SOUTHERN CROSS AUSTEREO
H1 FY18 INVESTOR PRESENTATION

23 February 2018

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H1 FY18 Results

Grant Blackley

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RESULTS SUMMARY

- Statutory result impacted by divestment of NNSW TV. Group revenues increased by 1.3% on a like for like basis
- Regional business performing well with 4.6% revenue growth on a like for like basis, offset by metro performance – revenue back 3%
- Cash conversion remains strong – increased to 88.1%
- Divested assets strengthen Balance Sheet and reduce financing costs
- Fully franked interim dividend of 3.75 cps declared, consistent with prior period

Statutory Result	H1 FY18	H1 FY17
Revenue	$333.3m	$351.8m
EBITDA	$78.1m	$92.6m
Cash Conversion	88.1%	82.4%
NPAT	$38.2m	$48.5m
Net Debt	$324.8m	$347.8m
Interim dividend	3.75cps	3.75cps

RESULTS SUMMARY – EBITDA BRIDGE

- Short term impact to earnings from assets divested in prior period - $5.5m relates to disposal of NNSW TV
- Corporate costs lower in 1H FY17 due to $5m of non-recurring items
- SCA invests in new platforms – PodcastOne $1.3m
- FY17 ACMA rebate booked in H2 FY17

EBITDA Bridge	$m's
H1 FY17 EBITDA	**$92.6m**
Disposal of NNSW TV	$(5.5m)
Non–recurring items from H1 FY17 (ACMA FY16 & Copyright dispute)	$(5.0m)
Investment in PodcastOne	$(1.3m)
FY17 ACMA fee (H2 benefit)	$5.1m
H1 FY17 EBITDA (comparable)	**$85.9m**
H1 FY18 EBITDA (actual)	**$78.1m**

HEADLINE ACHIEVEMENTS

Sales Performance

- Group revenues up 1.3% (on like for like basis)
- Regional revenues up 4.6% (on a like for like basis)
- National advertisers committing considerably more into regional radio markets
- Metro advertising markets subdued across Q1 yet improved across Q2 to deliver market growth of 2.0%

Investment

- Investment in new businesses – PodcastOne
- New strategy to monetise Digital Radio assets
- Continued investment in systems to unlock sales automation and improve content delivery effectiveness and efficiency

Financial Stability

- Divestment of non-core assets - strengthened balance sheet and positions company well for future growth
- Effective cash generation delivered with modest capital investment
- Fully franked dividend maintained
- Successful refinancing of bank facilities on improved commercial terms

H1 FY18 FINANCIAL RESULTS

Nick McKechnie

GROUP REPORTED STATUTORY RESULTS

$ millions	H1 FY18	H1 FY17	Var.	H1 FY17 Adj. for NNSW	Var.
Revenue	333.3	351.8	**(5.3%)**	329.0	**1.3%**
Expenses	(255.2)	(259.2)	**(1.6%)**	(241.5)	5.7%
EBITDA	**78.1**	**92.6**	**(15.6%)**	**87.5**	**(10.7%)**
EBITDA Margin	*23.4%*	*26.3%*	nm	*26.6%*	nm
Depreciation & Amortisation	(15.1)	(15.5)	(2.4%)		
EBIT	**63.0**	**77.1**	**(18.2%)**		
Net Finance Costs	(7.7)	(9.6)	(19.8%)		
PBT	**55.3**	**67.5**	**(18.1%)**		
Tax	(17.1)	(19.0)	(9.9%)		
NPAT	**38.2**	**48.5**	**(21.2%)**		

nm = not meaningful

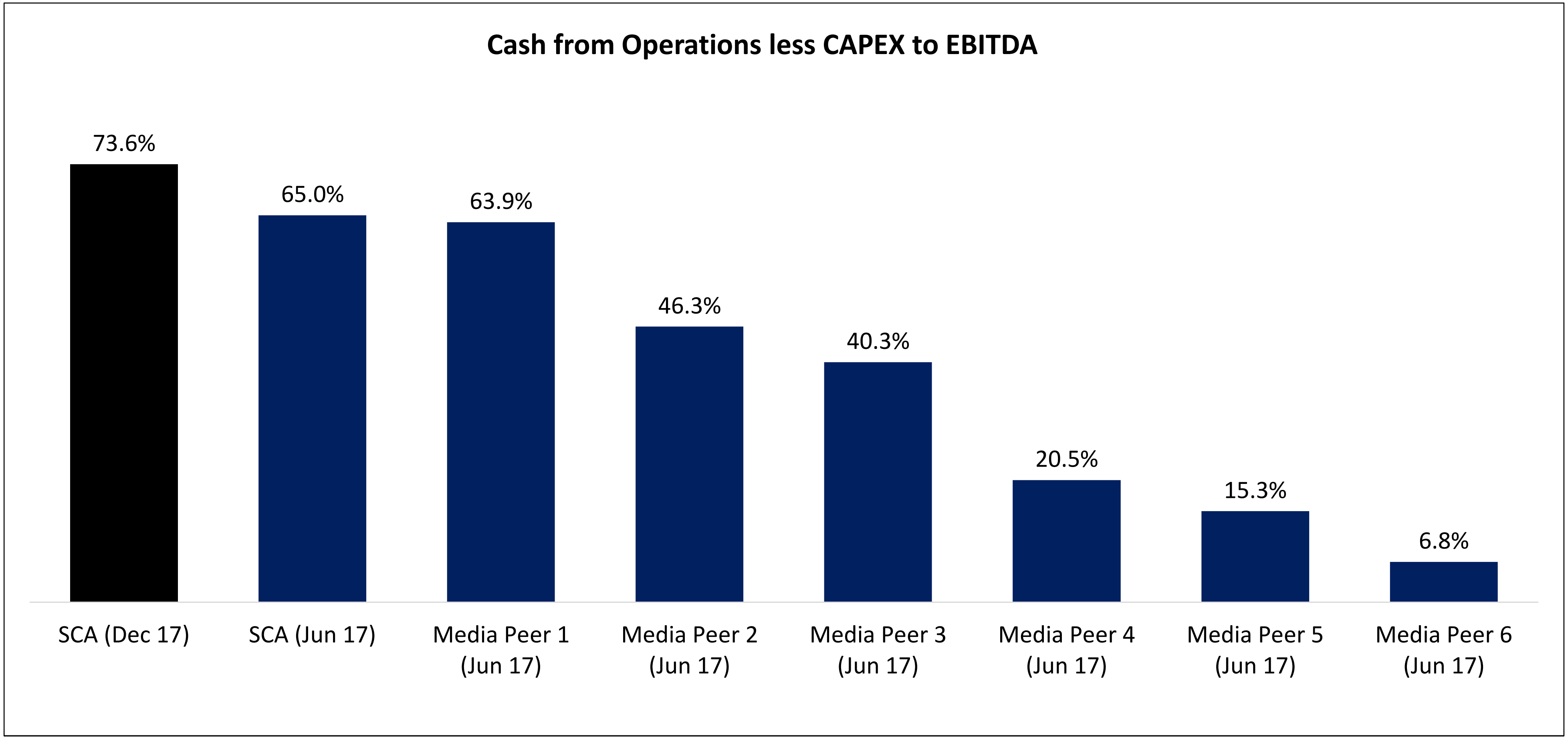
- Statutory result impacted by NNSW TV – divested May 2017
- Revenue growth of 1.3% on a comparative basis
- Expense growth due to TV revenue uplift, higher TX and electricity costs, non-recurring corporate items from H1 FY17
- Finance costs reduced ~20% year on year, with further savings following successful refinance
- Effective tax rate has normalised at ~31%

CASHFLOW

$ millions	H1 FY18	H1 FY17
Opening Cash	**49.0**	**94.8**
Cash from Operations	68.8	76.3
Tax payment	(18.9)	(24.4)
Net Payments for Non-Current Assets	(11.5)	(14.2)
Net Financing payments	(11.3)	(11.0)
Cashflow pre dividend and non-recurring items	**27.1**	**26.7**
Payments for Intangibles (acquisition of Authentic)	-	(7.2)
Dividends to security holders	(30.8)	(26.9)
Debt repayment	(10.0)	(40.0)
Closing Cash Balance	**35.3**	**47.4**
Reported EBITDA	78.1	92.6
Operating Cash Conversion	**88.1%**	**82.4%**

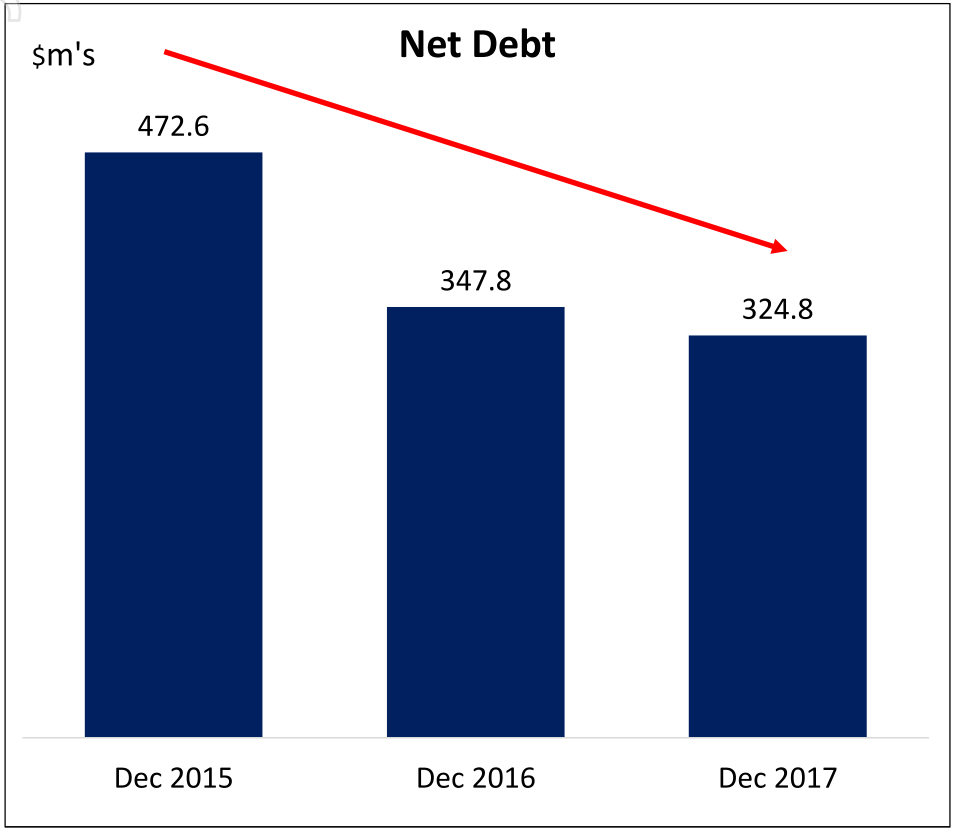
- SCA continues to generate strong, consistent cash flow with modest capital investment
- Improved cash conversion - operating cash conversion improved from 82.4% to 88.1%

CASHFLOW – SCA FREE CASHFLOW LEADS THE SECTOR



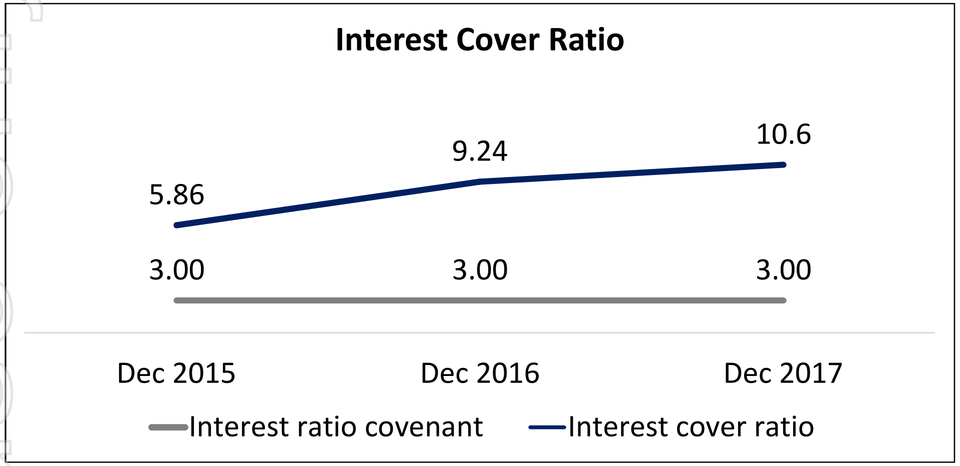
Note: Media peer data (as released to ASX) represents last 12 months to June 2017; SCA – last 12 months to June 2017 and 6 months to December 2017

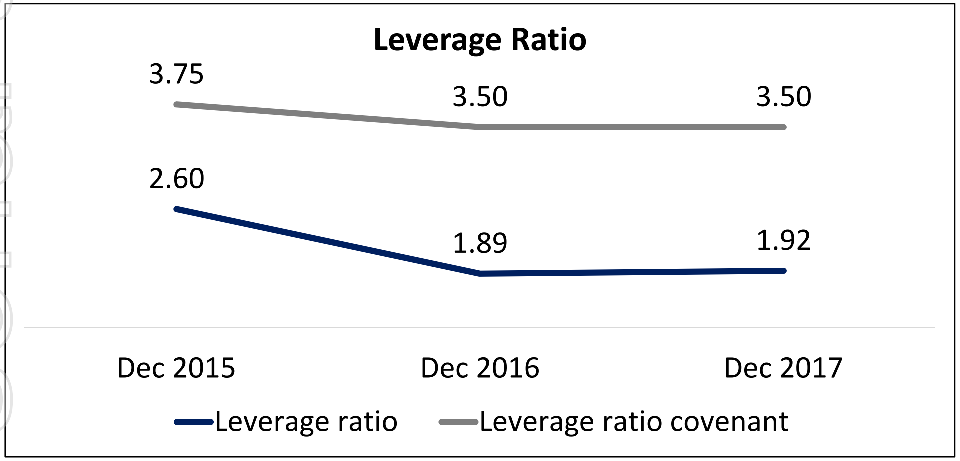
DEBT REDUCTION PROGRAM



- Debt Reduction Program has been a priority for the company in last two years - yielding substantial results
- 43% reduction in finance costs over 2 years from $13.6m in 1H FY16 to $7.8m in 1H FY18
- Successfully refinanced $500m facility for a further three years to 2021
- $360m used to repay existing drawn debt, with $140m undrawn financial flexibility to support and grow the business going forward
- $300m (83%) fixed at 2.4% base interest rate for the term
- $10m deferred consideration from NNSW divestment to be received in H2 FY18

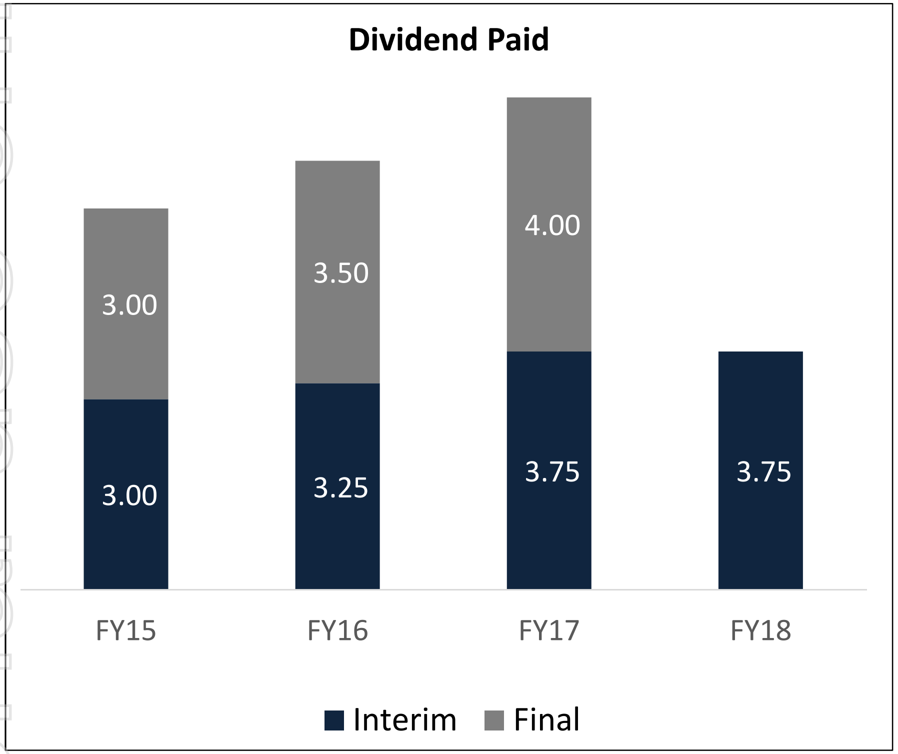
FINANCIAL COVENANTS





- Material improvement in financial covenants over past two years following debt reduction – with resulting reduction in financing costs
- Significant headroom exists under covenants with interest cover of just over 10.6x and leverage in a more desirable range at 1.9x
- Leverage ratio within preferred target range of 1.5x - 2.0x

DIVIDEND POLICY



- Review of dividend payout policy in light of strengthened balance sheet, high cash conversion and sale of NNSW TV
- Target payout ratio adjusted to 65% - 85% of NPAT
- Strong cash generation enabling higher payout ratio to shareholders
- Divestment of NNSW TV has impacted short term earnings but strengthened balance sheet and enables future investment into higher growth markets
- Interim dividend consistent with prior corresponding half at 3.75 cps, fully franked
- SCA provides attractive dividend yield

OPERATIONAL REVIEW

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OPERATIONAL REVIEW

$ millions	H1 FY18	H1 FY17	Var.	H1 FY17 Adj for NNSW	Adj Var.
Regional Revenue	202.8	216.7	(6.4%)	193.9	**4.6%**
Metro Revenue	121.4	125.2	(3.0%)	125.2	(3.0%)
Corporate Revenue	9.1	9.9	(8.6%)	9.9	(8.6%)
Total Revenue	**333.3**	**351.8**	**(5.3%)**	**329.0**	**1.3%**
Regional Expenses	(144.0)	(154.0)	(6.5%)	(136.3)	5.6%
Metro Expenses	(94.3)	(94.3)	0.0%	(94.3)	0.0%
Corporate Expenses	(16.9)	(10.9)	56.0%	(10.9)	55.9%
Total Expenses	**(255.2)**	**(259.2)**	**(1.5%)**	**(241.5)**	**5.7%**
Regional EBITDA	58.8	62.7	(6.1%)	57.6	2.1%
Metro EBITDA	27.1	30.9	(12.2%)	30.9	(12.2%)
Corporate EBITDA	(7.8)	(1.0)	nm	(1.0)	nm
Total EBITDA	**78.1**	**92.6**	**(15.6%)**	**87.5**	**(10.7%)**

- Group Revenue up 1.3% (excl NNSW TV)
- Regional revenues grew 4.6% and EBITDA +2.1% (excl NNSW TV)
- Metro revenues back 6% in Q1, back 1% in Q2 with improving momentum
- Metro expenses include $1.3m investment in PodcastOne – underlying expenses back 1.4%
- Corporate expenses benefited from ~$5m favourable non-recurring items in prior year

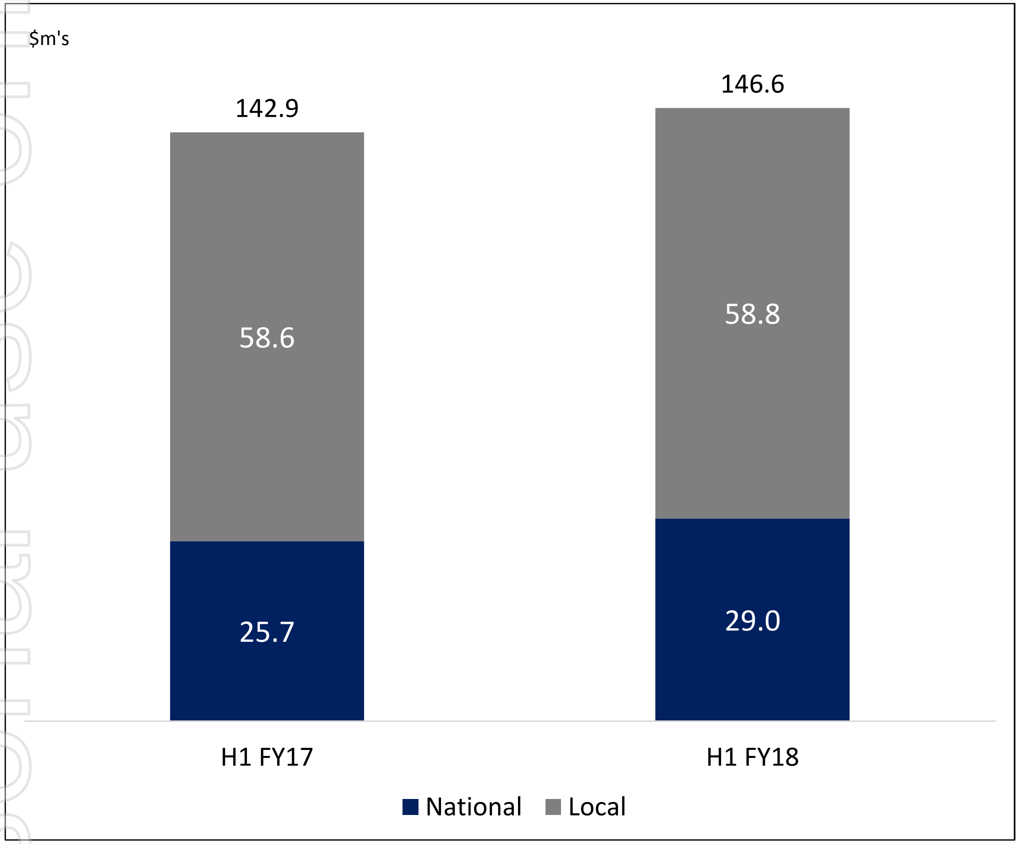
nm = not meaningful

REGIONAL – TV & RADIO

$ millions	H1 FY18	H1 FY17	Var.	H1 FY17 Adj. for NNSW	Adj. Var.
TV Revenue	112.4	130.1	(13.6%)	107.3	**4.7%**
Radio Revenue	90.4	86.6	4.4%	86.6	**4.4%**
Total Revenue	**202.8**	**216.7**	**(6.4%)**	**193.9**	**4.6%**
Broadcast & Production	(58.5)	(66.8)	(12.3%)		
Employee	(35.2)	(34.0)	3.6%		
Selling, General & Admin	(50.3)	(53.2)	(5.7%)		
Total Expenses	**(144.0)**	**(154.0)**	**(6.5%)**	**(136.3)**	**5.6%**
EBITDA	**58.8**	**62.7**	**(6.1%)**	**57.6**	**2.1%**
EBITDA Margin	*29.0%*	*28.9%*		*29.7%*	

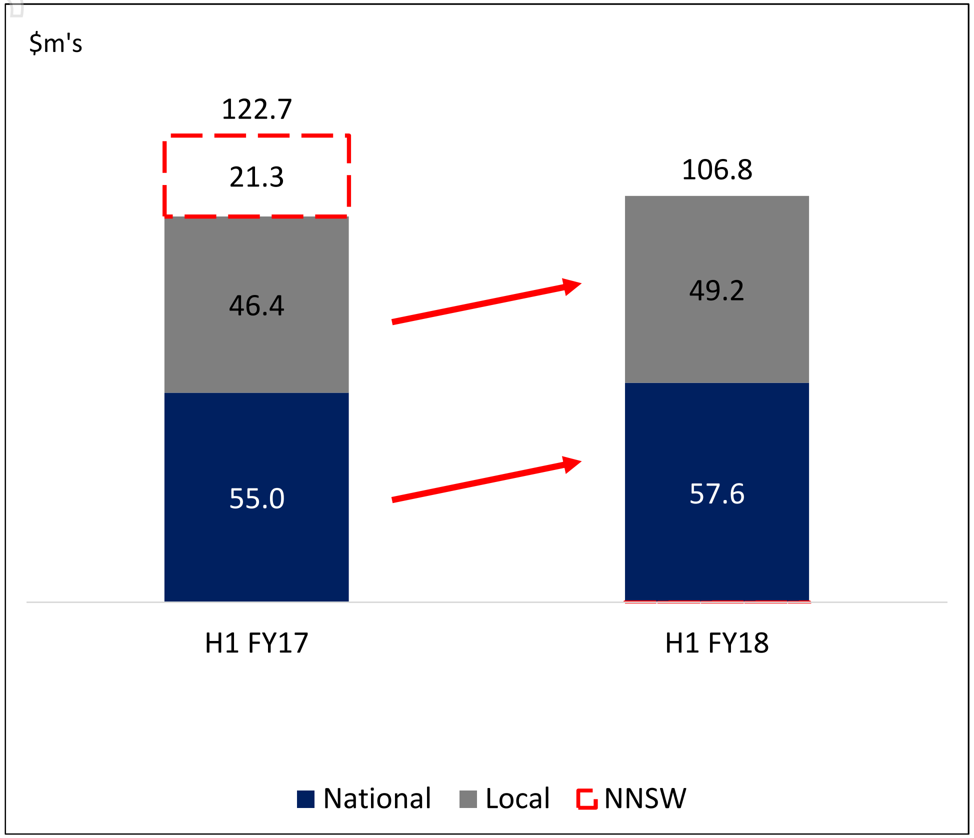
- Strong regional media assets – consistent and compounding revenue growth
- TV revenues continue to grow with revenue up 4.7% over prior year (excl NNSW TV)
- Further expansion of radio revenues - up 4.4%
- Expenses up 5.6% (excl NNSW TV) principally due to higher revenues – stronger conversion of Nine ratings resulting in higher TV affiliation costs. TX site rental and higher electricity prices add to cost increase
- EBITDA of $58.8m up 2.1% (excl NNSW TV)

REGIONAL RADIO ADVERTISING REVENUES



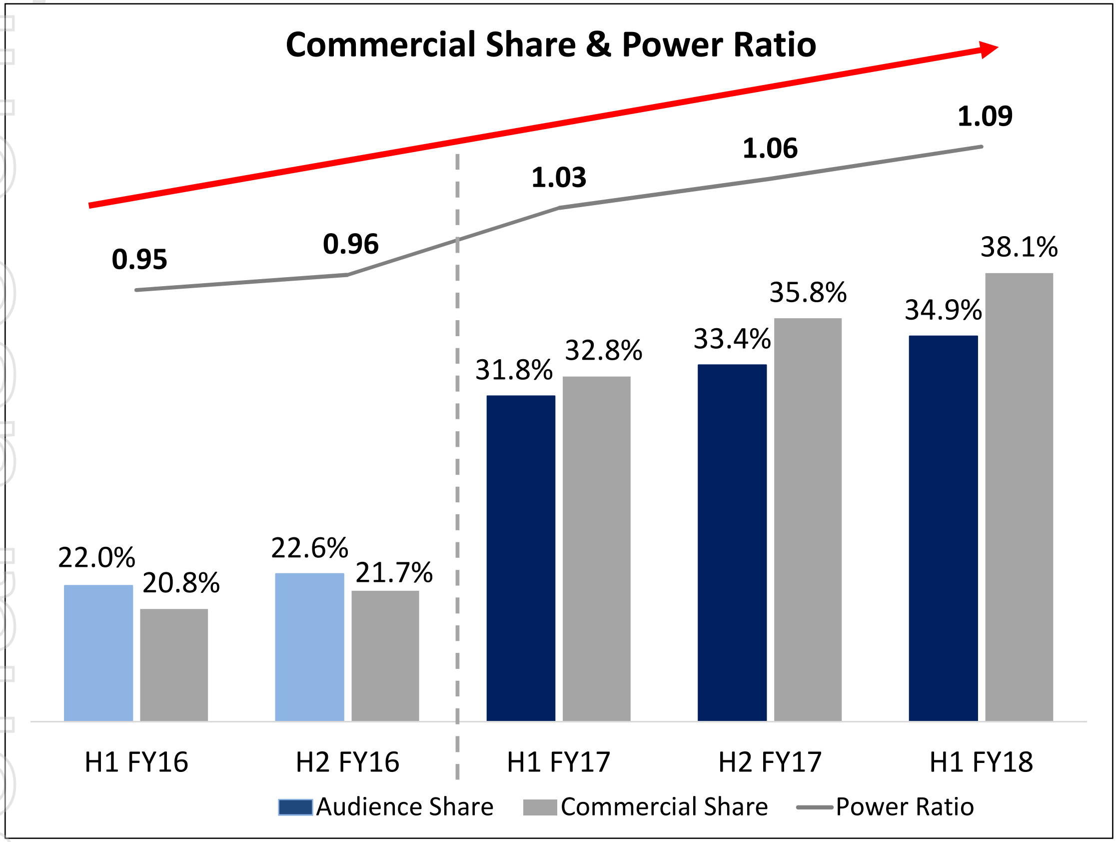
- Regional radio revenues grew 4.4% consolidating and improving on prior year growth of 2.8%
- National revenues up 12.8% or $3.3m after concerted effort to educate national advertisers of the value of regional audiences and the resulting economic benefits
- Local revenues maintained after stronger yield management – respecting national advertisers occupied a higher ratio of inventory

REGIONAL TV ADVERTISING REVENUES



- Total TV revenues up 5.3% (excl NNSW TV)
- Nine affiliated markets leading the way – with good ratings improvements, completion of news rollout and stronger monetisation of assets
- Local sales teams continue to improve the monetisation of the Nine affiliation with revenues up 6.0%

REGIONAL TV POWER RATIO FOR NINE AFFILIATION



- SCA grew revenue share of the market in H1 FY18 by 5 share points to a 38.1% share
- Power ratio moved above 1.0x immediately after affiliation switch and strengthened in each consecutive period to 1.09x - due to strong SCA sales conversion and discipline
- Audience share continued to improve after stronger lead by Nine – and full rollout of regional news services

[4] KPMG Market Share Report – Regional Queensland, SNSW and Regional Victoria

METRO RADIO

$ millions	H1 FY18	H1 FY17	Var.
Total Revenue	**121.4**	**125.2**	**(3.0%)**
Broadcast & Production	(7.4)	(10.0)	**(25.6%)**
Employee	(35.9)	(34.4)	4.5%
Selling, General & Admin	(51.0)	(49.9)	2.2%
Total Expenses	**(94.3)**	**(94.3)**	**0.0%**
EBITDA	**27.1**	**30.9**	**(12.3%)**
EBITDA Margin	*22.3%*	*24.7%*	

- Metro Radio revenues contracted $3.8m or 3.0% due to lower than expected market demand (weighted to Q1) and under-performance of 2DAY FM breakfast
- Positive revenue performances outside of Sydney resulted in HIT network revenues being flat
- Triple M Network revenues contracted due to lower cyclic investment in male skewed briefs – i.e. auto, energy and banking
- Expenses back 1.4% on a like for like basis, excluding $1.3m investment in PodcastOne
- Employee costs included pre-launch of new Triple M Kennedy Molloy in Q2, prior to full national launch in H2.

CORPORATE

$ millions	H1 FY18	H1 FY17	Var.
Total Revenue	9.1	9.9	(8.6%)
Total Expenses	(16.9)	(10.9)	55.0%
EBITDA	(7.8)	(1.0)	nm

- Results impacted by ~$5m favourable prior year movements, including resolution of copyright dispute and benefit of FY16 ACMA radio rebate in H1 FY17
- Investment in Project Management Office – enhanced delivery capability for major projects including CRM, automated sales tools and audio-on-demand product developments

nm = not meaningful

OUTLOOK & NEW INVESTMENTS

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SECURING FUTURE GROWTH – A YEAR OF INVESTMENT

Compelling Content

- Seamless transition from Hamish and Andy to Hughesy and Kate on Hit Network
- Investment in new National Drive show on Triple M creating opportunity to grow aggregate Drive share
- Focussed on improving 2DAY FM Sydney – new breakfast show - revamped music format

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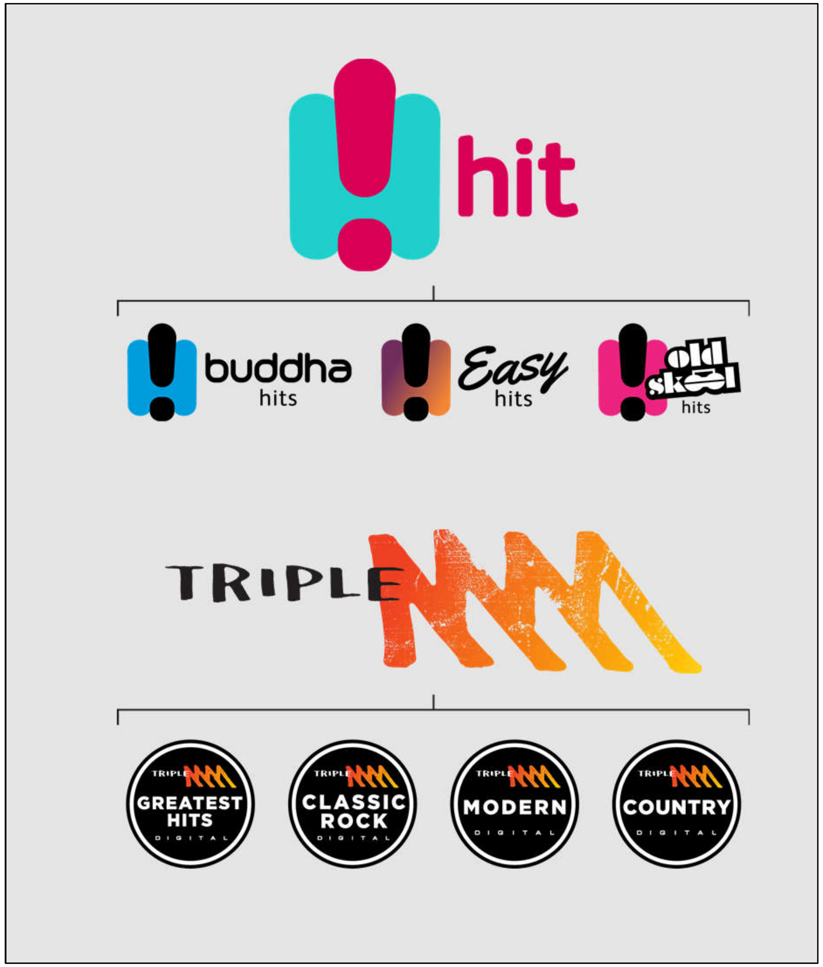
Digital Radio FM+DAB

- Digital Radio "comes of age" – clear commercial strategy – brand strategy complete
- Digital Radio will add 300,000 listeners and improve SCA reach by 6.5%. Effective Survey 1, 2018
- Digital Radio will enhance the appeal of radio and lead to further growth

METRO – FM + DAB NEW INVESTMENT

- SCA owns largest amount of Digital Radio (DAB) spectrum of any commercial broadcaster
- New commercial “brand family” strategy – aggregating the FM & Digital Radio audiences
- Effective opportunity to monetise from Survey 1 2018, release of FM and Digital Radio data on same day agreed by industry



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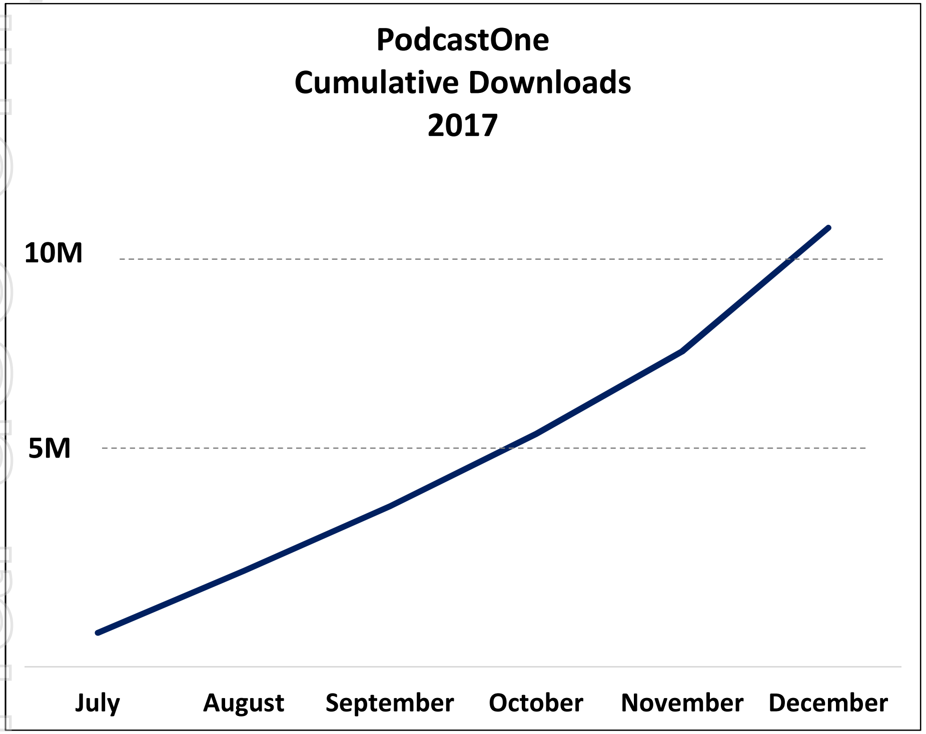
PodcastOne

- Built a leading commercial podcasting network – launched early in 1H FY18
- Rapid rise in understanding and popularity of podcasting - and gaining momentum
- SCA is uniquely placed to deliver premium original audio content and customised sales solutions

PODCASTONE – NEW INVESTMENT



- Successful launch of PodcastOne Australia (P1A) platform focussed on commissioning premium original audio content – and educating industry about this emerging medium
- Over 10m downloads in first six months for P1A - increasing monthly (note: this excludes 'catch-up' radio on-demand)
- 95%+ of downloads are for domestically produced podcasts – key point of differentiation and highlights importance of localism
- Breakeven expected during FY19

SECURING FUTURE GROWTH – A YEAR OF INVESTMENT

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QUIK Entertainment

- New and unique out-of-home asset. Rent and Capex free – revenue share model
- Expenses have been essentially absorbed into Regional operations
- Rollout of 3 centres to date – 3 more to follow – monetisation can now commence

OUTLOOK FOR H2 FY18

Trading Update

- Group revenues up ~5% year on year for January/February 2018 (excl NNSW TV)
- New Drive show revenues up after initial 7 weeks - with advertiser interest growing
- Regional markets continue to benefit from strengthening national advertising
- Full year cost outlook flat on prior year

Q & A

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