SOUTHERN CROSS AUSTEREO
H1 FY19 INVESTOR PRESENTATION

21st February 2019

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H1 FY19 Results

Grant Blackley

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GROUP OVERVIEW & RESULTS SUMMARY

- ✓ Strong market fundamentals for Audio – Radio & Podcasting assets
- ✓ Group Underlying NPAT of $42.2m up 10.6%
- ✓ Group revenue up 0.2% to $335.7m driven by Metro Radio growth of 6.7%
- ✓ Group expenses down by $4.3m or 1.7% (excluding restructuring costs of $2.8m)
- ✓ Quality of earnings evidenced with high cash conversion – fully franked dividend maintained and $30 million debt reduction
- ✓ Stronger Balance Sheet – maintaining flexibility and opportunity for future growth

HEADLINE ACHIEVEMENTS

Revenue Performance

- Metro Radio revenue up 6.7% on back of stronger ratings and better monetisation of FM + Digital Radio coupled audiences
- National advertiser investment into Regional Radio continues to grow - up 9.2% on H1 FY18 and 22% on H1 FY17
- SCA monetisation of Television audiences continues to outperform the market but impacted by loss of cricket in December 2018

Operational Efficiency

- New national operating structure fully implemented – creating platform for further improvement in costs and revenue growth
- Workforce Planning Project delivering cost savings and providing blueprint for future skills and workflow management
- Group EBITDA margins improved from 23.9% to 24.4% - driven by revenue growth and lower expenses

Financial Stability

- Fully franked dividend declared at 3.75 cps (Interim FY18: 3.75cps)
- Net debt continuing to reduce with all debt metrics improving and leverage ratio within targeted range

H1 FY19 FINANCIAL RESULTS

Nick McKechnie

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GROUP REPORTED STATUTORY RESULTS

$ millions	H1 FY19	H1 FY18[1]	Var.
Revenue	335.7	335.2	0.2%
Expenses	(253.7)	(255.2)	(0.6%)
EBITDA	**82.0**	**80.0**	**2.5%**
Underlying EBITDA	**82.9**	**78.1**	**6.1%**
EBITDA Margin	24.4%	23.9%	-
Depreciation & Amortisation	(14.9)	(15.1)	(1.3%)
Impairment of Intangibles	(226.9)	-	-
EBIT	**(159.8)**	**64.9**	**nm**
Net Finance Costs	(9.8)	(10.6)	(7.5%)
PBT	**(169.6)**	**54.3**	**nm**
Tax	(17.7)	(16.8)	5.4%
Tax impact of Impairment	68.0	-	-
Reported NPAT	**(119.3)**	**37.5**	**nm**
Underlying NPAT	**42.2**	**38.1**	**10.6%**

nm = not meaningful

- Underlying NPAT of $42.2m, up 10.6%
- Revenues up 0.2% and expenses back 0.6%. Growth in Audio market segment (Radio & Podcasting) partially offset by weaker Television market
- Impairment of Television only assets – due to separation of Regional units into Audio & Television resulting in one off non-cash impairment of $226.9m. Net NPAT impact of $158.9m
- Finance costs reduced $0.8m or 7.5%

[1] Restatement for AASB 15 – Revenue from Contracts with Customers

GROUP UNDERLYING NPAT UP 10.6% TO $42.2M

$ millions	H1 FY19	H1 FY18	Var.
Reported EBITDA	82.0	80.0	2.5%
Restructuring Costs	2.8	-	-
ATN Revenue	(1.9)	(1.9)	-
Underlying EBITDA	**82.9**	**78.1**	**6.1%**
Impairment of Intangibles	(226.9)	-	-
Add back Impairment	226.9	-	-
Depreciation & Amortisation	(14.9)	(15.1)	(1.3%)
Underlying EBIT	**68.0**	**63.0**	**7.9%**
Reported Interest	(9.8)	(10.6)	(7.5%)
ATN Interest Adjustment	2.8	2.8	-
Underlying Interest	(7.0)	(7.8)	(10.3%)
Underlying PBT	**61.0**	**55.2**	**10.5%**
Reported Tax	50.2	(16.8)	nm
Tax Impact of Impairment	(68.0)	-	-
Tax Impact of Adjustments	(1.1)	(0.3)	-
Underlying Tax	(18.8)	(17.1)	9.9%
Underlying NPAT	**42.2**	**38.1**	**10.6%**

- One off restructuring charges of $2.8m relating to Workforce Planning Project and pending outsourcing of Television playout services to NPC
- Results impacted by new accounting standards and non-recurring items
- Restatement of revenue and interest relating to Australian Traffic Network (ATN) contract due to adoption of AASB 15 – same retrospective adjustment booked in H1 FY18
- Underlying results adjusted to exclude $226.9m impairment net of $68.0m deferred tax adjustment – all non-cash
- Underlying tax rate steady at 31%

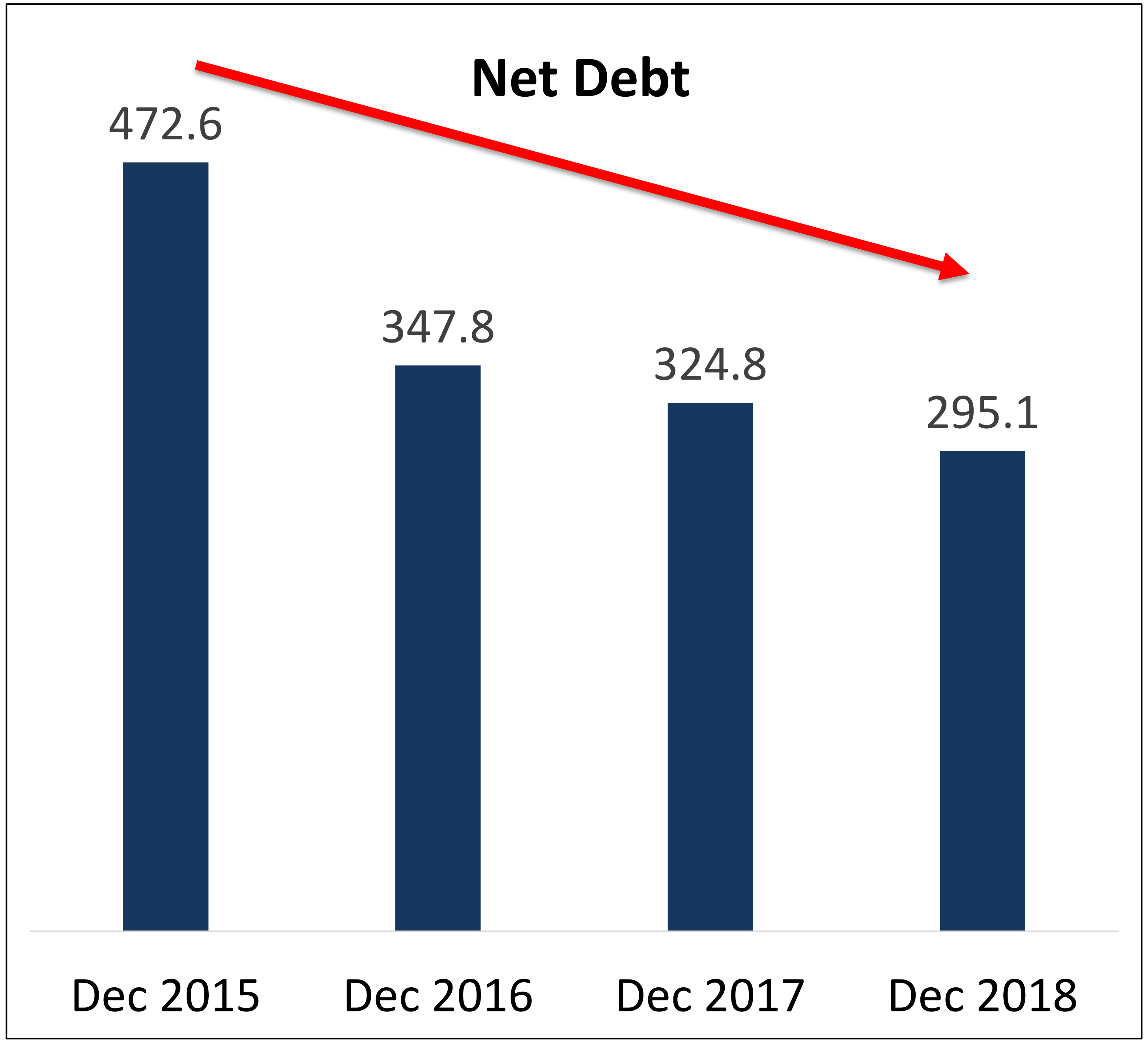
nm = not meaningful

CASHFLOW

$ millions	H1 FY19	H1 FY18
Opening Cash	**56.1**	**49.0**
Cash from Operations	80.9	68.8
Tax payment	(19.8)	(18.9)
Net Payments for Non-Current Assets	(14.9)	(11.5)
Net Financing payments	(6.7)	(11.3)
Cashflow pre dividend and non-recurring items	**39.6**	**27.1**
Dividends to security holders	(30.8)	(30.8)
Debt repayment	(15.0)	(10.0)
Closing Cash Balance	**49.9**	**35.3**
Reported EBITDA	82.0	80.1
Operating Cash Conversion	**98.7%**	**86.0%**
Free Cashflow (Cash from Ops. – Capital Exp.)	66.0	57.3
Underlying EBIT	68.0	63.0
Free Cash Conversion	**97.1%**	**91.0%**

- Quality earnings with free cash conversion of 97.1% up from 91.0% in the prior corresponding period
- Free cashflow benefited from $5m favourable timing adjustment over period end
- Improvement in working capital – debtor days reduced from 60 days to 58 days versus prior corresponding period
- Cash financing payments higher in H1 FY18 due to timing of interest periods

DEBT & FINANCIAL COVENANTS



- Net debt reduced by $29.7m to $295.1m
- Continued improvement in key Debt Covenants:
  - ✓ Leverage Ratio reduced to 1.72x in middle of target range of 1.5x - 2.0x
  - ✓ Further Improvement in Interest Cover Ratio to 12.9x earnings
- Stronger balance sheet – maintaining flexibility and opportunity for future growth

OPERATIONAL REVIEW

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OPERATIONAL REVIEW

$ millions	H1 FY19	H1 FY18	Var.
Audio Revenue	230.2	221.8	3.8%
Television Revenue	104.7	112.7	(7.1%)
Corporate Revenue	0.8	0.7	23.6%
Total Revenue	**335.7**	**335.2**	**0.2%**
Audio Expenses	(151.1)	(148.2)	2.1%
Television Expenses	(90.1)	(94.8)	(5.0%)
Corporate Expenses	(12.5)	(12.2)	2.2%
Total Expenses	**(253.7)**	**(255.2)**	**(0.5%)**
Audio EBITDA	79.1	73.6	7.3%
Television EBITDA	14.6	17.9	(18.3%)
Corporate EBITDA	(11.7)	(11.5)	0.9%
Total EBITDA	**82.0**	**80.0**	**2.5%**
One-off adjustments[1]	0.9	1.9	nm
Underlying EBITDA	**82.9**	**78.1**	**6.1%**

- Underlying EBITDA growth of 6.1%
- Audio segment delivered 7.3% EBITDA growth and 3.8% revenue growth
- Television revenues contracted 7.1% due to difficult Q2 market conditions (including loss of cricket) – partially offset by 5.0% decline in costs driven by lower variable affiliation fees
- Expenses reduced by 0.5%, underlying expenses down by 1.7% after excluding $2.8m restructuring costs

[1] References to underlying numbers exclude the impact of Restructuring Costs and adoption of AASB 15 accounting standards. Refer slide 8.
nm = not meaningful

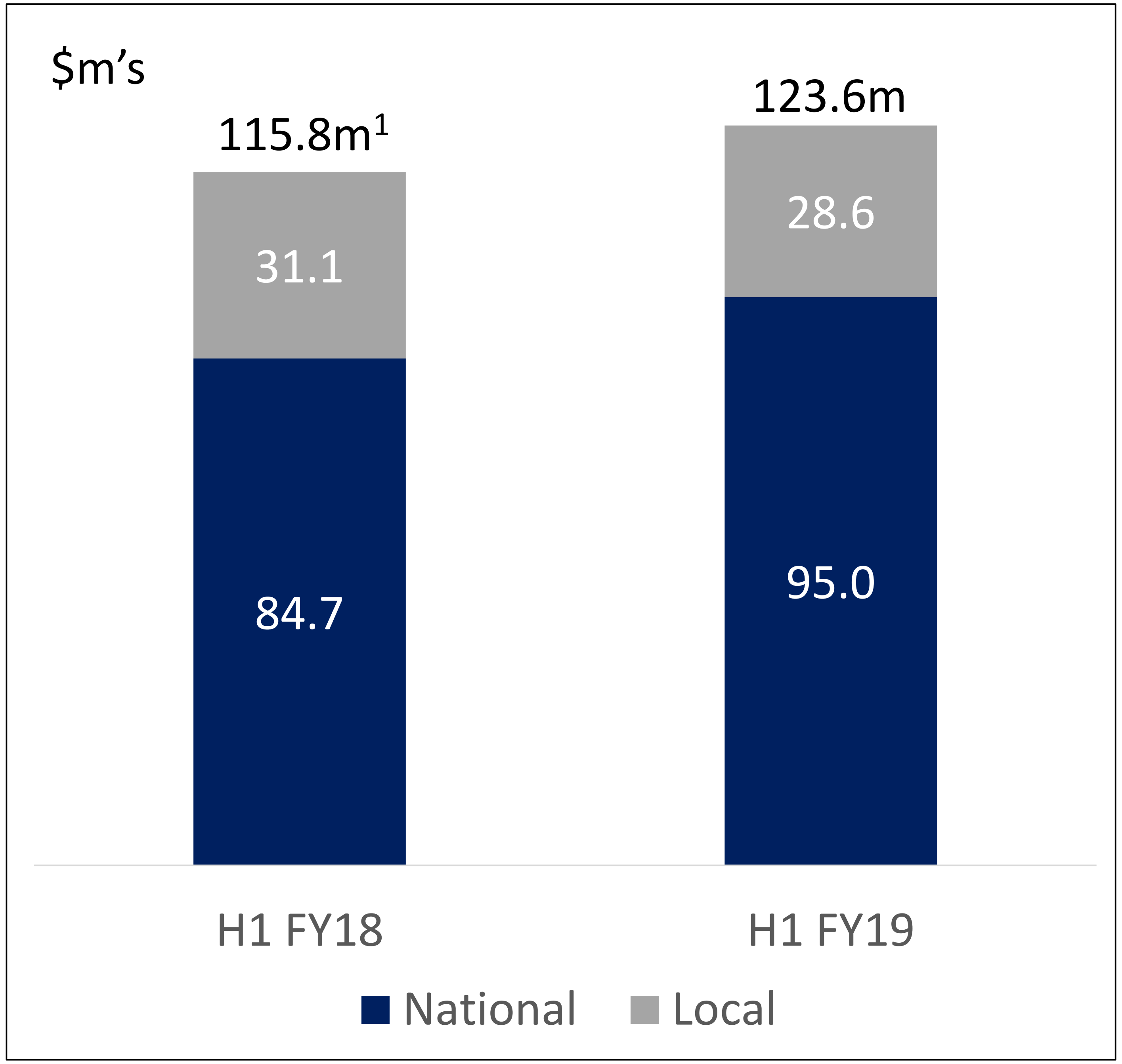
AUDIO SEGMENT

$ millions	H1 FY19	H1 FY18	Var.
Total Revenue	**230.2**	**221.8**	**3.8%**
Broadcast & Production	(12.4)	(11.7)	**6.1%**
Employee	(76.7)	(76.6)	**0.1%**
Selling, General & Admin	(62.1)	(59.9)	**3.8%**
Total Expenses	**151.1**	**148.2**	**2.1%**
EBITDA	**79.1**	**73.6**	**7.3%**
One-off adjustments[1]	(0.8)	(1.9)	nm
Underlying EBITDA	**78.3**	**71.7**	**9.2%**
EBITDA Margin	**34.4%**	**33.8%**	

- SCA revenue growth of 3.8% - affording increased revenue share in market
- EBITDA margin improved from 33.8% to 34.4%
- Employee costs flat with Workforce Planning Project offsetting inflationary employee cost pressures
- 63.3% conversion of incremental revenue to EBITDA

[1] References to underlying numbers exclude the impact of Restructuring Costs and adoption of AASB 15 accounting standards. Refer slide 8.
nm = not meaningful

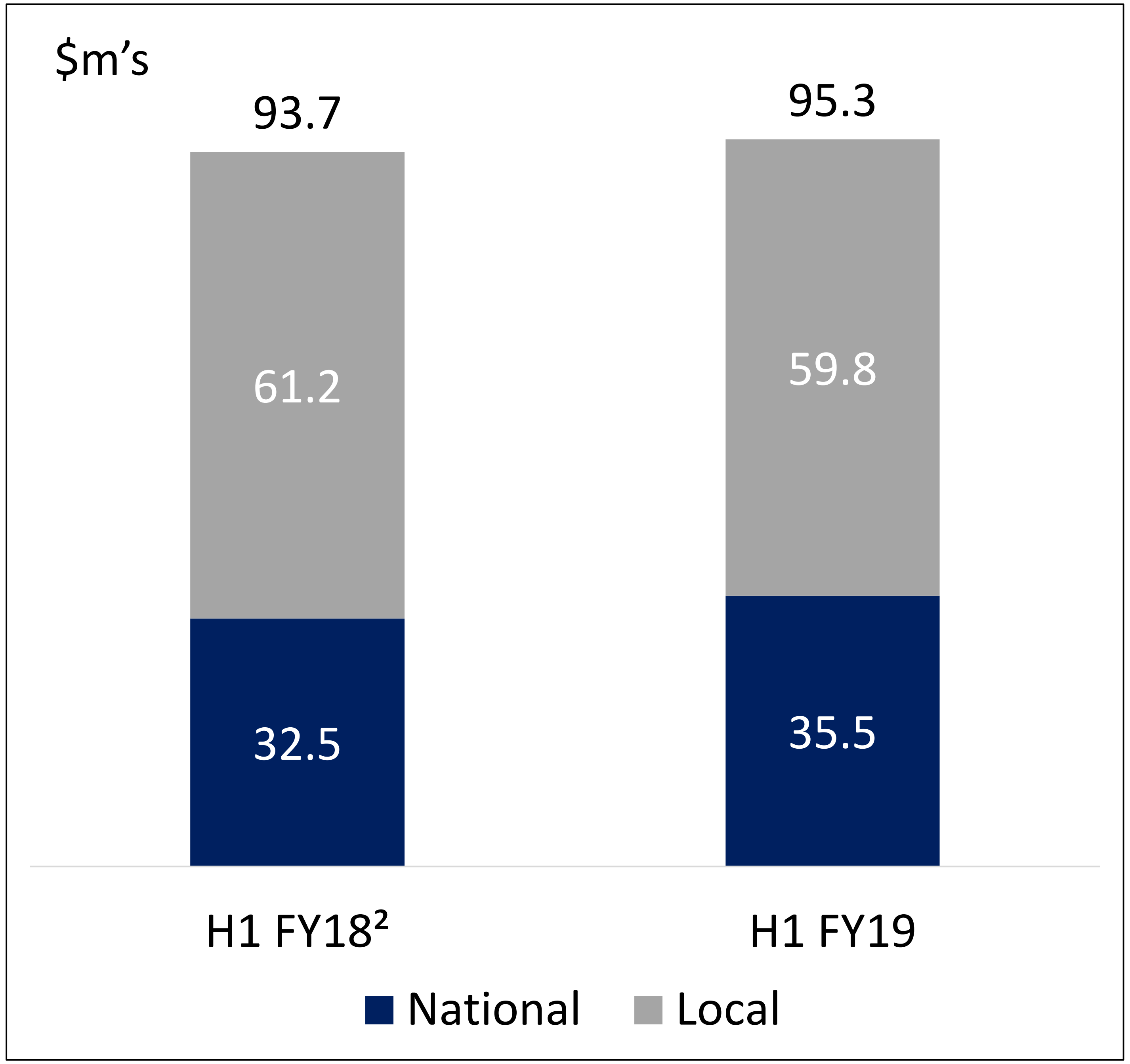
AUDIO - METRO RADIO ADVERTISING REVENUES



- Market growth 1.2% in H1 FY19. SCA revenues increased 6.7% reflecting an increased share
- Revenues up $7.8m driven by improved ratings, effective monetisation of Digital stations and continued focus on premium selling
- Digital radio penetration continues to expand and mature – SCA's unique digital radio audience now represents 400,000, an 8.4% growth in new listening [2]
- Strong growth in national advertising revenue up $10.3m or 12.1%

[1] Restatement for AASB 15 – Revenue from Contracts with Customers
[2] Source: GFK Metro audiences S8, 2018

AUDIO - REGIONAL RADIO ADVERTISING REVENUES



- Strong compounding improvement in national investment into the regions - revenues up 9.2% on H1 FY18 and 22.0% on H1 FY17
- Regional trade marketing and education remain critical to fuel even higher growth
- Continued focus on premium yield blend of National vs Local

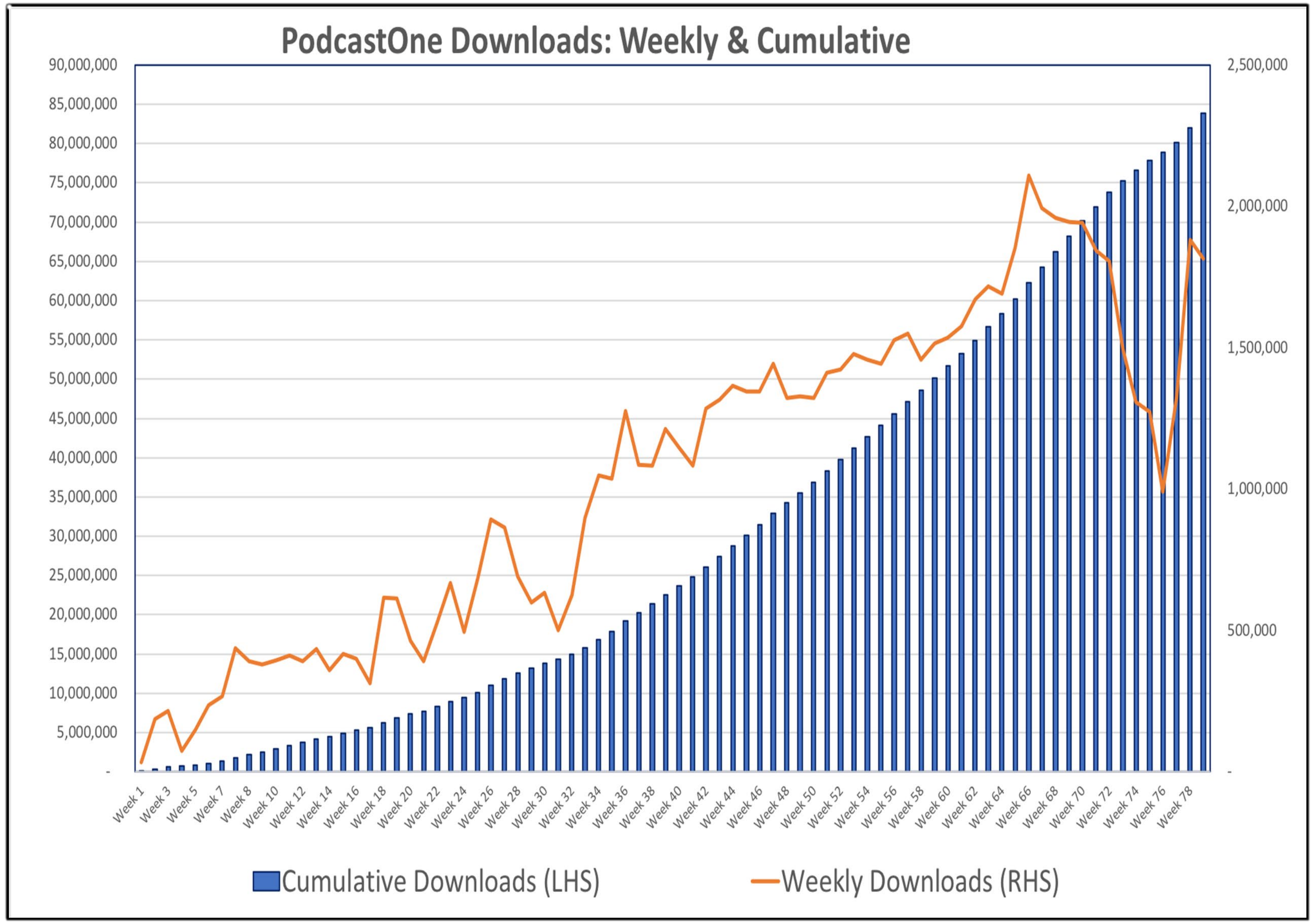
[2] Restated to include revenue from 50% share in Canberra FM and Regional Revenue not previously included in Advertising Revenue

AUDIO - PODCASTING

PodcastOne is the leading premium commercial podcast network in Australia

Content

- Demand for podcasting continues to accelerate – expected to reach 100 million downloads by April 2019
- Over 60 premium original authors currently on platform
- Evergreen nature of content proven over recent summer period with +1m downloads per week, despite no new content being released
- 2019 will see expansion into Branded Podcast Content i.e. development of B2B and B2C podcasts for existing and new clients



AUDIO - PODCASTING

PodcastOne is the leading premium commercial podcast network in Australia

Monetisation

- Market interest and appreciation of podcasting continues to grow
- Path to monetisation continues to improve – with year on year revenue growth of 400%
- Expansion into Branded Podcasting will unlock new revenue streams and underpin further revenue increases in the year ahead
- FY19 net investment reducing as revenues grow - $3m invested in FY18

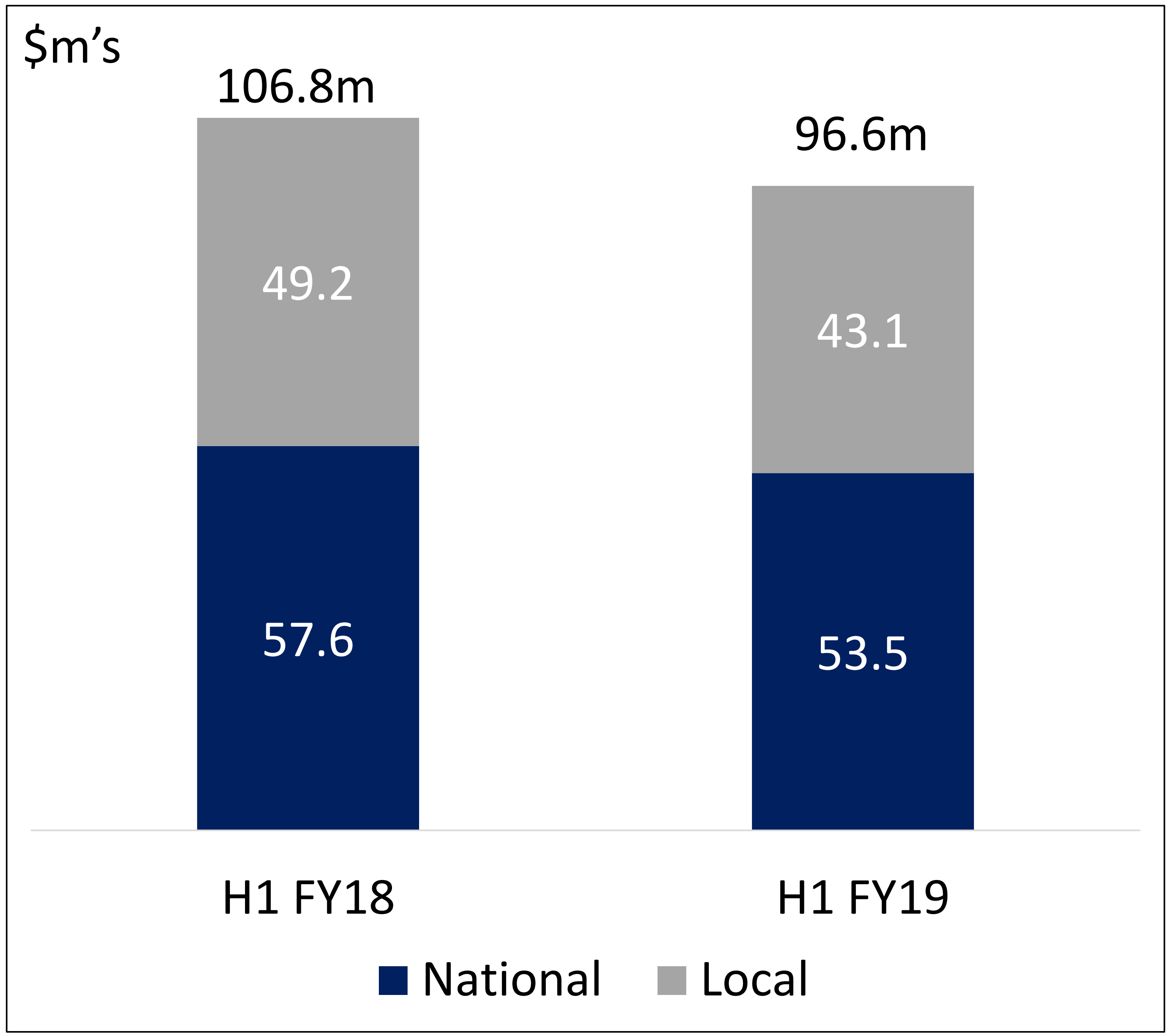
TELEVISION

$ millions	H1 FY19	H1 FY18	Var.
Total Revenue	**104.7**	**112.7**	**(7.1%)**
Broadcast & Production	(50.1)	(55.2)	**(9.3%)**
Employee	(16.7)	(15.1)	**10.6%**
Selling, General & Admin	(23.3)	(24.5)	**(5.1%)**
Total Expenses	**(90.1)**	**(94.8)**	**(5.0%)**
EBITDA	**14.6**	**17.9**	**(18.3%)**
One-off adjustments[1]	1.7	-	nm
Underlying EBITDA	**16.3**	**17.9**	**(8.9%)**
EBITDA Margin	*13.9%*	*15.8%*	

- Television market challenging in H1, driven by slowing demand in Q2
- SCA outperformed the market – excluding impact of cricket (circa $4m in H1 FY18)
- Variable cost structure benefits - revenue down $8.0m & EBITDA down only $1.6m
- Employee costs and margins impacted by:
    - Provision for restructuring costs in preparation for transition of television playout to National Playout Centre (Nine & Seven JV)
    - Additional employee costs related to NNSW local sales representation with Nine

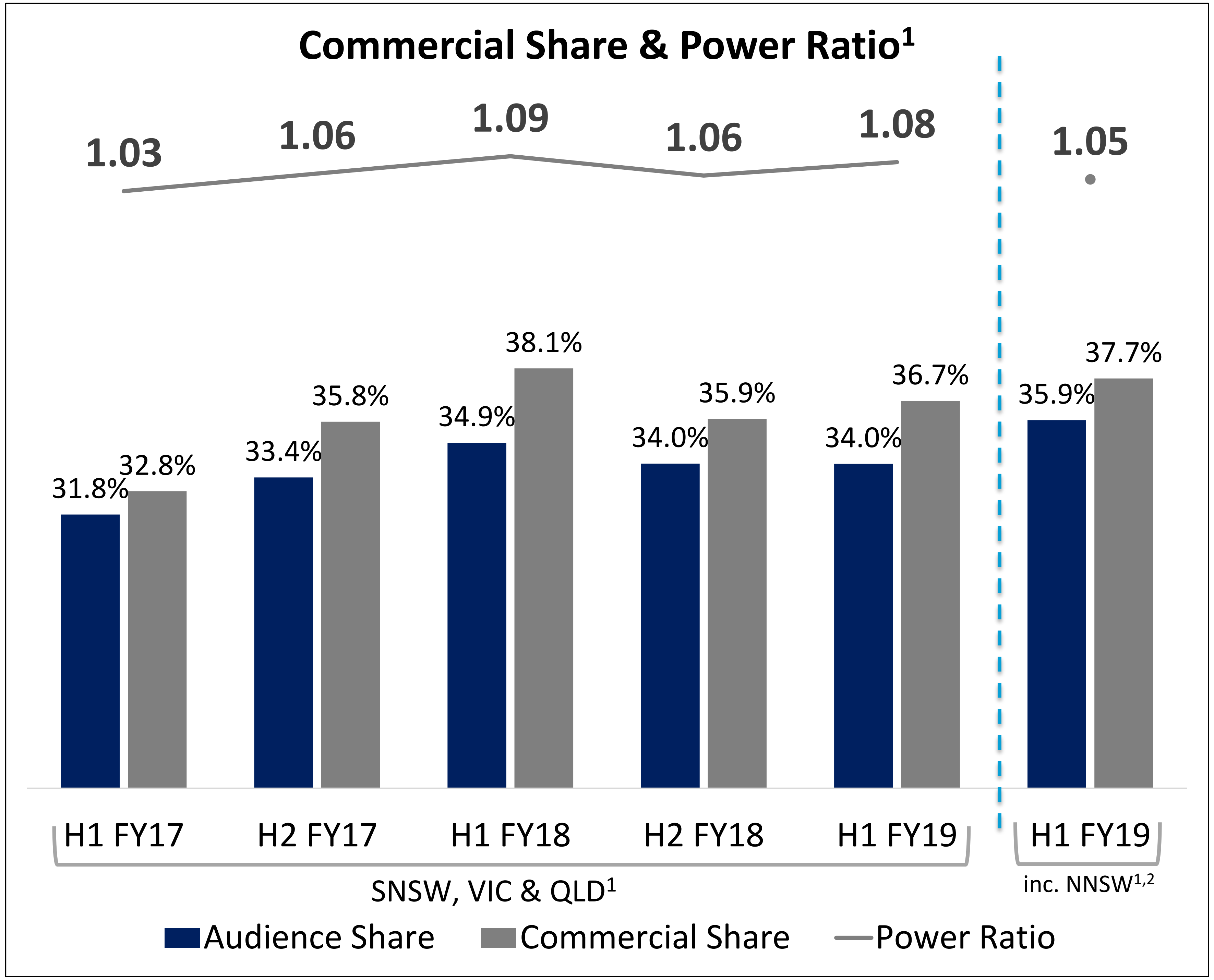
[1] References to underlying numbers exclude the impact of Restructuring Costs and adoption of AASB 15 accounting standards. Refer slide 8.
nm = not meaningful

TELEVISION - REGIONAL TV ADVERTISING REVENUES



- H1 FY19 revenues directly impacted by loss of cricket in December 18 – circa $4m
- Tennis has positively impacted January 2019 revenues
- National revenues partly insulated by benefit of scale from combined Television and Radio assets

TELEVISION - REGIONAL TV POWER RATIO NINE AFFILIATION



- NNSW TV sales representation performing well for both SCA & Nine[2]
- Opportunity to further grow power ratio in NNSW with tennis and continued positive sales momentum
- Power ratio of 1.05 remains strong despite impact of cricket loss

[1] KPMG Market Share Report – Regional Queensland, SNSW, NNSW & Regional Victoria

[2] Effective 1 July 2018 SCA and Nine entered into a local sales representation agreement for the NNSW Television licence area

CORPORATE

$ millions	H1 FY19	H1 FY18[1]	Var.
Total Revenue	0.8	0.7	23.6%
Total Expenses	(12.5)	(12.2)	2.2%
EBITDA	(11.7)	(11.5)	0.9%

- Corporate has been simplified with earnings from Radio and Television joint ventures moved to Audio and Television segments

[1] Restated to reallocate Canberra JV revenues to Audio CGU

OUTLOOK

Grant Blackley

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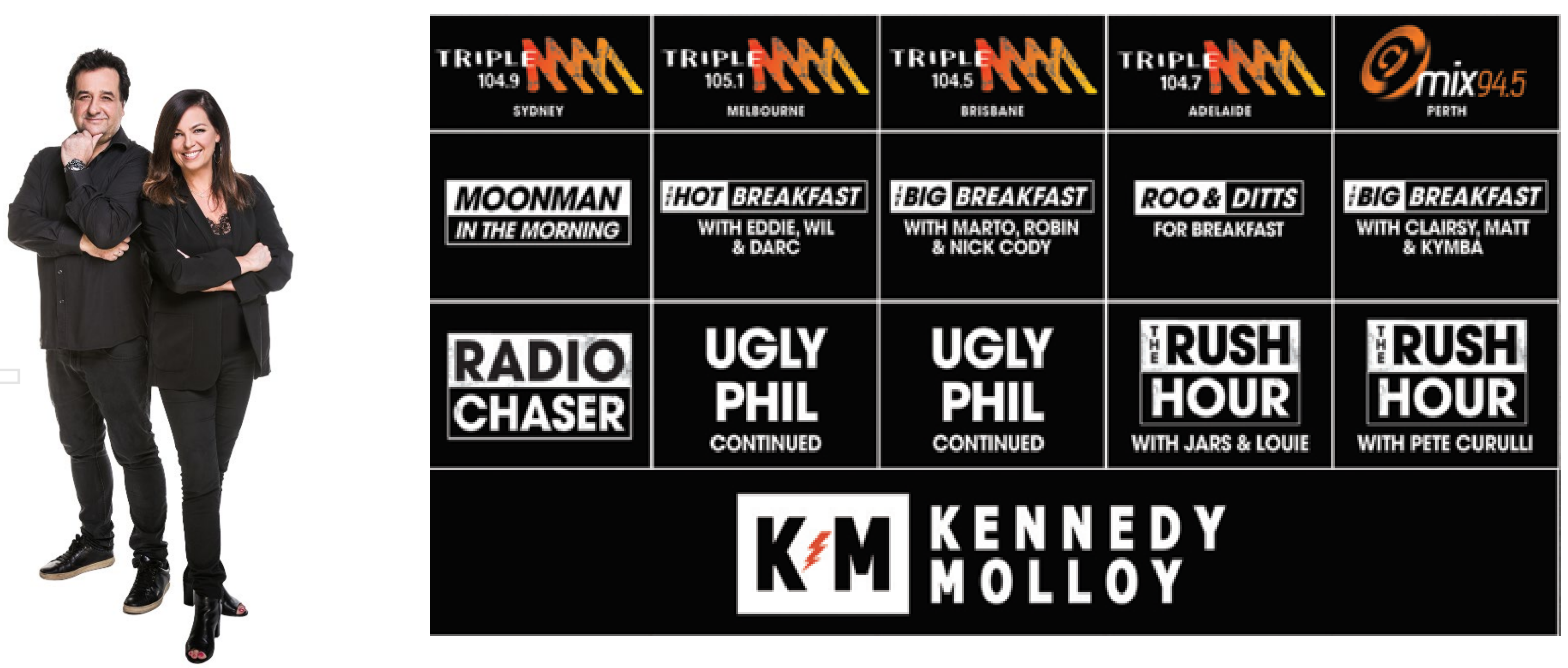
STABLE PORTFOLIO OF BRANDS IN 2019

- Hit Network – strong and consistent stable of shows
- Launched “Bec and Cosi” in Adelaide – opportunity to broaden audience
- Dual national drive show format settled and 3.00 – 6.30pm extended timeslot providing premium selling returns



- Triple M Network - “Moonman in the Mornings” – new Sydney breakfast show with broad entertainment appeal
- Kennedy Molloy national drive show entering second year and maturing well

SCA EXTENDS MONETISABLE AUDIENCE WITH FM+DAB

Digital radio listening continues to expand in Australia

- 4.2m Digital Radio listeners in Australia
- Annual sales of 977,000 radios in 2018 with 23% compound 5 year growth. 4.7m DAB+ Radios in Australian market
- 65% of new vehicles are fitted with DAB+ and supported by 46 manufacturers
- Federal Government expanding reach of DAB – Canberra and Hobart launch in 2019 with Gold Coast trial thereafter

SCA is monetising the incremental digital radio audience – yet further gains ahead

- SCA's DAB+ audience continues to grow – 397,000 unique listeners in Survey 8, 2018 providing material audience uplift in key slots, including breakfast

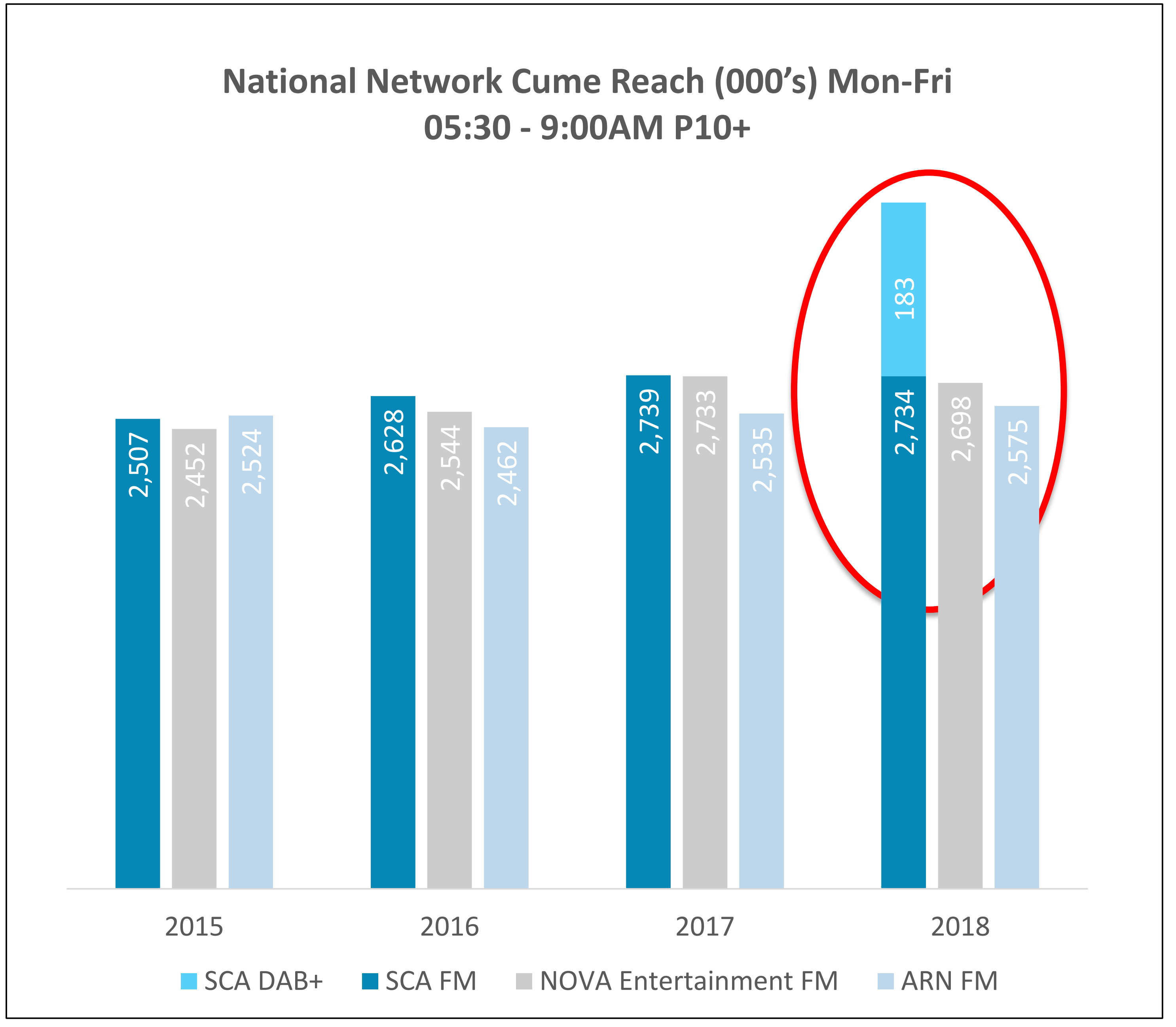


Chart Source: GFK audience data

OUTLOOK FOR H2 FY19

Trading Update

- January and February trading slightly ahead of last year
- Impressive first year of Tennis coverage on Nine affiliated stations
- Market trading shorter than expected approaching Federal Election
- Momentum generated in first half audio revenues from ratings, digital audience growth and national investment in regional markets providing baseline for second half. SCA expects continued improvement in market share across all assets
- Strong and continued focus on cost management and workplace efficiencies

Q & A

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APPENDIX

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RESTATEMENT OF FY18 RESULTS

Audio

	Reported Metro Radio Results	Reported Regional Radio Results	Total Audio	Net Reallocations to Audio CGU	ATN Adjustment	Restated FY18 Audio Results
Revenue	121.4	90.4	**211.8**	8.0	1.9	**221.7**
Expenses	(94.3)	(48.7)	**(142.9)**	(5.1)	0	**(148.0)**
EBITDA	27.2	41.7	**68.9**	2.9	1.9	**73.7**

TV

	Total TV Results	Net Reallocations to TV CGU	TV JV Earnings (previously accounted for in Corporate)	Restated FY18 TV Results
Revenue	**112.4**	0.3	0	112.7
Expenses	**(95.3)**	0.1	0.5	**(94.8)**
EBITDA	**17.1**	0.4	0.5	**17.9**

Corporate

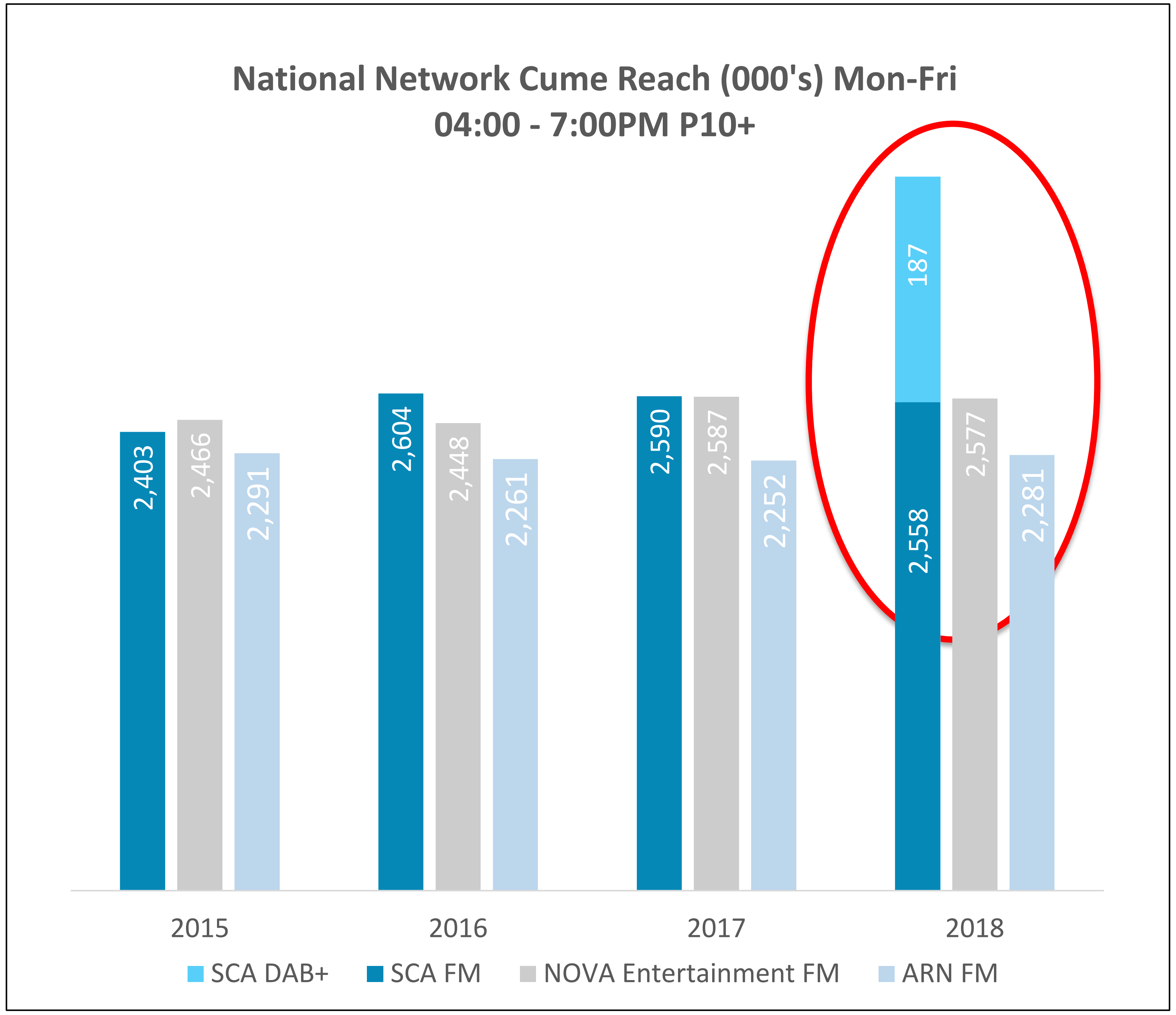
	Total Corporate Results	Net Reallocations From Corporate	TV JV Earnings (previously accounted for in Corporate)	Restated FY18 Corporate Results
Revenue	**8.9**	(8.3)	0	**0.6**
Expenses	**(16.8)**	(5.0)	(0.5)	**(12.3)**
EBITDA	**(7.9)**	(3.3)	0.5	**(11.7)**

Key Movements:

- Corporate to Audio – Earnings from 50% share in Canberra FM
- Corporate to TV – Earnings from 50% share in TV JV's

DAB AUDIENCE GROWTH – FM+DAB

Digital radio audiences have also increased across Drive as well as Total Listening (Run of Station)



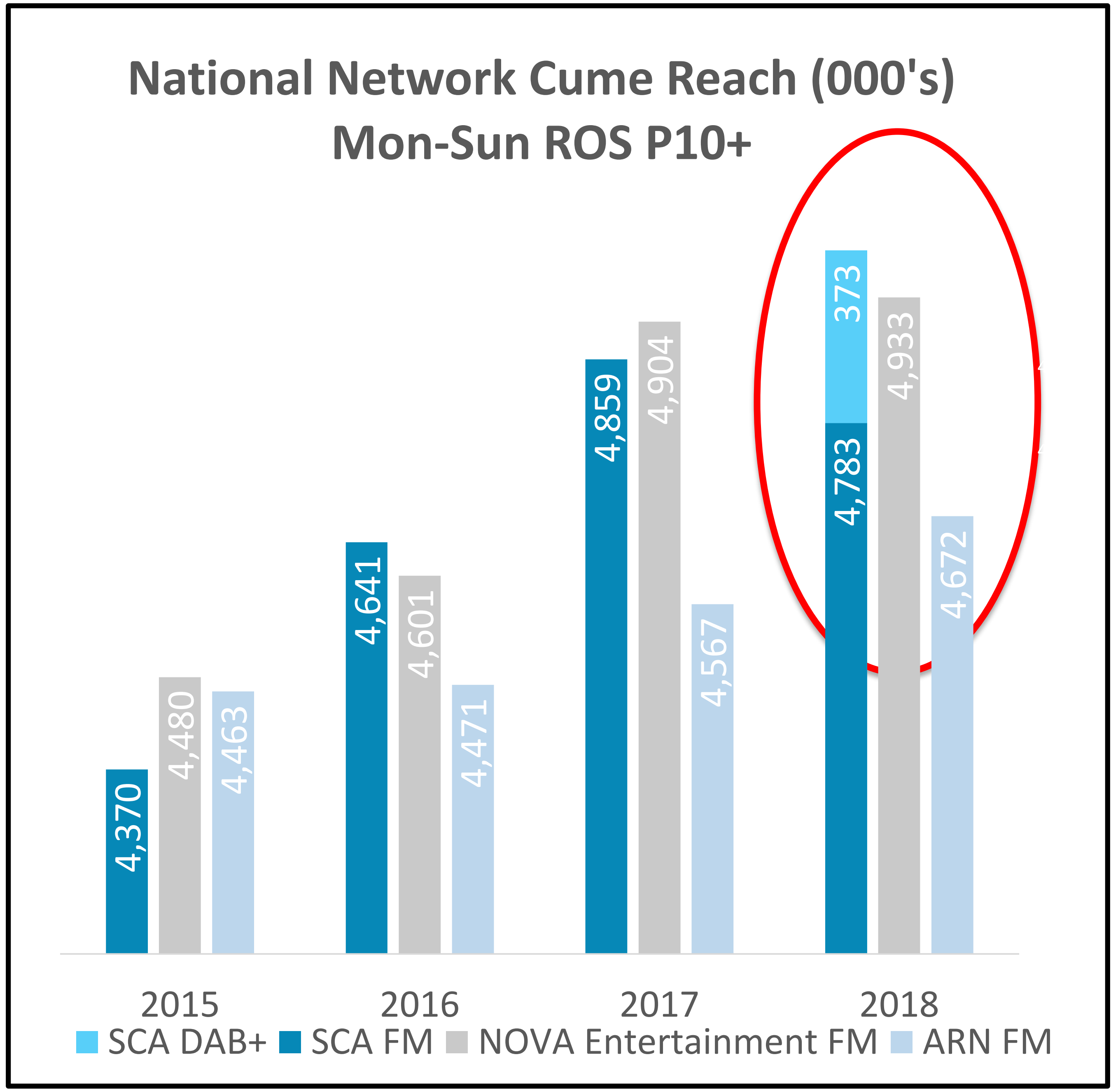


Chart Source: GFK audience data

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