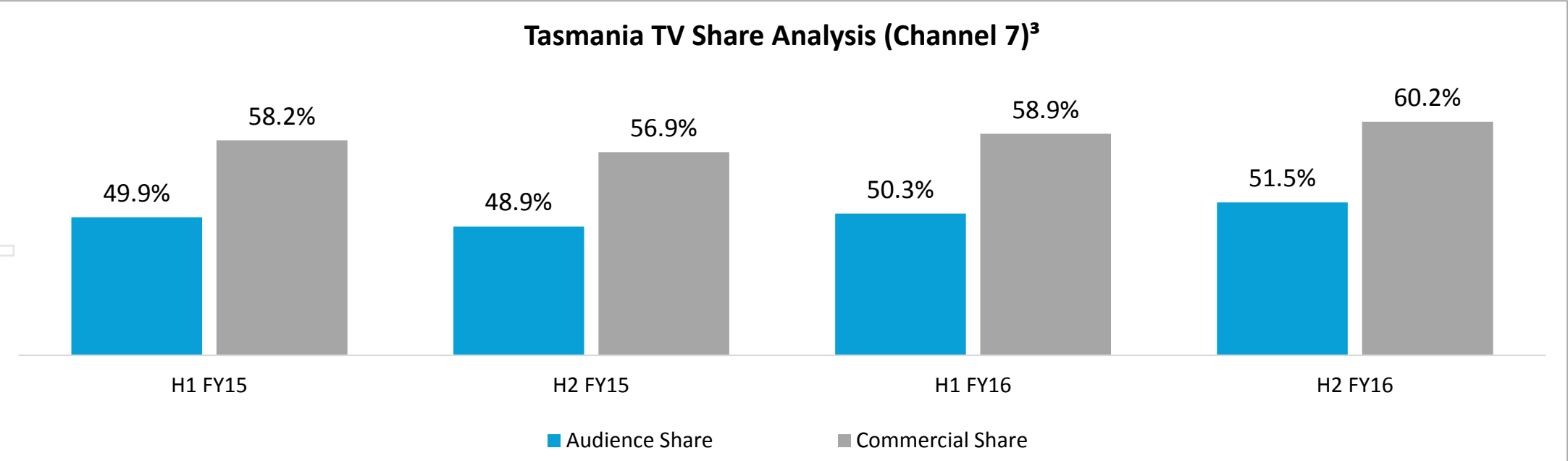
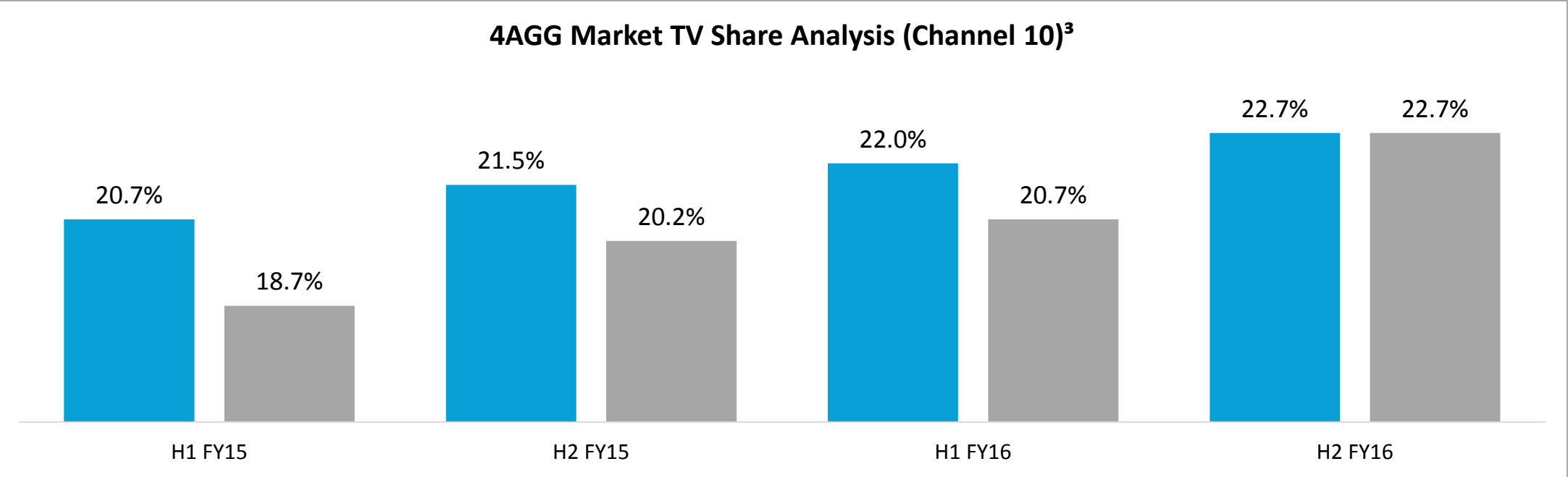
Regional TV Advertising Revenues



- 3.1% growth in revenue achieved through better monetisation of inventory and focus on yield
- General decline in TV Market assisted by improved audience share
- New landmark deal with Nine will improve future revenue profile



Regional TV Advertising Revenue Share



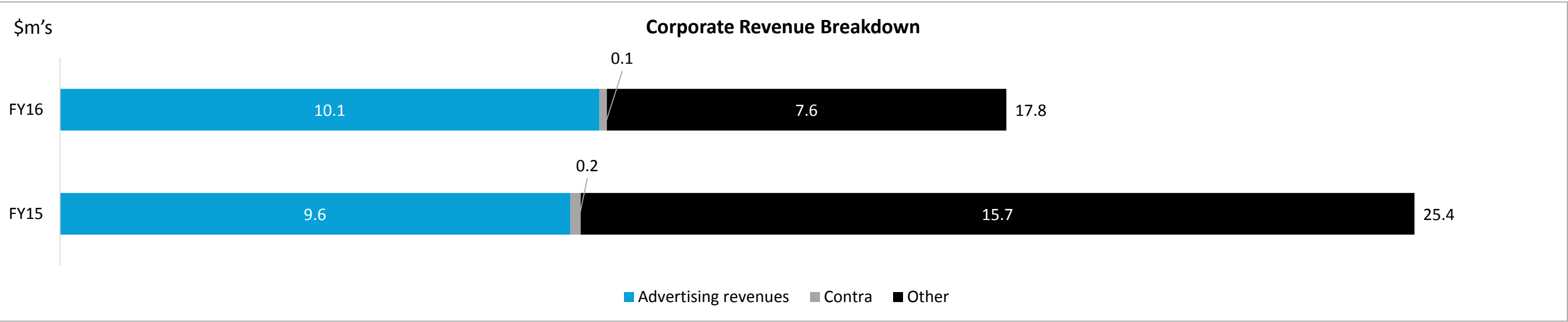
- Commercial revenue share up 2.5 points in H2 compared to increase in audience share of 1.2 points
 - H2 power ratio of 1.0 – up from 0.94
 - Task ahead - ensure conversion of ratings to revenue under new Nine contract
-
- SCA continues to maintain strong audience and commercial share in Tasmania

³ KPMG Market Share Report

Corporate

\$ millions	FY15	FY16	Var.
Total Revenue	25.4	17.8	(29.9%)
Broadcast & Production	(3.1)	(3.6)	(16.1%)
Employee	(34.1)	(33.2)	2.6%
Selling, General & Admin	(23.4)	(23.3)	0.4%
Sales Commission Recharge	25.9	27.5	(6.2%)
Total Expenses	(34.7)	(32.6)	6.1%
EBITDA	(9.3)	(14.8)	(59.1%)

- Revenue and EBITDA impact of \$5.0m – due to loss on sale of network telecommunication asset (non-cash)
- Other revenue down \$2.6m, largely due to benefit in prior year from asset disposals
- Total costs reduced despite improved investment in national sales capability



For personal use only

Outlook and Strategic Vision



SOUTHERN CROSS AUSTEREO
absolutely engaging

Outlook and guidance

EBITDA

- Full year EBITDA expected to be in the range of **\$177 - \$183m** (up 6% to 9%)
- H1 EBITDA to be ~\$92-\$94m
- Guidance includes full year impact from ATN, \$(5.4)m revenue and EBITDA

Advertising Revenue

- Advertising revenue growth forecast across all assets in year ahead
- Strong growth in TV following affiliation switch to NINE, expect full year TV revenue up 30% - 35% PCP
- Radio remains strong, July-August revenue up mid-single digits on prior year

Cost Base

- Natural increase in cost base due to higher affiliation fees & revenue related costs
- Normalised expense growth circa 3% – 4% (excluding affiliation and revenue related costs)

Financing

- Financing costs will reduce to ~\$18m, down by a further \$7m on prior year



Strategic vision

Leading entertainment provider

- Continued investment in core radio brands across all 34 markets
- Invest in improving premium audio and video inventory across our leading social, web and mobile assets
- Identify and secure new content partnerships like VEVO - to add weight and diversification across asset base

Sales and monetisation

- Leverage our new partnership with Nine Entertainment
- Premium integration - creativity and ideation will drive revenues on all platforms
- Research led insights will increase value and appeal to clients
- Continuous improvement in yield management and revenue optimisation

Partnerships and diversification

- Build new opportunities to enhance digital radio consumption and revenues
- Invest in adjacent marketing platforms and businesses – such as podcasting and data analytics
- Seek partnerships with existing, new and emerging businesses to expand our advertising and transactional led profile



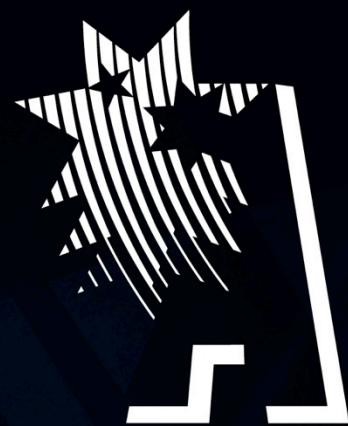
For personal use only

Q & A



SOUTHERN CROSS AUSTEREO
absolutely engaging

For personal use only



SOUTHERN CROSS AUSTERIO
absolutely engaging