

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



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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%)
<i>EBITDA Margin</i>	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%



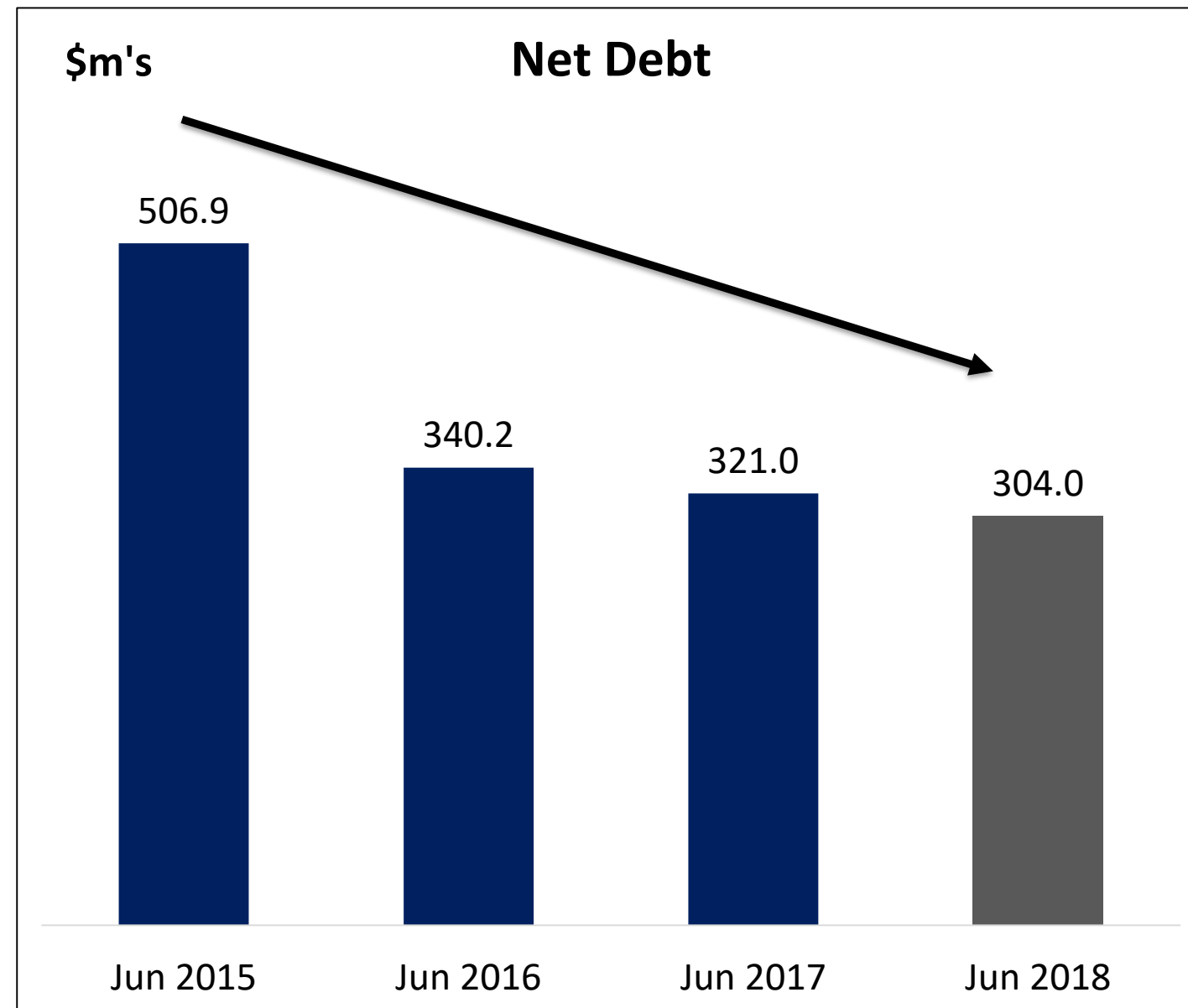
CASHFLOW

\$ 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

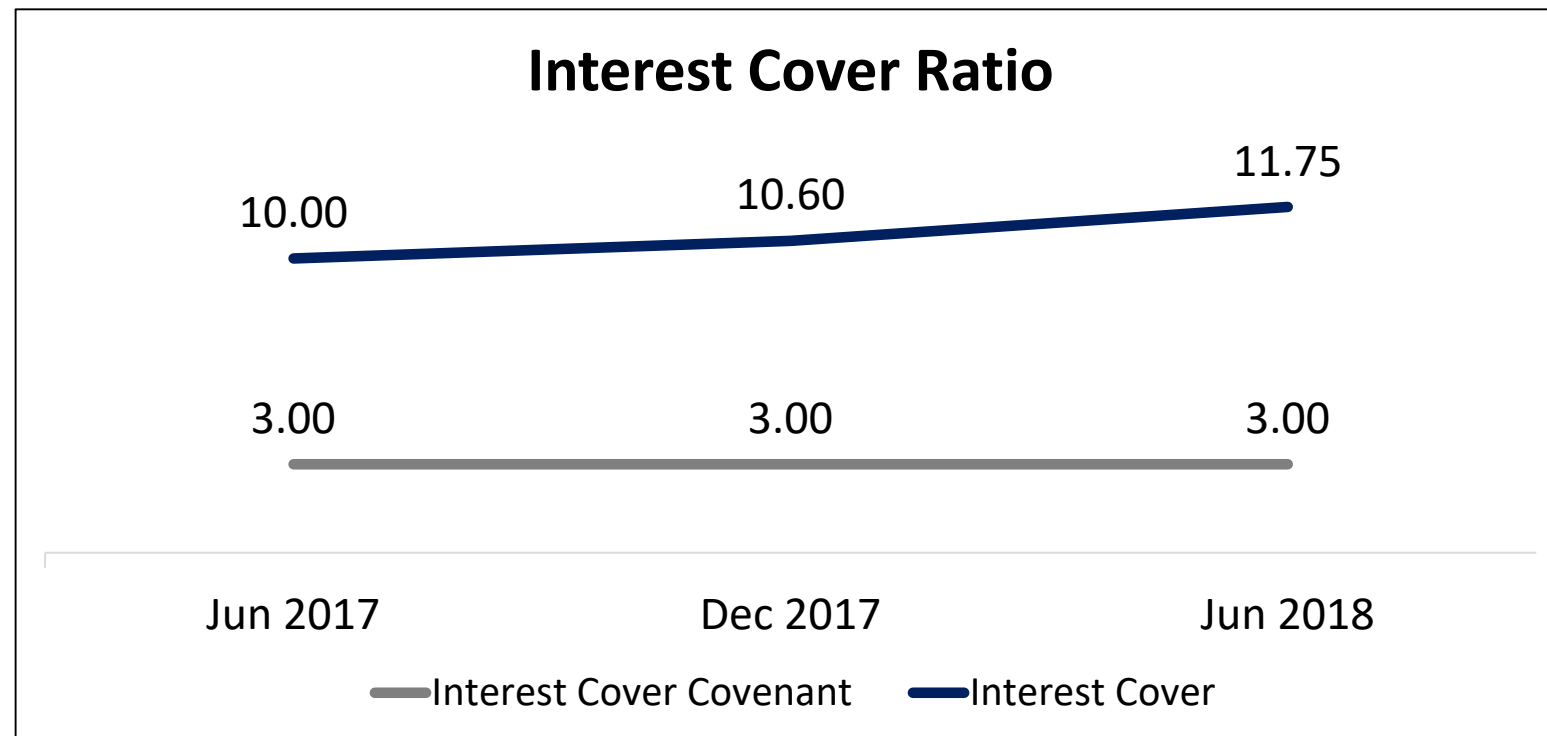


DEBT REDUCTION PROGRAM

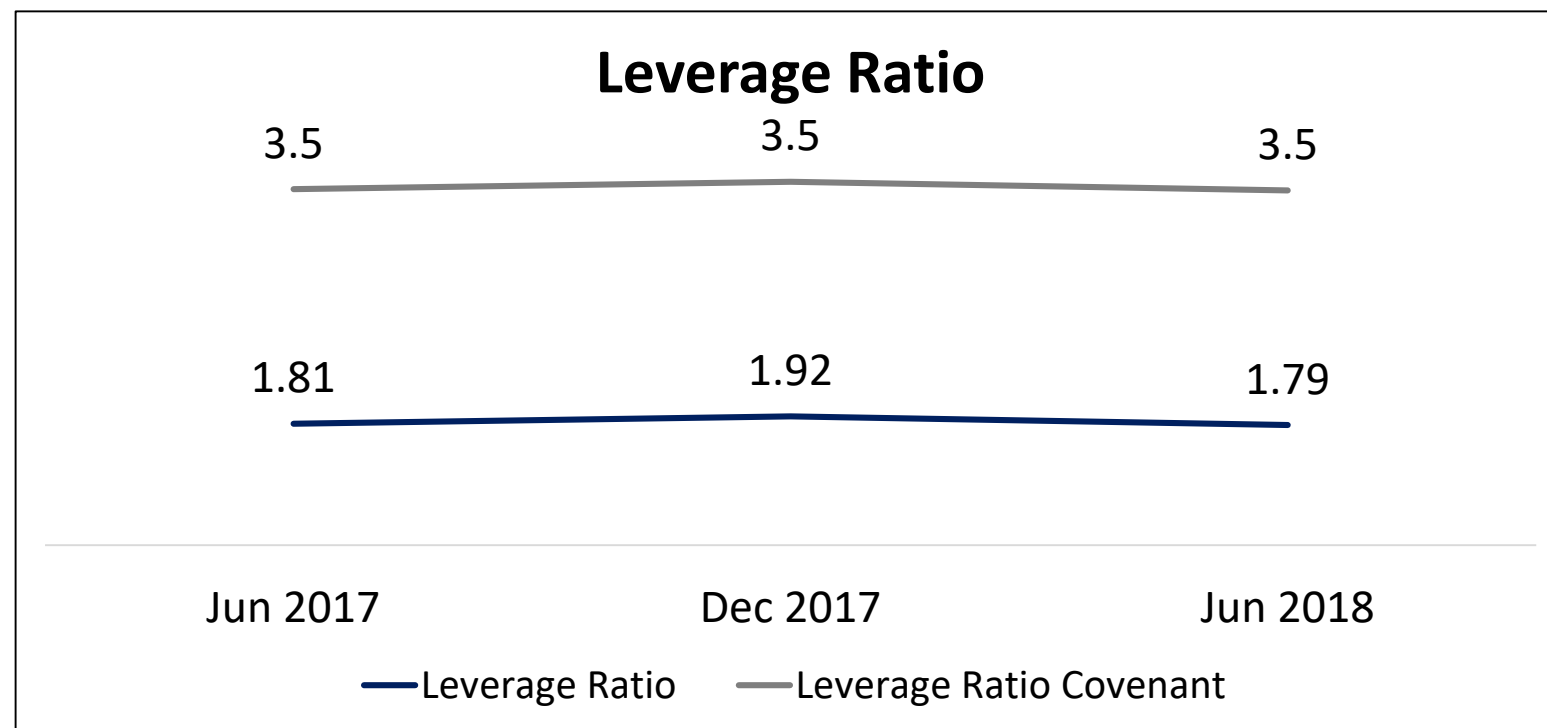


- Debt Reduction Program has been a priority for the company in last three years, debt levels reduced by ~\$200m since 2015
- Net debt reduced further in FY18 to \$304m
- Cycling out of low to negative growth and “back of house” assets – e.g. NNSW TV, transmission assets & excess land & buildings
- Successfully 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

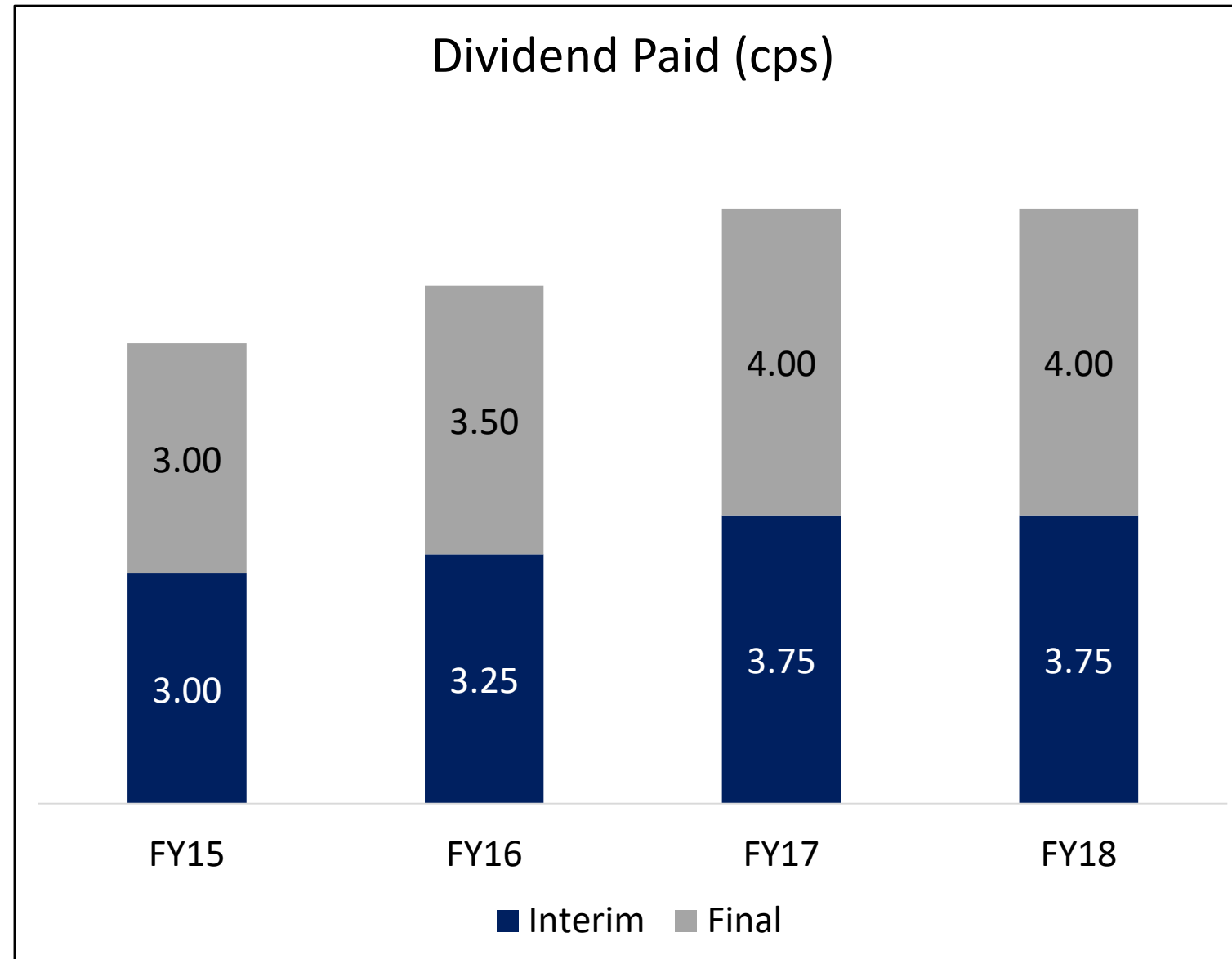
FINANCIAL COVENANTS



- 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)



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OPERATIONAL REVIEW



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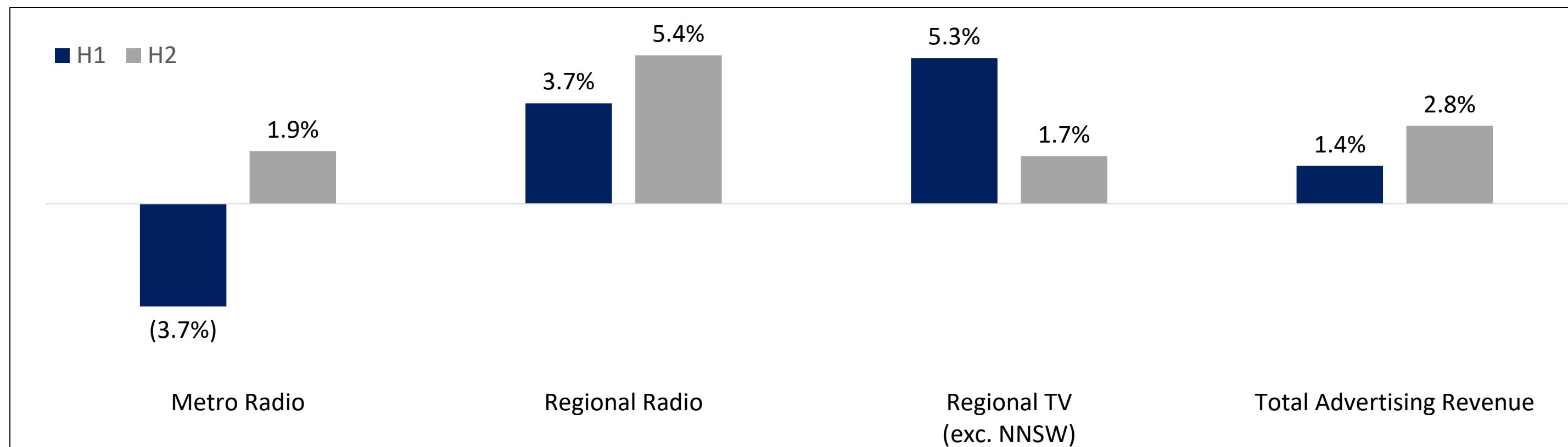
OPERATIONAL REVIEW

\$ 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

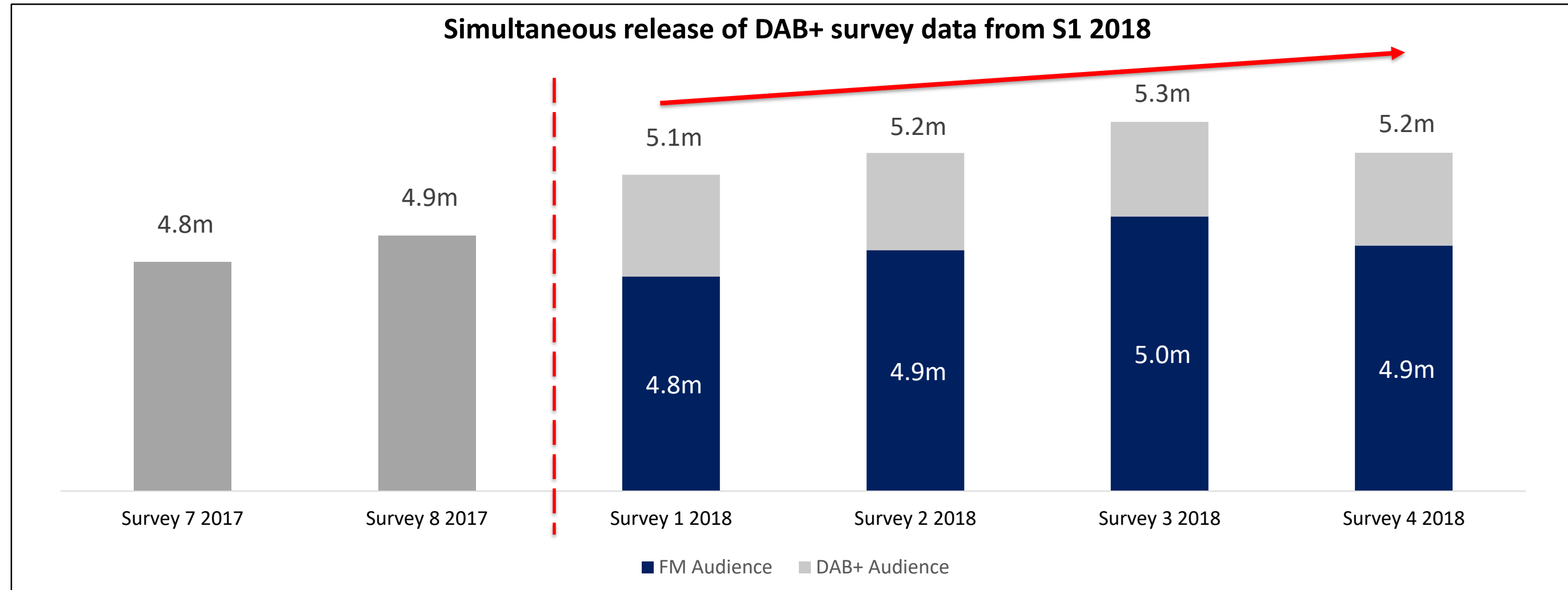


4,567,000
Listen to SCA's FM Network
only

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

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

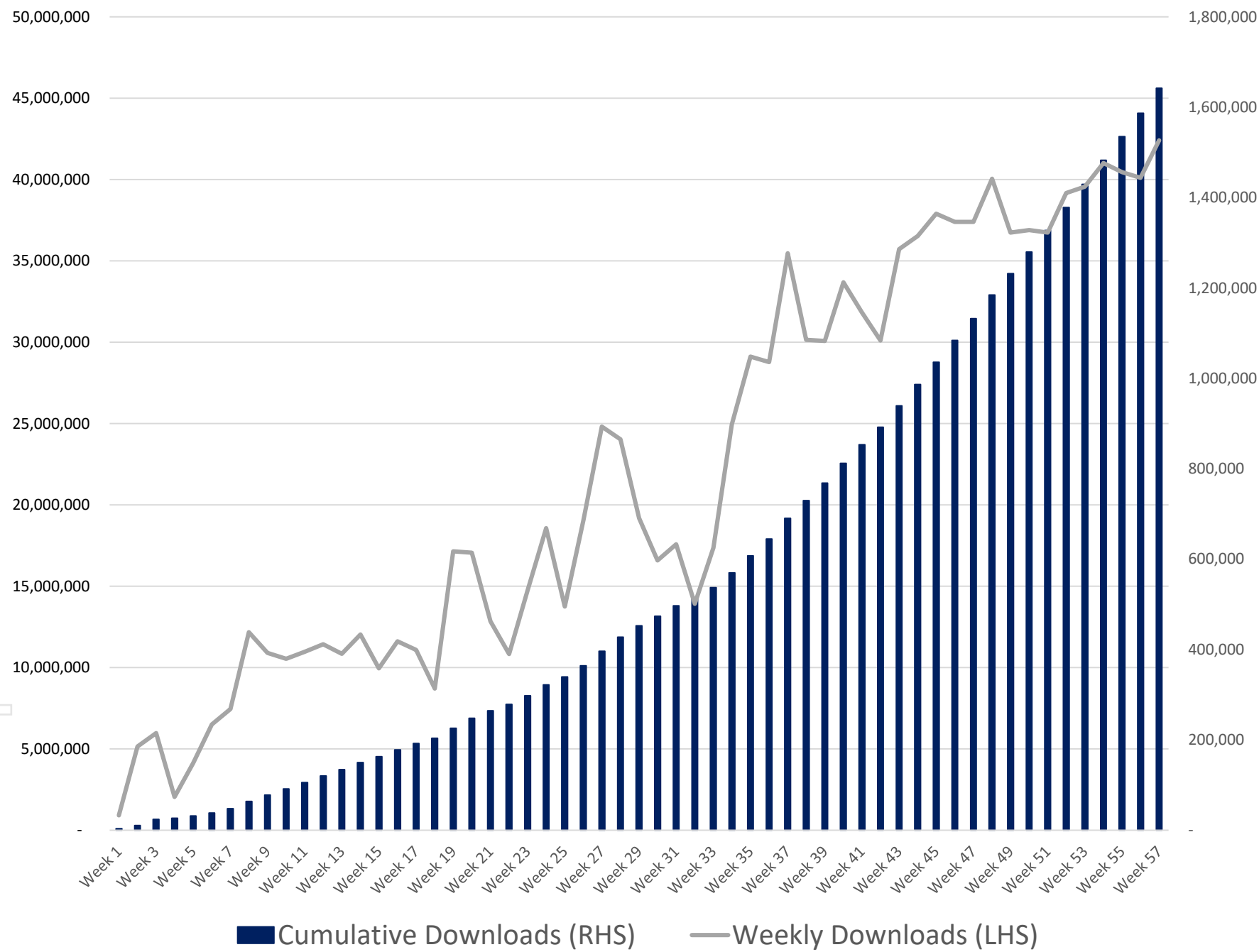
METRO RATINGS – IMPROVING AUDIENCES UP ~12%



- 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

PodcastOne Downloads: Weekly & Cumulative



- 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



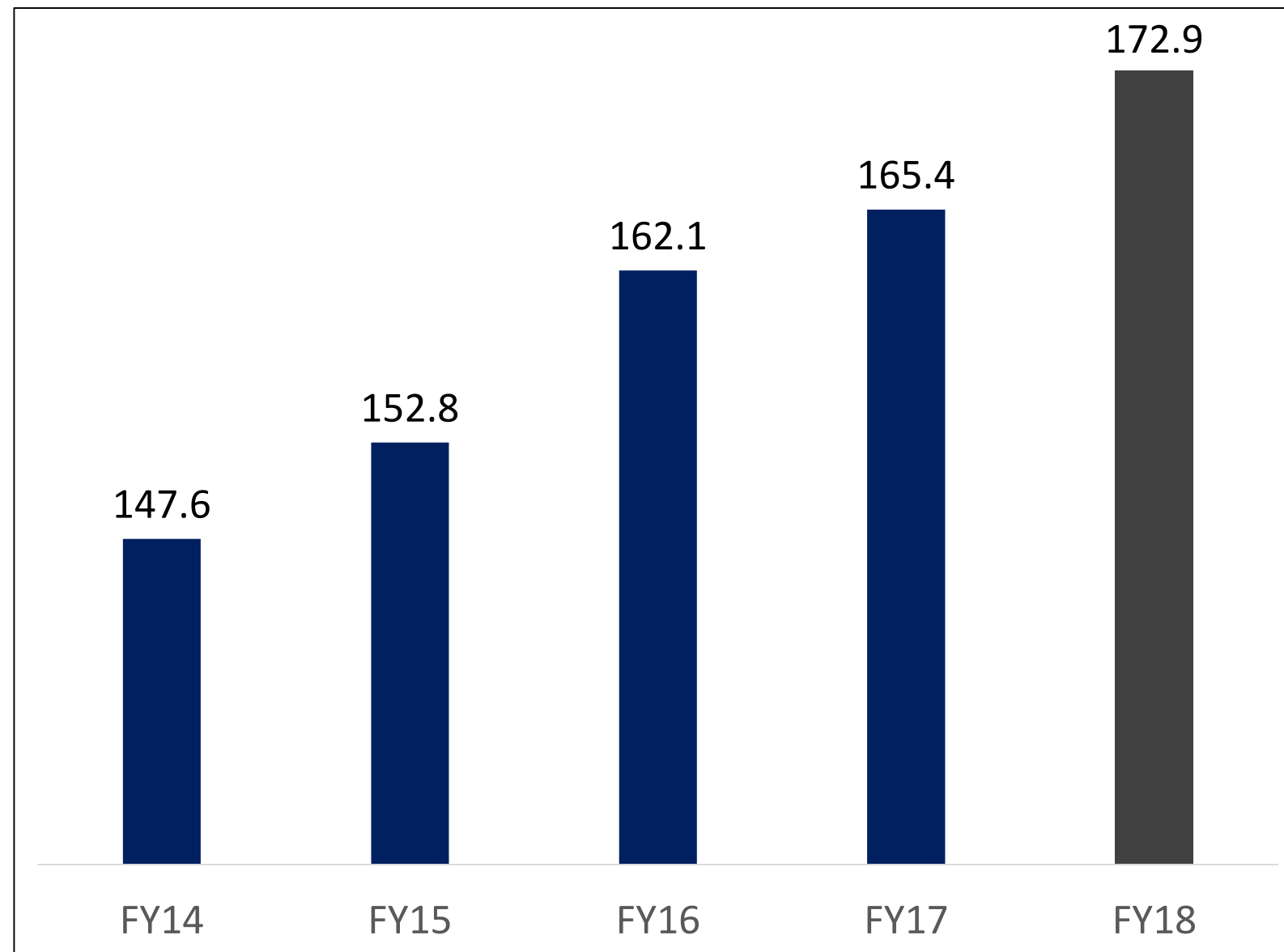
REGIONAL – TV & RADIO

\$ 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)



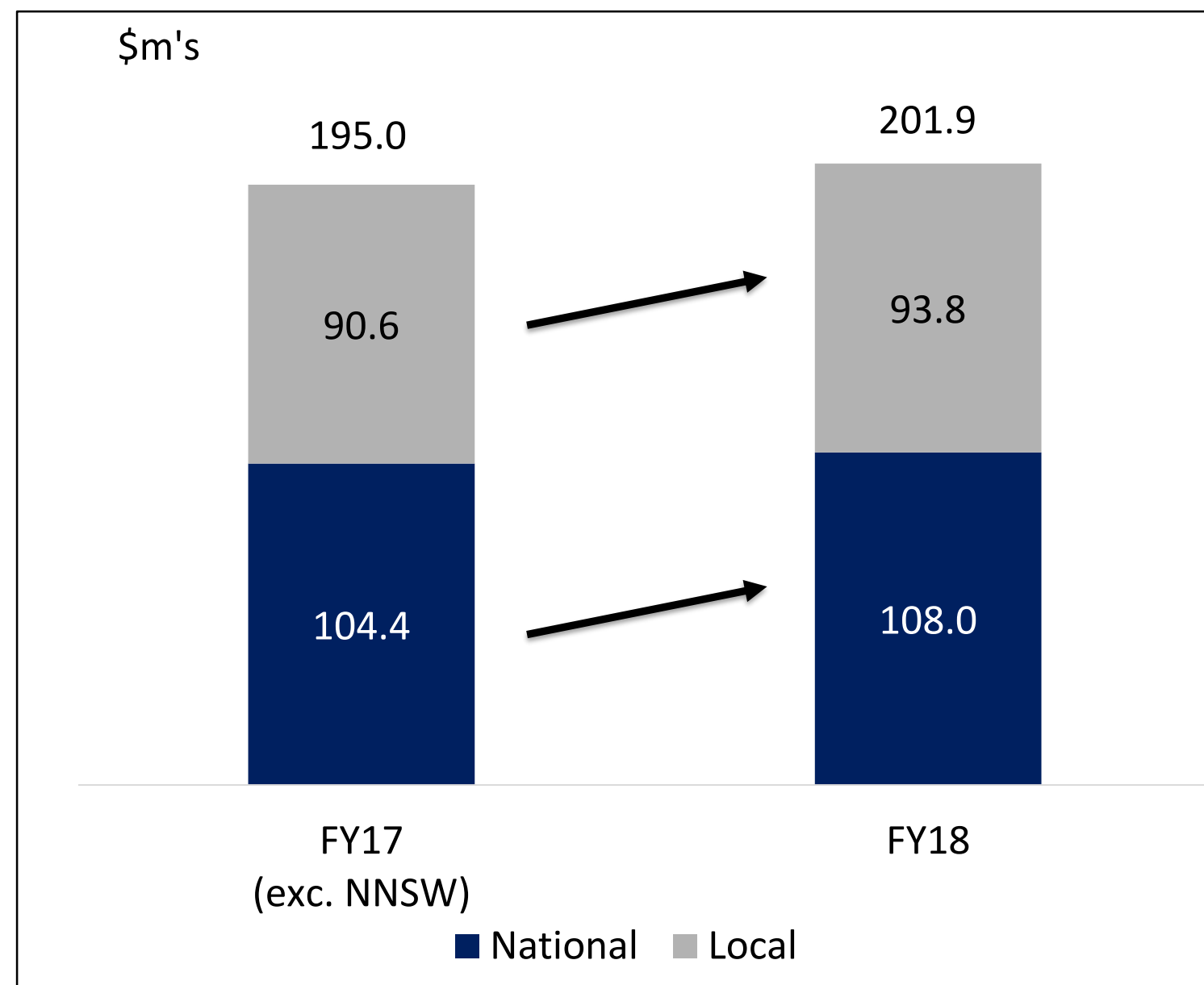
REGIONAL RADIO ADVERTISING REVENUES



- 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



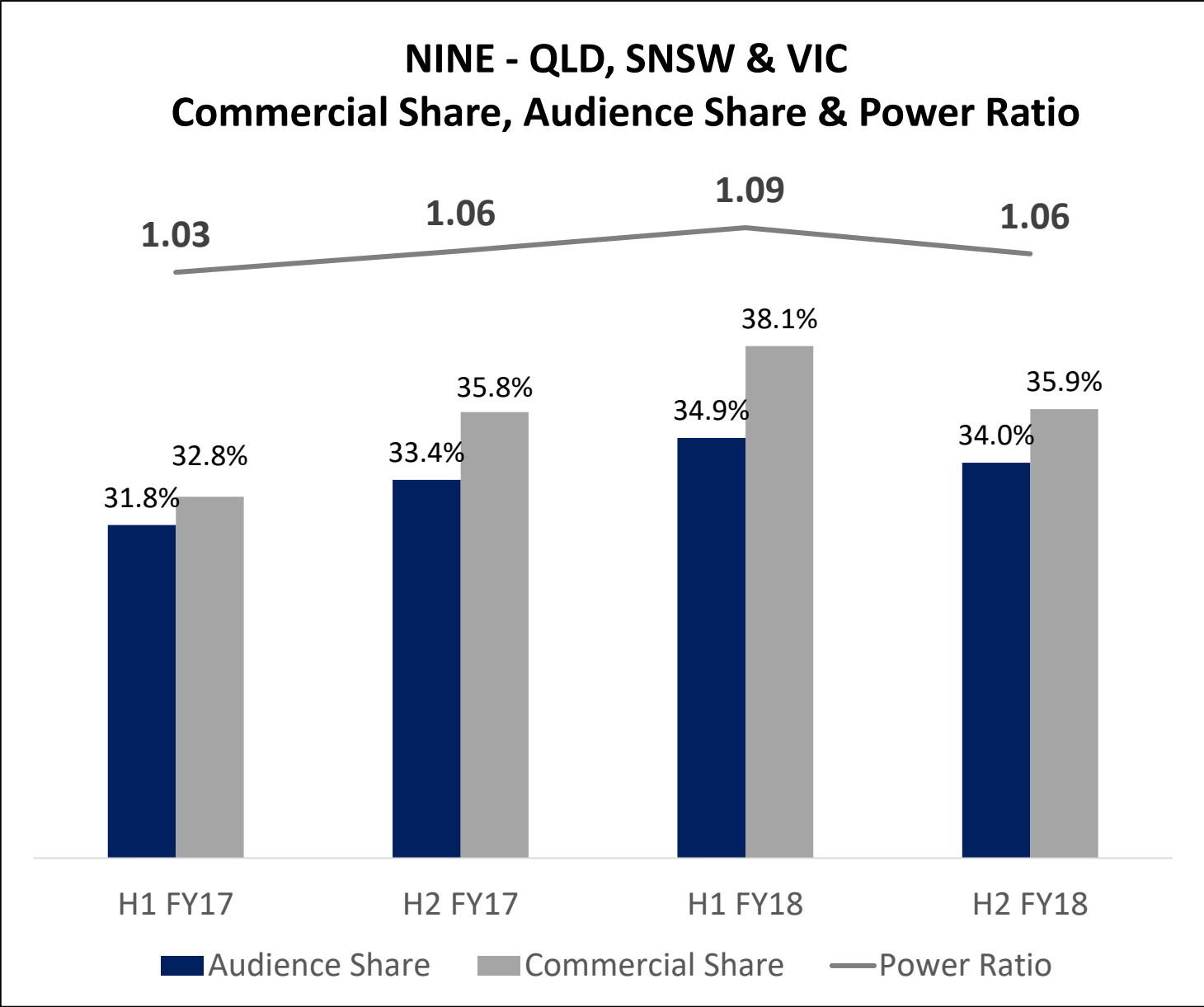
REGIONAL TV ADVERTISING REVENUES



- 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

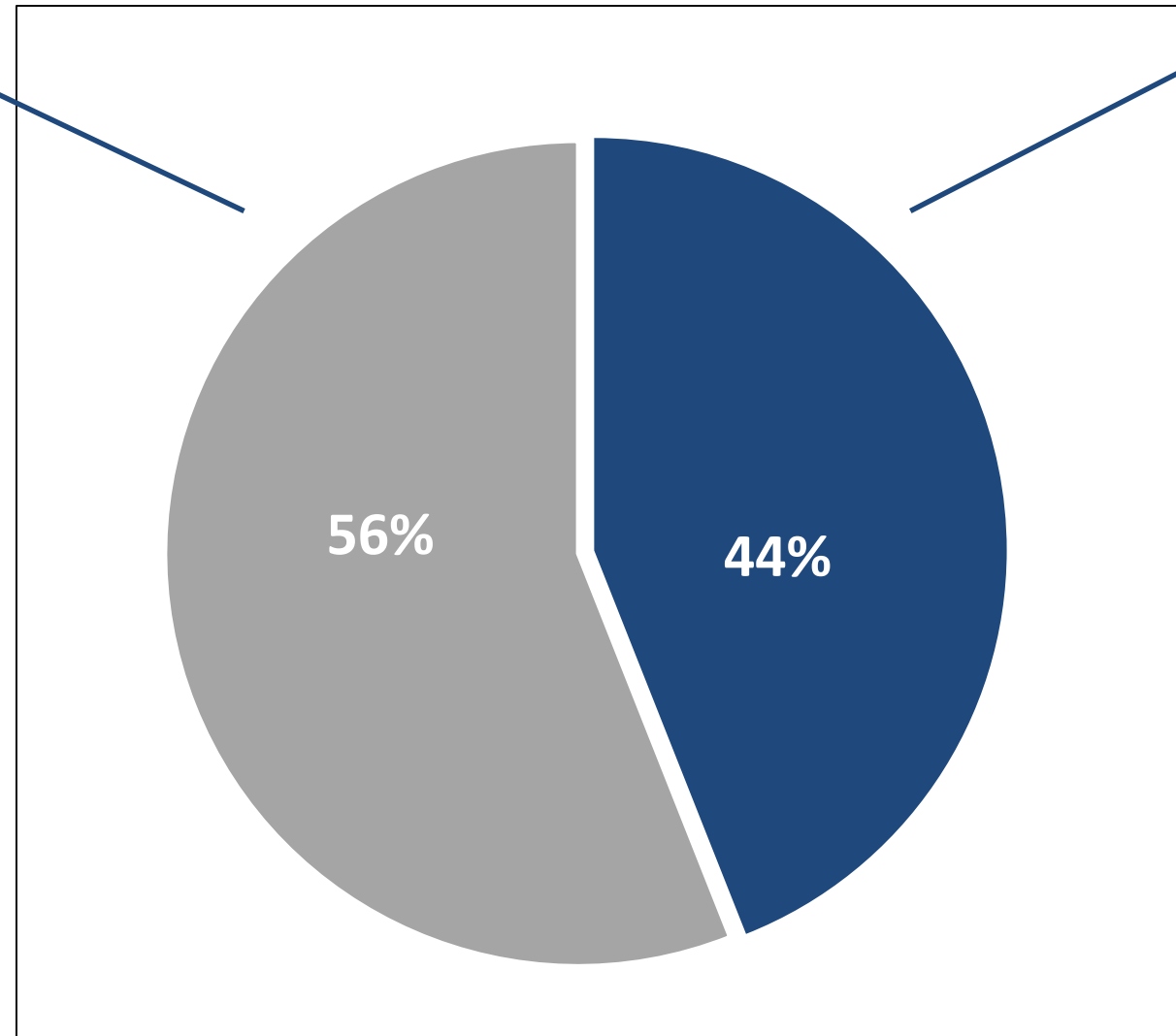
- ~\$2m of FY17 sundry revenue has been reallocated to Regional
- Expenses impacted by ~\$5m favourable prior year movements, including resolution of copyright dispute

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

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OUTLOOK

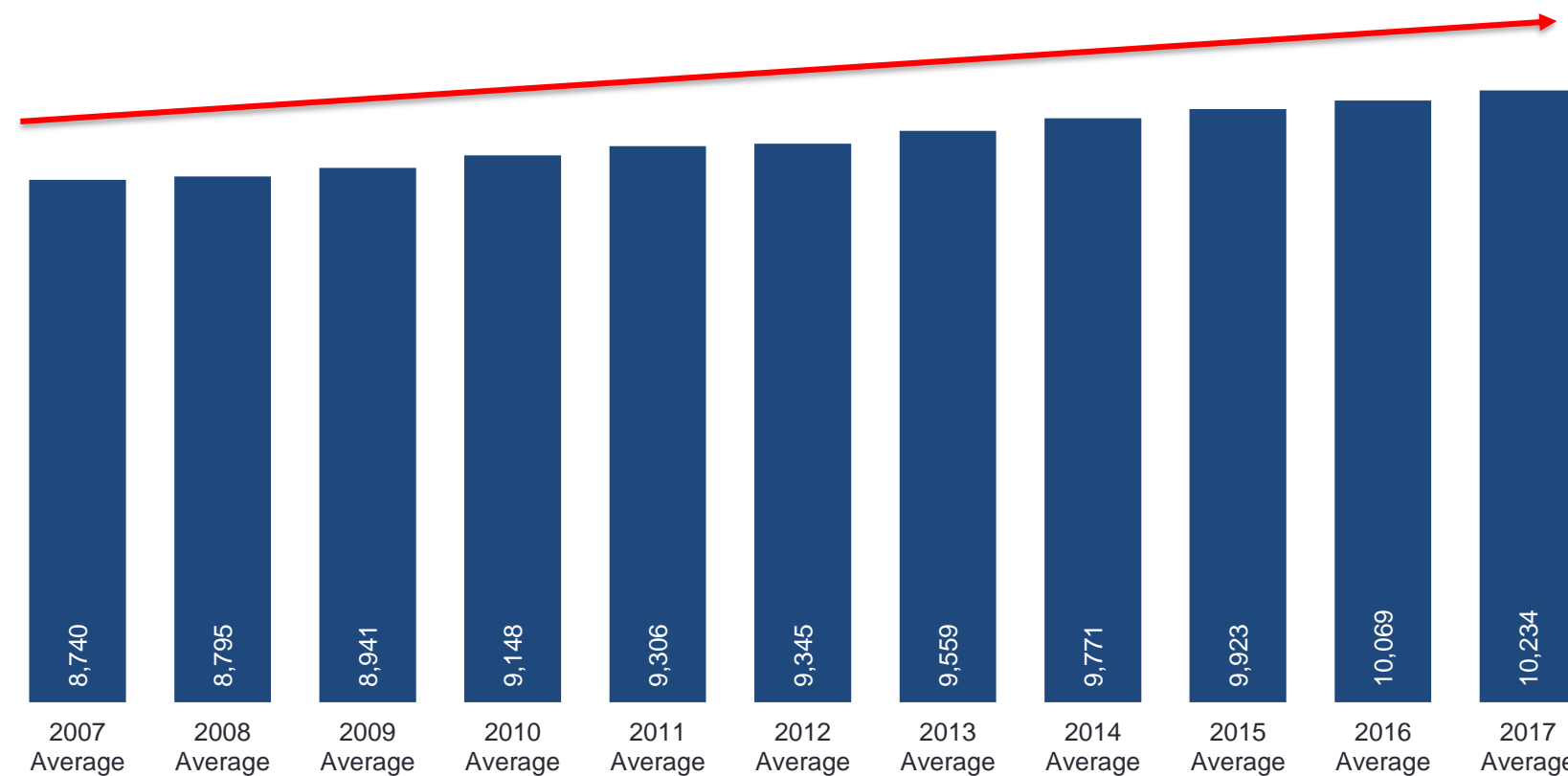
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RADIO IS A STRONG & GROWING PLATFORM

Radio Audiences

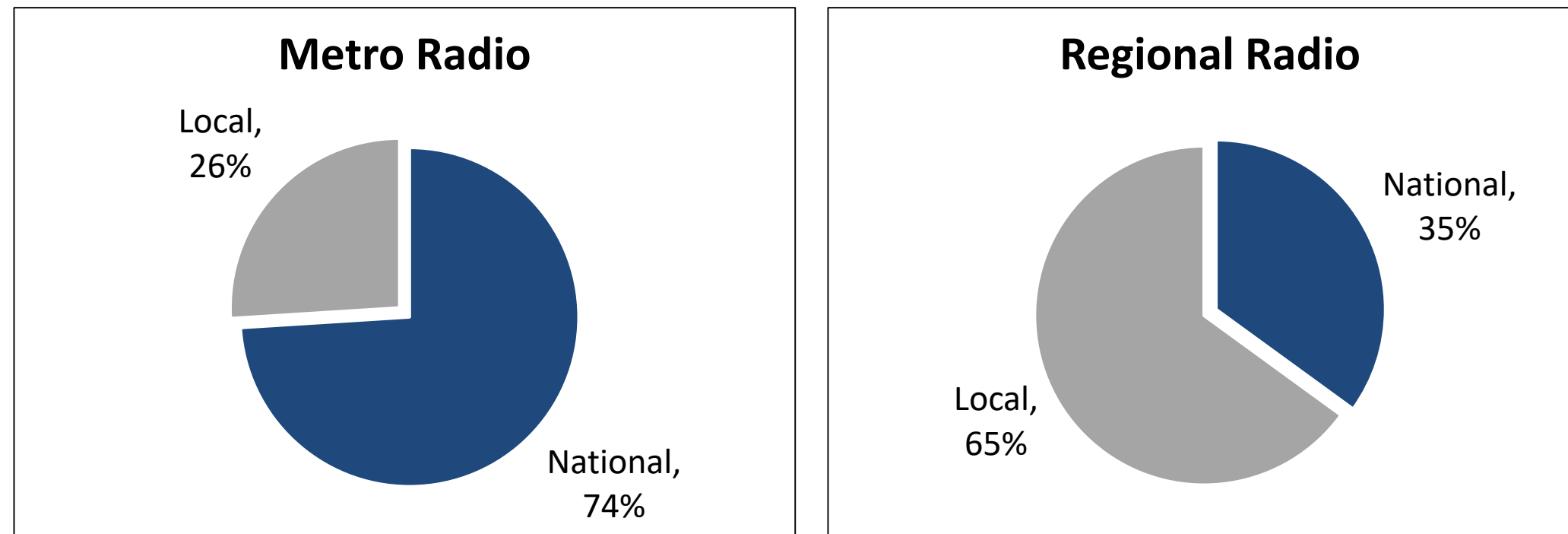


National Cume – All Commercial Stations, People 10+, Monday to Sunday 5.30- 12.00 midnight
Source: GfK Metropolitan Radio Surveys (Average of SMBAP)

- 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

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



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Q & A



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