SOUTHERN CROSS AUSTEREO FY16 INVESTOR PRESENTATION

25 August 2016

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FY16 Results

Grant Blackley

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

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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%**
EBITDA Margin	*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%**

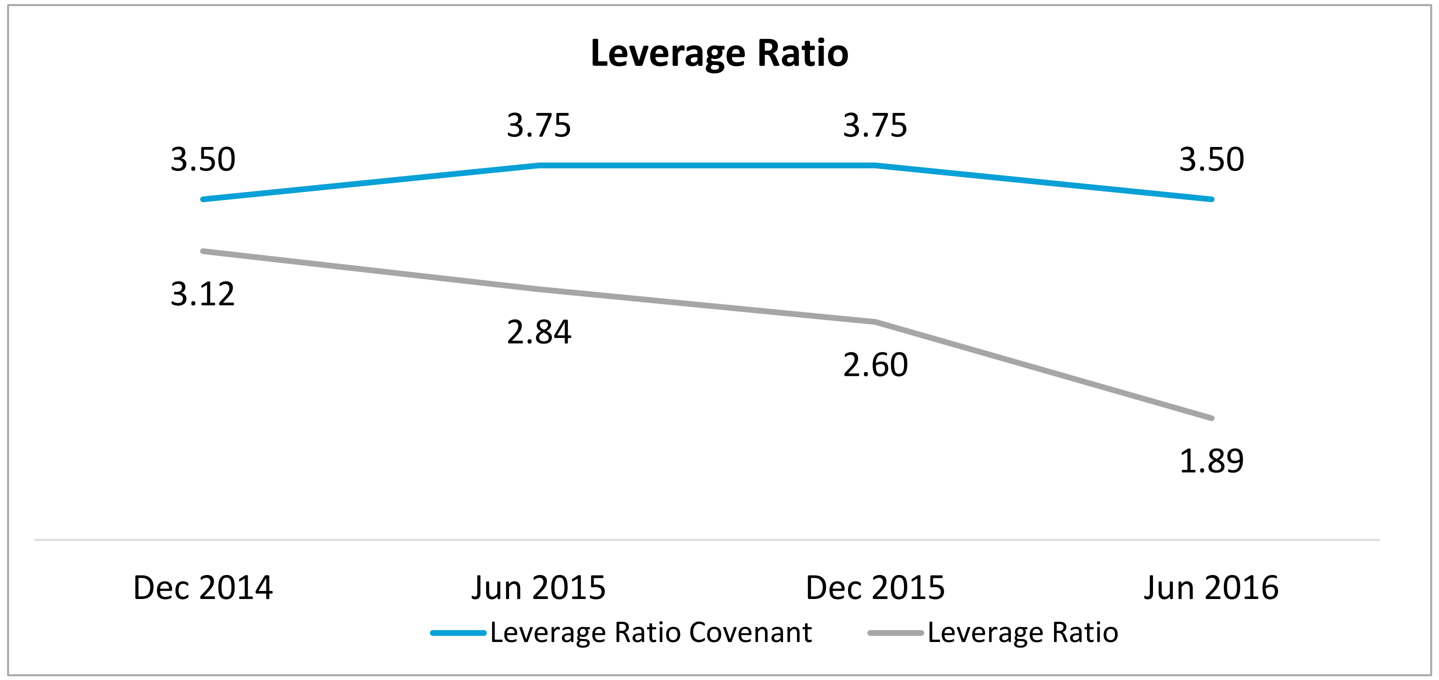
nm = not meaningful

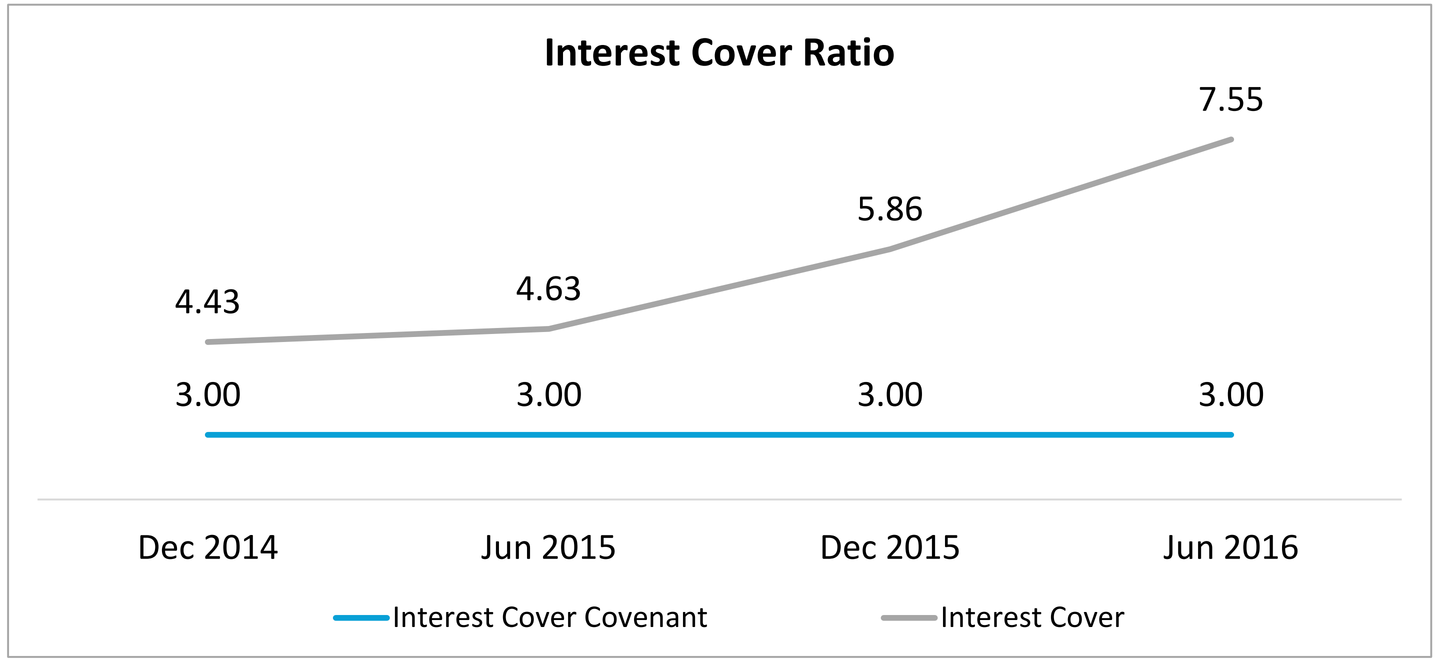
Cashflow

$ 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%**

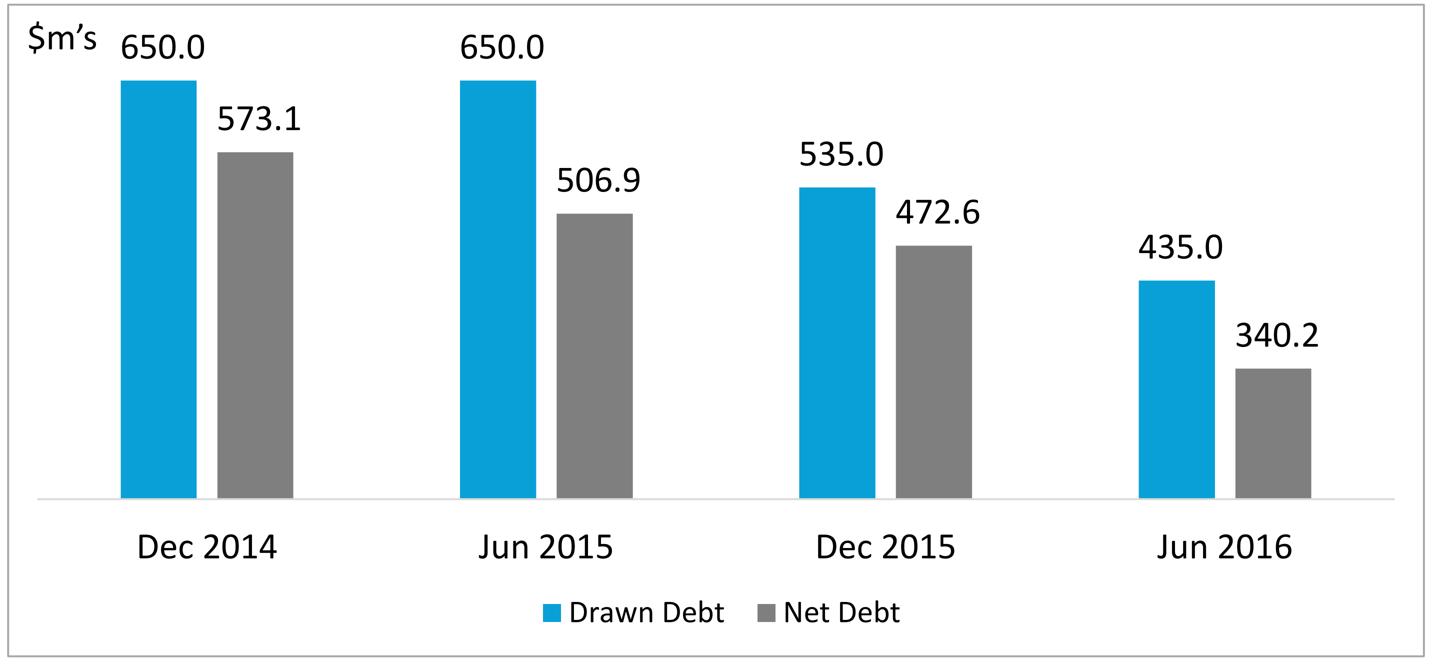
- Strong EBITDA to cash conversion – 93.3%
- $215.0m debt repayment funded through combination of ATN proceeds, divestment of non core assets and improved free cash flow
- Net financing payments reduced by 28.5%
- $71.0m (92.0% of NPAT) in Cash Flow pre dividends and non-recurring items

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



Operational Review

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Operational Review

$ millions	FY15	FY16	Var.
Regional Revenue	361.6	382.2	5.7%
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%)
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%**

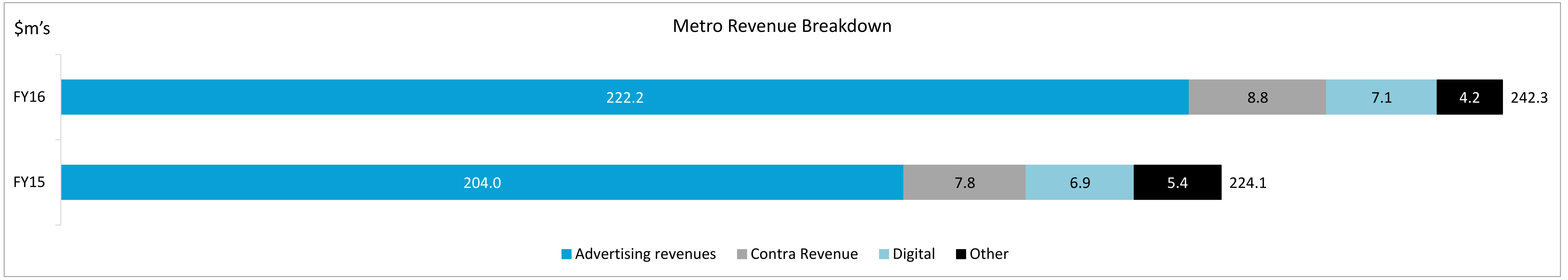
- Revenue includes one off gain on sale of land of $5.6m
- $4.7m adverse revenue and EBITDA impact from ATN contract
- Revenue includes $5.0m loss on sale of network telecommunication asset (non cash)

- Investment in content enhancements and variable revenue related expenses

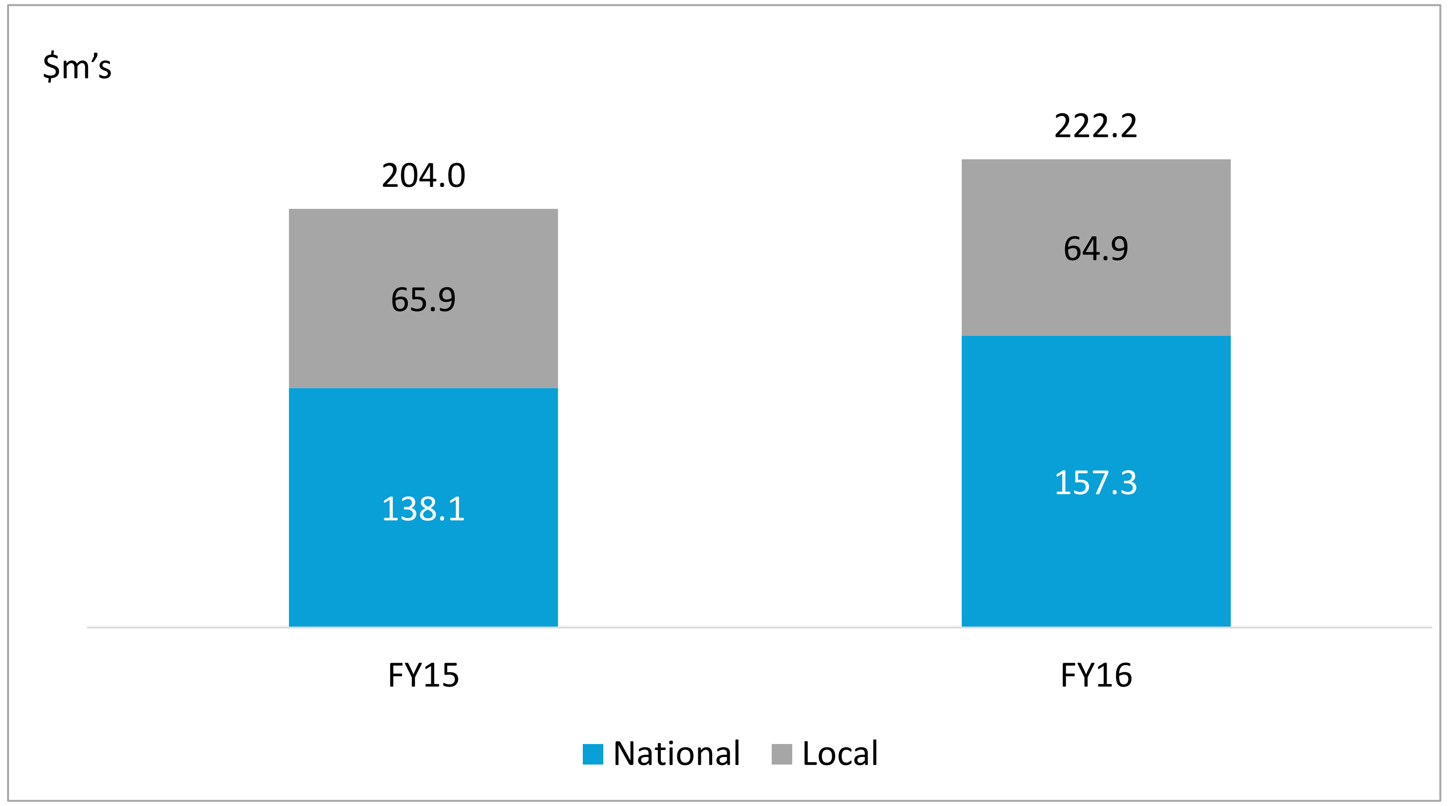
Metro Radio

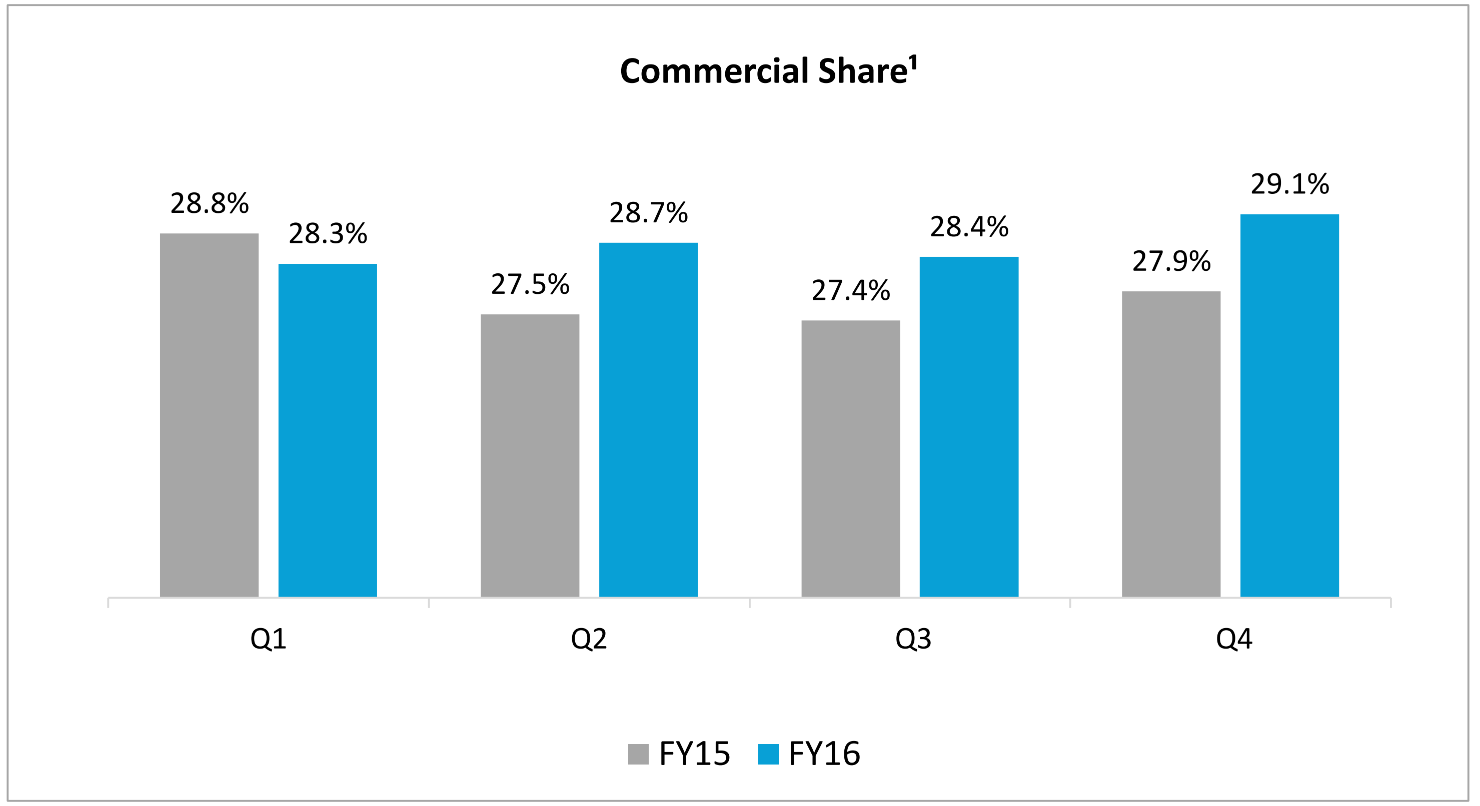
$ millions	FY15	FY16	Var.
Total Revenue	**224.1**	**242.3**	**8.1%**
Broadcast & Production	(19.1)	(20.6)	(7.9%)
Employee	(69.7)	(84.4)	(21.1%)
Selling, General & Admin	(77.5)	(85.9)	(10.8%)
Total Expenses	**(166.3)**	**(190.9)**	**(14.8%)**
EBITDA	**57.8**	**51.4**	**(11.1%)**
EBITDA Margin	*25.8%*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

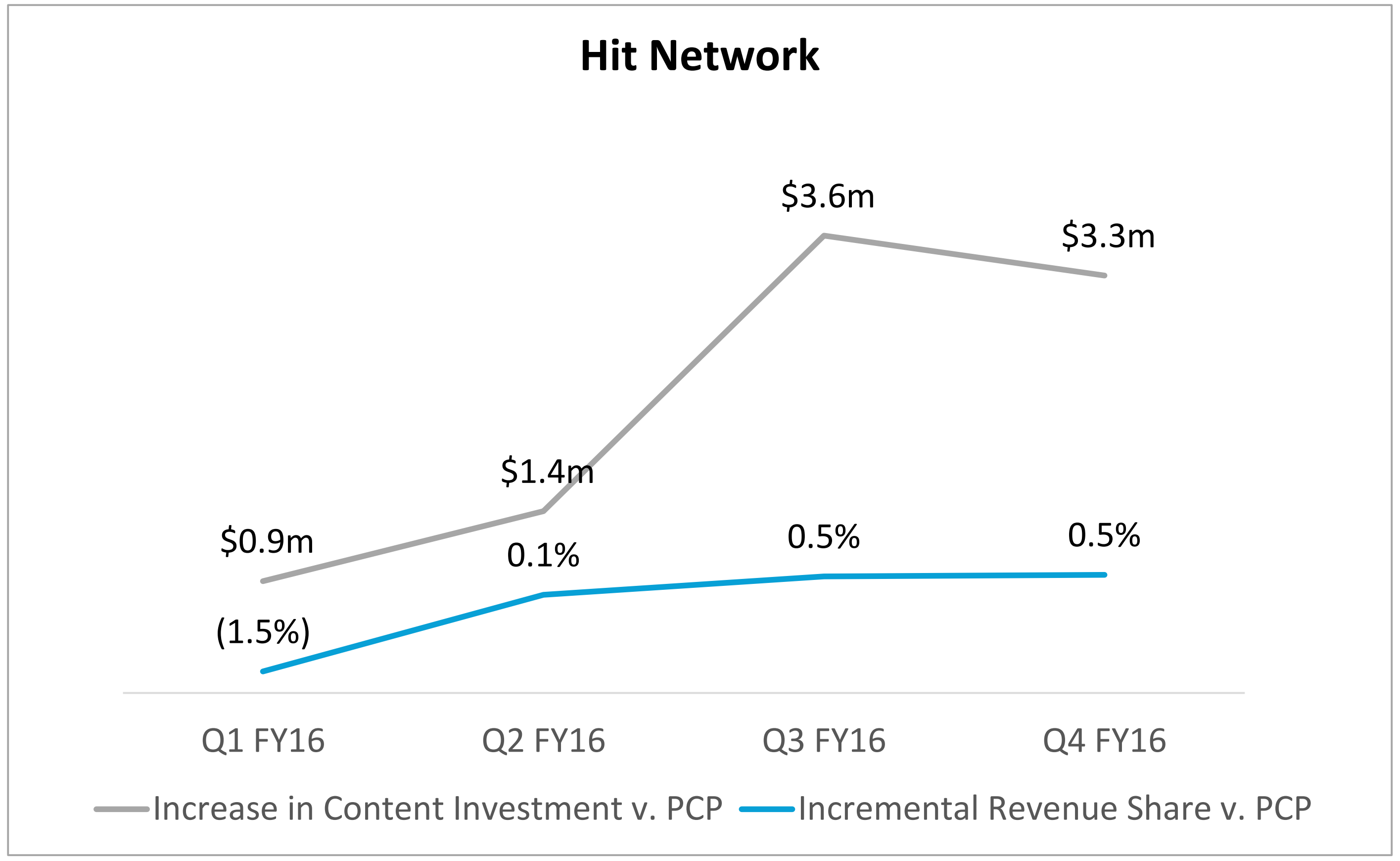


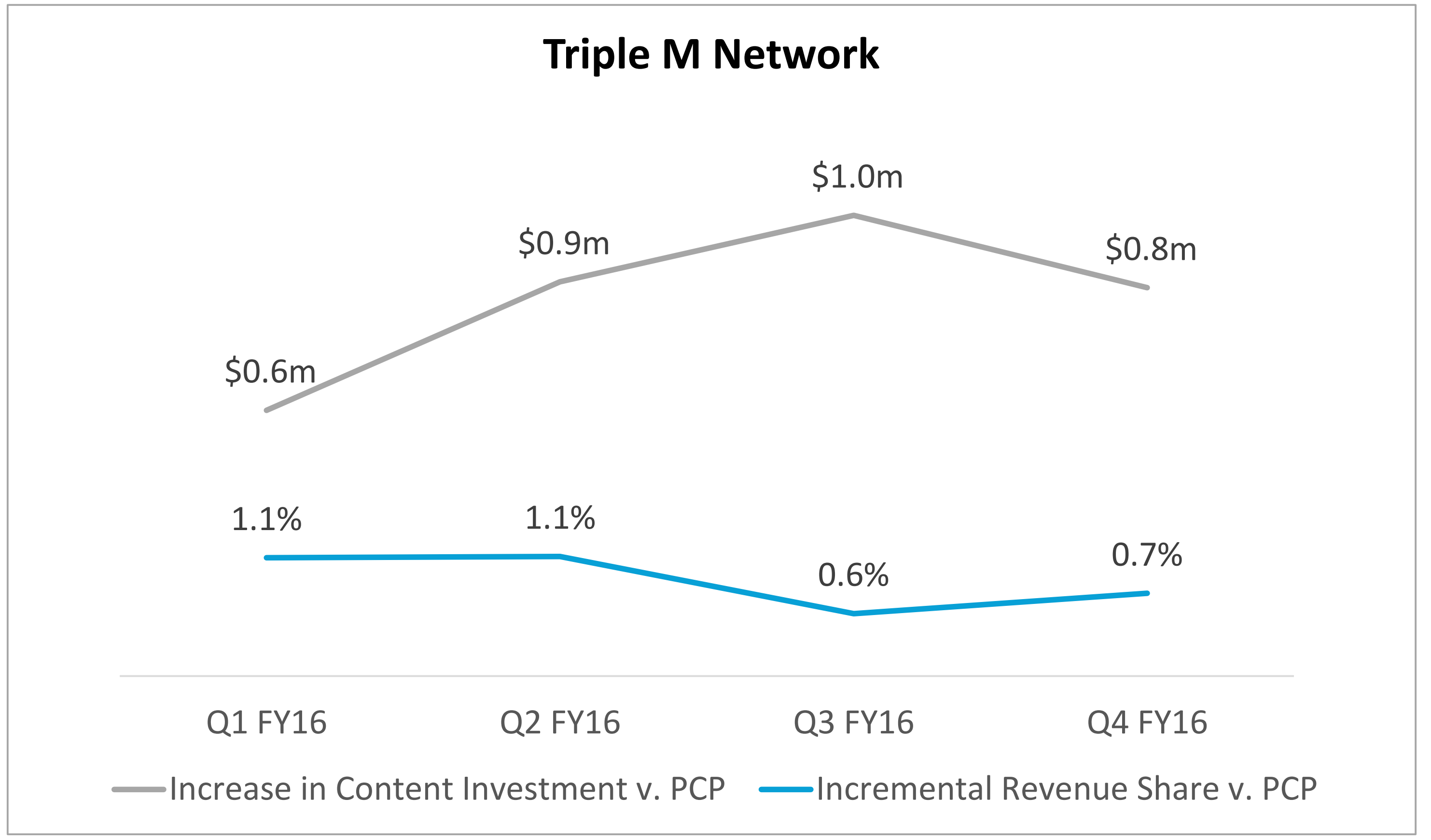


- Outperformed the market - SCA revenue up 8.9% compared to market growth of 5.9%
- Revenue share up 0.8 points to 28.7% (excluding ATN impact)
- Stronger focus on yield and related levers has led to improved agency revenues across both Hit and Triple M, up 10.1% and 16.5% respectively
- National to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

[1]Deloitte Market Share Report

Metro Radio - Investment in Content & Marketing



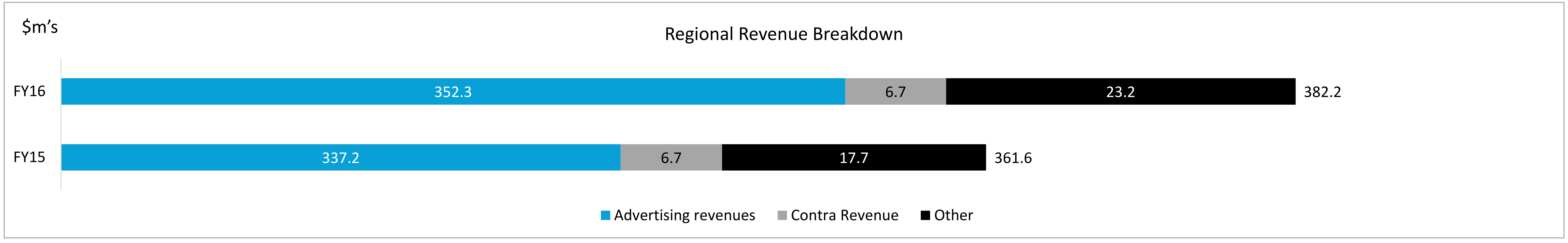


- Continued investment in Hit network content - only partially monetised to date
- Hit Network share improving in the second half - share up 0.5 points
- Triple M margins improving year on year - share up 0.7 points
- Investment in content supported by comprehensive marketing plan

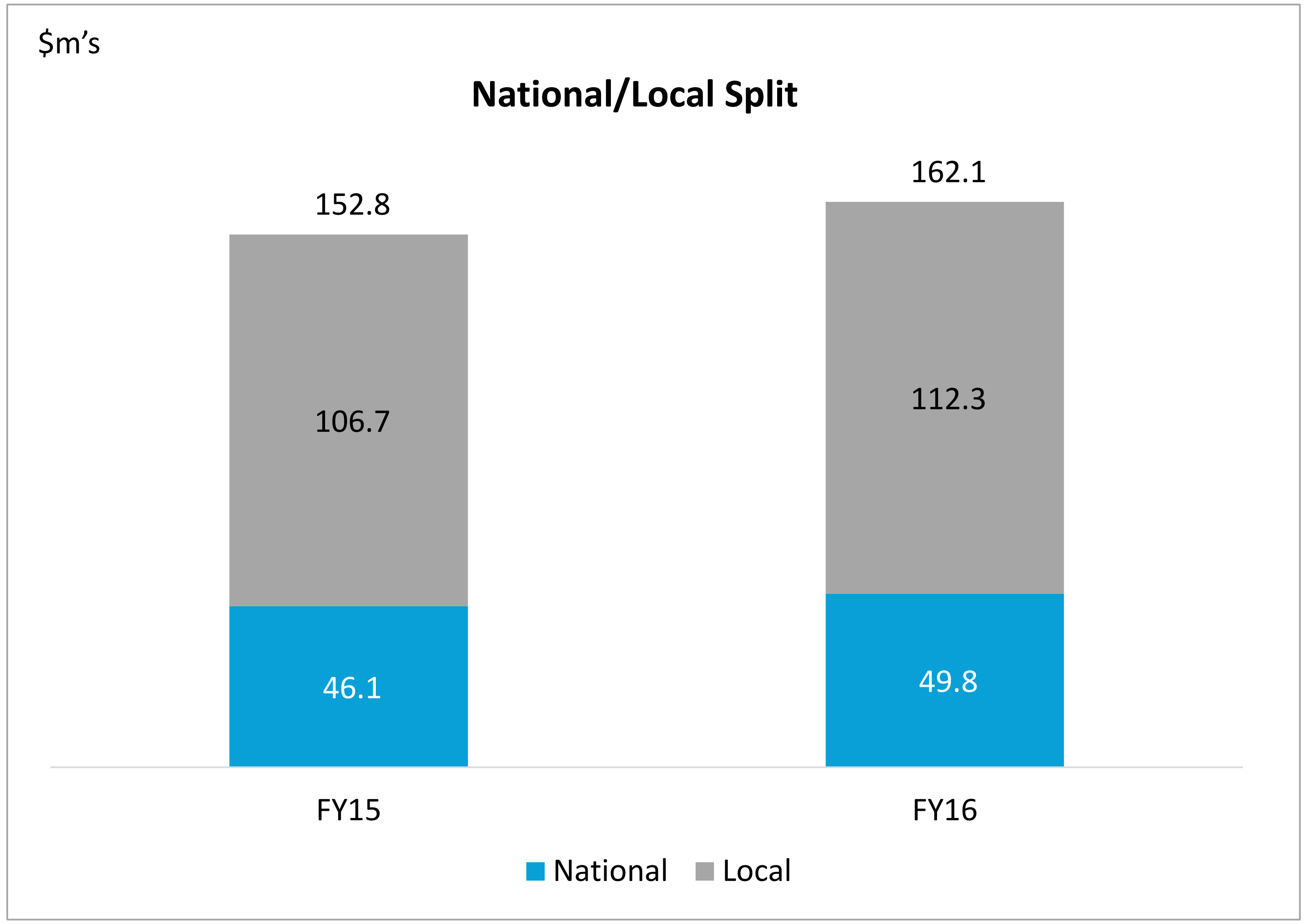
Regional – TV and Radio

$ 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%**
EBITDA Margin	*31.7%*	*34.3%*	

- 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

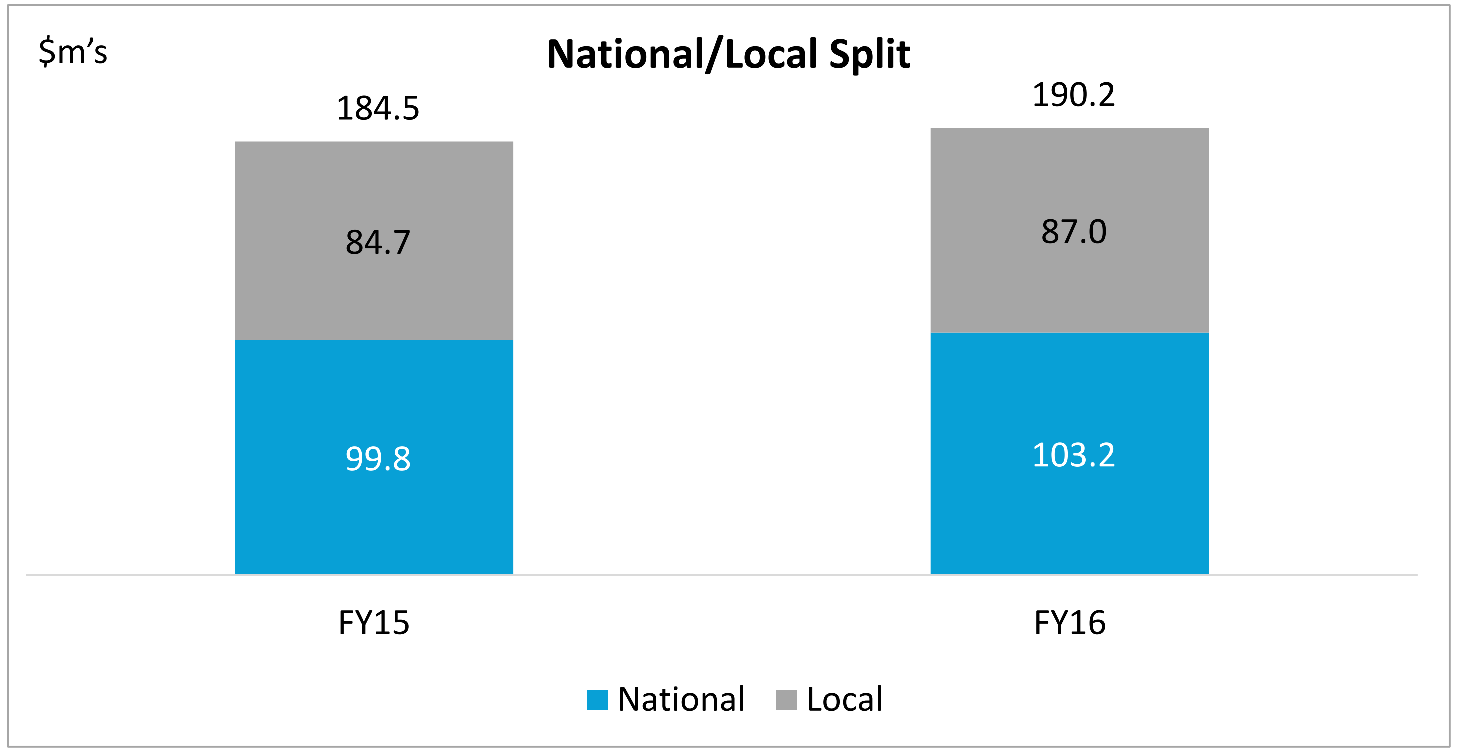


Regional Radio Advertising

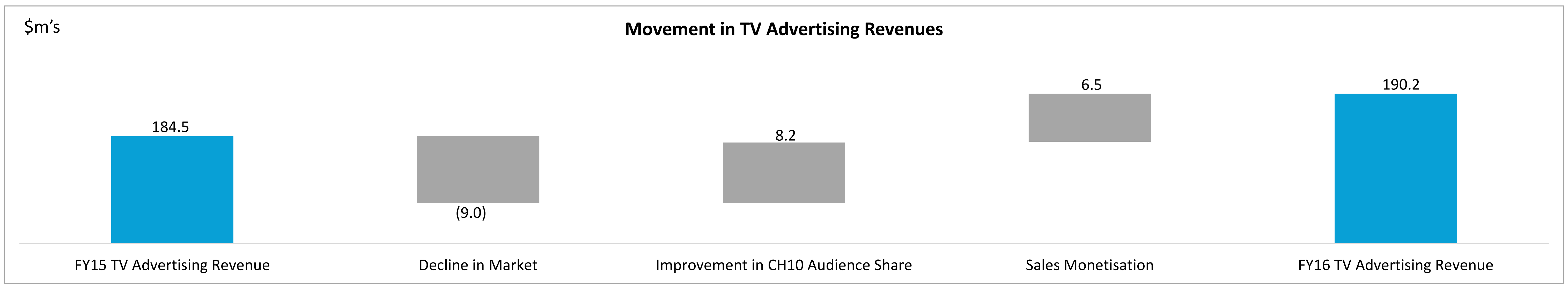


- 6.1% growth in advertising revenues
- Driven by improving blend of national and local clients and better monetisation strategies
- Investment in 21 new audience surveys underpinning increased national and local enquiry with improving conversion of revenue – national revenues up 8.0%
- Improving yield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

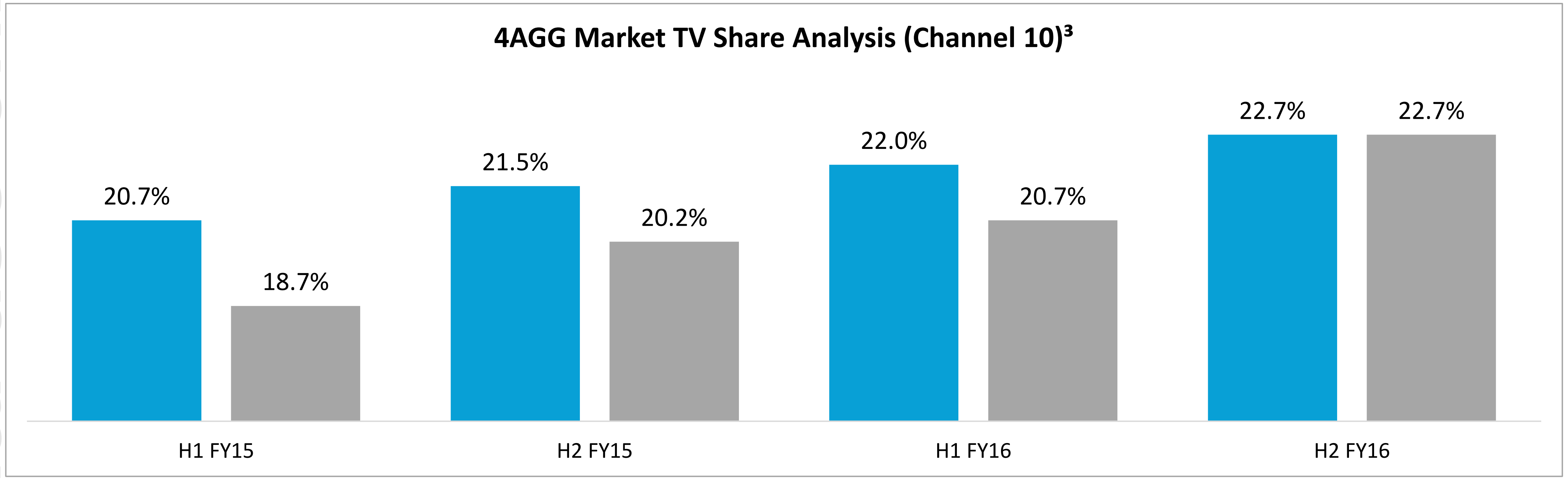
Regional TV Advertising Revenues



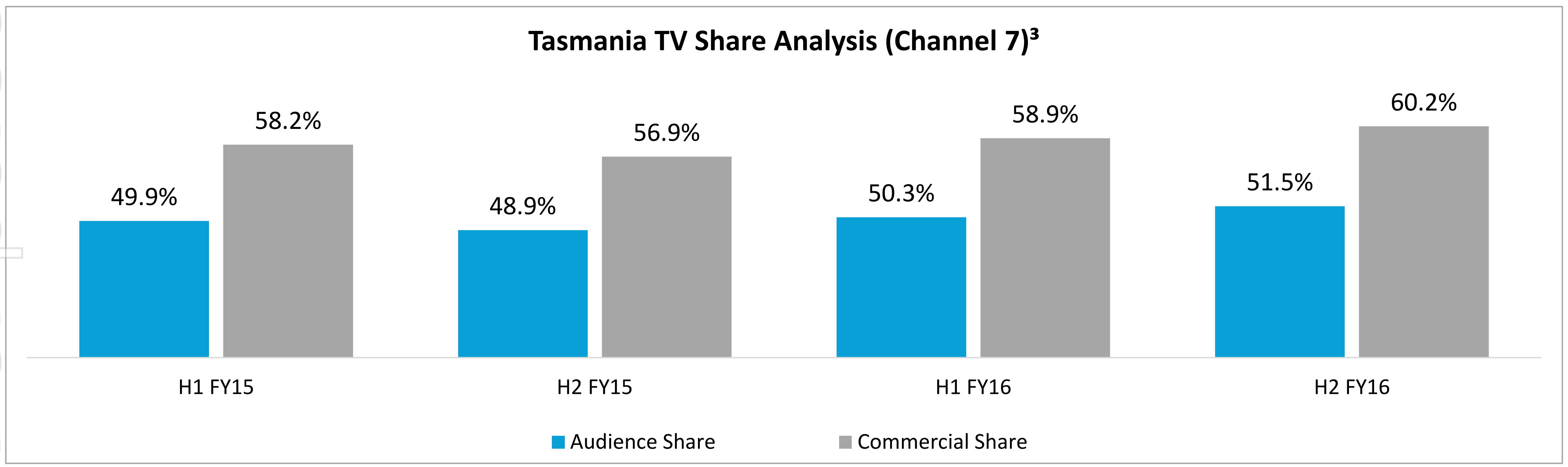
- 3.1% growth in revenue achieved through better monetisation of inventory and focus on yield
- General decline in TV Market assisted by improved audience share
- New landmark deal with Nine will improve future revenue profile



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



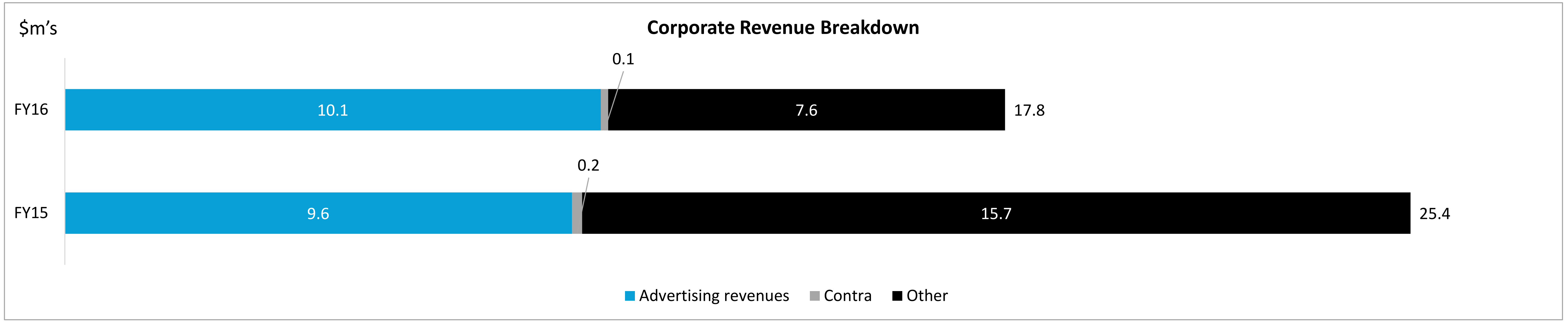
- SCA continues to maintain strong audience and commercial share in Tasmania

[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



Outlook and Strategic Vision

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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

Q & A

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