

SOUTHERN CROSS AUSTEREO

H1 FY17 INVESTOR PRESENTATION

23 February 2017



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H1 FY17 Results

Grant Blackley



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RESULTS SUMMARY

- Improvement across all key financial measures
- Group revenue up 9.2% with strong growth in TV revenues following successful affiliation switch to Nine
- EBITDA growth of 1.3% - normalised growth over prior year of 4.0% (excluding one off gains in prior year)
- NPAT up 11.8% to \$48.5m
- Reported EPS up 10.5% to 6.3cps
- Net Debt increased marginally due to Authentic Entertainment acquisition
- Interim fully franked dividend of 3.75c (FY16 interim: 3.25c)

H1 FY17			
Revenue	\$351.8m	9.2%	↑
EBITDA	\$92.6m	1.3%	↑
NPAT	\$48.5m	11.8%	↑
Reported EPS	6.3cps	10.5%	↑
Net Debt	\$347.8m	2.1%	▬



HEADLINE ACHIEVEMENTS

Sales Performance

- Advertising revenue growth across all asset classes – group revenue up 9.2%
- Improving revenues from national sales following change in TV affiliation and improved sales practices and disciplines across all assets
- Successful launch of The Studio in Sydney and Melbourne – with increasing enquiry and conversion rates

Financial Stability

- Balance sheet strengthened further with improved debt covenants
- Continued diligence on “back of house” transformation - disposal of 45 transmission sites to specialised tower operator Axicom - executed 15 February 2017¹

Strategic Focus

- Seamless TV affiliation change to the Nine Network – focus on even stronger monetisation of improving ratings – further supported by the rollout of regional news
- Focus on building adjacent revenue streams – evidenced by Vevo and Podcast One Australia initiatives

¹Subject to FIRB approval

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H1 FY17 FINANCIAL RESULTS

Nick McKechnie



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GROUP REPORTED STATUTORY RESULTS

\$ millions	H1 FY16	H1 FY17	Var.
Revenue	322.0	351.8	9.2%
Expenses	(230.7)	(259.5)	(12.5%)
Equity Accounted Profit	0.1	0.3	nm
EBITDA	91.4	92.6	1.3%
<i>EBITDA Margin</i>	<i>28.4%</i>	<i>26.3%</i>	
Depreciation & Amortisation	(14.4)	(15.5)	7.6%
EBIT	77.0	77.1	0.1%
Net Finance Costs	(13.5)	(9.6)	(28.1%)
PBT	63.5	67.5	6.3%
Tax	(20.1)	(19.0)	(5.5%)
NPAT	43.4	48.5	11.8%

- Underlying expense growth 2.5%, after excluding affiliation and revenue related costs
- Finance costs significantly lower following debt reduction and improved leverage ratio
- Effective tax rate lower for FY17 due to prior year asset disposals

nm = not meaningful



CASHFLOW

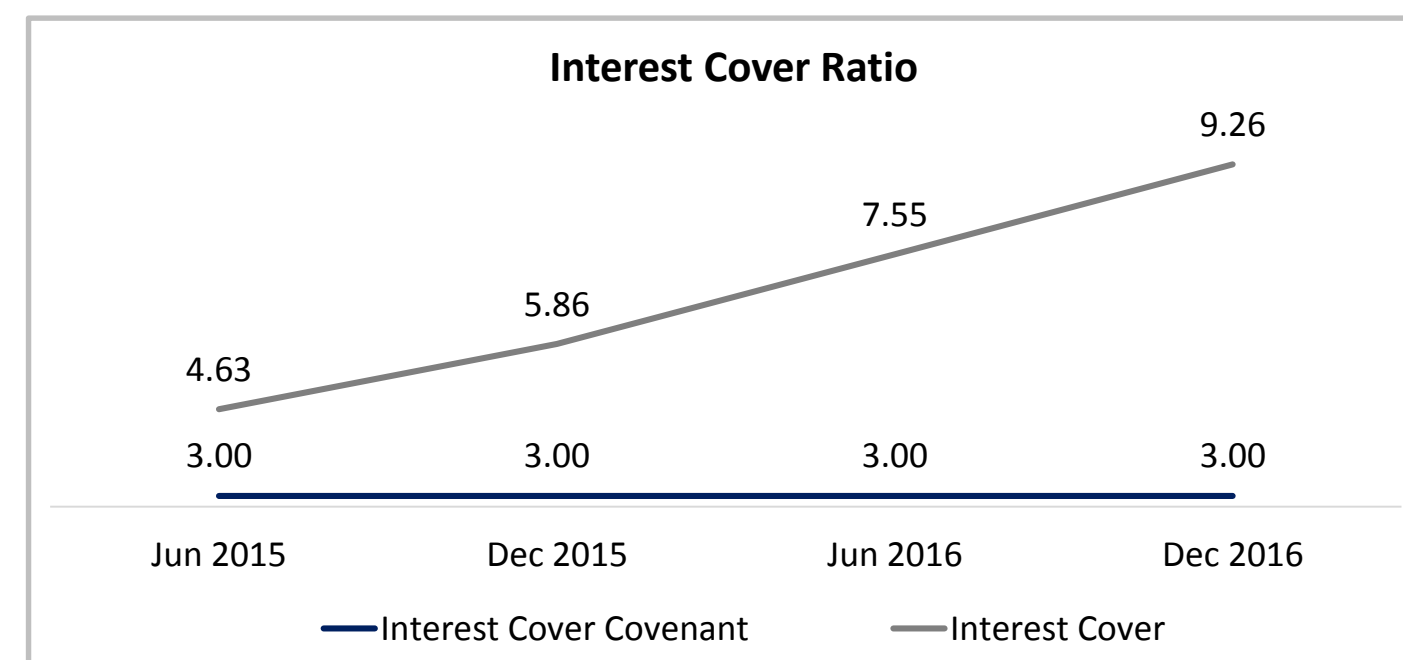
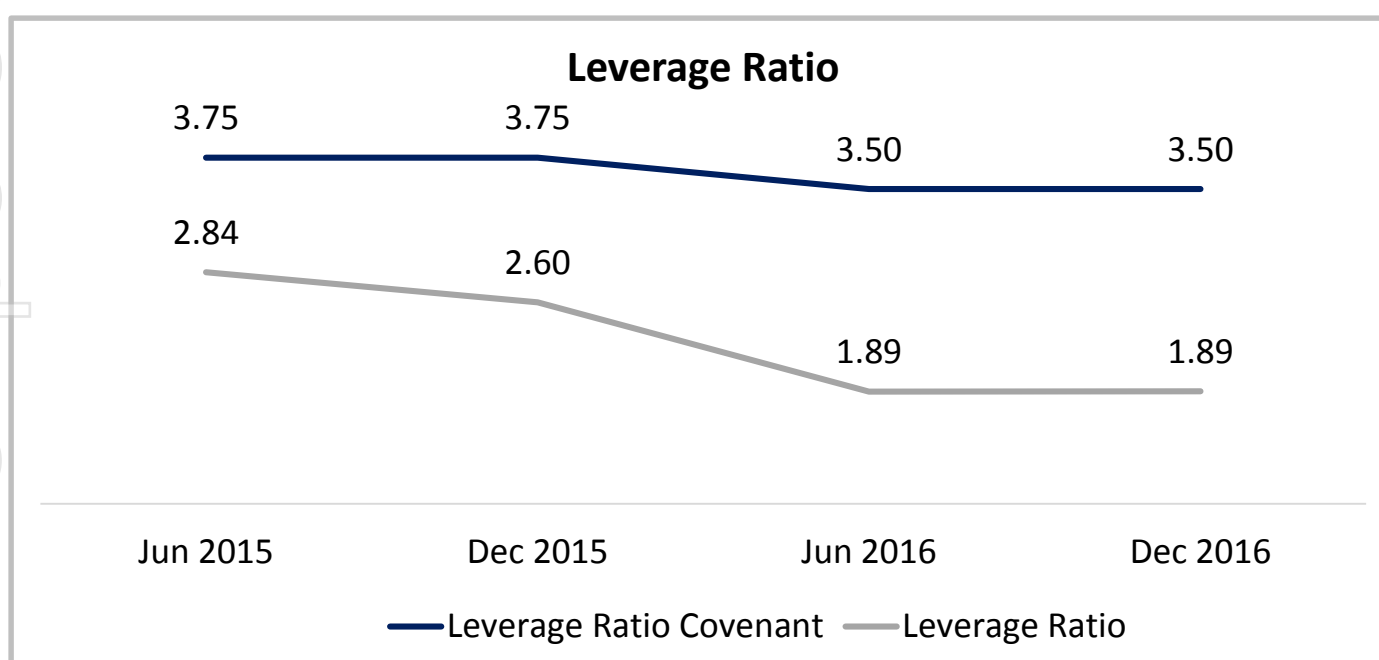
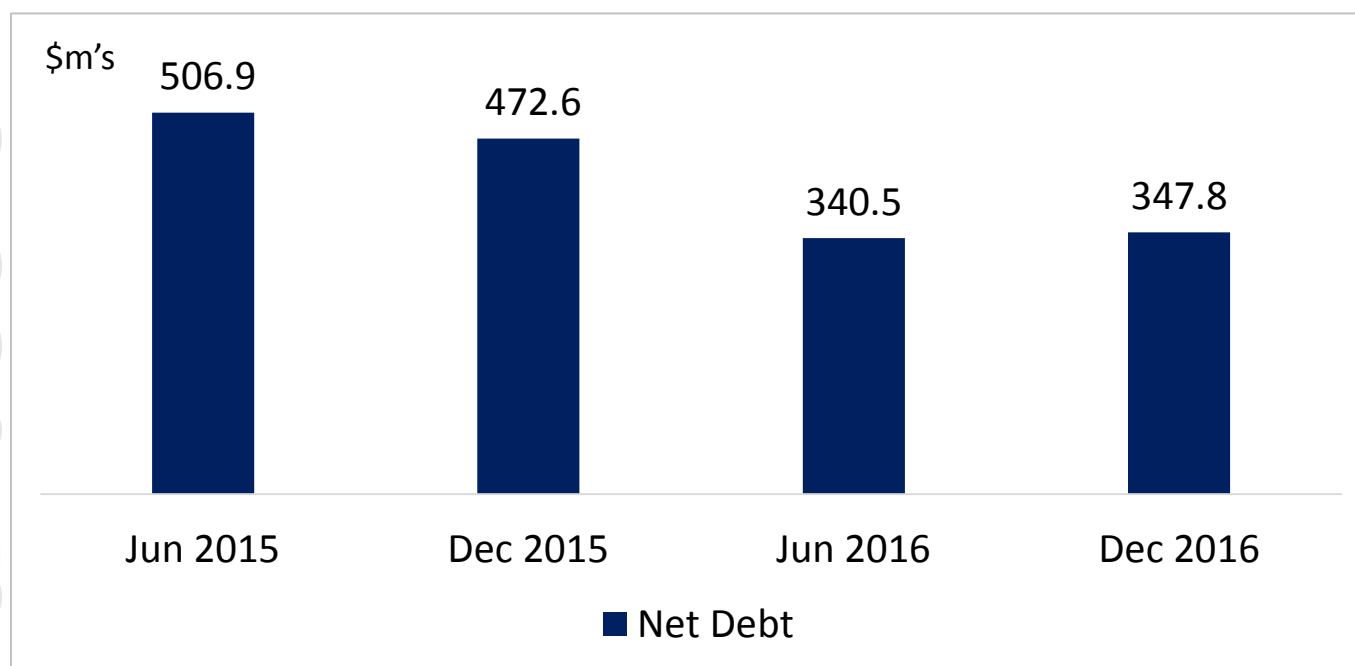
\$ millions	H1 FY17
Opening Cash	94.8
Cash from Operations	76.3
Tax payment	(24.4)
Payments for Non-Current Assets	(14.2)
Net financing payments	(11.0)
Cash flow pre dividends and non-recurring items	26.7
Payment for intangible assets (acquisition of Authentic)	(7.2)
Dividends to security holders	(26.9)
Debt repayment	(40.0)
Closing Cash Balance	47.4
Reported EBITDA	92.6
Operating Cash Conversion	82.4%

- EBITDA to cash conversion has increased to 82.4% (H1 FY16 74.0%)
- Increased intangible asset base – Authentic Entertainment. Network inventory expanded, growth in national programming syndication and inclusion of Vevo sales representation



DEBT FACILITIES

- Interest cover headroom further improved to over 9x - as financing costs reduced by 28.1%
- Drawn debt \$395m with \$100m undrawn facility – facility matures January 2019
- Balance of Receivables facility of \$36.8m (\$36.8m at 30 June 2016)
- Increase in net debt due to Authentic Entertainment acquisition



DISPOSAL OF NON-CORE ASSETS: TRANSMISSION SITES

Signed contract to sell 45 transmission sites to Axicom – specialist tower operator on 15th February 2017 – continues process of divesting non-core assets

- \$12.6m sales proceeds
- \$1.5m to \$2.0m EBITDA divested
- Long term access for use of sites
- Future transmission site capex responsibility with Axicom
- Transaction to complete H2 FY17 (subject to FIRB approval)



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OPERATIONAL REVIEW



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OPERATIONAL REVIEW

\$ millions	H1 FY16 ²	H1 FY17	Var.	
Regional Revenue	188.5	216.7	15.0%	Change in TV affiliation
Metro Revenue	121.0	125.2	3.5%	
Corporate Revenue	12.5	9.9	(20.8%)	H1 FY16 included \$2.4m profit on sale of DMD
Total Revenue	322.0	351.8	9.2%	
Regional Expenses	(123.7)	(154.0)	24.5%	Revenue related costs increase by \$25.1m
Metro Expenses	(91.3)	(94.3)	3.3%	Revenue related costs and continued investment in talent and content
Corporate Expenses	(15.6)	(10.9)	(30.1%)	
Total Expenses	(230.6)	(259.2)	(12.4%)	
Regional EBITDA	64.8	62.7	(3.2%)	A number of one off costs – Nine Affiliation change & re-branding of regional radio network. Maturing monetisation of Nine's improving ratings.
Metro EBITDA	29.7	30.9	4.0%	
Corporate EBITDA	(3.1)	(1.0)	nm	
Total EBITDA	91.4	92.6	1.3%	Normalised growth 3.9% excluding profit on disposal of DMD

nm = not meaningful

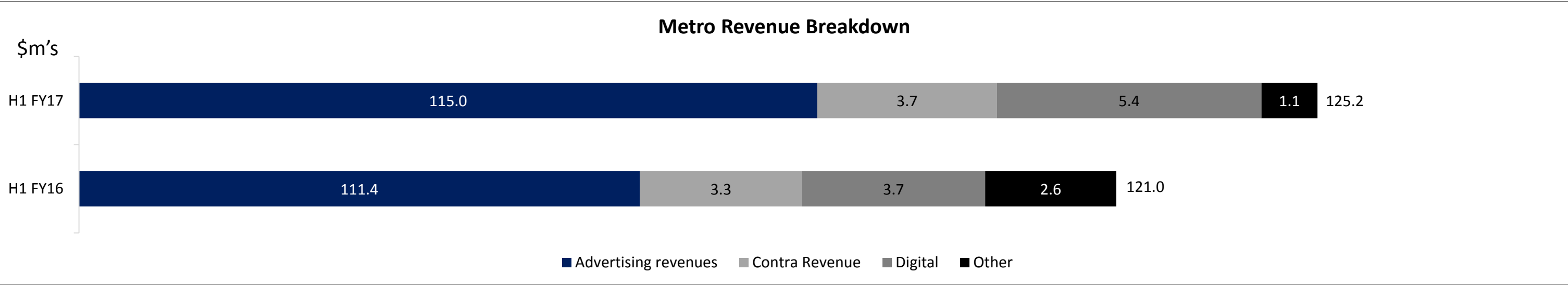
²Refer to Appendix for reclassification of H1 FY16 results



METRO RADIO

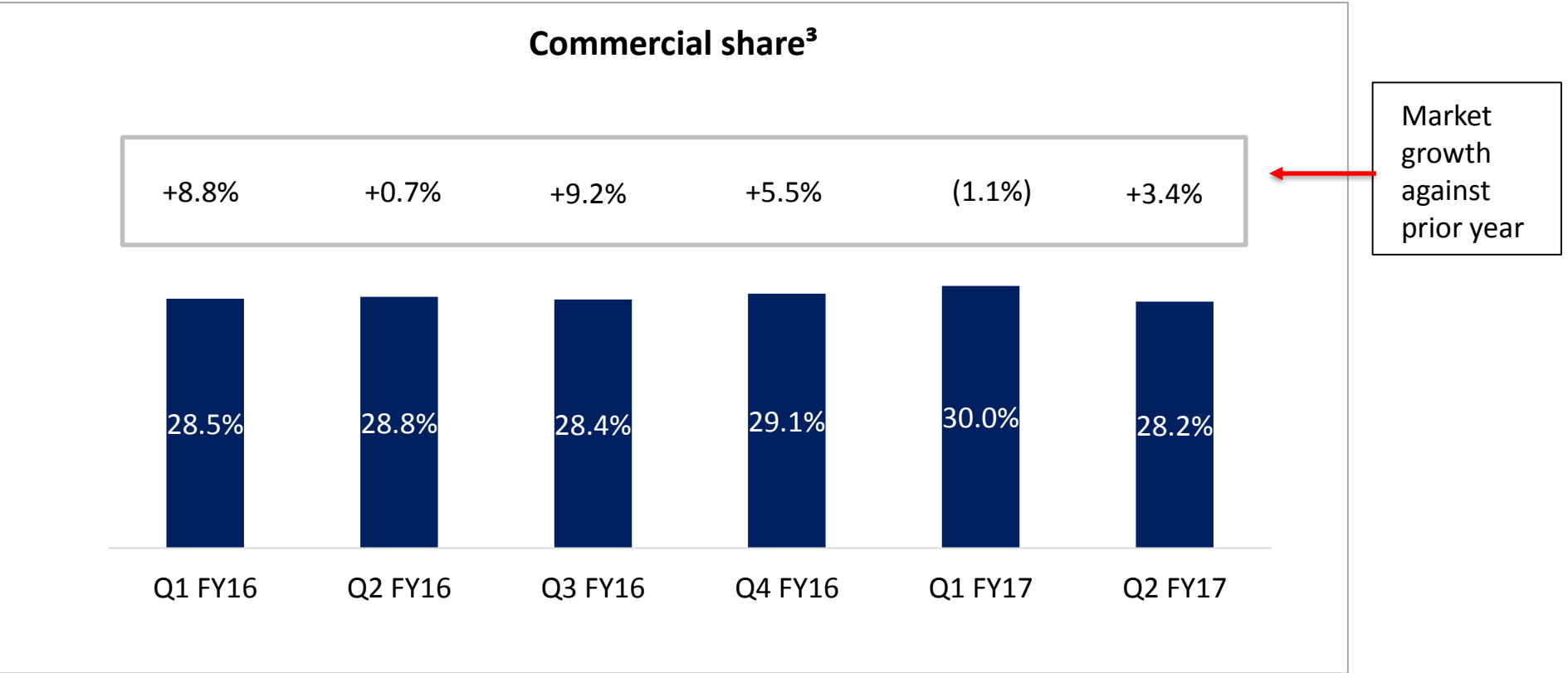
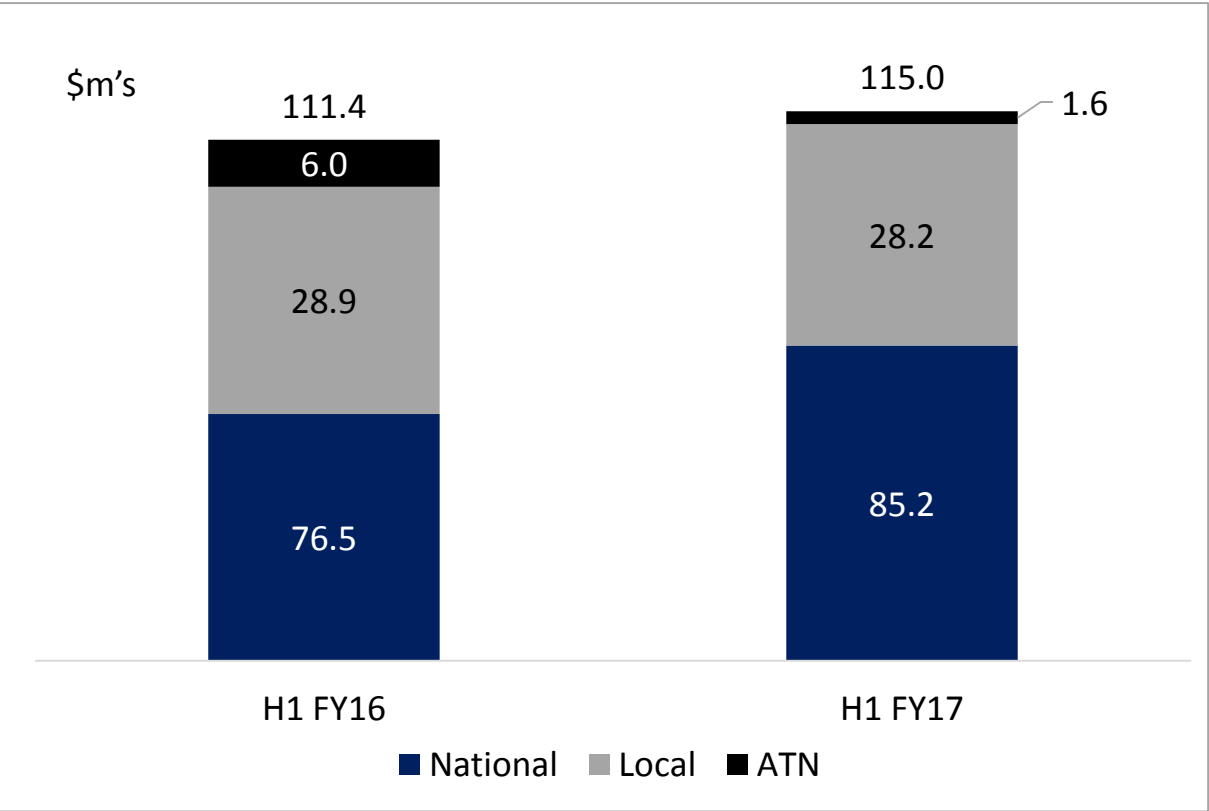
\$ millions	H1 FY16 ²	H1 FY17	Var.
Total Revenue	121.0	125.2	3.5%
Broadcast & Production	(10.3)	(10.0)	(2.9%)
Employee	(33.5)	(34.4)	2.7%
Selling, General & Admin	(47.5)	(49.9)	5.0%
Total Expenses	(91.3)	(94.3)	3.3%
EBITDA	29.7	30.9	4.0%
EBITDA Margin	24.5%	24.7%	

- Normalised revenue growth \$8.6m (7.1%) accounting for \$4.4m adverse impact from ATN contract
- ATN will deliver small revenue increase in H2 following anniversary on 1 February – \$2.75m per annum (indexed)
- Acquisition of Vevo improved digital revenues
- Employee costs increased due to continued investment in talent and acquisition of Authentic Entertainment
- Revenue related costs are main driver behind Selling, General & Admin



²Refer to Appendix for reclassification of H1 FY16 results

METRO ADVERTISING REVENUE



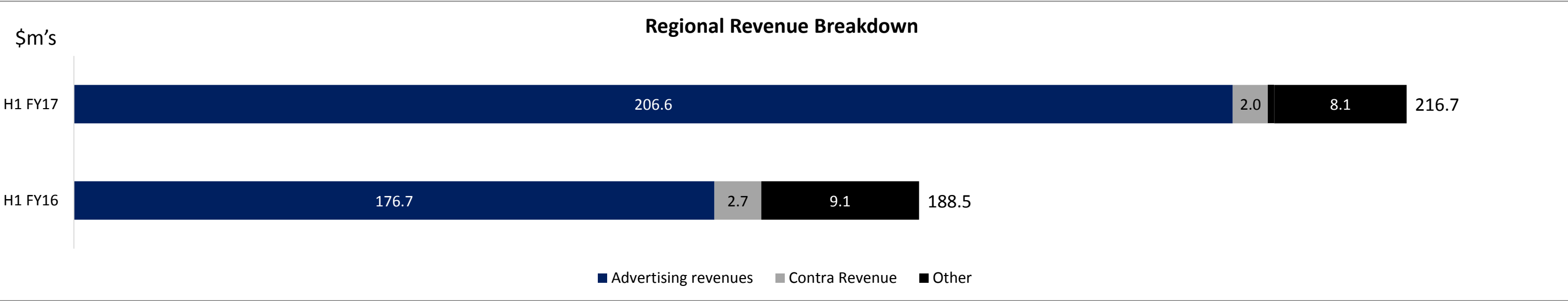
- Market grew +1.5% despite strong growth P.C.P. (H1 2016 +4.6%)³
- Advertising revenue has increased despite \$4.4m decrease in ATN revenue
- Improved yield has grown national revenue contribution while local sales has remained stable
- HIT share has improved, whilst Triple M has maintained performance
- Continued investment in content – namely 2Day Sydney breakfast show (Em Rusciano & Harley Breen), National early-drive show (Carrie Bickmore & Tommy Little) & numerous weekend/weekday formats

³Deloitte Market Share Report

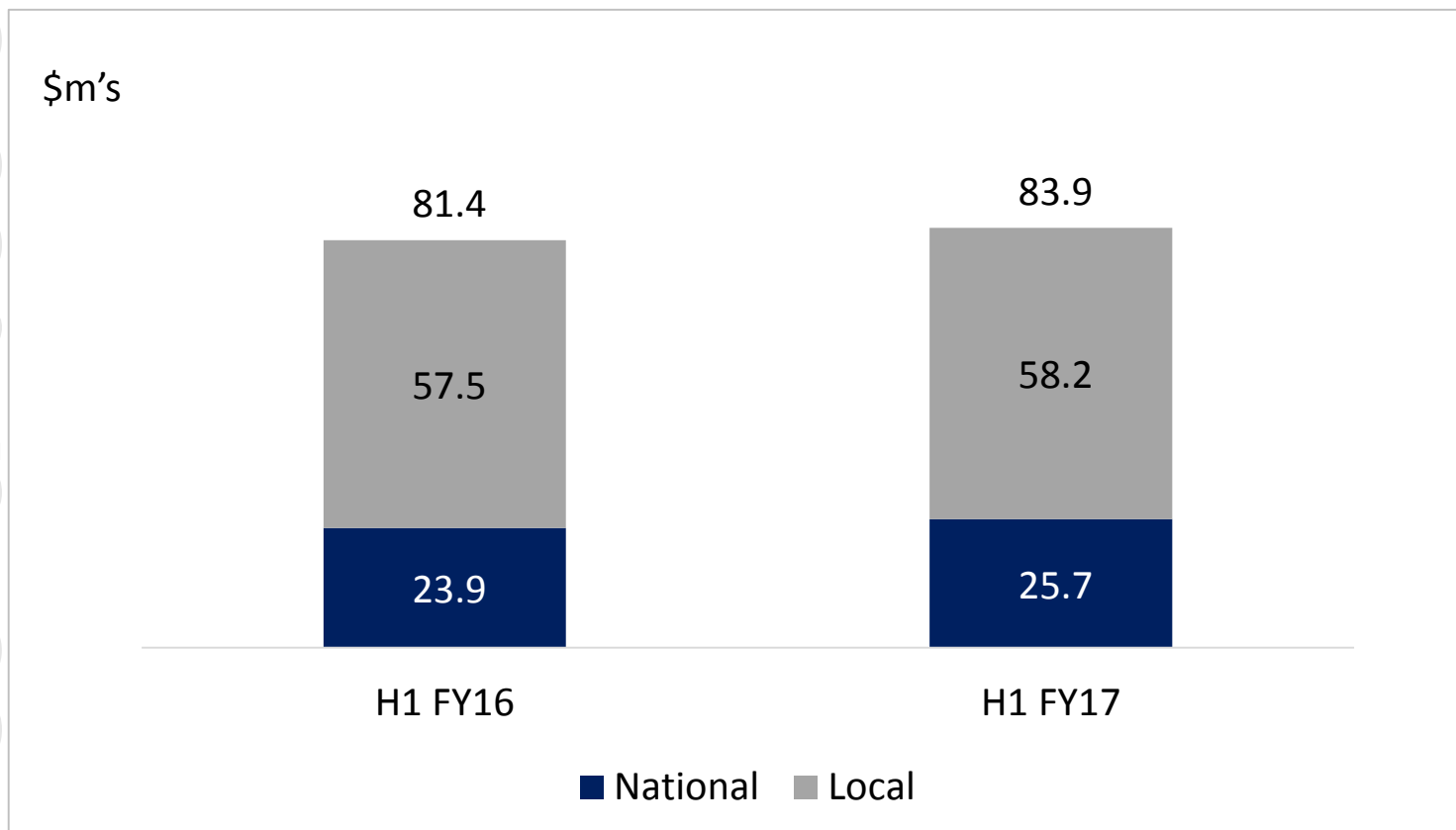
REGIONAL – TV & RADIO

\$ millions	H1 FY16	H1 FY17	Var.
TV Revenue	104.3	130.1	24.7%
Radio Revenue	84.2	86.6	2.8%
Total Revenue	188.5	216.7	15.0%
Broadcast & Production	(44.4)	(66.8)	(50.4%)
Employee	(32.5)	(34.0)	(4.6%)
Selling, General & Admin	(46.8)	(53.2)	(13.4%)
Total Expenses	(123.7)	(154.0)	(24.5%)
EBITDA	64.8	62.7	(3.2%)
<i>EBITDA Margin</i>	34.4%	28.9%	

- TV revenue up by 24.7%
- Radio revenue up by 2.8%
- One off marketing expenses \$1.4m - Nine and regional radio station rebrand
- Full cost of affiliation switch absorbed whilst TV revenue still building



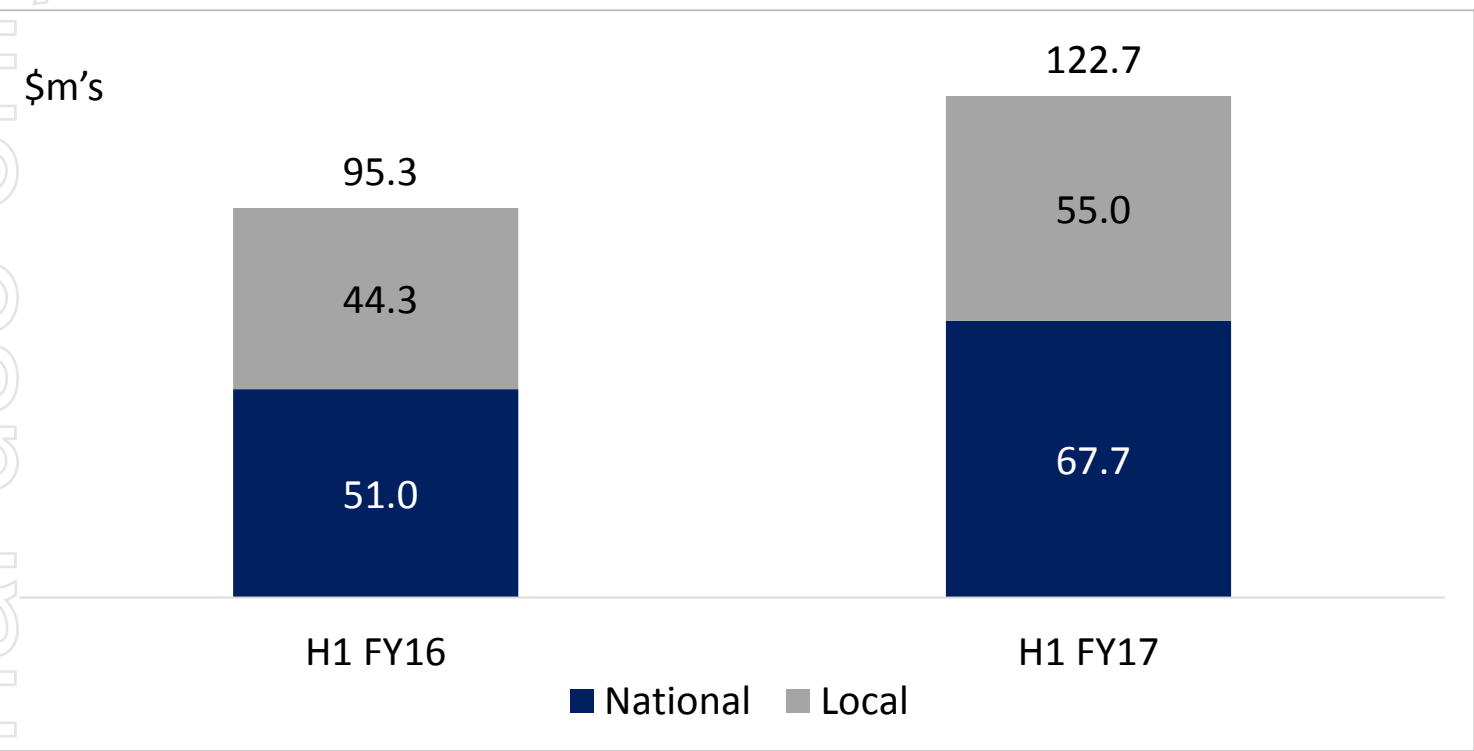
REGIONAL RADIO ADVERTISING REVENUES



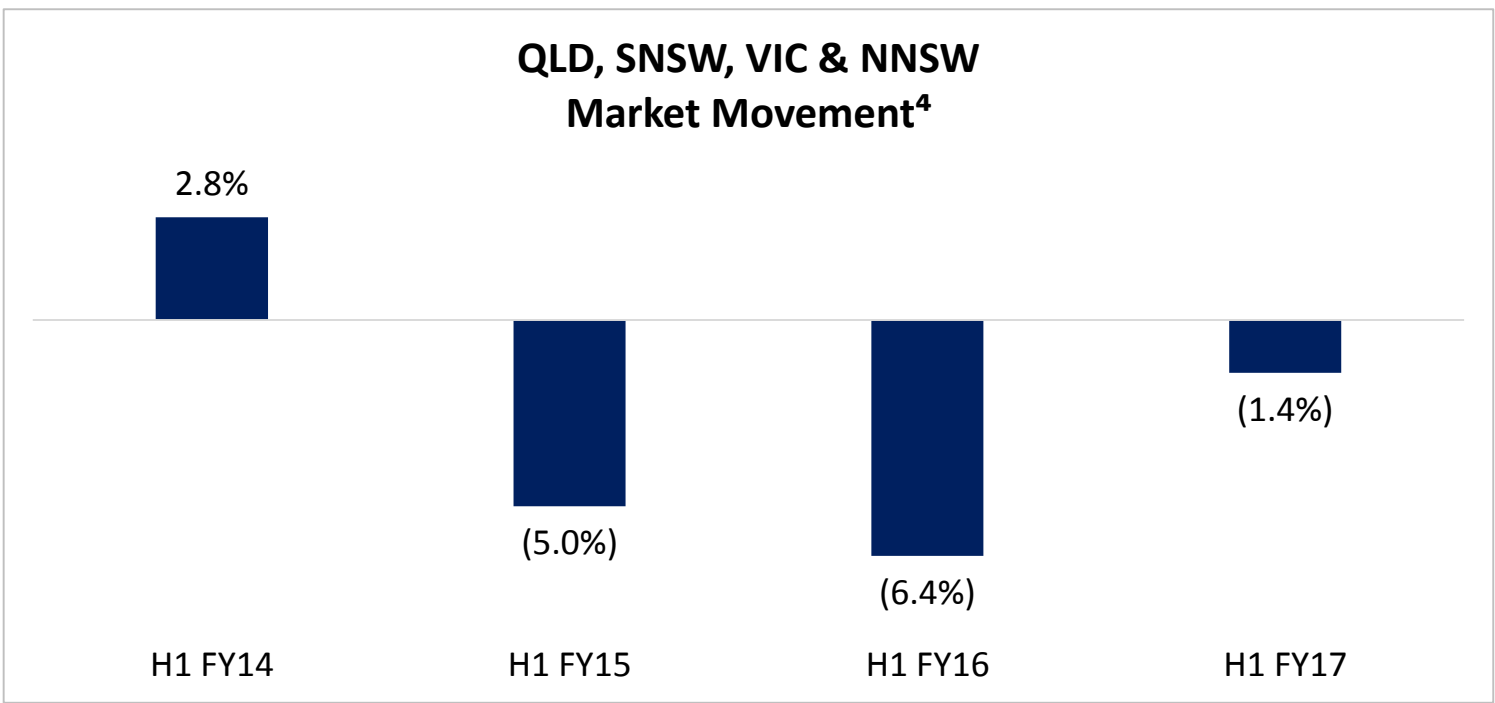
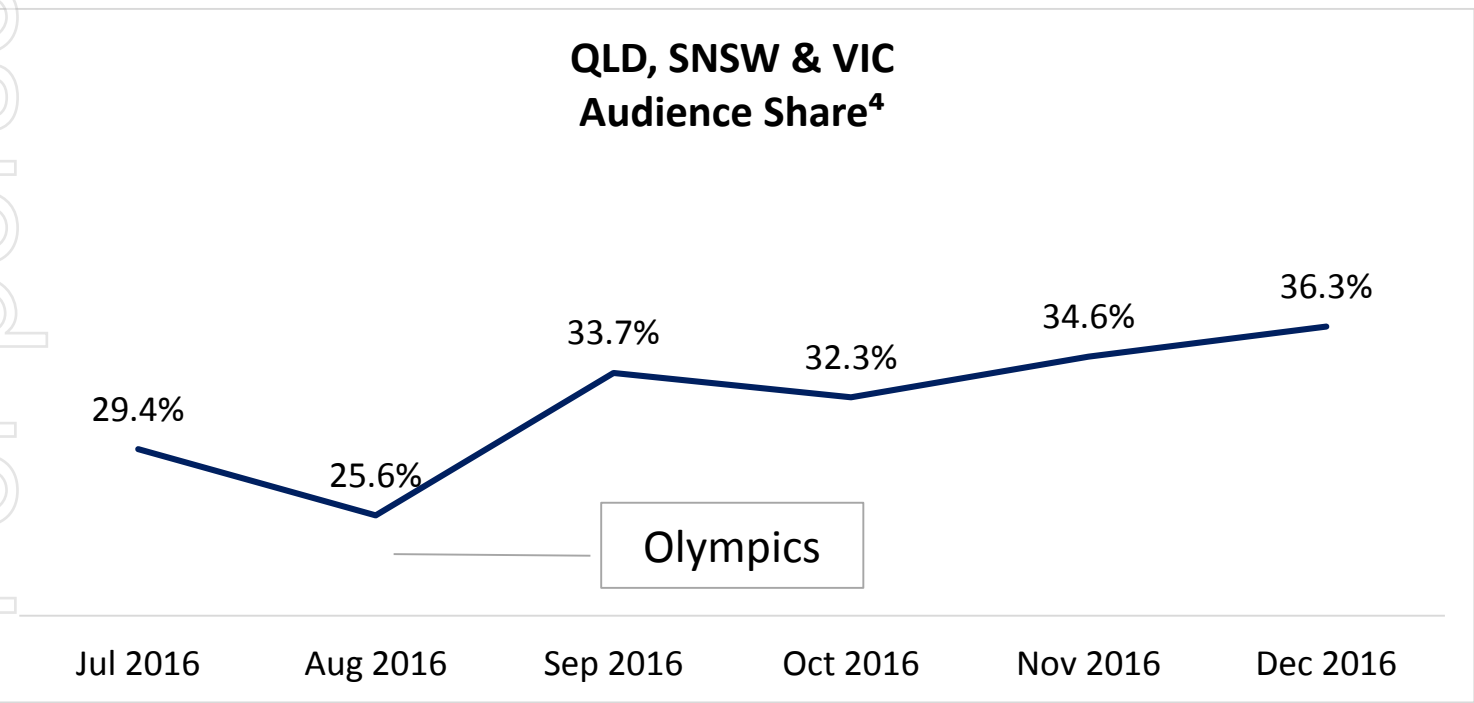
- Potential to sell nationally - “ease of buying”
 - National radio rebrand an “industry first”
 - ✓ 40 regional HIT stations
 - ✓ 28 regional Triple M stations
 - Regional surveys – “first in 20 years”
 - ✓ 24 regional surveys in 2016
 - ✓ SCA #1 and #2 in 18 markets
- Growth of 3% in regional radio advertising revenue
- Growth of 7.5% in national radio revenue through improved sales effort
- Lower growth of 1.2% local radio revenue in H1 - impacted by affiliation change & education of market



REGIONAL TV ADVERTISING REVENUES



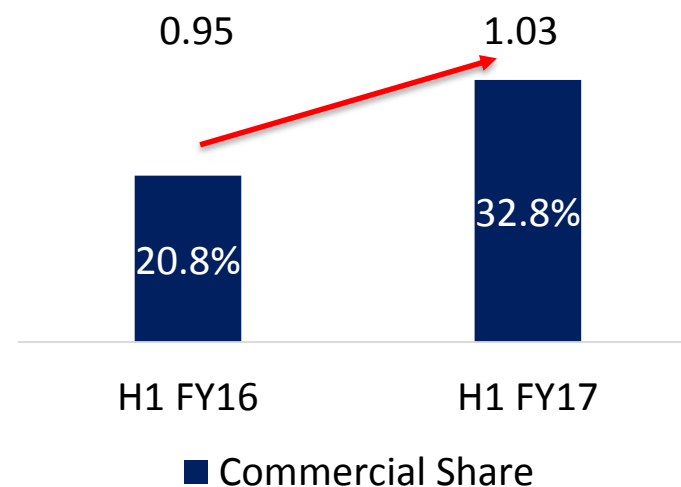
- Advertising revenues increased by 28.7%
 - ✓ Nine markets – revenue up 56.8% (inclusive of Olympics impact)
 - ✓ Regional news rollout underway – further stimulus to ratings and revenue
 - ✓ Stronger ratings start to CY17 than in prior year
- Regional market decline 1.4% compared to 6.4% decline in H1 FY16 – positively impacted by change of affiliation and improved monetisation techniques



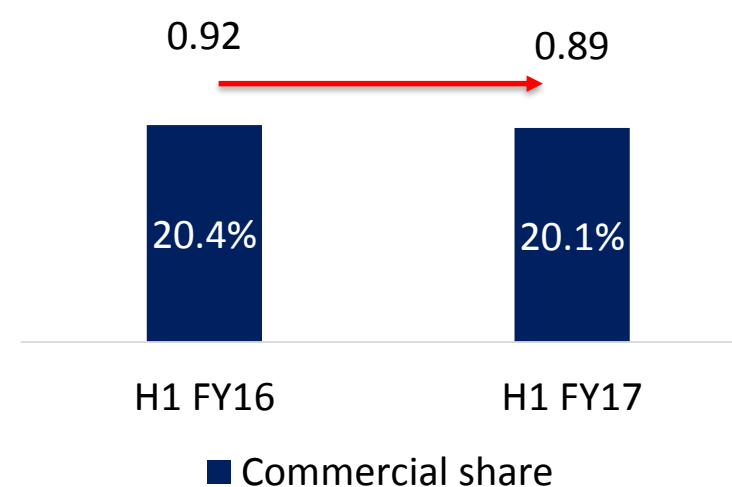
⁴ KPMG Market Share Report

REGIONAL TV ADVERTISING REVENUE SHARE

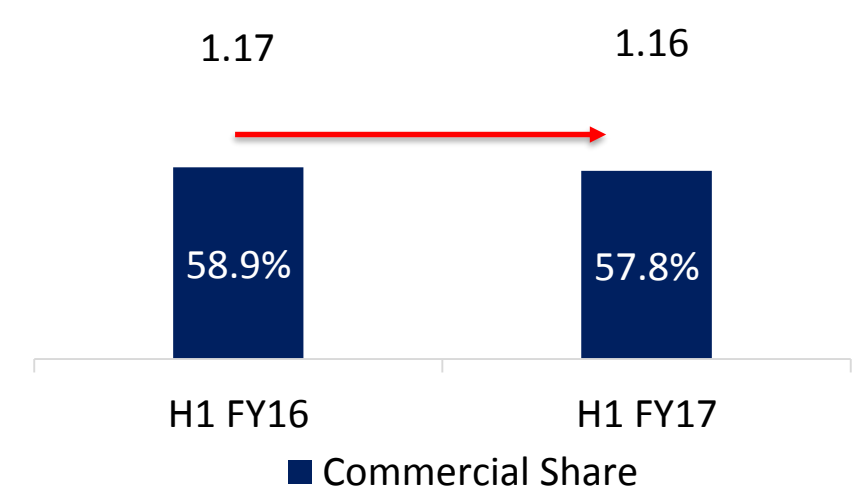
TEN → NINE – QLD, SNSW, VIC
Commercial Share & Power Ratio⁴



TEN - NNSW
Commercial Share & Power Ratio⁴



SEVEN - TAS
Commercial Share & Power Ratio⁴



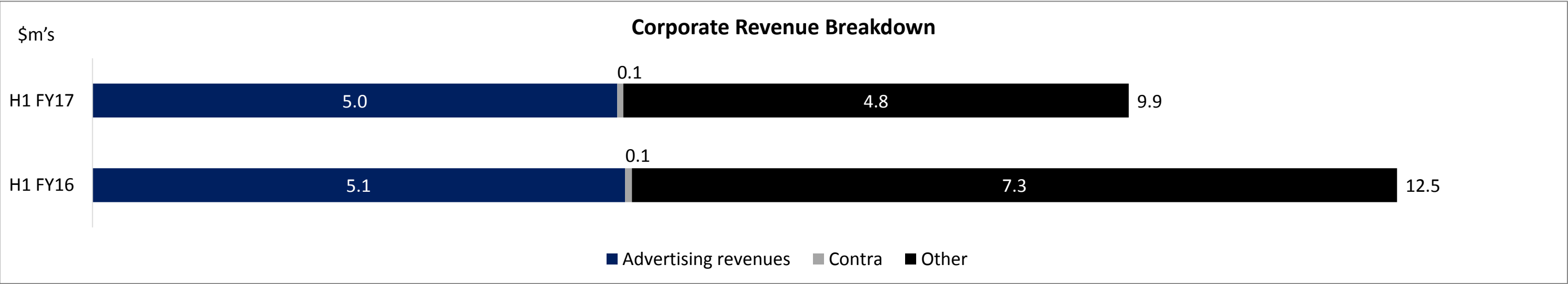
- Commercial share increased by 12 points in Nine markets with power ratio 1.03
- Network Ten revenues in NNSW steady and improving
 - Q1 power ratio 0.84
 - Q2 power ratio 0.94
- Seven network continues to have dominant share in Tasmania

⁴ KPMG Market Share Report

CORPORATE

\$ millions	H1 FY16 ²	H1 FY17	Var.
Total Revenue	12.5	9.9	(20.8%)
Broadcast & Production	(1.7)	4.7	nm
Employee	(23.4)	(26.9)	15.0%
Selling, General & Admin	(14.1)	(12.9)	(8.5%)
Sales Commission Recharge	23.6	24.2	2.5%
Total Expenses	(15.6)	(10.9)	(30.1%)
EBITDA	(3.1)	(1.0)	nm

- H1 FY16 revenue impacted by \$2.4m gain on disposal of DMD
- Broadcast and production costs improved through reduction in radio licence fees held over from FY16
- Employee cost increases the result of:
 - Strengthened executive team
 - Authentic acquisition
 - Investment in The Studio and enhanced Sales Tools
- Restructure of national and local sales force – costs consolidated in corporate with higher recharge to Metro (refer Appendix)



²Refer to Appendix for reclassification of H1 FY16 results

nm = not meaningful

OUTLOOK AND STRATEGIC VISION

Grant Blackley



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OUTLOOK & GUIDANCE

EBITDA

- Advertising market remains relatively short with low growth forecast
- H2 FY17 EBITDA expected to deliver growth on H2 FY16 with full year operating EBITDA forecast to be at lower end of the guidance range of \$177m - \$183m

Advertising revenue

Growth drivers positively influencing revenues:

- New formats across Metro Radio
- Benefit of program format changes in 1H16 to flow through to full year CY17
- Regional Radio rebrand and surveys – national sales opportunity
- TV Affiliation – change is behind us – and greater monetisation and momentum lies ahead – supported by full year of Nine programming and rollout of regional news

Cost base

- Further investment and focus on technology led improvements - to deliver enhanced revenue capacity and general productivity (i.e. metro traffic billing system, radio playout system)
- Continued focus on back office efficiencies to mitigate cost of investing in enhanced content and marketing efforts



STRATEGIC VISION

Leading entertainment provider

- Continued investment in core radio brands and localised content
- Stronger leverage of our scale and asset base
- Expand into adjacent platforms & markets – evidenced by Vevo & Podcast One Australia
- Invest in compelling content that benefits from our scale and acts as a megaphone (AFL radio contract renewed - successful launch of Triple M Test Cricket broadcasting)

Sales and monetisation

- Further mature the rate of monetisation of Nine TV affiliation
- Continued development of data, analytics and tools to automate and optimise trading
- Deliver quality ideation through The Studio – improving response and success metrics

Partnerships and diversification

- Create and invest in more brand and revenue building partnerships
- Grow business through acquisition – aligned with both core competencies and adjacent growth sectors



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Q & A



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APPENDIX 1: H1 FY16 METRO SALES RECLASSIFICATION

\$ millions	METRO			
	H1 FY16 As reported	Cost of Local Sales Resources	Local Sales Recharge	H1 FY16 Reclassified
Total Revenue	121.0	-	-	121.0
Broadcast & Production	(10.3)	-	-	(10.3)
Employee	(40.2)	6.7	-	(33.5)
Selling, General & Admin	(41.4)	3.8	(9.9)	(47.5)
Sales Commission	-	-	-	-
Recharge	-	-	-	-
Total Expenses	(91.9)	10.5	(9.9)	(91.3)
EBITDA	29.1	10.5	(9.9)	29.7

CORPORATE			
H1 FY16 As reported	Cost of Local Sales Resources	Local Sales Recharge	H1 FY16 Reclassified
12.5	-	-	12.5
(1.7)	-	-	(1.7)
(16.7)	(6.7)	-	(23.4)
(10.3)	(3.8)	-	(14.1)
13.7	-	9.9	23.6
(15.0)	(10.5)	9.9	(15.6)
(2.5)	(10.5)	9.9	(3.1)



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