

SOUTHERN CROSS AUSTEREO DELIVERS FIRST HALF EBITDA OF \$82M

Southern Cross Media Group Limited (ASX: SXL) (**Southern Cross Austereo** or **SCA**) today announced its financial results for the six months ended 31 December 2018. Driven by growth of 6.7% in metro radio revenue and strong cost control, the group's EBITDA of \$82.0M was 2.5% ahead of the prior corresponding period. The interim dividend was maintained at 3.75 cents per share, fully franked.

The following table shows comparisons to the prior corresponding period:

	H1 FY2019	Comparison to H1 FY2018 ¹	
Revenue	\$335.7M	\$335.2M	0.2% ↑
EBITDA	\$82.0M	\$80.0M	2.5% ↑
Underlying EBITDA	\$82.9M	\$78.1M	6.1% ↑
Reported NPAT	(\$119.3M)	\$37.5M	nm
Underlying NPAT	\$42.2M	\$38.1M	10.6% ↑
Net Debt	\$295.1M	\$324.8M	9.2% ↓
Interim dividend	3.75 cents	No change	-

1. FY2018 results have been restated for adoption of AASB 15 – Revenue from Contracts with Customers.

Highlights of the group's results include:

- Underlying EBITDA grew 6.1% to \$82.9M and underlying NPAT grew 10.6% to \$42.2M. Group revenue was up 0.2% at \$335.7M, while expenses were back 0.6% on the prior corresponding period. Excluding restructuring costs of \$2.8M, expenses were back 1.7%.
- The Audio segment (comprising metro and regional radio and podcasting) performed strongly, delivering 3.8% growth in revenue and 7.3% growth in EBITDA. Metro radio revenue was up 6.7% to \$123.6M, propelled by improved ratings, monetisation of digital radio stations and a continued focus on premium selling. Regional radio revenue was up 0.7%, supported by the ongoing success of the group's initiatives to attract additional national revenue to regional markets. National revenues in regional radio markets were up 9.2%.
- In a challenging market, Television revenue was down \$8.0M or 7.1% to \$104M. About \$4M of this was due to Nine no longer broadcasting cricket. The combination of SCA's radio and television assets in regional markets enabled it to outperform the market.
- The quality of SCA's earnings is shown by the 97% conversion of those earnings into free cash.
- SCA's balance sheet is healthy with reduced debt, lower financing costs, significant covenant headroom and strong cash conversion.

- Shareholder returns were maintained with an interim dividend of 3.75 cents per share, fully franked. This will be paid on 11 April.
- Reported NPAT contracted due to an impairment of \$226.9M, which was offset by an adjustment of \$68M to the group's deferred tax liability. The impairment was booked to the group's regional television licences following the accounting separation of the group's regional radio and television assets.

Southern Cross Austereo CEO Grant Blackley said:

"SCA's strong Audio result was driven by continued growth across metro and regional radio and the emerging podcasting sector. SCA outperformed in each sector and strong and disciplined cost controls were evident. Audio revenues grew by 3.8%, while Audio expenses grew by just 2.1%."

"SCA's unique strategy for aggregating its FM and digital radio station audiences in metro markets continues to provide additional value for advertisers and a sustainable competitive advantage over commercial radio peers. The most recent survey in December 2018 showed that SCA's digital radio stations had 397,000 listeners, providing advertisers with 8.4% greater reach. Coupled with improved ratings, this strategy saw revenues rise 6.7% in metro radio revenue in the half."

"SCA was rewarded during the half for ongoing proactive steps taken to educate national advertisers about the benefits of advertising in regional markets. National revenues for regional radio were up 9.2% on the same period in FY2018 and up 22.0% on the corresponding period in FY2017. SCA's trade marketing and education campaign will further expand in the coming months."

"PodcastOne has consolidated its position as the leading premium commercial podcast business in Australia and will shortly pass 100 million downloads since launch in August 2017. With commercial interest continuing to grow, the business will now expand into branded podcasts to unlock new revenue opportunities."

"SCA's new national structure and workforce planning initiatives are starting to pay dividends. The streamlined business and decision-making processes are delivering operating efficiencies and improved cost control."

Outlook for FY2019

SCA has entered the new year with a stable portfolio of leading radio show formats across the group's national footprint.

January and February trading is slightly ahead of the previous year, with Nine's tennis coverage contributing positively to the January result for Television.

The growth in Audio revenues in the first half, generated by improved ratings, increasing digital radio audiences and further investment by national advertisers in regional markets, has provided a baseline for the second half.

Advertising markets are trading shorter than normal ahead of the Federal Election. Increases in election-related spending are to be expected and may be partially offset by reduced spending in other categories.

SCA will maintain focus on bedding down the new national operating structure and workforce initiatives, delivering further operating efficiencies and positioning the group to take advantage of improvements in advertising markets.

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