SOUTHERN CROSS AUSTEREO
FY17 INVESTOR PRESENTATION

24 August 2017

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FY17 Results

Grant Blackley

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RESULTS SUMMARY

- Improvement across all key financial measures – building on a strong prior year performance
- Revenue up 7.5% with growth in all asset classes
- Reported Net Profit After Tax (NPAT) up 40.7% with underlying NPAT up 21.5%
- Increased shareholder returns
  - Final dividend of 4.00 cents, fully franked (FY16 final: 3.75 cents)
  - Full year dividends of 7.75 cents, fully franked (FY16: 6.75 cents)

	FY17		
Revenue	$690.8m	7.5%	↑
EBITDA	$177.4m	5.8%	↑
Reported NPAT	$108.6m	40.7%	↑
Underlying NPAT	$93.8m	21.5%	↑
Underlying EPS	12.2cps	20.8%	↑
Net Debt	$321.0m	5.6%	↓
Full year dividend	7.75 cents	14.8%	↑

HEADLINE ACHIEVEMENTS

Sales Performance

- Advertising revenue growth across all asset classes – group revenue up 7.5%
- Highly successful transition of regional television audiences and revenue following transition to Nine Network July 1st, 2016
- Growth in both Metro & Regional Radio – 6th consecutive year for regional radio

Strategic Focus

- Strong focus on audio assets – maximising Hit & Triple M Brands whilst ensuring all digital extensions are fully monetised
- Growth from adjacent audio and adjacent digital revenue streams leveraging core competencies:
  - PodcastOne network launched – foundation clients engaged
  - Vevo – growth in premium digital video revenues

Financial Stability

- Divestment of non-core assets with funds used for debt repayment:
  - Sale of Transmission Towers
  - Sale of NNSW TV
- Debt reduction program continues with Net Debt down $186m in the last two years. Leverage ratio down from 2.84x to 1.81x

FY17 FINANCIAL RESULTS

Nick McKechnie

GROUP REPORTED STATUTORY RESULTS

$ millions	FY16	FY17	Var.
Revenue	642.3	690.8	7.5%
Expenses	(474.6)	(513.4)	8.2%
EBITDA	**167.7**	**177.4**	**5.8%**
EBITDA Margin	*26.1%*	*25.7%*	nm
Depreciation & Amortisation	(28.9)	(30.9)	6.9%
EBIT	**138.8**	**146.5**	**5.5%**
Net Finance Costs	(24.7)	(18.8)	23.9%
PBT	**114.1**	**127.7**	**11.9%**
Tax	(36.9)	(19.1)	48.2%
NPAT	**77.2**	**108.6**	**40.7%**
Deferred Tax Credit	-	(14.8)	nm
Underlying NPAT	**77.2**	**93.8**	**21.5%**

nm = not meaningful

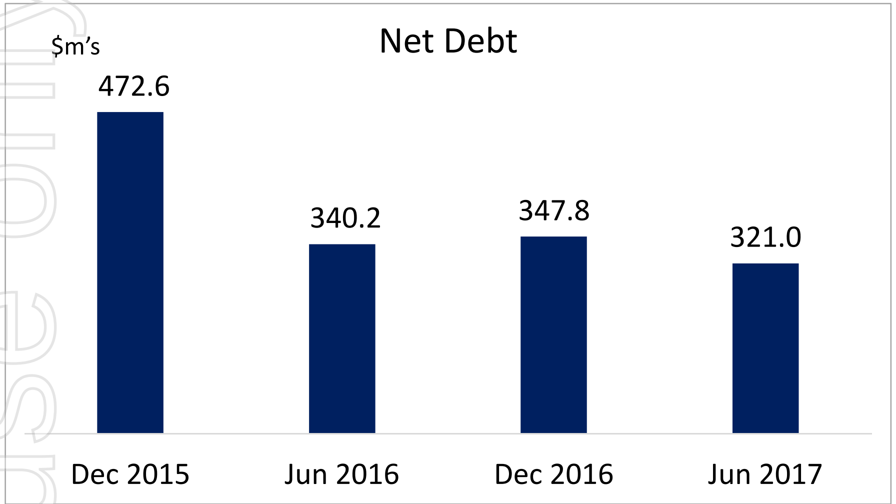
- Net Profit After Tax (NPAT) up 40.7%
- Underlying expense growth 1.5% (after excluding affiliation and revenue related costs)
- Depreciation increase due to mix of assets but forecast to reduce to $30m in FY18
- 24% reduction in financing costs reflecting lower net debt
- Tax impacted by one-offs
  - Underlying FY17 rate of 26.5% due to asset disposals
  - Non-cash deferred tax credit of $14.8m due to NNSW TV disposal
  - Tax rate expected to revert to ~31% in FY18

CASHFLOW

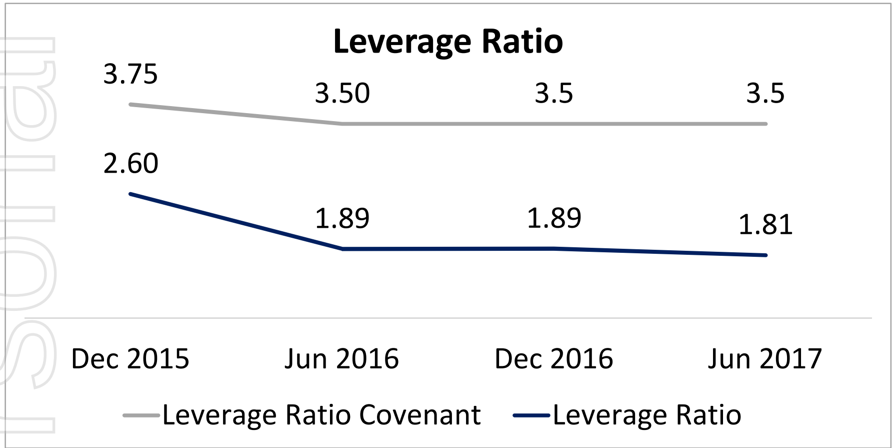
$ millions	FY16	FY17
Opening Cash	**143.1**	**94.8**
Cash from Operations	156.5	152.7
Tax payment	(32.8)	(36.4)
Net Payments for Non-Current Assets	(23.3)	(29.0)
Net Financing payments	(29.4)	(21.1)
Cashflow pre dividend and non-recurring items	**71.0**	**66.2**
Payments for Investments and Intangibles	-	(8.2)
Proceeds from sale of operations and assets	16.1	53.8
Proceeds from ATN	98.7	-
Dividends to security holders	(33.7)	(55.8)
Debt repayment	(215.0)	(101.8)
Proceeds from receivables securitisation	14.6	-
Closing Cash Balance	**94.8**	**49.0**
Reported EBITDA	167.7	177.4
Operating Cash Conversion	**93.3%**	**86.1%**

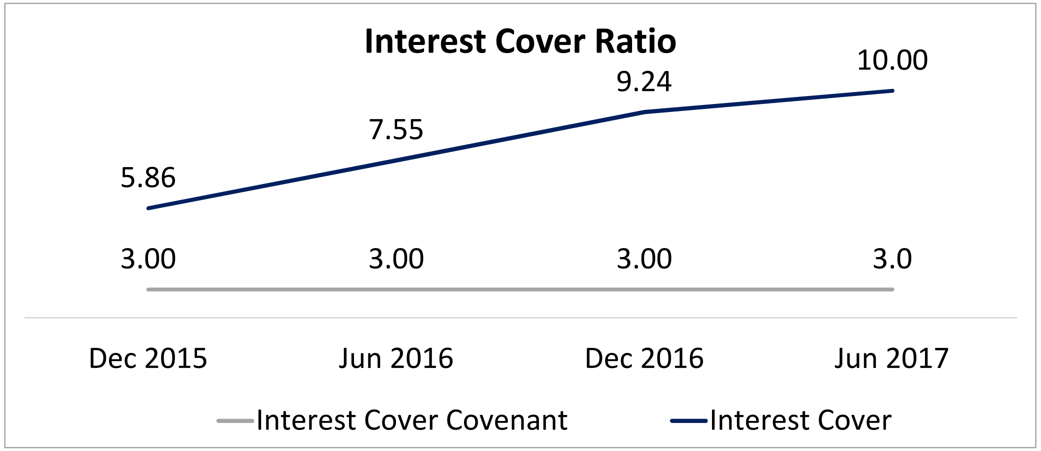
- EBITDA to cash conversion at 86.1% - underlying conversion of 91% if adjusted for benefit of licence fee relief (which will be realised in FY18)
- Consistent cash generation pre-dividends and non-recurring items
- Increased capital returns to shareholders – full year dividends up 18.5%
- Proceeds from asset disposals of $53.8m. Further $10m to be received in May 2018 (deferred payment for NNSW TV sale)

DEBT FACILITIES



- Further reduction of net debt to $321m
- 18% reduction in debt over year - including repayment of $37m securitised receivables facility – syndicated facility is lower cost following leverage reduction
- Balance sheet flexibility - $100m undrawn facility
- Refinancing planned for H1 FY18





DISPOSAL OF NON-CORE ASSETS

Disposal of NNSW TV licence – May 2017

- $55m consideration, $45m paid upfront and $10m unconditional deferred payment due May 2018
- Negative impact on group EBITDA in June 2017. Full year impact on EBITDA in FY18 circa $10m
- Reduced exposure to Free to Air TV.
- Eliminated any meaningful exposure to Ten Network

Disposal of 45 transmission sites – April 2017

- $12.6m sales proceeds
- Transaction completed in H2 FY17
- Considerable reduction in exposure to capex and repairs & maintenance as a result

OPERATIONAL REVIEW

OPERATIONAL REVIEW

$ millions	FY16[1]	FY17	Var.
Metro Revenue	242.3	247.2	2.0%
Regional Revenue[2]	382.2	421.4	10.3%
Corporate Revenue[2]	17.8	22.2	24.7%
Total Revenue	**642.3**	**690.8**	**7.5%**
Metro Expenses	(191.1)	(187.1)	2.1%
Regional Expenses	(251.1)	(295.6)	17.7%
Corporate Expenses	(32.4)	(30.7)	5.2%
Total Expenses	**(474.6)**	**(513.4)**	**8.2%**
Metro EBITDA	51.2	60.1	17.4%
Regional EBITDA	131.1	125.8	4.0%
Corporate EBITDA	(14.6)	(8.5)	41.8%
Total EBITDA	**167.7**	**177.4**	**5.8%**

[1]Refer to Appendix for reclassification of FY16 results

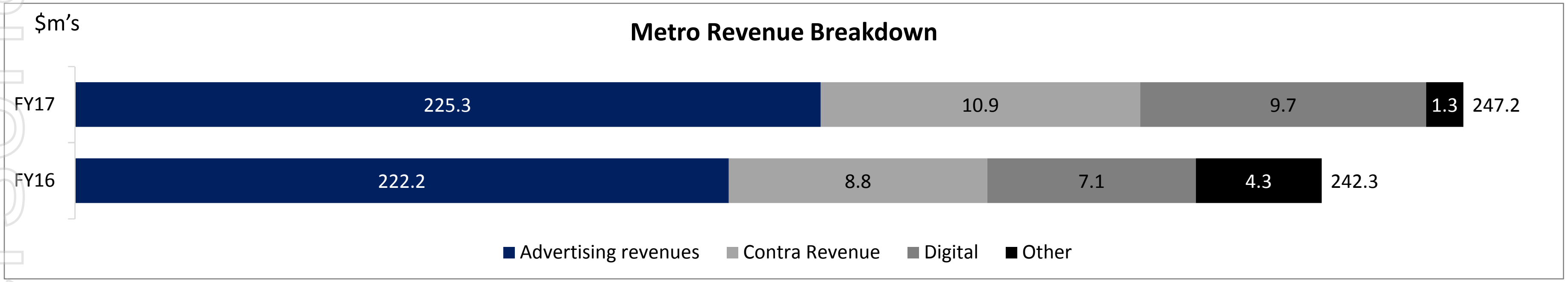
[2]Revenue includes Other Income

- Group EBITDA up 5.8%. Trading EBITDA of $166.6m, excluding $10.8m of material one-off items, is in line with trading update
- Metro expenses reduced by 2.1% with growth in EBITDA of 17.3%, including benefit of licence fee relief
- Regional expenses up 17.7% principally due to new affiliation with Nine. Non revenue related expenses account for 3.1% of total increase

METRO RADIO

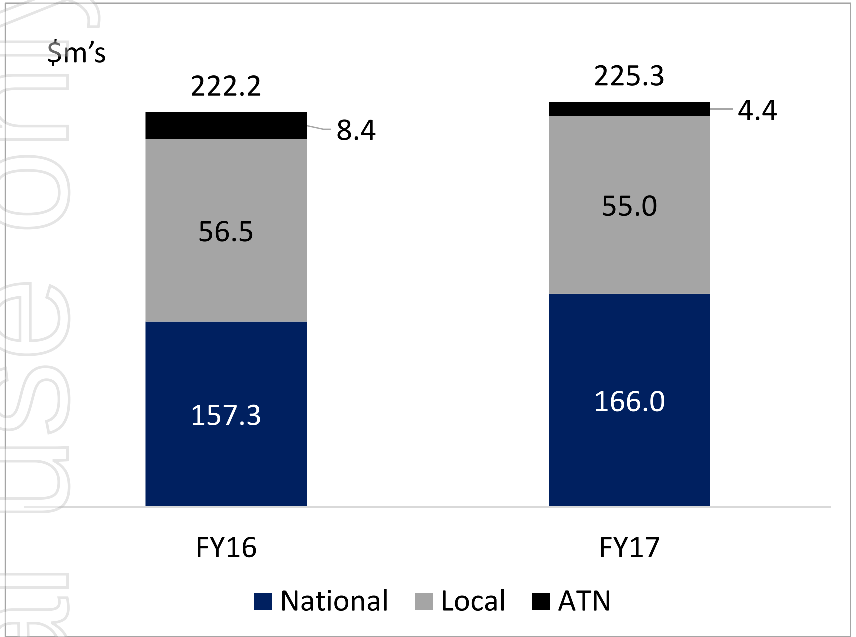
$ millions	FY16[1]	FY17	Var.
Total Revenue	**242.3**	**247.2**	**2.0%**
Broadcast & Production	(20.6)	(13.2)	35.9%
Staff and Talent	(71.0)	(75.0)	5.6%
Selling, General & Admin	(99.5)	(98.9)	0.6%
Total Expenses	**(191.1)**	**(187.1)**	**2.1%**
EBITDA	**51.2**	**60.1**	**17.4%**
EBITDA Margin	*21.1%*	*24.3%*	

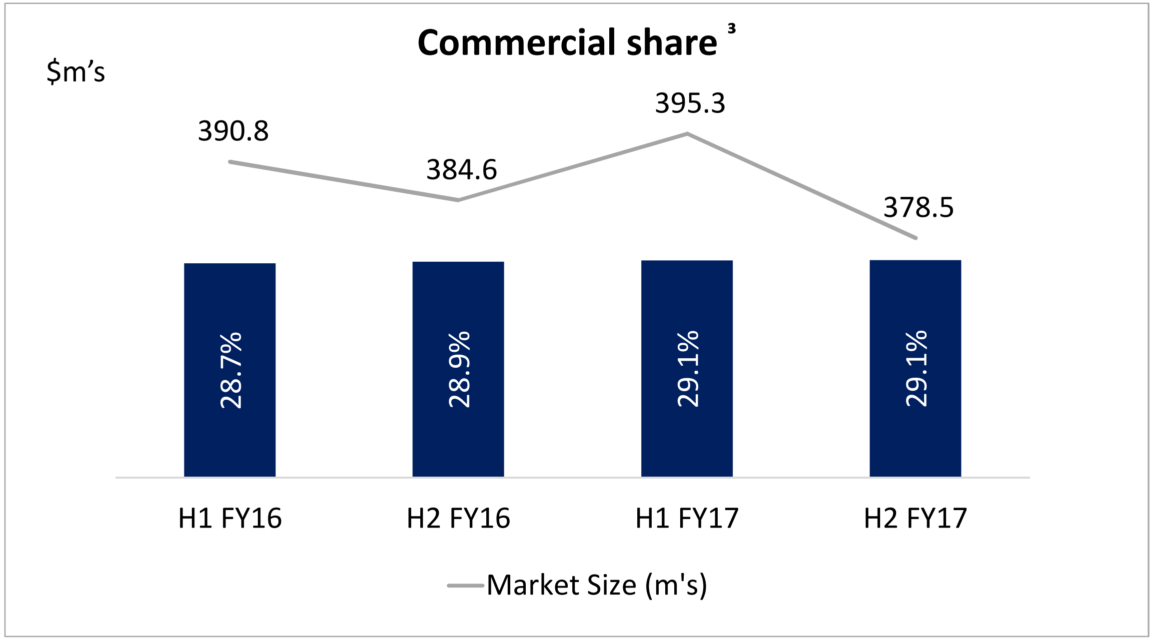
- EBITDA margin improved 21.1% to 24.3%
- Normalised revenue growth of $7.1m or 3.3% - after accounting for adverse impact of ATN contract. This builds on revenue growth of 8.1% in prior year
- Digital revenues improve $2.6m with strong contribution from Vevo following contract acquisition
- Staff and Talent costs inflated by overlap of Sydney breakfast talent changes and continued reinvestment in content



[1]Refer to Appendix for reclassification of FY16 results

METRO ADVERTISING REVENUE





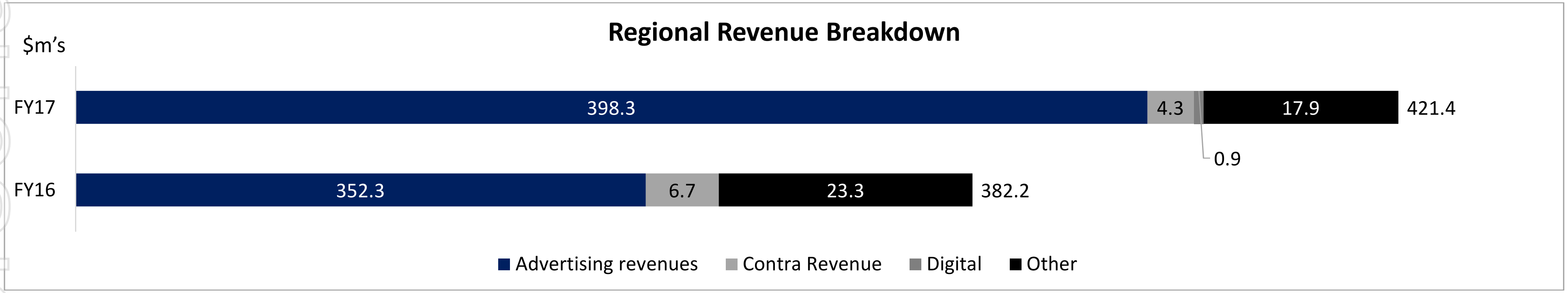
- Growth in revenue and market share despite $4.0m drag from ATN contract and flat advertising market
- H2 market conditions proved challenging – principally due to cycling FY16 Federal Election comparatives
- Revenue share improved to 29.0% from 28.7% in FY16

[3]Deloitte Market Share Report

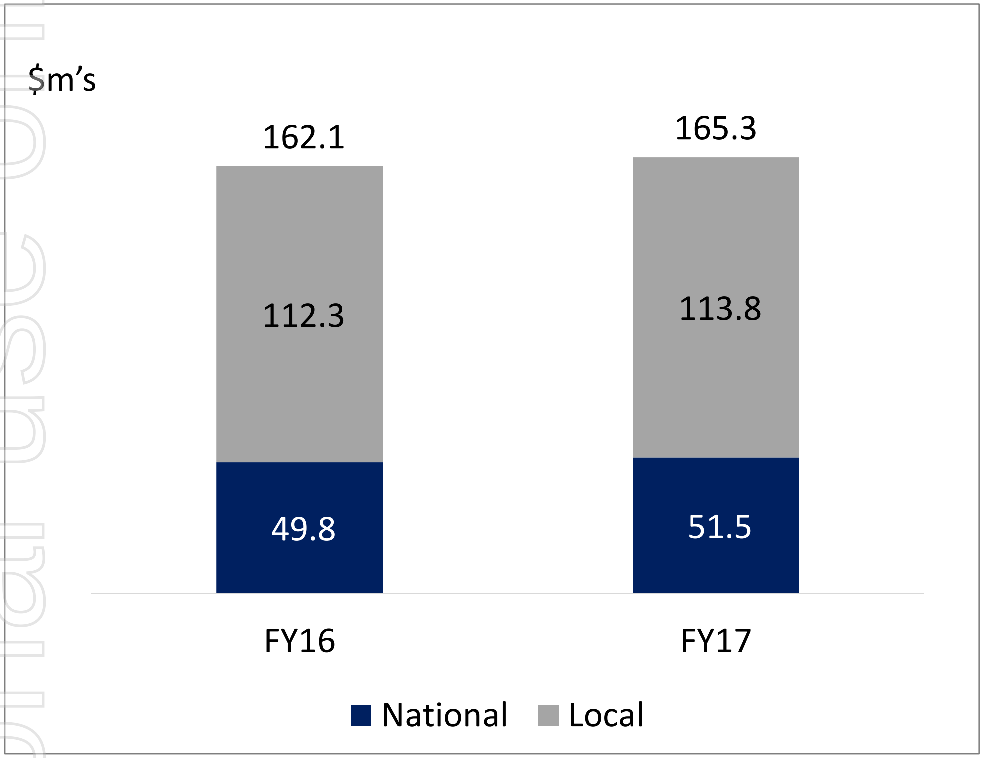
REGIONAL – TV & RADIO

$ millions	FY16	FY17	Var.
TV Revenue	213.2	246.9	15.8%
Radio Revenue	169.0	174.5	3.3%
Total Revenue	**382.2**	**421.4**	**9.3%**
Broadcast & Production	(87.3)	(122.3)	40.1%
Staff and Talent	(66.9)	(70.3)	5.1%
Selling, General & Admin	(102.1)	(103.2)	1.2%
Total Expenses	**(251.1)**	**(295.6)**	**17.7%**
EBITDA	**131.1**	**125.8**	**4.0%**
EBITDA Margin	*34.3%*	*29.9%*	

- "Year of Transition" - substantial increase in TV revenue from Nine affiliation switch
- Increase in broadcast and production costs due to TV affiliation with TV gross margins flat year on year
- Staff and Talent costs up due to incremental NNSW sales team members (transitioned May17)
- FY17 revenue comparison impacted by prior year profit on disposals, reduced rental income and changes in Datacast arrangements

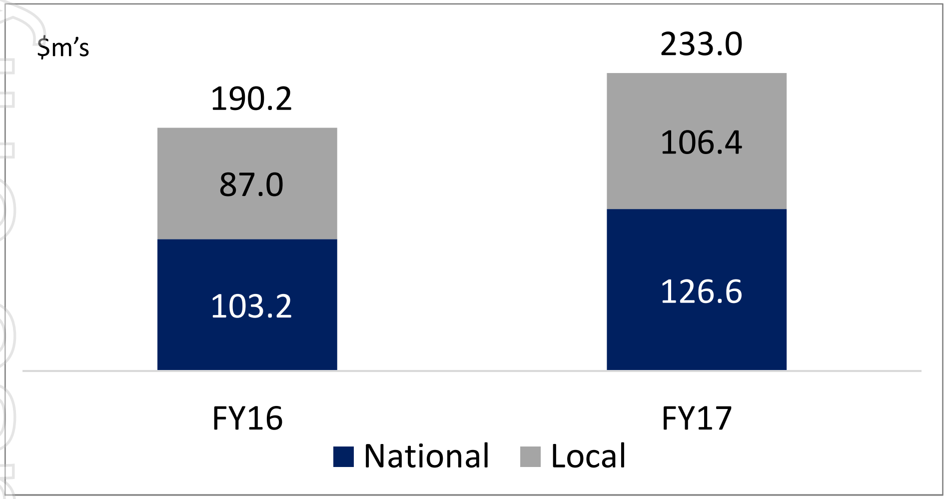


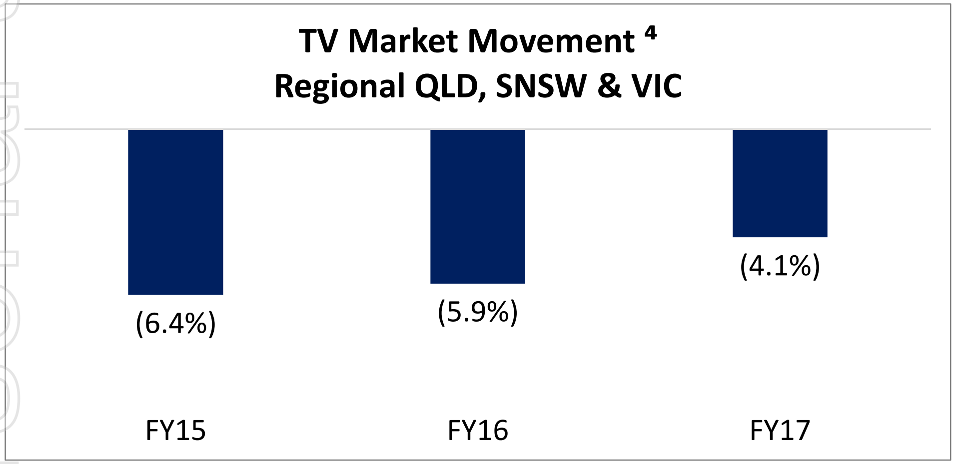
REGIONAL RADIO ADVERTISING REVENUES



- Regional radio revenue up a further 2.0% - after consolidating growth of 6.1% in prior year
- National revenue grew by 3.4% despite impact of Federal Election in FY16
- Local revenue growth of 1.3% or $1.5m – growth recorded despite substantial impact on time and resources directed to Nine TV Affiliation switch
- Regional surveys and network rebranding complete – laying platform for higher growth across all metrics in year ahead

REGIONAL TV ADVERTISING REVENUES

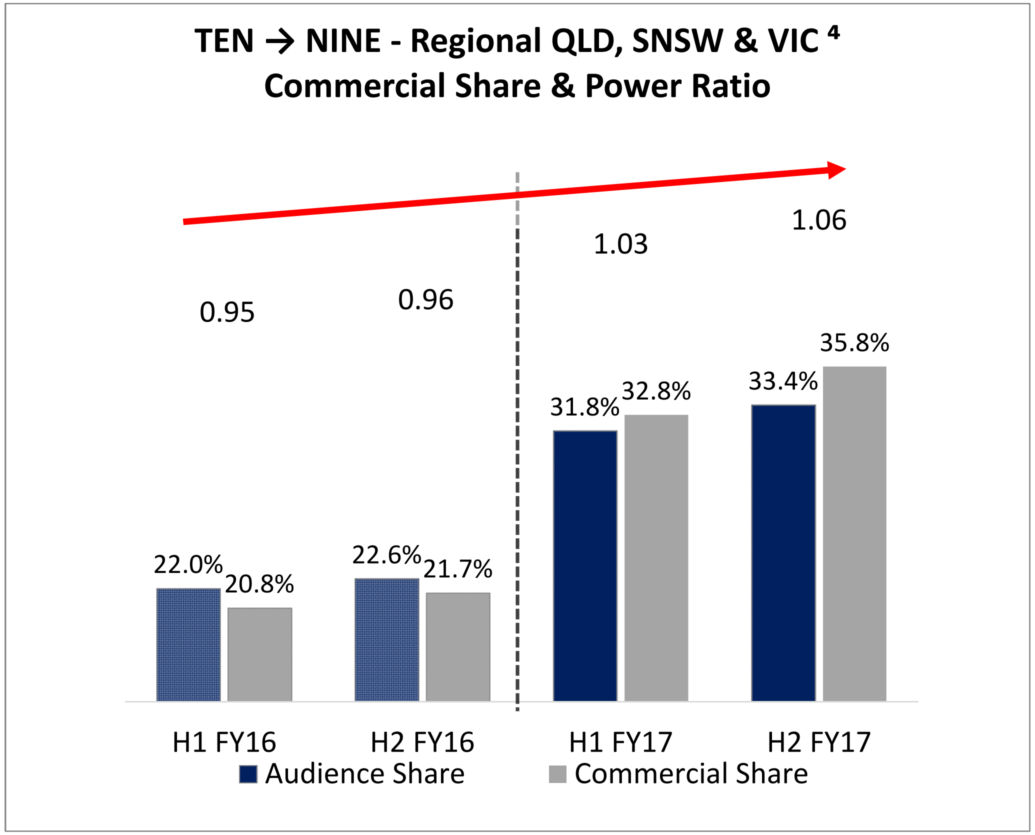




- TV Advertising revenues up $42.8m or 22.5% after successful transition to Nine Network affiliation
- Revenue across Channel Nine affiliated markets up 52.5%
- Slowing rate of decline in regional TV market compared to FY15 and FY16 – driven by better yield management, increased focus on regional equalisation and new business initiatives
- Nine News rollout complete – employment and integration of 107 new journalists in regional offices, Nine is responsible for employee costs
- No Olympic impact in FY18

[4]KPMG Market Share Report

REGIONAL TV ADVERTISING REVENUE SHARE



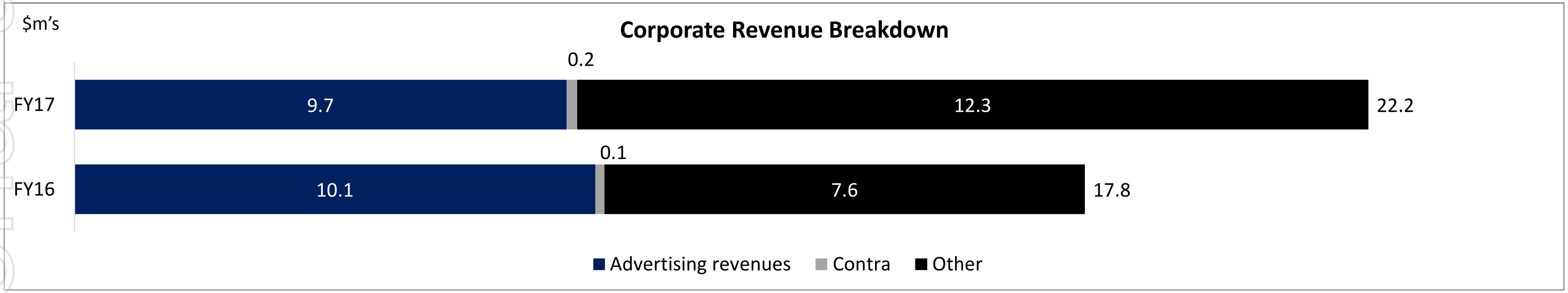
- SCA converting ratings to revenue with strong and improving power ratio performance – delivering 103% in H1 and 106% in H2
- Nine Network continuing to deliver strong audience growth supported by growing investment in existing and importantly new formats
- H1 FY17 was impacted by change of affiliation and Olympics
- Regional news rollout complete (Aug 17) – should positively enhance the opportunity to grow audience and revenues

[4] KPMG Market Share Report

CORPORATE

$ millions	FY16[1]	FY17	Var.
Total Revenue	**17.8**	**22.2**	**24.7%**
Total Expenses	**(32.4)**	**(30.7)**	**5.2%**
EBITDA	**(14.6)**	**(8.5)**	**41.8%**

- Revenue impacted by prior year loss on Telco disposal of $5.0m
- Total Expenses positively impacted by resolution of copyright dispute, excluding this costs are flat year on year



[1]Refer to Appendix for reclassification of FY16 results

OUTLOOK AND STRATEGIC VISION

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OUTLOOK – THE YEAR AHEAD

Trading Update

- Trading update – July & August has been soft and a challenging market driven by weaker national spends
- SCA has been largely insulated through the benefit of a relatively high exposure to stronger local revenues, balancing weaker national investment

Radio

- New Drive brands on Hit & Triple M will provide an opportunity to grow the cumulative audience base - whilst staying focused on improving breakfast shows across network
- Substantial benefits from regional rebrand – offering first ever national network - supported by survey data
- “Dawn of a new era” following the alignment of digital radio brands with mainstream brands providing opportunity to better monetise our substantial spectrum allocation

Regional TV

- A year to “harvest the successful transition to Nine” – capacity to improve revenues through consistency, stronger regional development, better equalisation of national advertising share and continued focus on driving new business
- Benefits of regional news to be realised in both ratings and revenue and with solid start to year, achieving like for like growth in a challenging market

New Revenue Streams

- Podcast One – Digital On Demand Audio – a year to unlock new revenue streams
- Mall Media – Large Format Digital Screens - the first step in delivering quality local content in large formats across Malls in Regional Australia
- SCA is diversifying revenue streams with digital podcasting, digital radio and digital out of home

STRATEGIC VISION – WINNING ASPIRATION

"SCA is an entertainment company that seeks to deliver market leading value creating brands.

Leveraging off our core competencies we provide content and insightful services that bind communities together to facilitate rewarding interactions.

As a result SCA will be the preferred entertainment company in our markets"

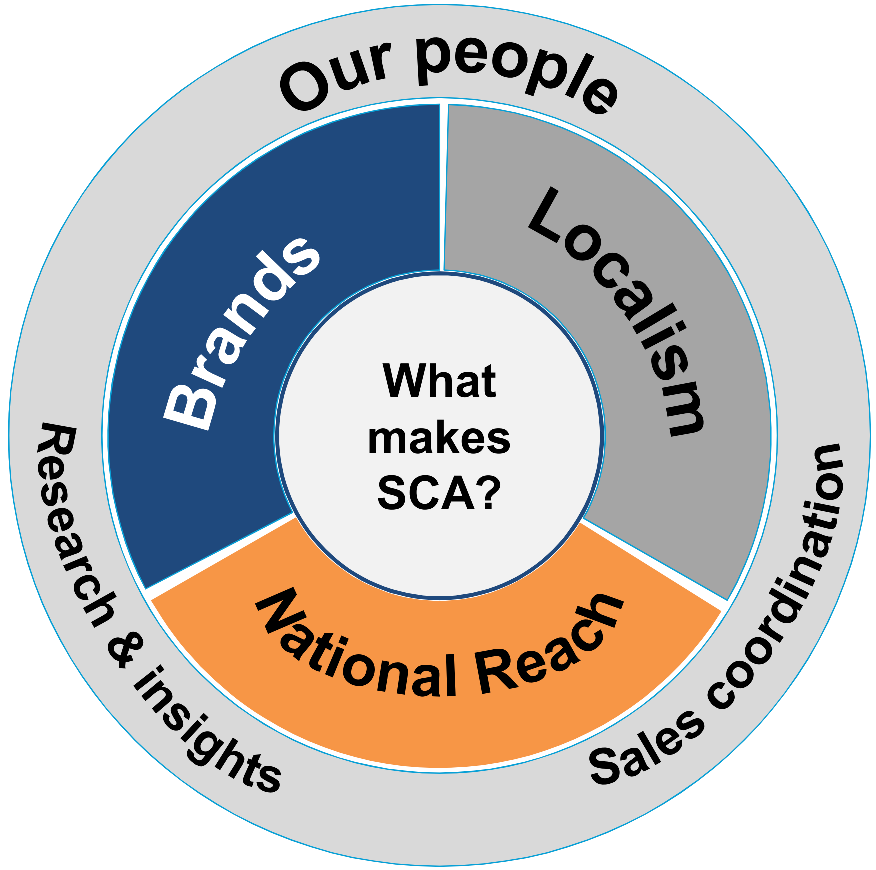
STRATEGIC VISION - CORE COMPETENCIES & KEY ATTRIBUTES

Three core competencies particularly stand out for SCA:

- **National reach:** Through SCA's various licenses and distribution platforms it is able to reach and engage with 95% of Australians. SCA is able to leverage off this reach to promote and amplify its various initiatives.

- **Localism:** SCA prides itself on its strong regional infrastructure consisting of local sales and content teams. This enables SCA to build personal relationships with clients and create content that is meaningful and relevant to communities.

- **Brands:** Along with its strong corporate identity SCA has developed an ability to create strong heritage brands that are unique in their market places. They evoke a strong loyalty from our audience/clients and can be used to enter multiple market places simultaneously.



SCA STRATEGY FY 2018 & FY 2019

Our people

Insights

Localism

Optimise key audio assets

- Focus on Triple M & Hit brands
- Extend SCA's reach through digital radio aggregation
- Talent pipeline
- Grow & nurture PodcastOne

Ensure an improved audio experience for our audience

- Accessibility to SCA's content, e.g. in car, mobile, voice activated
- Develop our knowledge of our audience through data.
- Personalised audio experiences.
- Infrastructure to support digital delivery of content.

Monetize all available audience efficiently with clients

- Improved audience measurement & data collation
- Automated Sales Platforms
- Enhanced sales coordination
- External insights to facilitate insight led sales

Explore non-audio entertainment in growth markets

- Investigate, validate and, where appropriate, create new businesses leveraging off existing core competencies.
- Organic opportunities and acquisitions will be considered that complement the Group's existing asset set.

Q & A

APPENDIX 1: ACCOUNTING POLICY CHANGE

Accounting for indefinite lived assets

- Review of tax effect accounting for licenses and brands following IFRS Interpretations Committee agenda decision
- Intangibles with indefinite lives now assumed to be recovered through use, rather than recovered through sale
- No change in SCA's intention around use of these assets

Impact
- $384 million non-cash adjustment to recognise deferred tax liability on intangible assets
- Applied retrospectively, impacts Statement of Financial Position
- No impact on cashflows
- Subsequent sale of NNSW TV results in intangible asset being recovered through sale and results in deferred tax credit to Income Statement

Retrospective recognition of deferred tax liability (effective 1st July 2015)

Dr Accumulated Losses	$383.6m	
Cr Deferred Tax Asset	$12.3m	
Cr Deferred Tax Liability	$371.3m	

Disposal of NNSW TV

Dr Deferred Tax Liability	$14.8m	
Cr Current Year Tax (P&L)		$14.8m

APPENDIX 2: FY16 METRO SALES RECLASSIFICATION

	METRO				CORPORATE			
$ millions	FY16 As reported	Cost of Local Sales Resources	Local Sales Recharge	FY16 Reclassed	FY16 As reported	Cost of Local Sales Resources	Local Sales Recharge	FY16 Reclassed
Total Revenue	**242.3**	**-**	**-**	**242.3**	**17.8**	-	-	**17.8**
Broadcast & Production	**(20.6)**	-	-	**(20.6)**	**(3.6)**	-	-	**(3.6)**
Staff and Talent	**(84.4)**	13.4	-	**(71.0)**	**(33.2)**	(13.4)		**(46.6)**
Selling, General & Admin	**(85.9)**	6.7	(20.3)	**(99.5)**	**(23.3)**	(6.7)		**(30.0)**
Sales Commission Recharge	**-**	-	-	**-**	**27.5**		20.3	**47.8**
Total Expenses	**(190.9)**	20.1	(20.3)	**(191.1)**	**(32.6)**	(20.1)	20.3	**(32.4)**
EBITDA	**51.4**	20.1	(20.3)	**51.2**	**(14.8)**	(20.1)	20.3	**(14.6)**

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