SOUTHERN CROSS AUSTEREO
H1 FY17 INVESTOR PRESENTATION

23 February 2017

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H1 FY17 Results

Grant Blackley

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RESULTS SUMMARY

- Improvement across all key financial measures
- Group revenue up 9.2% with strong growth in TV revenues following successful affiliation switch to Nine
- EBITDA growth of 1.3% - normalised growth over prior year of 4.0% (excluding one off gains in prior year)
- NPAT up 11.8% to $48.5m
- Reported EPS up 10.5% to 6.3cps
- Net Debt increased marginally due to Authentic Entertainment acquisition
- Interim fully franked dividend of 3.75c (FY16 interim: 3.25c)

	H1 FY17		
Revenue	$351.8m	9.2%	↑
EBITDA	$92.6m	1.3%	↑
NPAT	$48.5m	11.8%	↑
Reported EPS	6.3cps	10.5%	↑
Net Debt	$347.8m	2.1%	—

HEADLINE ACHIEVEMENTS

Sales Performance

- Advertising revenue growth across all asset classes – group revenue up 9.2%
- Improving revenues from national sales following change in TV affiliation and improved sales practices and disciplines across all assets
- Successful launch of The Studio in Sydney and Melbourne – with increasing enquiry and conversion rates

Financial Stability

- Balance sheet strengthened further with improved debt covenants
- Continued diligence on "back of house" transformation - disposal of 45 transmission sites to specialised tower operator Axicom - executed 15 February 2017[1]

Strategic Focus

- Seamless TV affiliation change to the Nine Network – focus on even stronger monetisation of improving ratings – further supported by the rollout of regional news
- Focus on building adjacent revenue streams – evidenced by Vevo and Podcast One Australia initiatives

[1]Subject to FIRB approval

H1 FY17 FINANCIAL RESULTS

Nick McKechnie

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GROUP REPORTED STATUTORY RESULTS

$ millions	H1 FY16	H1 FY17	Var.
Revenue	322.0	351.8	9.2%
Expenses	(230.7)	(259.5)	(12.5%)
Equity Accounted Profit	0.1	0.3	nm
EBITDA	**91.4**	**92.6**	**1.3%**
EBITDA Margin	*28.4%*	*26.3%*	
Depreciation & Amortisation	(14.4)	(15.5)	7.6%
EBIT	**77.0**	**77.1**	**0.1%**
Net Finance Costs	(13.5)	(9.6)	(28.1%)
PBT	**63.5**	**67.5**	**6.3%**
Tax	(20.1)	(19.0)	(5.5%)
NPAT	**43.4**	**48.5**	**11.8%**

- Underlying expense growth 2.5%, after excluding affiliation and revenue related costs
- Finance costs significantly lower following debt reduction and improved leverage ratio
- Effective tax rate lower for FY17 due to prior year asset disposals

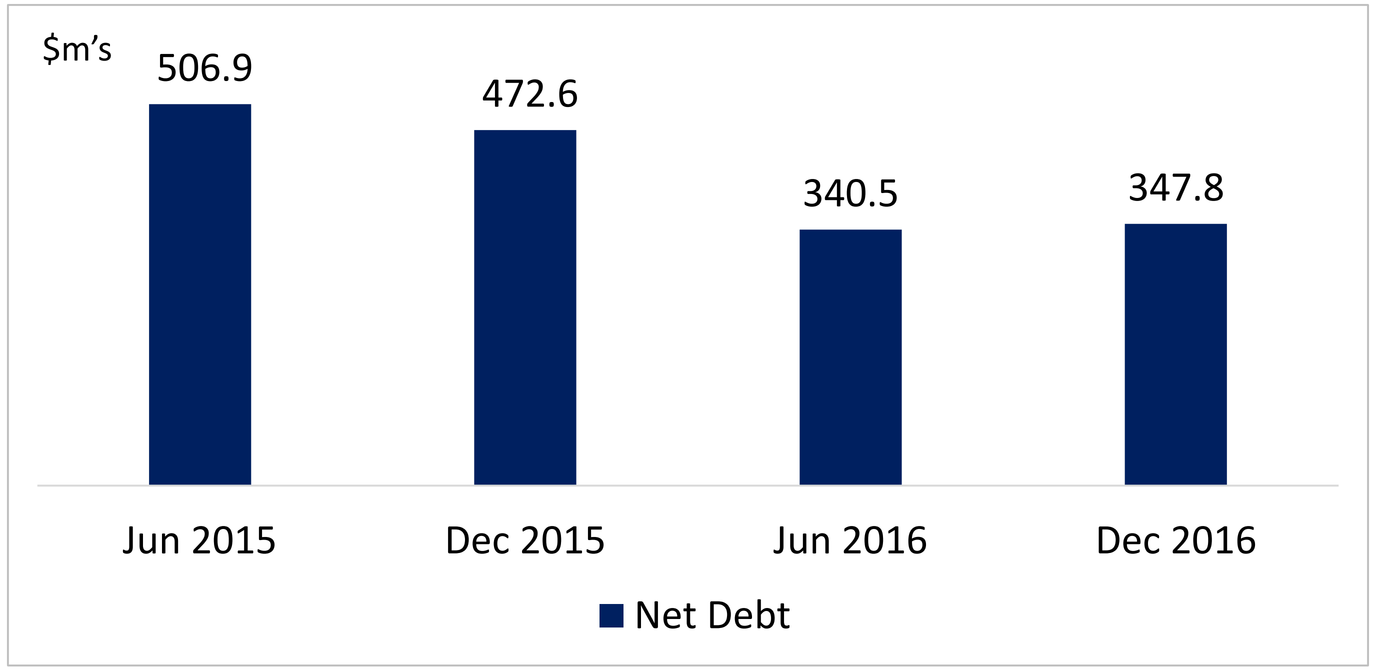
nm = not meaningful

CASHFLOW

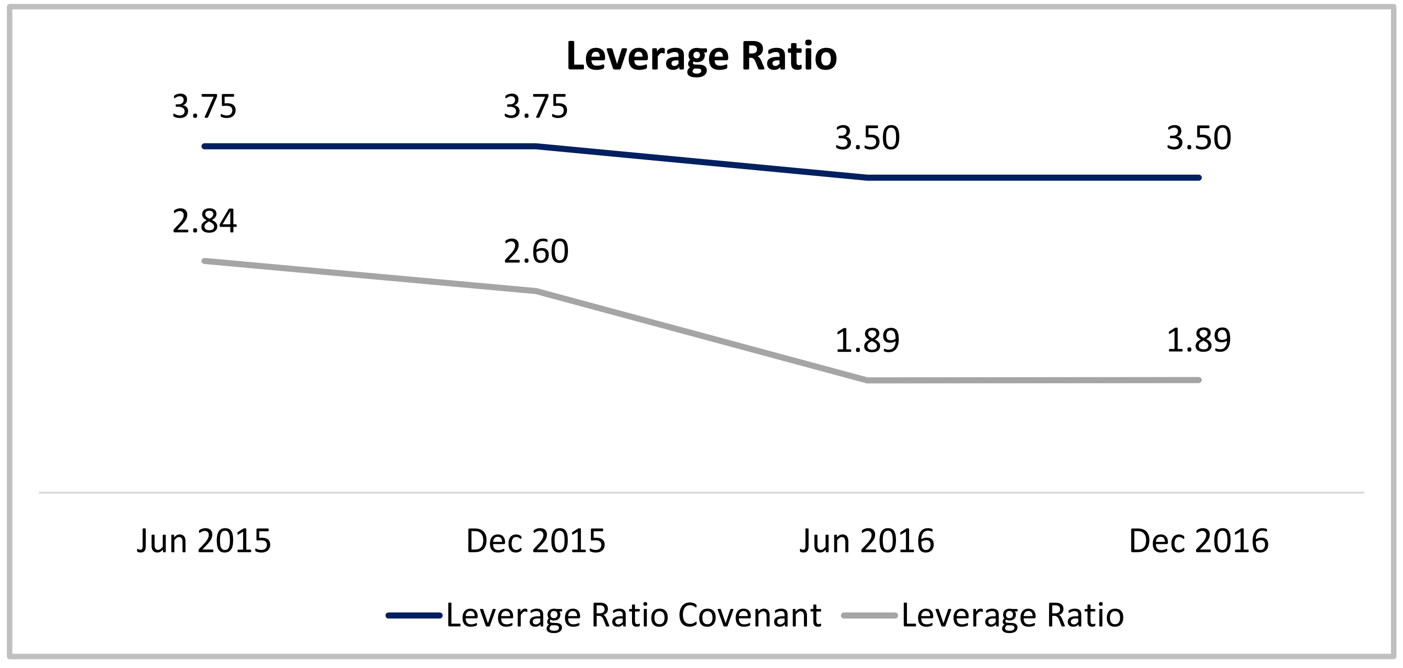
$ millions	H1 FY17
Opening Cash	**94.8**
Cash from Operations	76.3
Tax payment	(24.4)
Payments for Non-Current Assets	(14.2)
Net financing payments	(11.0)
Cash flow pre dividends and non-recurring items	**26.7**
Payment for intangible assets (acquisition of Authentic)	(7.2)
Dividends to security holders	(26.9)
Debt repayment	(40.0)
Closing Cash Balance	**47.4**
Reported EBITDA	92.6
Operating Cash Conversion	**82.4%**

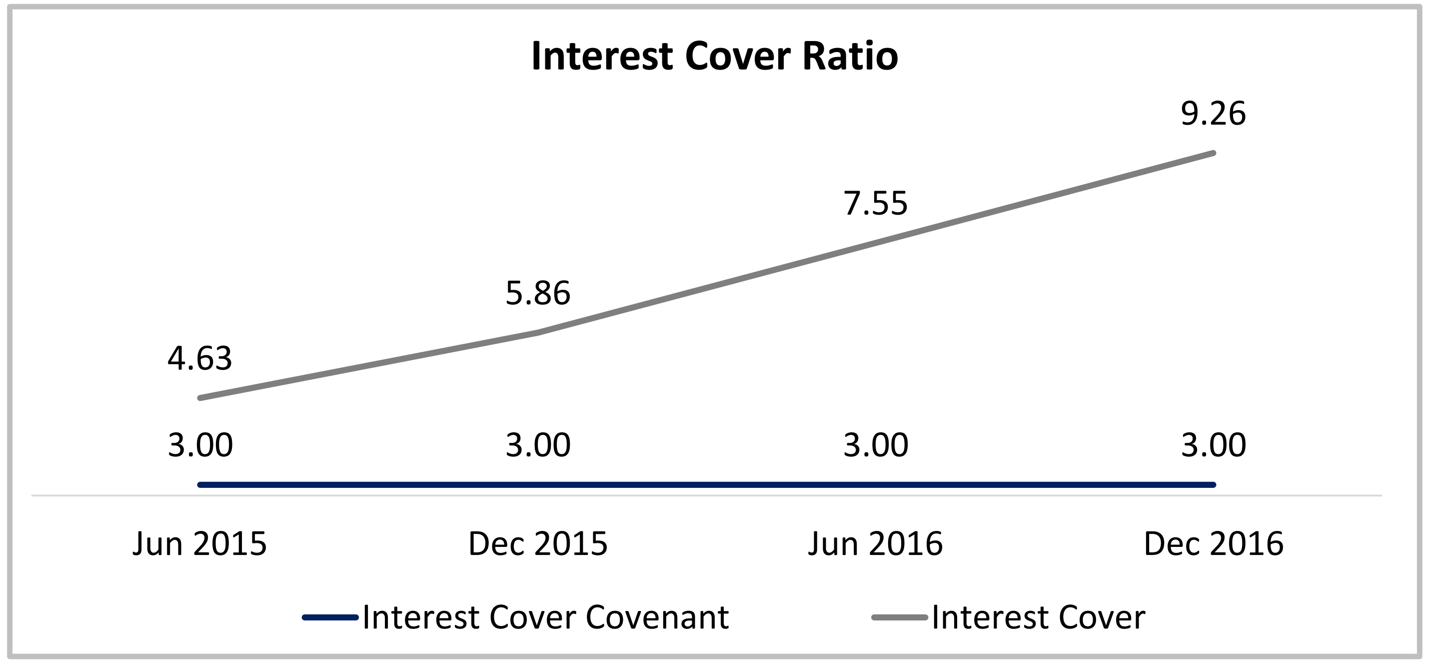
- EBITDA to cash conversion has increased to 82.4% (H1 FY16 74.0%)
- Increased intangible asset base – Authentic Entertainment. Network inventory expanded, growth in national programming syndication and inclusion of Vevo sales representation

DEBT FACILITIES



- Interest cover headroom further improved to over 9x - as financing costs reduced by 28.1%
- Drawn debt $395m with $100m undrawn facility – facility matures January 2019
- Balance of Receivables facility of $36.8m ($36.8m at 30 June 2016)
- Increase in net debt due to Authentic Entertainment acquisition





DISPOSAL OF NON-CORE ASSETS: TRANSMISSION SITES

Signed contract to sell 45 transmission sites to Axicom – specialist tower operator on 15th February 2017 – continues process of divesting non-core assets

- $12.6m sales proceeds
- $1.5m to $2.0m EBITDA divested
- Long term access for use of sites
- Future transmission site capex responsibility with Axicom
- Transaction to complete H2 FY17 (subject to FIRB approval)

OPERATIONAL REVIEW

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OPERATIONAL REVIEW

$ millions	H1 FY16[2]	H1 FY17	Var.	
Regional Revenue	188.5	216.7	15.0%	Change in TV affiliation
Metro Revenue	121.0	125.2	3.5%	
Corporate Revenue	12.5	9.9	(20.8%)	H1 FY16 included $2.4m profit on sale of DMD
Total Revenue	**322.0**	**351.8**	**9.2%**	
Regional Expenses	(123.7)	(154.0)	24.5%	Revenue related costs increase by $25.1m
Metro Expenses	(91.3)	(94.3)	3.3%	Revenue related costs and continued investment in talent and content
Corporate Expenses	(15.6)	(10.9)	(30.1%)	
Total Expenses	**(230.6)**	**(259.2)**	**(12.4%)**	
Regional EBITDA	64.8	62.7	(3.2%)	A number of one off costs – Nine Affiliation change & re-branding of regional radio network. Maturing monetisation of Nine's improving ratings.
Metro EBITDA	29.7	30.9	4.0%	
Corporate EBITDA	(3.1)	(1.0)	nm	
Total EBITDA	**91.4**	**92.6**	**1.3%**	Normalised growth 3.9% excluding profit on disposal of DMD

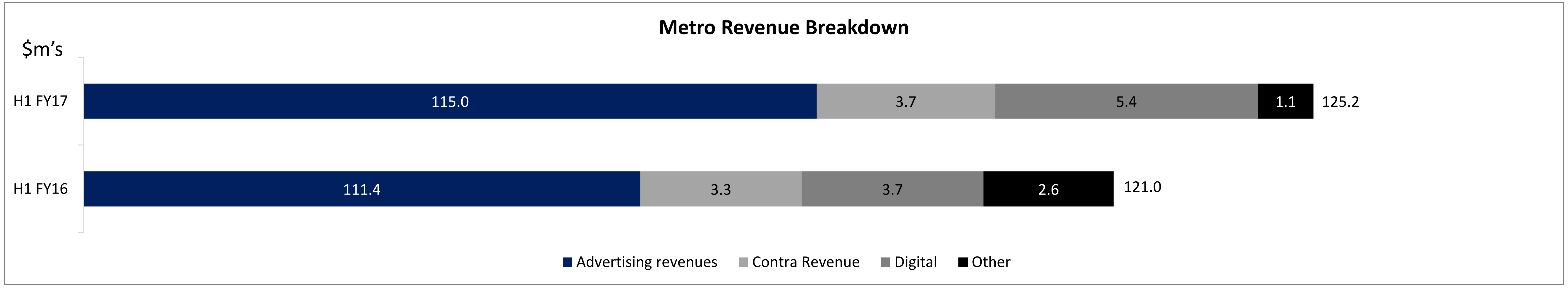
nm = not meaningful

[2]Refer to Appendix for reclassification of H1 FY16 results

METRO RADIO

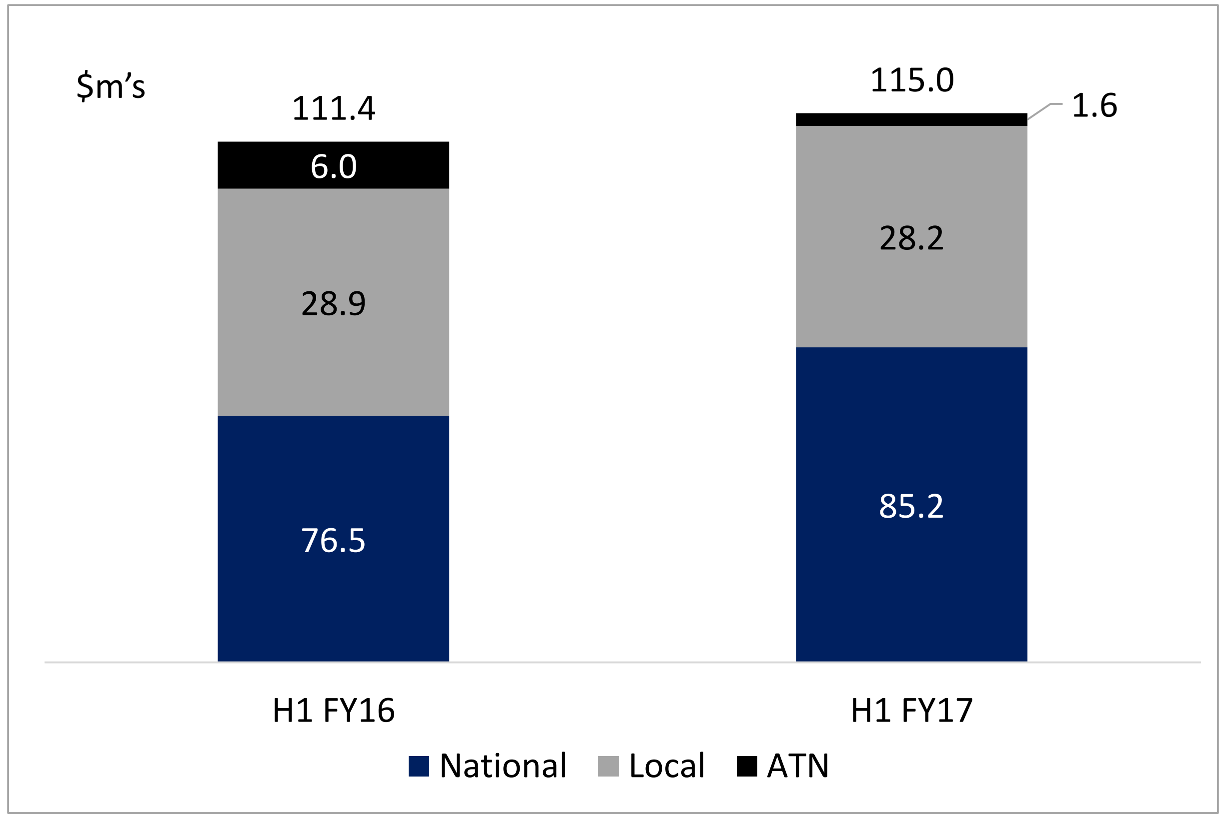
$ millions	H1 FY16[2]	H1 FY17	Var.
Total Revenue	**121.0**	**125.2**	**3.5%**
Broadcast & Production	(10.3)	(10.0)	(2.9%)
Employee	(33.5)	(34.4)	2.7%
Selling, General & Admin	(47.5)	(49.9)	5.0%
Total Expenses	**(91.3)**	**(94.3)**	**3.3%**
EBITDA	**29.7**	**30.9**	**4.0%**
EBITDA Margin	*24.5%*	*24.7%*	

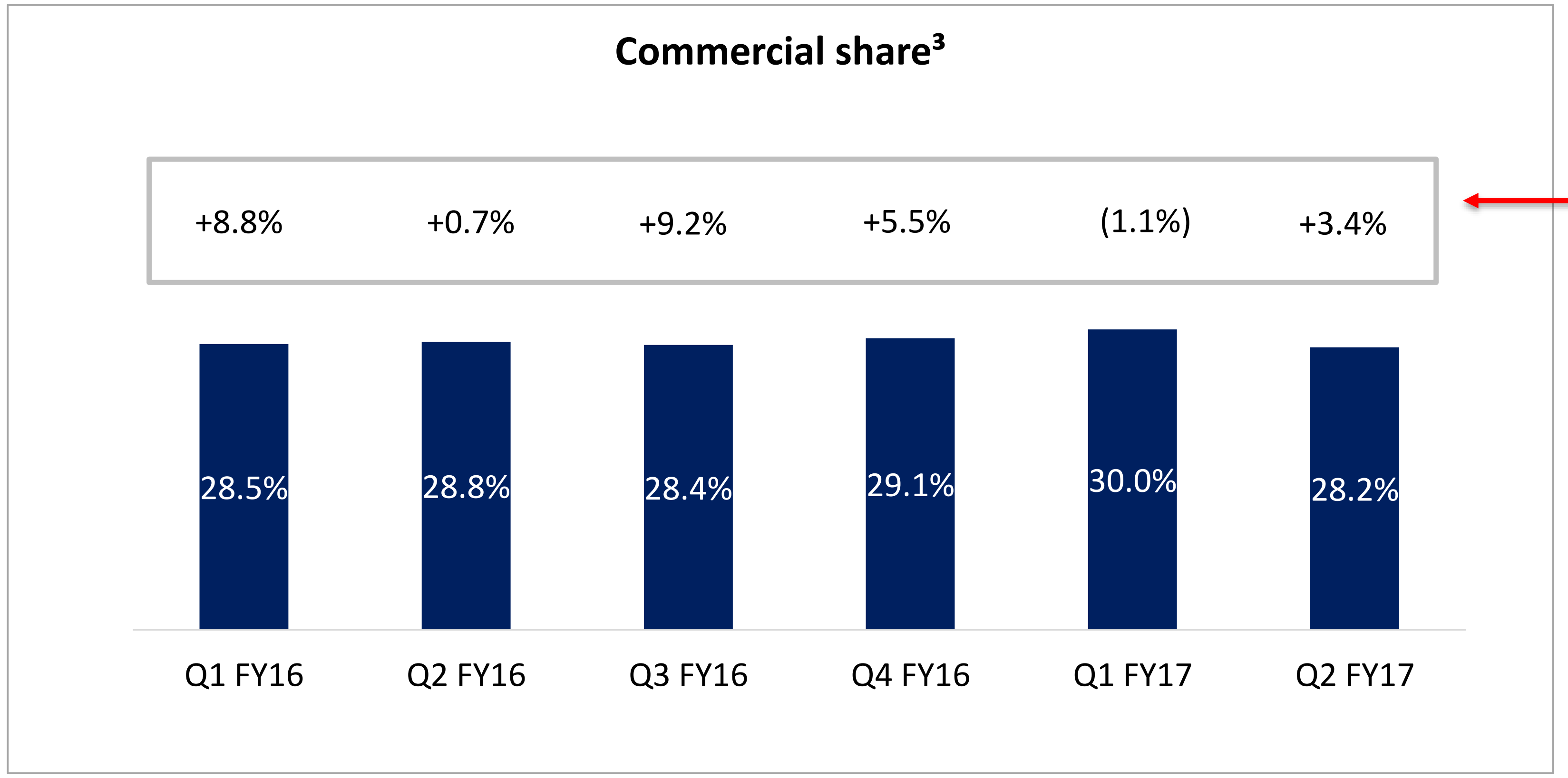
- Normalised revenue growth $8.6m (7.1%) accounting for $4.4m adverse impact from ATN contract
- ATN will deliver small revenue increase in H2 following anniversary on 1 February – $2.75m per annum (indexed)
- Acquisition of Vevo improved digital revenues
- Employee costs increased due to continued investment in talent and acquisition of Authentic Entertainment
- Revenue related costs are main driver behind Selling, General & Admin



[2]Refer to Appendix for reclassification of H1 FY16 results

METRO ADVERTISING REVENUE





Market growth against prior year

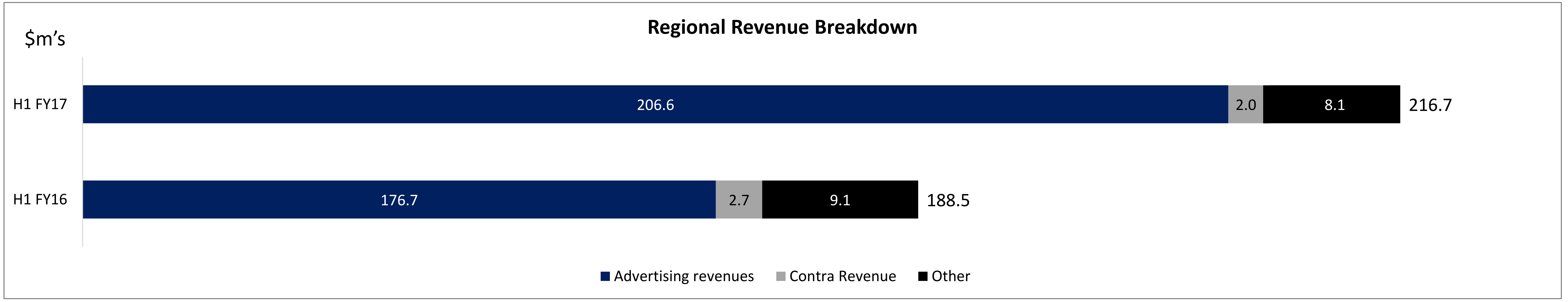
- Market grew +1.5% despite strong growth P.C.P. (H1 2016 +4.6%)[3]
- Advertising revenue has increased despite $4.4m decrease in ATN revenue
- Improved yield has grown national revenue contribution while local sales has remained stable
- HIT share has improved, whilst Triple M has maintained performance
- Continued investment in content – namely 2Day Sydney breakfast show (Em Rusciano & Harley Breen), National early-drive show (Carrie Bickmore & Tommy Little) & numerous weekend/weekday formats

[3]Deloitte Market Share Report

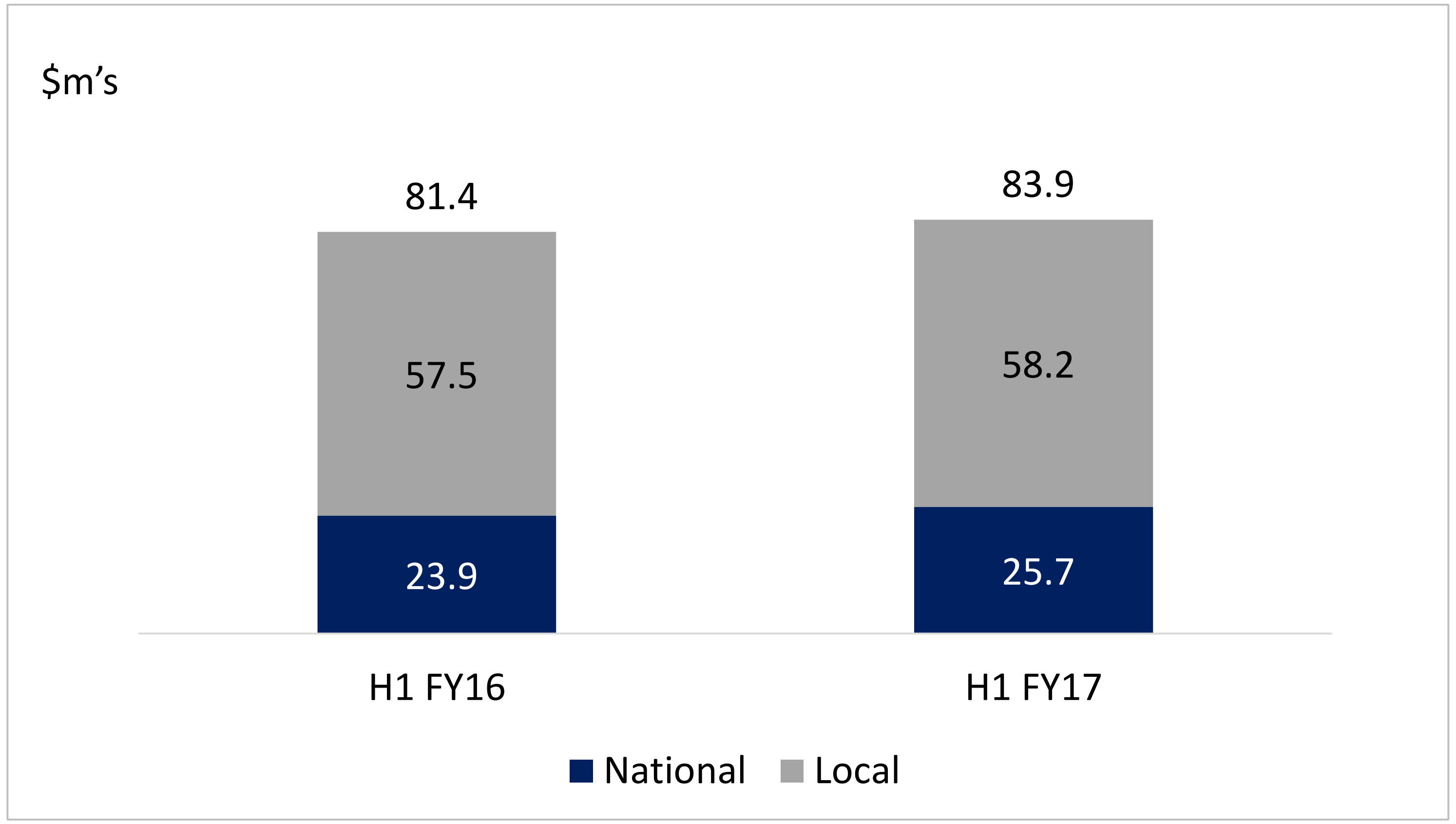
REGIONAL – TV & RADIO

$ millions	H1 FY16	H1 FY17	Var.
TV Revenue	104.3	130.1	24.7%
Radio Revenue	84.2	86.6	2.8%
Total Revenue	**188.5**	**216.7**	**15.0%**
Broadcast & Production	(44.4)	(66.8)	(50.4%)
Employee	(32.5)	(34.0)	(4.6%)
Selling, General & Admin	(46.8)	(53.2)	(13.4%)
Total Expenses	**(123.7)**	**(154.0)**	**(24.5%)**
EBITDA	**64.8**	**62.7**	**(3.2%)**
EBITDA Margin	34.4%	*28.9%*	

- TV revenue up by 24.7%
- Radio revenue up by 2.8%
- One off marketing expenses $1.4m - Nine and regional radio station rebrand
- Full cost of affiliation switch absorbed whilst TV revenue still building

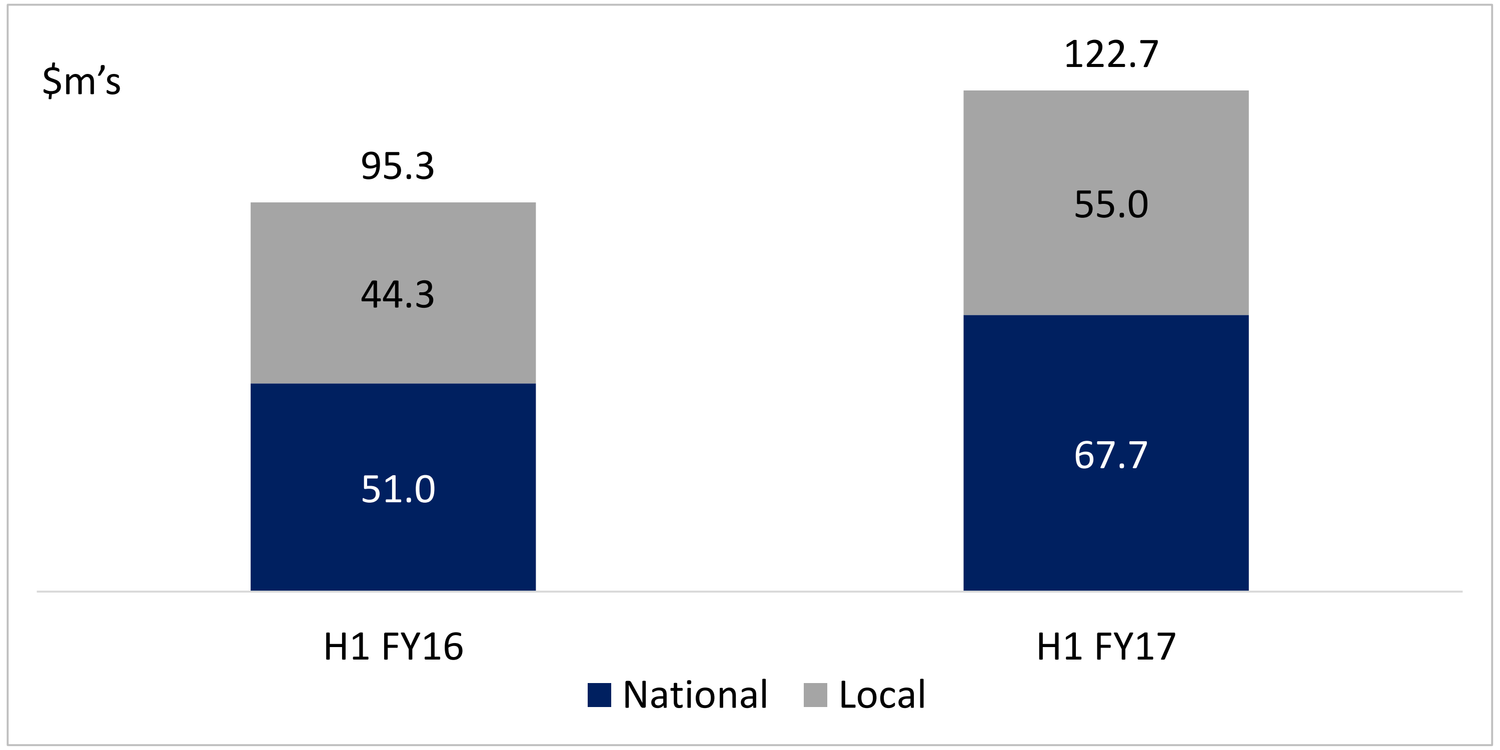


REGIONAL RADIO ADVERTISING REVENUES

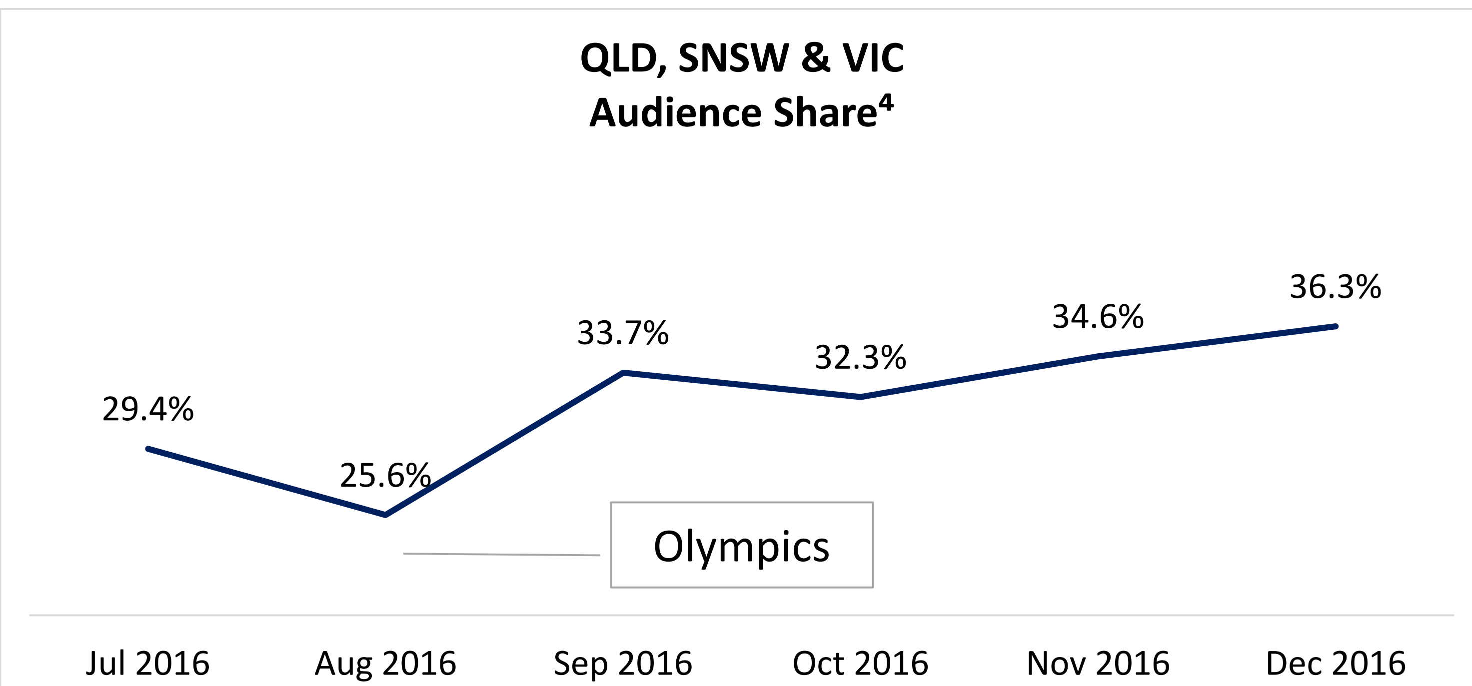


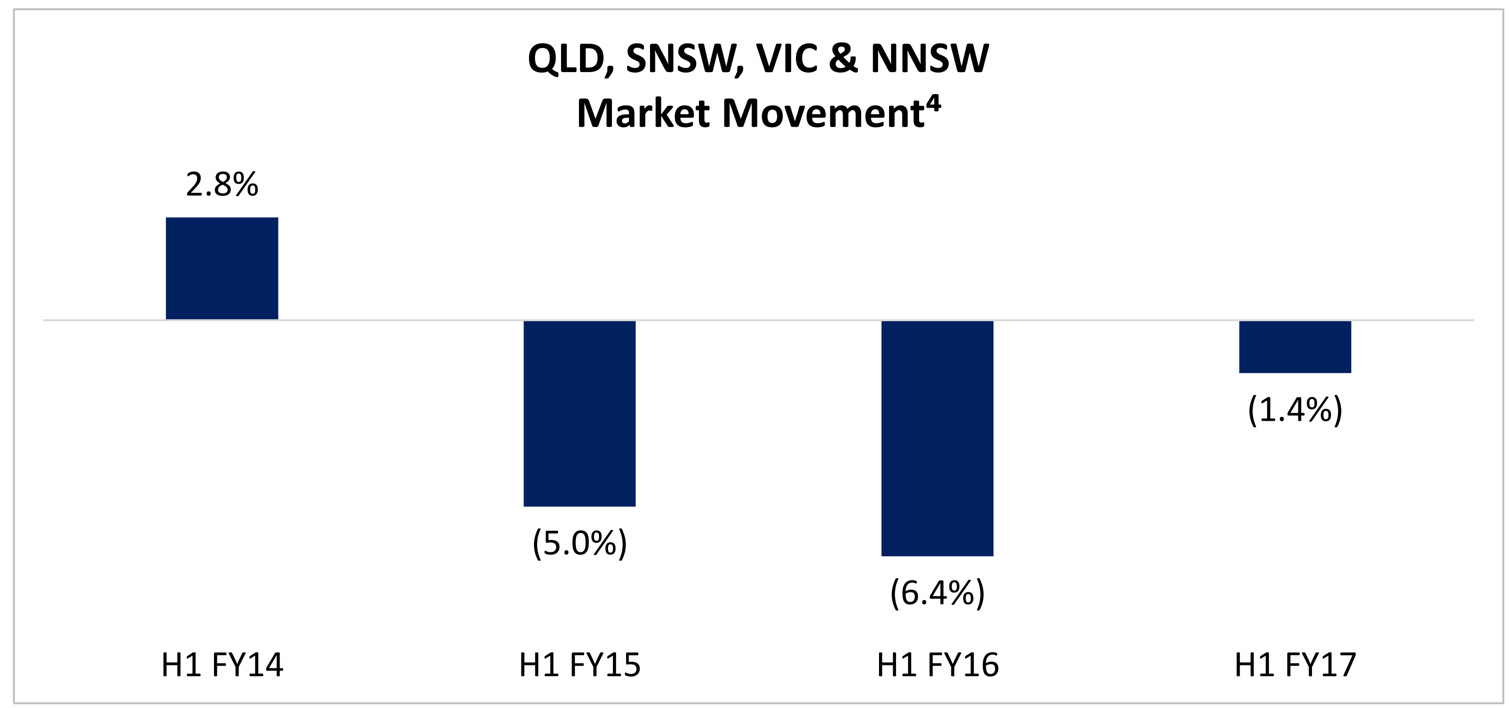
- Potential to sell nationally - "ease of buying"
  - National radio rebrand an "industry first"
    - ✓ 40 regional HIT stations
    - ✓ 28 regional Triple M stations
  - Regional surveys – "first in 20 years"
    - ✓ 24 regional surveys in 2016
    - ✓ SCA #1 and #2 in 18 markets
- Growth of 3% in regional radio advertising revenue
- Growth of 7.5% in national radio revenue through improved sales effort
- Lower growth of 1.2% local radio revenue in H1 - impacted by affiliation change & education of market

REGIONAL TV ADVERTISING REVENUES



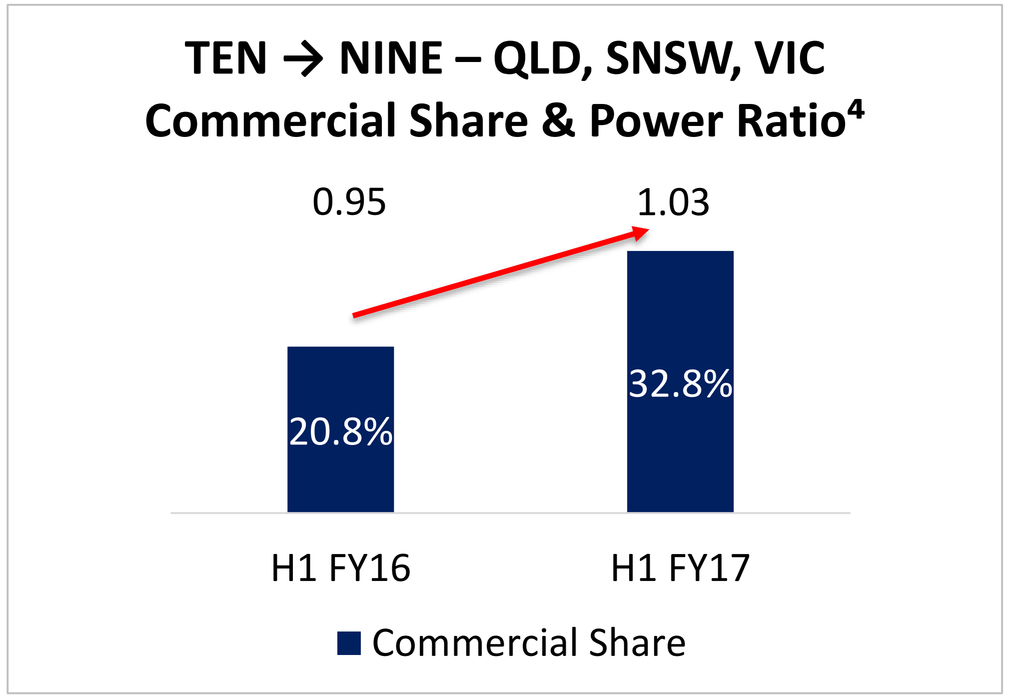
- Advertising revenues increased by 28.7%
  - ✓ Nine markets – revenue up 56.8% (inclusive of Olympics impact)
  - ✓ Regional news rollout underway – further stimulus to ratings and revenue
  - ✓ Stronger ratings start to CY17 than in prior year
- Regional market decline 1.4% compared to 6.4% decline in H1 FY16 – positively impacted by change of affiliation and improved monetisation techniques

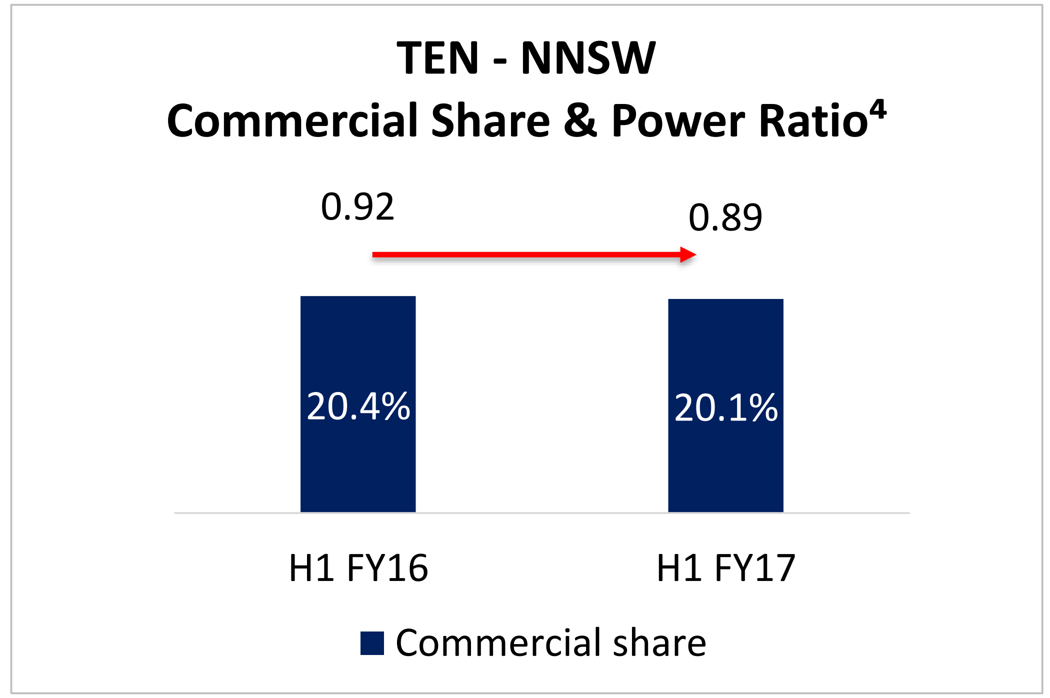


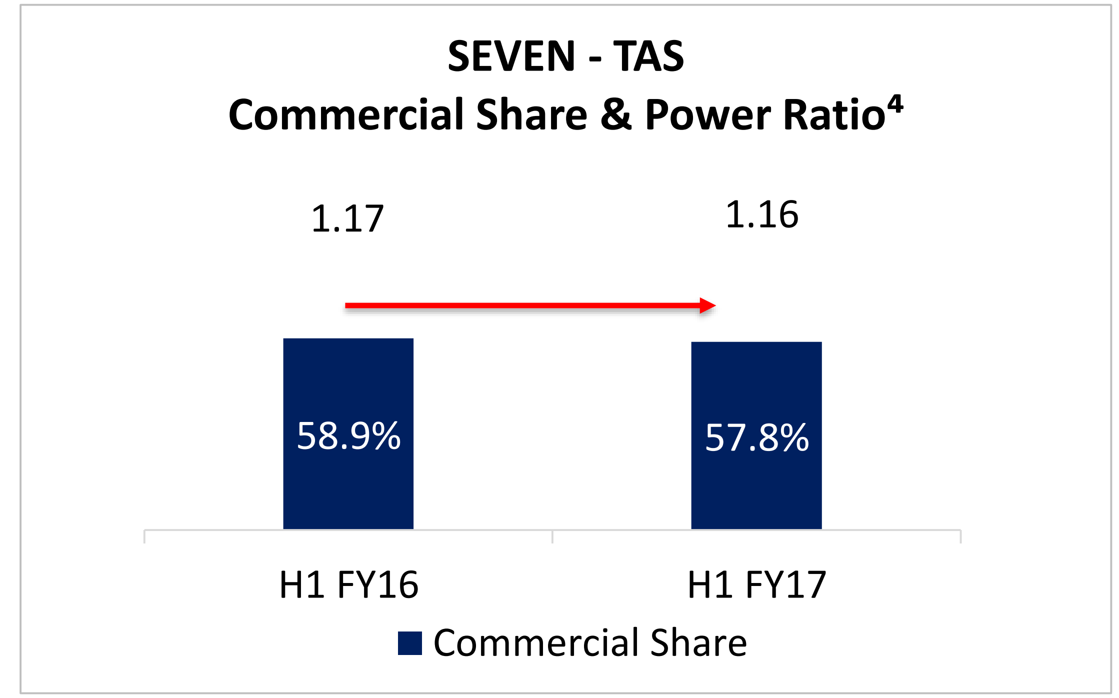


[4] KPMG Market Share Report

REGIONAL TV ADVERTISING REVENUE SHARE







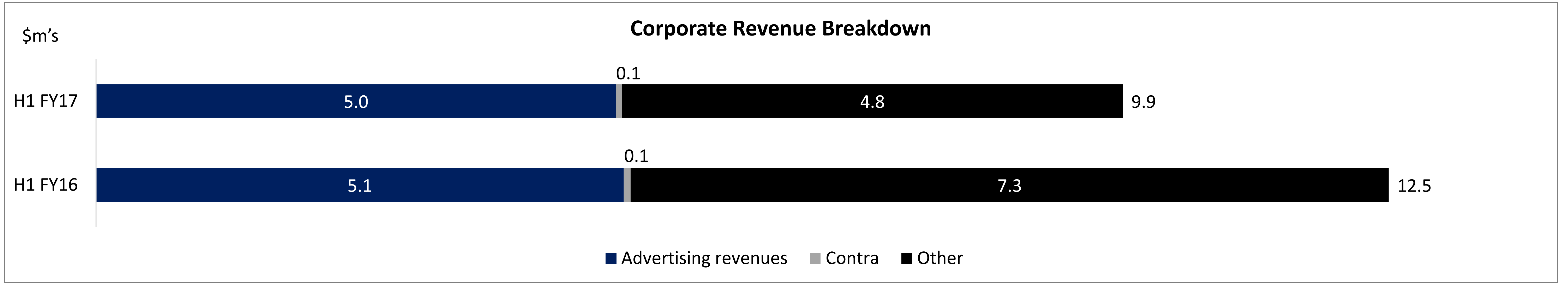
- Commercial share increased by 12 points in Nine markets with power ratio 1.03
- Network Ten revenues in NNSW steady and improving
  - Q1 power ratio 0.84
  - Q2 power ratio 0.94
- Seven network continues to have dominant share in Tasmania

[4] KPMG Market Share Report

CORPORATE

$ millions	H1 FY16[2]	H1 FY17	Var.
Total Revenue	**12.5**	**9.9**	**(20.8%)**
Broadcast & Production	(1.7)	4.7	nm
Employee	(23.4)	(26.9)	15.0%
Selling, General & Admin	(14.1)	(12.9)	(8.5%)
Sales Commission Recharge	23.6	24.2	2.5%
Total Expenses	**(15.6)**	**(10.9)**	**(30.1%)**
EBITDA	**(3.1)**	**(1.0)**	**nm**

- H1 FY16 revenue impacted by $2.4m gain on disposal of DMD
- Broadcast and production costs improved through reduction in radio licence fees held over from FY16
- Employee cost increases the result of:
  - Strengthened executive team
  - Authentic acquisition
  - Investment in The Studio and enhanced Sales Tools
- Restructure of national and local sales force – costs consolidated in corporate with higher recharge to Metro (refer Appendix)



[2]Refer to Appendix for reclassification of H1 FY16 results

nm = not meaningful

OUTLOOK AND STRATEGIC VISION

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OUTLOOK & GUIDANCE

EBITDA

- Advertising market remains relatively short with low growth forecast
- H2 FY17 EBITDA expected to deliver growth on H2 FY16 with full year operating EBITDA forecast to be at lower end of the guidance range of $177m - $183m

Advertising revenue

Growth drivers positively influencing revenues:

- New formats across Metro Radio
- Benefit of program format changes in 1H16 to flow through to full year CY17
- Regional Radio rebrand and surveys – national sales opportunity
- TV Affiliation – change is behind us – and greater monetisation and momentum lies ahead – supported by full year of Nine programming and rollout of regional news

Cost base

- Further investment and focus on technology led improvements - to deliver enhanced revenue capacity and general productivity (i.e. metro traffic billing system, radio playout system)
- Continued focus on back office efficiencies to mitigate cost of investing in enhanced content and marketing efforts

STRATEGIC VISION

Leading entertainment provider

- Continued investment in core radio brands and localised content
- Stronger leverage of our scale and asset base
- Expand into adjacent platforms & markets – evidenced by Vevo & Podcast One Australia
- Invest in compelling content that benefits from our scale and acts as a megaphone (AFL radio contract renewed - successful launch of Triple M Test Cricket broadcasting)

Sales and monetisation

- Further mature the rate of monetisation of Nine TV affiliation
- Continued development of data, analytics and tools to automate and optimise trading
- Deliver quality ideation through The Studio – improving response and success metrics

Partnerships and diversification

- Create and invest in more brand and revenue building partnerships
- Grow business through acquisition – aligned with both core competencies and adjacent growth sectors

Q & A

APPENDIX 1: H1 FY16 METRO SALES RECLASSIFICATION

$ millions	METRO H1 FY16 As reported	METRO Cost of Local Sales Resources	METRO Local Sales Recharge	METRO H1 FY16 Reclassed	CORPORATE H1 FY16 As reported	CORPORATE Cost of Local Sales Resources	CORPORATE Local Sales Recharge	CORPORATE H1 FY16 Reclassed
Total Revenue	**121.0**	**-**	**-**	**121.0**	**12.5**	**-**	**-**	**12.5**
Broadcast & Production	(10.3)	-	-	(10.3)	(1.7)	-	-	(1.7)
Employee	(40.2)	6.7	-	(33.5)	(16.7)	(6.7)	-	(23.4)
Selling, General & Admin	(41.4)	3.8	(9.9)	(47.5)	(10.3)	(3.8)	-	(14.1)
Sales Commission Recharge	-	-	-	-	13.7	-	9.9	23.6
Total Expenses	**(91.9)**	**10.5**	**(9.9)**	**(91.3)**	**(15.0)**	**(10.5)**	**9.9**	**(15.6)**
EBITDA	**29.1**	**10.5**	**(9.9)**	**29.7**	**(2.5)**	**(10.5)**	**9.9**	**(3.1)**

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