SOUTHERN CROSS AUSTEREO FY18 INVESTOR PRESENTATION

23 August 2018

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FY18 Results

Grant Blackley

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EXECUTIVE SUMMARY

2018 has been a year of transition and investment

✓ Prior year asset disposals have impacted short term earnings – resulting in stronger financial stability

✓ Investment in core operations delivered higher revenue growth in H2

✓ Invested for the future in creating new revenue streams:
- Podcasting
- Live Experiences
- Nine Network extended partnership

✓ Forecast return to growth in FY19 – after cycling over earnings impact of divestments – stronger revenue momentum with greater visibility and lead times

GROUP RESULTS SUMMARY

- EBITDA $154.7m
  - FY18 EBITDA impacted by non-recurring items – NNSW TV ($10m), FY17 profit on asset disposal ($3m), Spectrum tax ($3m), FY17 H1 credits - ACMA and copyright dispute ($5m)
- Revenue contracted 5.3%, impacted by the divestment of NNSW TV, while like for like revenues up 0.6%.
- Balance Sheet strengthened with reduction in debt, lower financing costs and strong cash conversion
- Full year dividend maintained at 7.75 cps, fully franked

$ millions	FY18	FY17	Var.
Revenue	654.1	690.8	(5.3%)
EBITDA	154.7	177.4	(12.8%)
Underlying NPAT	75.3	93.8	(19.7%)
Net Debt	304.0	321.0	(5.3%)
Full Year dividend (cps)	7.75	7.75	-

HEADLINE ACHIEVEMENTS

Sales Performance

- Group revenues up 0.6% (on a like for like basis)
- Regional revenues up 3.2% (on a like for like basis)
- Regional Radio revenues up 4.5% – led by National revenue up 15.3%
- Metro performance improving with stronger ratings and revenue conversion – evidenced with H1 revenue back 3.7% and H2 up 1.9% (Q4 growth of 8%)

Investment

- Digital Radio investment complete – "sustainable competitive advantage"
- PodcastOne investment – now Australia's #1 commercial on demand podcast company with 45m downloads and clear monetisation path
- Live Experiences - RnB Live format renewed with extended branded events - "Vine Days"
- Nine Network representation broadened to include NNSW local. Seven Network affiliation extended on favourable terms

Financial Stability

- Balance Sheet remains healthy with further reduction in debt; interest cover 11.8x and leverage 1.79x
- Refinancing of bank facilities complete with improved commercial terms
- Operating cash conversion of 94.2% up 8.2 points
- Full Year fully franked dividend maintained at 7.75 cents

FY18 FINANCIAL RESULTS

Nick McKechnie

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GROUP REPORTED STATUTORY RESULTS

$ millions	FY18	FY18 (excl. Impairment)	FY17	Var.
Revenue	654.1	654.1	690.8	(5.3%)
Expenses	(499.4)	(499.4)	(513.4)	2.7%
EBITDA	**154.7**	**154.7**	**177.4**	**(12.8%)**
EBITDA Margin	*23.6%*	*23.6%*	*25.7%*	
Depreciation & Amortisation	(30.7)	(30.7)	(30.9)	0.5%
Impairment	(104.7)	-	-	-
EBIT	**19.3**	**124.0**	**146.5**	**(15.4%)**
Net Finance Costs	(14.8)	(14.8)	(18.8)	21.2%
PBT	**4.5**	**109.2**	**127.7**	**(14.5%)**
Tax	(3.0)	(33.9)	(33.9)	-
Underlying NPAT	**1.5**	**75.3**	**93.8**	**(19.7%)**
Deferred Tax Credit	-	-	(14.8)	-
NPAT	**1.5**	**75.3**	**108.6**	**(30.6%)**

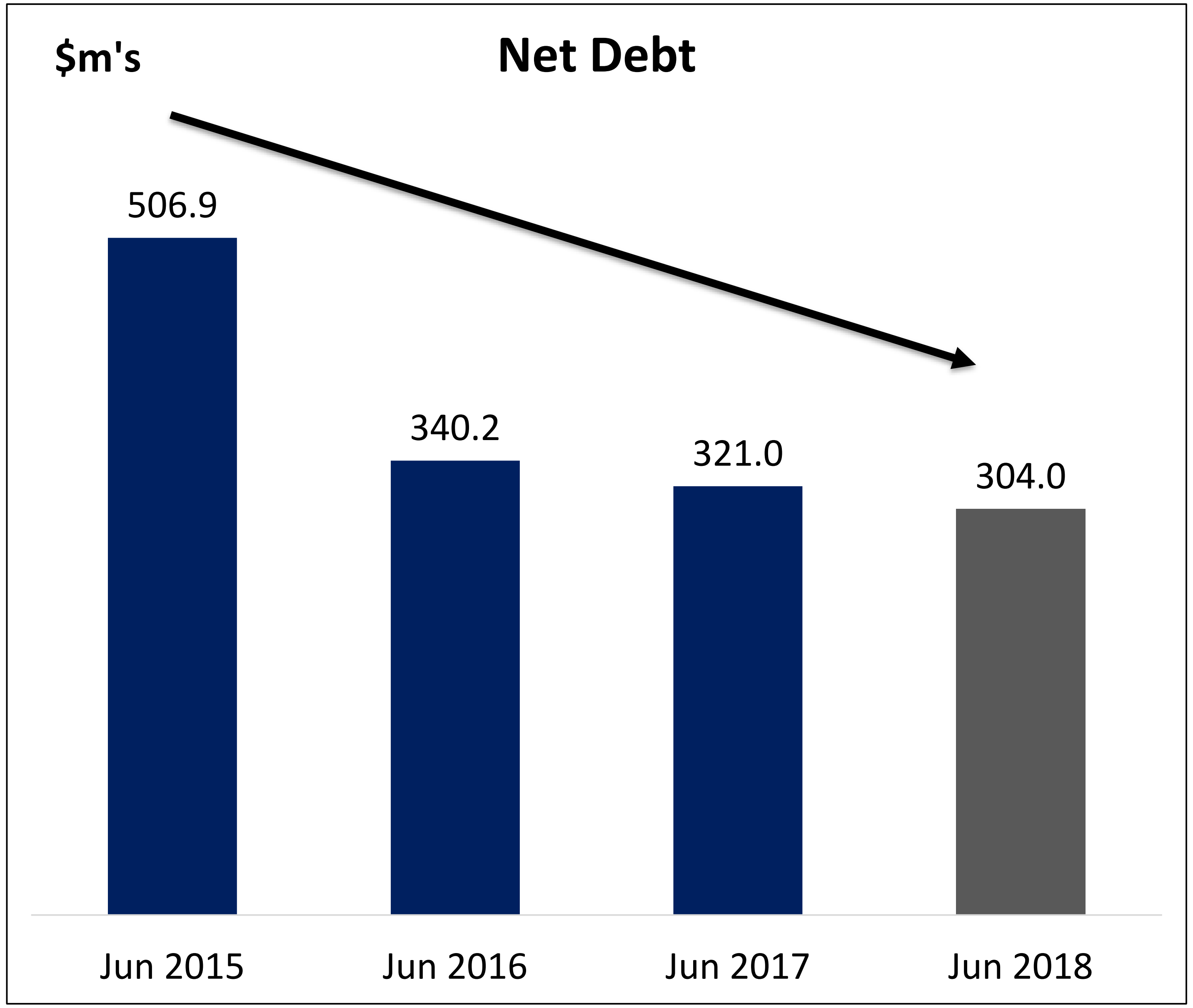
- Impairment of Regional TV assets - $105m charge less $31m deferred tax credit
- Statutory result impacted by NNSW sale – divested May 2017
- Revenues up 0.6% (exc. NNSW TV)
- Expenses driven by higher transmission and electricity costs. Non-recurring items from H1 FY17 ($5m)
- Finance costs reduced 21% or $4m year on year
- Effective tax rate has normalised at ~31%

CASHFLOW

$ millions	FY18	FY17
Opening Cash	49.0	94.8
Cash from Operations	**145.8**	**152.7**
Tax payment	(34.8)	(36.4)
Net Payments for Non-Current Assets	(25.5)	(29.0)
Net Financing payments	(18.1)	(21.1)
Cashflow pre dividend and non-recurring items	**67.4**	**66.2**
Payments for Intangibles (acquisition of Authentic)	-	(8.2)
Proceeds from sale of operations and assets	11.1	53.8
Dividends to security holders	(59.6)	(55.8)
Debt repayment	(11.8)	(101.8)
Closing Cash Balance	**56.1**	**49.0**
Reported EBITDA	154.7	177.4
Operating Cash Conversion	**94.2%**	**86.1%**

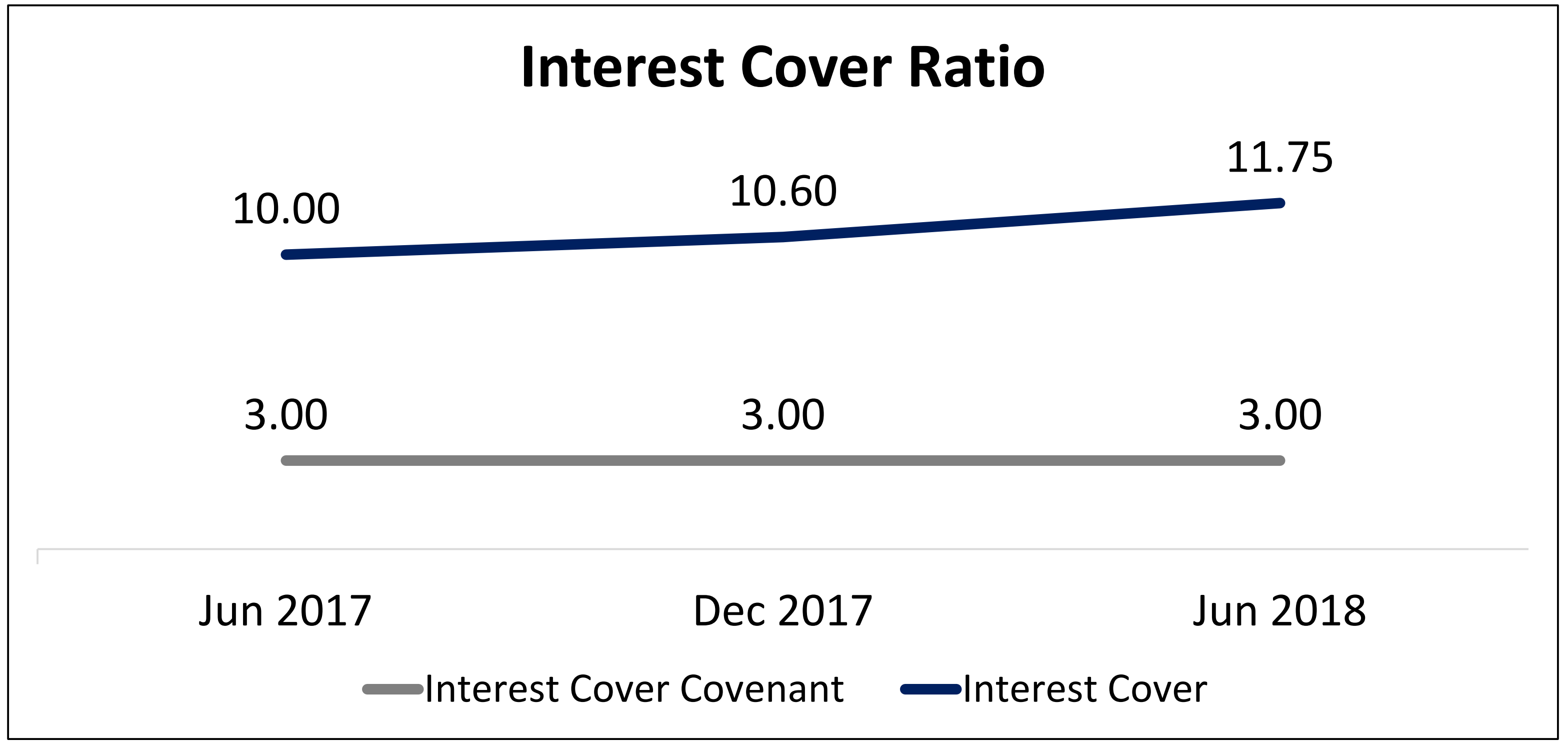
- EBITDA to cash conversion at 94.2% - up from 86.1% in previous period
- Modest capital investment of $25.5m
- Cashflow pre-dividend and non-recurring items increased in FY18 despite lower EBITDA, aided by lower capex and reduced debt financing
- $10m deferred consideration from sale of NNSW TV received May 2018

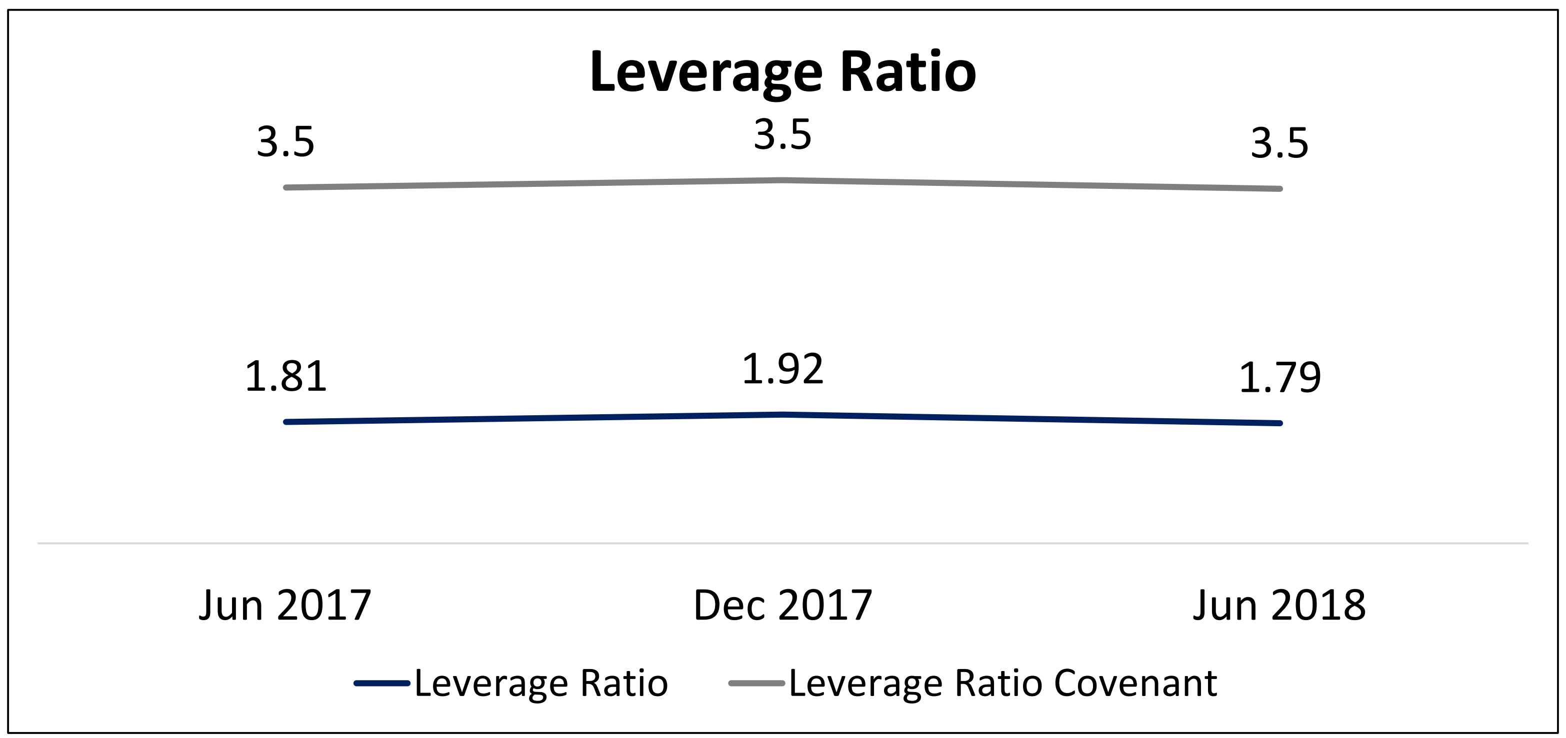
DEBT REDUCTION PROGRAM



- Debt Reduction Program has been a priority for the company in last three years, debt levels reduced by ~$200m since 2015
- Net debt reduced further in FY18 to $304m
- Cycling out of low to negative growth and "back of house" assets – e.g. NNSW TV, transmission assets & excess land & buildings
- Successfully refinanced $500m facility for a further three years to 2021 – currently $360 million drawn facility
- $300m (83%) fixed at 2.4% base interest rate for the term

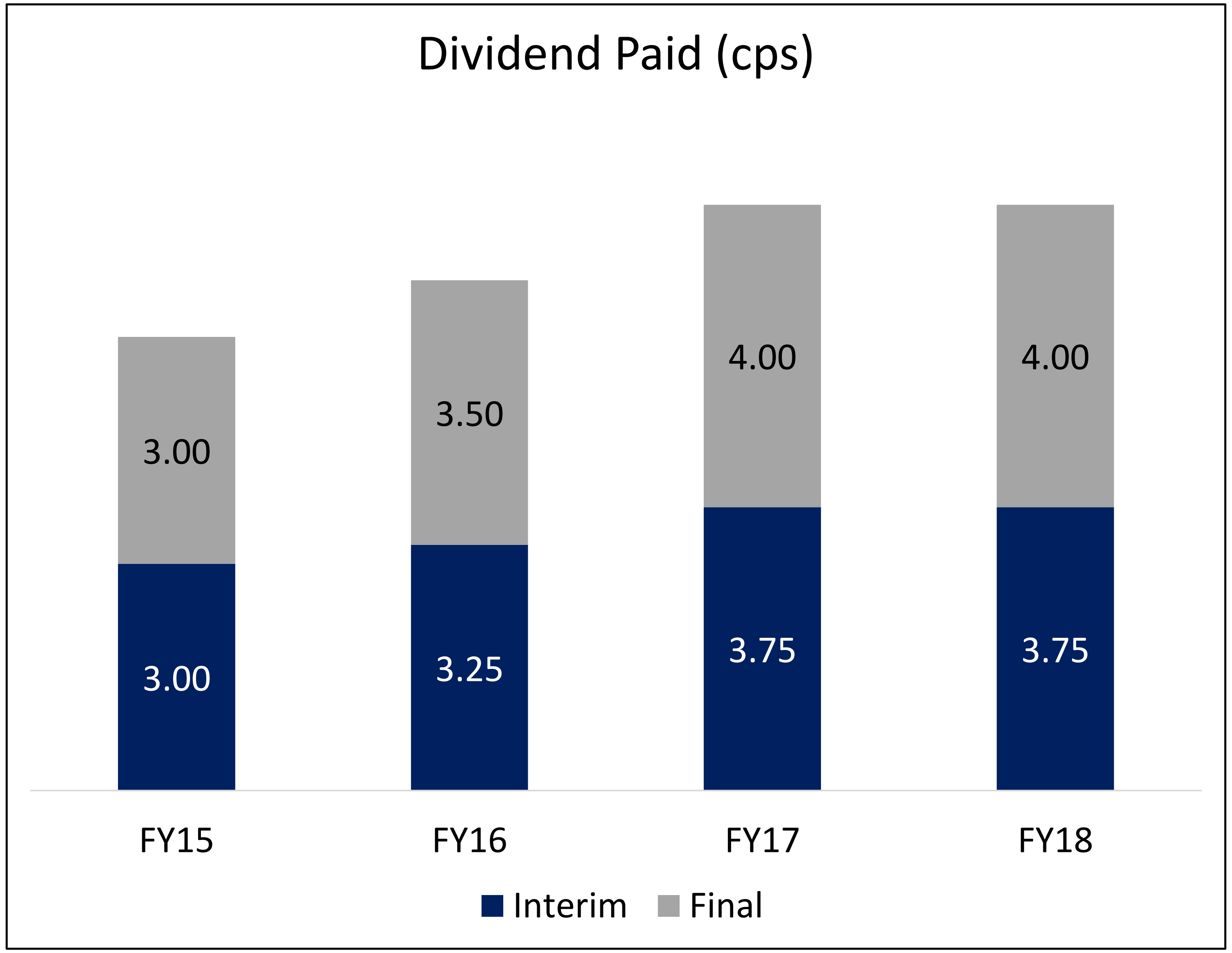
FINANCIAL COVENANTS





- Material improvement in financial covenants over past two years following debt reduction – and resulting reduction in financing costs
- Significant headroom exists under covenants with interest cover of just over 11.8x and leverage in a more desirable range at 1.79x

DIVIDEND POLICY



- Full Year fully franked dividend maintained at 7.75 cents
- Dividend payout policy 65% - 85% range of NPAT
- Strong cash generation supports payout ratio to shareholders
- Maintained dividend in conjunction with organic investment in new organic growth drivers (e.g. PodcastOne, Digital Radio)

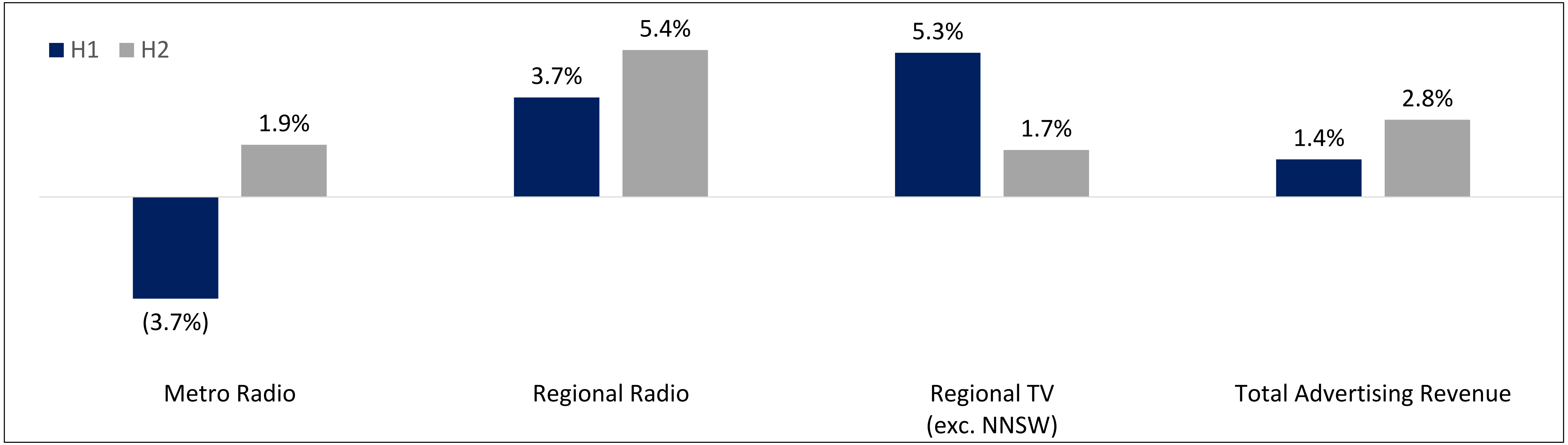
OPERATIONAL REVIEW

OPERATIONAL REVIEW

$ millions	FY18	FY17	Var.	FY17 (excl NNSW)	Var.
Metro Revenue	242.7	247.2	(1.8%)	247.2	(1.8%)
Regional Revenue	393.0	421.4	(6.7%)	381.0	3.2%
Corporate Revenue	18.4	22.2	(17.1%)	22.2	(17.1%)
Total Revenue	**654.1**	**690.8**	**(5.3%)**	**650.3**	0.6%
Metro Expenses	(185.0)	(187.1)	(1.1%)	(187.1)	(1.1%)
Regional Expenses	(278.3)	(295.6)	(5.9%)	(264.3)	5.3%
Corporate Expenses	(36.1)	(30.7)	17.5%	(30.7)	17.5%
Total Expenses	**(499.4)**	**(513.4)**	**(2.7%)**	**(482.1)**	**3.6%**
Metro EBITDA	57.7	60.1	(4.0%)	60.1	(4.0%)
Regional EBITDA	114.7	125.8	(8.8%)	116.7	(1.7%)
Corporate EBITDA	(17.7)	(8.5)	(107.2%)	(8.5)	107.2%
Total EBITDA	**154.7**	**177.4**	**(12.8%)**	**168.3**	**(8.1%)**

- Underlying EBITDA back 8.1% (adjusting for sale of NNSW TV)
- Metro revenues – “tale of two halves” with improving momentum in H2 supported by stronger ratings and rollout of Digital Radio commercial strategy
- Metro expenses back 1.1% including investment in new growth platform – PodcastOne ~$2m
- Regional expenses higher due to revenue related costs, TX site rental and increased electricity costs
- Corporate expenses benefited from ~$5m favourable non-recurring items in prior year

ADVERTISING REVENUE ANALYSIS BY HALF



- H2 FY18 advertising revenue growth 2.8%
- Metro Radio - advertising revenue rebounds in H2. Q4 Metro radio revenues +8%, positively influenced by stronger audiences & "digital stack" strategy
- Regional Radio continues to benefit from stronger national investment
- Growth skewed towards higher margin radio revenues, resulting in favourable cost outcome
- Regional TV – continued growth in revenue and market share

METRO RADIO

$ millions	FY18	FY17	Var.
Total Revenue	**242.7**	**247.2**	**(1.8%)**
Broadcast & Production	(13.9)	(13.2)	**(5.3%)**
Staff & Talent	(74.2)	(75.0)	1.1%
Selling, General & Admin	(96.9)	(98.9)	2.0%
Total Expenses	**(185.0)**	**(187.1)**	**1.1%**
EBITDA	**57.7**	**60.1**	**(4.0%)**
EBITDA Margin	*23.8%*	*24.3%*	

- Metro Radio revenues down 1.8%, impacted by H1 performance (-3.7%)
- Metro full year market grew by 4.0% in FY18 aided by strong growth in H2 at 5.8%
- Metro revenues rebound in Q4 following stronger ratings and implementation of “digital stack” strategy
- Expenses were back 1.1% and this includes ~ $2m investment in PodcastOne

METRO RADIO "DIGITAL STACK' STRATEGY

hit

buddha hits

Easy hits

old skool hits

URBAN hits

TRIPLE M

TRIPLE M GREATEST HITS DIGITAL

TRIPLE M CLASSIC ROCK DIGITAL

TRIPLE M MODERN DIGITAL

TRIPLE M COUNTRY DIGITAL

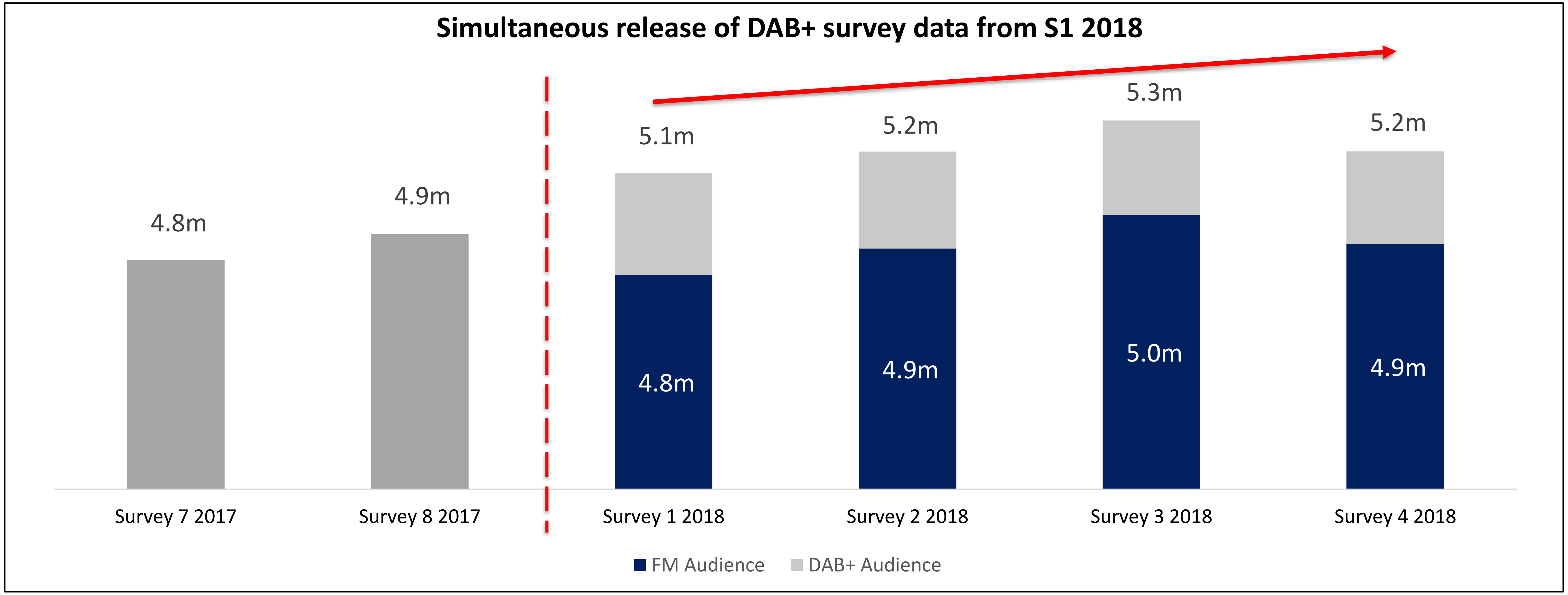
4,567,000
Listen to SCA's FM Network only

302,000 Listen to both SCA's FM and Digital Radio

329,000
Listen exclusively to SCA's Digital Radio Network only

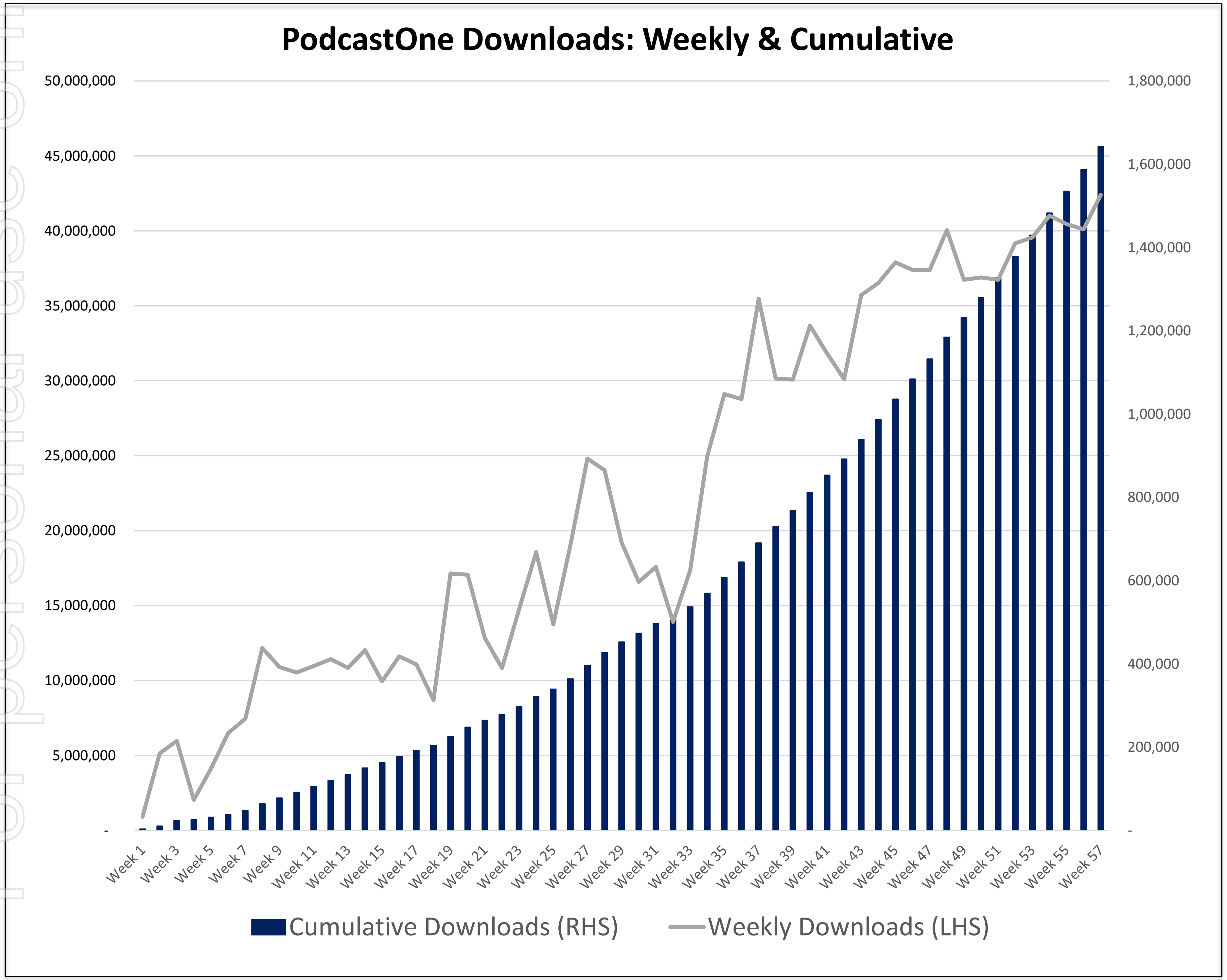
Source: GFK audience survey 4, 2018

METRO RATINGS – IMPROVING AUDIENCES UP ~12%



- Investment in FM assets delivering audience growth – 10+ cumulative audience up 5% (since the start of FY18)
- Effective Survey #1 2018 - combined FM + DAB stations delivering ~12% higher audience. Strategy delivering a meaningful strategic advantage – with improved monetisation occurring
- 2DayFM has improved ratings share - and will remain our #1 content priority for the group

PODCASTONE



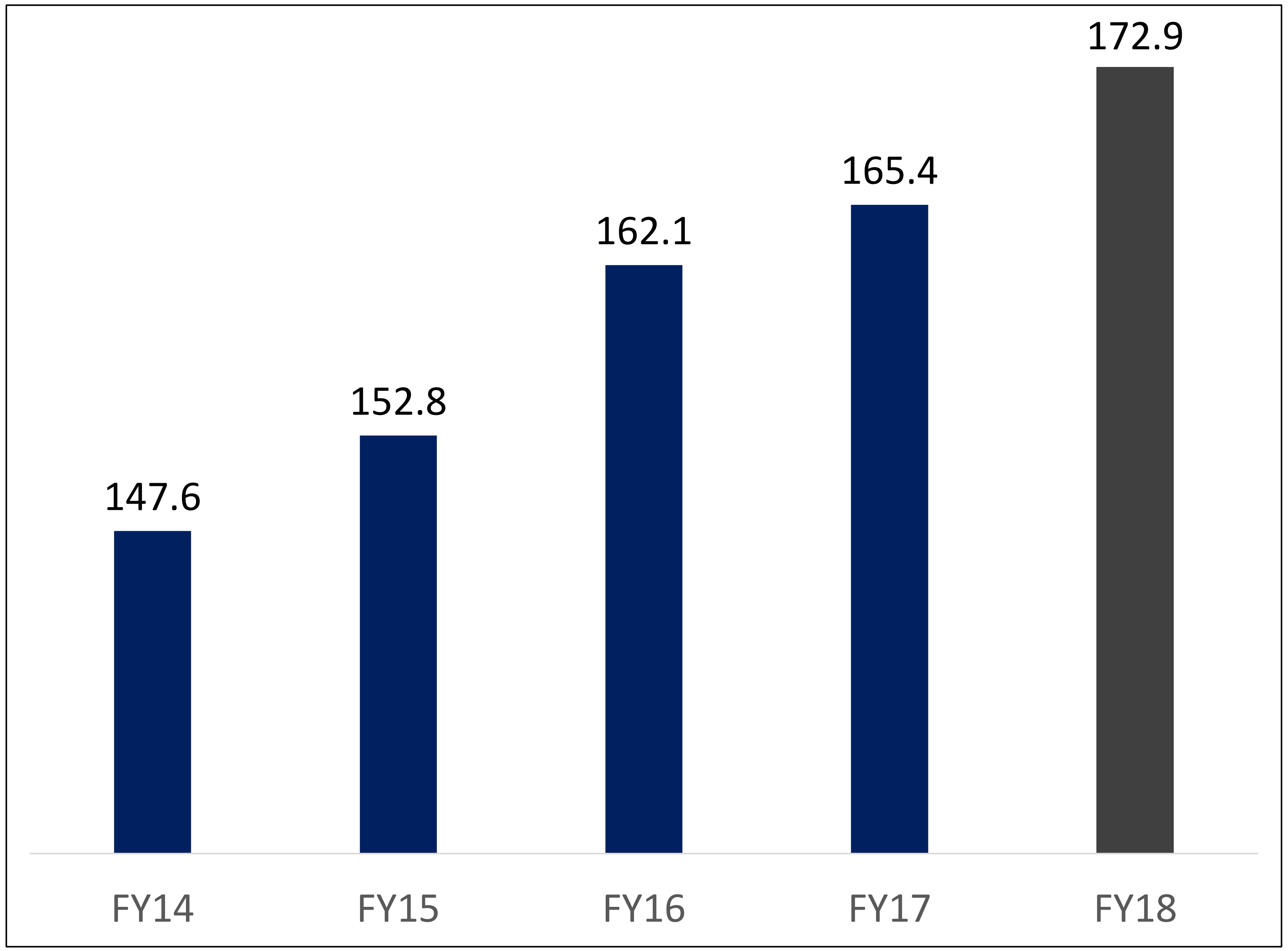
- The pre-eminent commercial podcast company in Australia - achieving 45 million downloads since launch Aug 17
- Premium original content driving increasing consumer engagement and monetisation pathway
- Download volumes up to yearly high of ~1.5m downloads per week
- Net investment of $2m in FY18 – expected to reduce in FY19 as revenues increase

REGIONAL – TV & RADIO

$ millions	FY18	FY17	Var.	FY17 (excl NNSW)	Var.
Total Revenue	**393.0**	**421.4**	**6.7%**	**381.0**	**3.1%**
Broadcast & Production	(110.6)	(121.3)	(8.8%)		
Staff & Talent	(71.2)	(70.3)	1.2%		
Selling, General & Admin	(96.5)	(104.0)	(7.2%)		
Total Expenses	**(278.3)**	**(295.6)**	**(5.9%)**	**(264.3)**	**5.3%**
EBITDA	**114.7**	**125.8**	**8.8%**	**116.7**	**(1.7%)**
EBITDA Margin	*29.2%*	*29.9%*		*30.6%*	

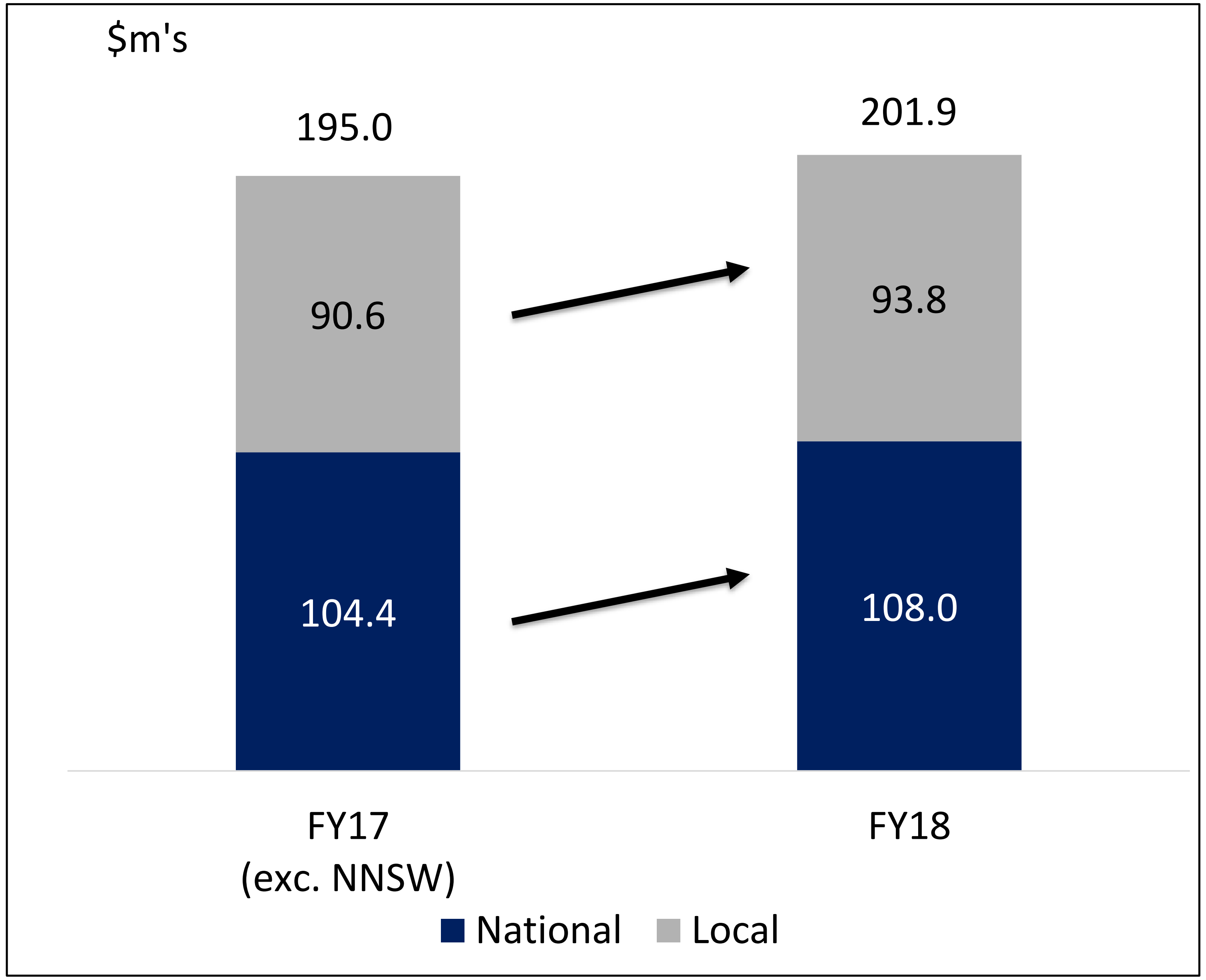
- Regional revenue growth of 3.1% (on a like for like basis)
- Regional Radio a consistent performer – revenue up 4.5% - driven by national revenues up 15%
- Regional TV continues to “buck the market trend” growing 3.5%
- Expenses up 5.3% (excl NNSW TV) due to higher revenue related costs, TX site rental and increased electricity costs
- EBITDA of $114.7m impacted by closure of Mall Media investment ($1.2m), FY17 profit on sale of assets ($3.0m) and benefit from transfer of sundry revenue ($2m)

REGIONAL RADIO ADVERTISING REVENUES



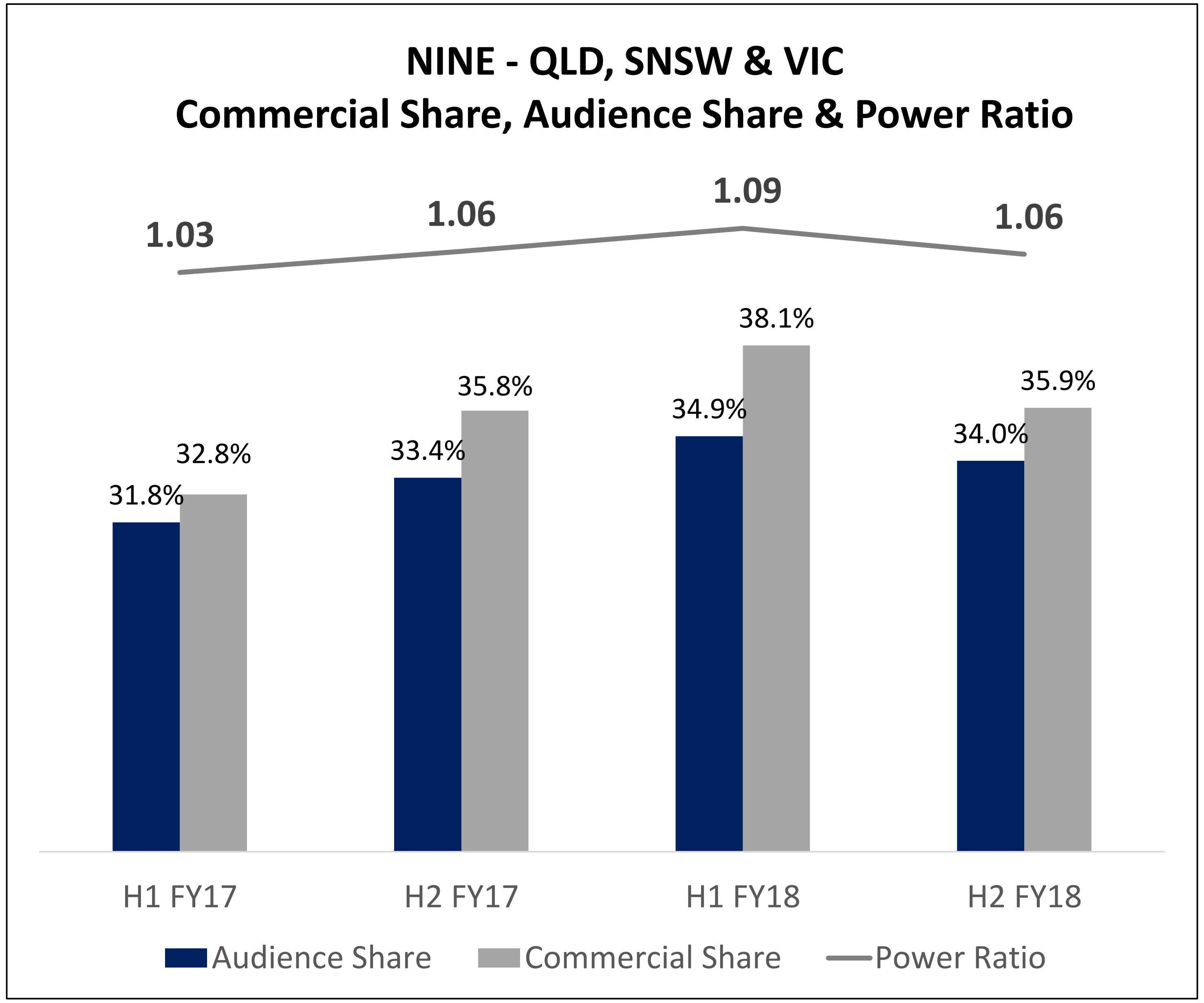
- Regional radio revenues grew 4.5%, consolidating 4.4% growth in the prior year and marking 7th consecutive year of growth
- National revenues up 15.3% or $7.9m after concerted effort to educate and attract increased investment from national advertisers. Strong result and still “early days”
- Local revenues stable – aided by stronger yield management – respecting national advertisers naturally occupied a higher ratio of inventory

REGIONAL TV ADVERTISING REVENUES



- TV revenues up 3.6% or $6.9m (excl. NNSW TV) after gains in market share supported by improved programming and premium selling
- Revenue across Tasmanian and Spencer Gulf markets remained flat

REGIONAL TV POWER RATIO FOR NINE AFFILIATION



- Full year power ratio (ratings to revenue conversion) strengthened to 1.07
- H1 power ratio grew from a 1.03 to a 1.09
- H2 power ratio steady – respecting non-recurring impact of Winter Olympics (Feb 18) & Commonwealth Games (Mar 18)

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

CORPORATE

$ millions	FY18	FY17	Var.
Total Revenue	18.4	22.2	17.1%
Total Expenses	(36.1)	(30.7)	16.6%
EBITDA	**(17.7)**	**(8.5)**	**nm**

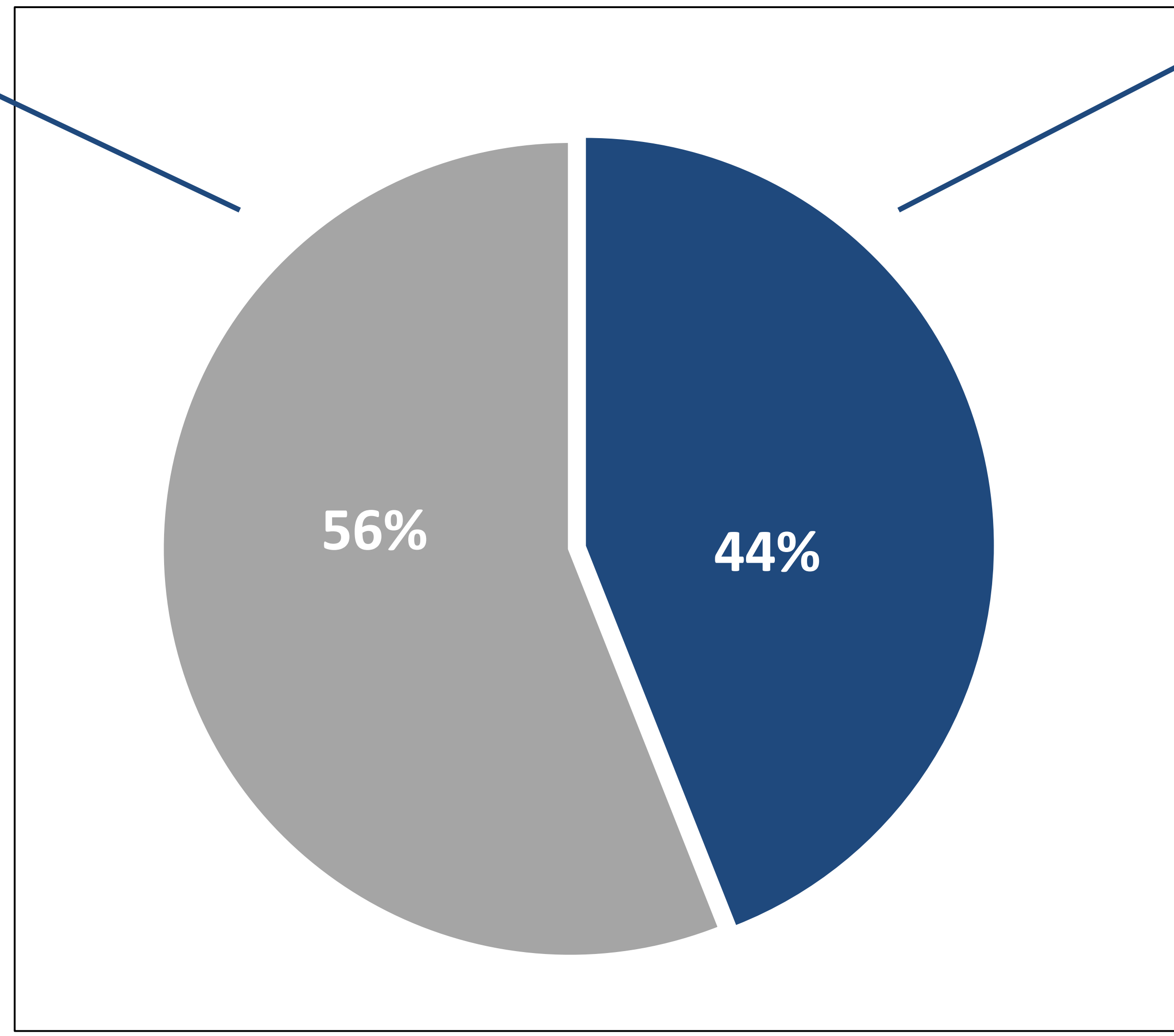
- ~$2m of FY17 sundry revenue has been reallocated to Regional
- Expenses impacted by ~$5m favourable prior year movements, including resolution of copyright dispute

nm = not meaningful

CREATING A SMARTER WORKPLACE – POSITIVE COST CONTROL

Talent & labour costs

- Substantial technological investment. Creating a more efficient workplace
- Systems investment in sales management and content distribution systems coupled with review of workflows, is placing downward pressure on cost base



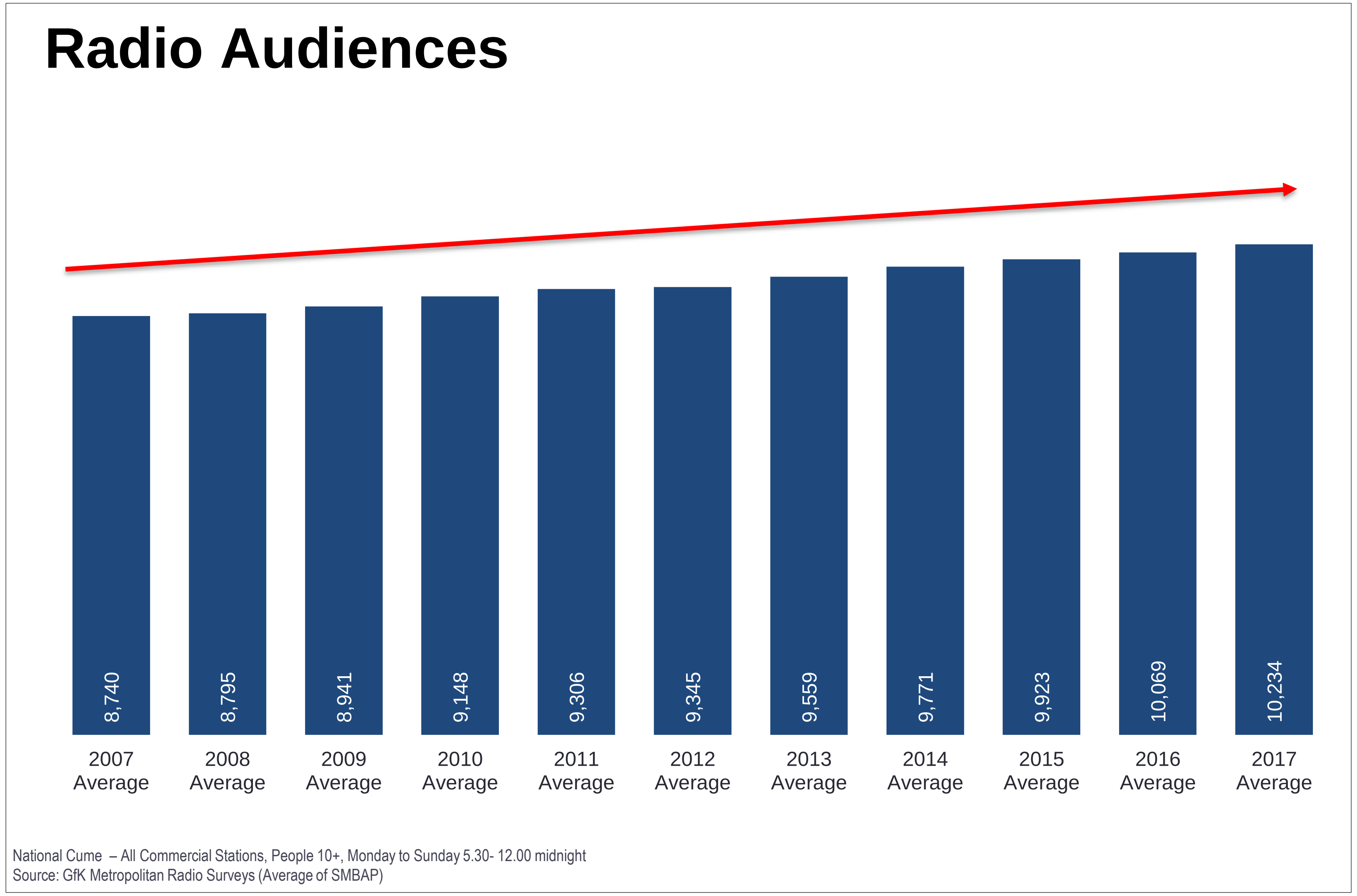
Revenue related & contracted costs

- Variable nature of revenue related costs
- Local revenues leverage off national presence across Australia and create ability to deliver localised content

OUTLOOK

Grant Blackley

RADIO IS A STRONG & GROWING PLATFORM



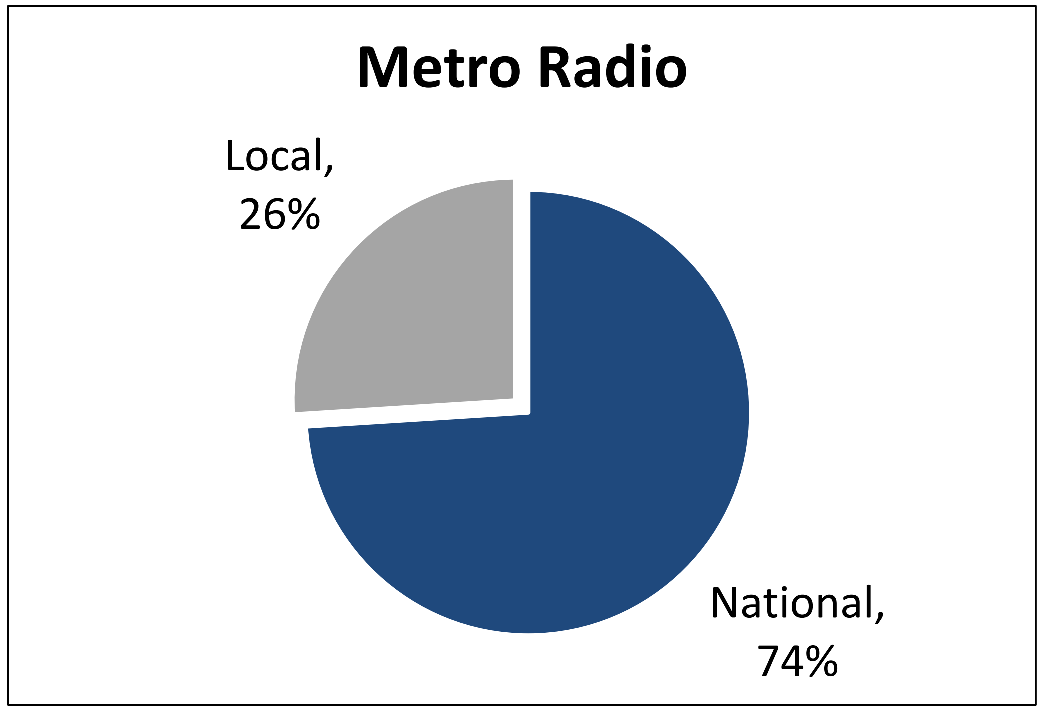
- Radio market continues to grow underpinned by continuous audience growth
  - ✓ Metro 4.0% revenue growth FY18
  - ✓ Regional 4.5% revenue growth FY18
- Radio consumption is expanding
  - ✓ Radio portability on the rise (home, car, work, mobile)
  - ✓ Smart Speakers – opportunity to grow audiences and engagement – in-home penetration in Australia is ~8% (20% in US) [1]

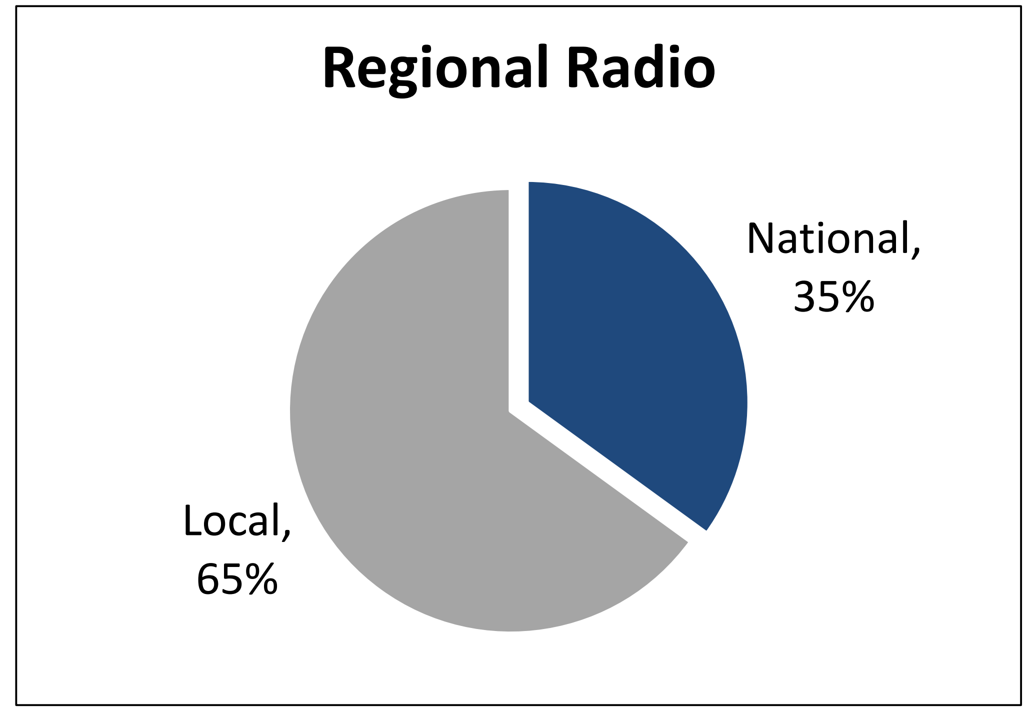
Source: GfK Metropolitan Radio Surveys (Average of SMBAP)

[1] Source: Audioscape 2018 Survey

REGIONAL GROWTH STRATEGY

SCA attracted 15% higher national revenue into regional radio in FY18





- 9.1m Australians live & work in Regional Australia
- Regional markets hold 36% of the national buying power
- National advertisers award only 9% of spend to this substantial community
- The opportunity is to secure sustainable improvements in national spends – and the "tide is turning"

KEY PRIORITIES - THE YEAR AHEAD

Metro

- Optimise key audio assets – maximise the value and monetisation of all audio brands
- Improve accessibility of our audio products to a wider range of devices
- Create personalised audio experiences for our audiences

Regional

- Accelerate the education and resulting rate of investment from national advertisers
- Extend our vast reach and influence further in regional Australia
- Optimise the efficiency of all operations – after considerable technological investment

Investment in Growth

- Disciplined investment criteria - evidenced by Digital Radio & PodcastOne
- Mall Media investment closed - unable to validate path to profitability
- Identify new growth segments - considerate of our core strengths and competencies

TRADING UPDATE

Trading update

- Strong radio market conditions – across both Metro & Regional, with improved visibility and lead times
- Group revenue for July & August up 5% (with growth in all asset classes)
- National investment in regional markets continuing to grow
- Expense growth less than revenue growth

Q & A

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