

The Manager
Company Announcements Office
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FY18 RESULTS - OPERATIONAL AND FINANCIAL REVIEW

Pacific Star Network Limited (**PNW**) is pleased to provide a review of its operating and financial results for the fiscal year ended 30 June 2018 (**FY18**).

1. Crocmedia Merger

PNW successfully completed its merger of Crocmedia Pty Ltd (**Crocmedia**) on 29 March 2018 (**Merger**). The Merger created a sports media and entertainment business, connecting brands to fans, with highly engaging content over multiple media platforms (owned radio platforms, broadcast partners' radio network, print, online, in-stadium, television) and live events.

PNW now operates three key business segments:

- a. **Broadcasting**, including our owned radio platforms and broadcast partners' radio network which leverage our sports and entertainment content;
- b. **Publishing**, including production and sale of magazines, subscriptions and merchandise from our frankie press and AFL Publishing businesses; and
- c. **Complementary Services**, including events and entertainment services (talent management, television production, boutique creative agency).

2. Merger Integration and Accelerated Synergy Implementation

Numerous operational and financial initiatives have been undertaken since announcing the Merger in January 2018, including:

- consolidation of sales teams, broadcast operations and talent, and administrative functions;
- centralised head-office employees into a single location;
- elimination of duplicated costs including office leases; and
- review and implementation of best-of-business practices group-wide.

These initiatives have resulted in accelerated implementation of the \$3.0 million identified Merger cost synergies, effective 31 August 2018. Cost synergies were initially expected to be implemented and realised on an annualised run-rate basis within 24 months post-Merger completion.

3. Organic Revenue Growth Initiatives

The accelerated implementation of Merger cost synergies has supported investment in organic revenue growth initiatives. These initiatives are expected to drive future earnings growth and include:

- expanded multi-year radio broadcast rights partnerships;
- additional resources to support new rights partnerships, including talent;
- appointment of Gerard Whateley as Crocmedia's Chief Sports Caller;
- expansion into live commercial radio broadcasting of premier sporting events;
- launch of SEN+;
- additional senior executive and broadcasting team appointments; and
- expanded in-stadium advertising (LED signage and big screen) and hospitality inventory at Optus Stadium (Perth), Adelaide Oval and GMHBA Stadium (Geelong).

An overview of some of these initiatives is detailed below:

Expanded Multi-Year Radio Broadcast Rights Partnerships

PNW and Crocmedia have a track record of successfully developing, managing and monetising multi-year commercial radio broadcasting rights with premier Australian sporting codes. PNW has expanded its 'Whole of Sport' broadcast rights with a:

- National Rugby League radio broadcast partnership for the 2018 to 2022 seasons;

- Cricket Australia radio broadcast partnership for six years; and
- Melbourne United basketball club radio broadcast partnership for all of Melbourne United's home, away and finals games.

PNW has invested in additional resources, including talent, to support these new rights partnerships which are expected to drive future earnings growth.

PNW and Crocmedia now have multi-year commercial radio broadcast rights partnerships with the Australian Football League (**AFL**), Football Federation of Australia, National Rugby League (**NRL**), Cricket Australia and Melbourne United. PNW is well placed to expand its 'Whole of Sport' offering and pursue multi-year broadcast partnerships with other premier Australian and international sporting codes.

Chief Sports Caller Appointment and Live Sport Broadcasting

In January 2018, Crocmedia announced the appointment of Gerard Whateley as Chief Sports Caller. Gerard's appointment has supported an expansion into live commercial radio broadcasting of high profile premier Australian and international sporting events.

Recent live broadcasts have included coverage of the 2018:

- South African Cricket Test series between Australia and South Africa;
- National Football League (**NFL**) Super Bowl LII in Minnesota, USA; and
- Masters Tournament from Augusta National Golf Club in Georgia, USA.

Crocmedia has also recently secured commercial radio broadcast rights partnerships with:

- Racing Victoria for the 2018 to broadcast 18 races including marquee Spring Carnival race days – Cox Plate, Victoria Derby, Melbourne Cup and VRC Oaks; and
- the NFL for the 2018 and 2019 NFL seasons, including one game a week, the 2019 Super Bowl LIII and International Series Games.

Launch of SEN+

In August 2018, PNW launched SEN+ on its second radio platform, 1377 AM. SEN+ features almost exclusively sports content and drives an additional live sports agenda to leverage our radio broadcast rights and content partnerships, including broadcasting of:

- dedicated VFL calls;
- almost 100 A-League matches in the summer with SEN+ becoming the dedicated home of national A-League matches;
- Melbourne United content and matches; and
- additional cricket and racing content.

PNW is actively assessing additional radio platform ownership opportunities to complement our live sports agenda and leverage our radio broadcast rights and content partnerships. We will also continue to engage with premier leagues and codes on additional broadcast opportunities, with community and women's sport as key focus areas.

4. Strategic Investments

PNW has made two strategic investments which are also expected to drive future earnings growth, being the acquisition of:

- the AFL Publishing business; and
- a 25% Shareholding in Melbourne United basketball club.

An overview of these investments is detailed below:

Acquisition of AFL Publishing Business

In July 2018, Crocmedia signed an agreement with the AFL to acquire the AFL Publishing business. The business is responsible for numerous football related publications, including the iconic AFL Record publication which has been the official match program for more than 100 years.

The acquisition expands our 'Whole of Sport' offering and complements the broader suite of AFL assets including Crocmedia's flagship **AFL Nation** live game-day radio broadcasts. The acquisition also provides exciting opportunities to integrate brand partners across multiple touchpoints to connect footy with fans.

EBITDA from the acquisition is anticipated to be in the region of \$3.0-3.3m per AFL season representing a 2.5-2.7x multiple.

The acquisition follows a strategic review of PNW's publishing assets and related opportunities. Additional identified initiatives will be assessed and reported to shareholders in due course.

Acquisition of 25% Shareholding in Melbourne United

In July 2018, Crocmedia acquired a 25% shareholding in National Basketball League club, Melbourne United. The strategic investment expands our 'Whole of Sport' offering and provides unique revenue opportunities, including further addressing seasonal aspects of our revenue streams.

As a major owner of Melbourne United, we can offer brand partners a unique end-to-end solution, from community and grassroots, to the incredible exciting match day environment, and all the broadcast and content opportunities that sit around it.

5. FY18 Financial Results

Reported FY18 results comprise a twelve-month contribution from PNW, a three-month contribution from Crocmedia, and partial realisation and reinvestment of Merger cost synergies into organic revenue growth initiatives.

The following table presents the financial results on a pre and post non-sport publishing basis (unaudited) to highlight the strong performance of our dominant sport-based media businesses.

In addition, the table includes an unaudited reconciliation of reported results to allow assessment of continuing operations on a pro forma 'Run Rate' basis, assuming:

- Merger completion 1 July 2017;
- incremental EBITDA contributions from AFL Publishing; and
- other relevant normalisations and adjustments.

(\$ million)	Reported¹		Pro forma¹	Notes
	FY18	FY17	'Run Rate'	
Revenue (ex. non-sport publishing)				
Broadcasting	24.7	15.3	42.4	
Complementary Services	3.0	0.0	7.6	
Other Revenue	0.0	0.2	0.0	
Total Revenue (ex. non-sport publishing)	27.7	15.5	50.0	
Operating Expenses (ex. non-sport publishing)	24.7	13.8	45.9	Excluding transaction costs and other one-offs
Underlying EBITDA²	3.0	1.7	4.1	
+ Merger Normalisations	0.5	-	0.5	Refer to Merger documents
+ Abnormal Raceforce Media costs	0.2	-	0.2	Predominantly discontinued licence fees
+ AFL Publishing	-	-	3.2	Midpoint of \$3.0-3.3m estimate
Adj. Underlying EBITDA	3.7	1.7	8.0	
+ Non-sport Publishing	0.7	1.5	0.7	
Total Adj. Underlying EBITDA	4.4	3.1	8.7	

Note: merger normalisations and abnormal Raceforce Media costs in the table above have not been treated as abnormal costs for the purposes of calculating underlying EBITDA in the Appendix 4E

¹ Totals may not reflect arithmetic addition due to rounding

² Underlying results exclude Merger transaction fees and implementation costs, impairment of publishing intangibles and restructure costs – refer to the attached Appendix 4E.

Pro forma 'Run Rate' in the table:

- includes re-investment of synergies into organic revenue growth initiatives; and
- does not include any incremental contribution from organic revenue growth initiatives and strategic investments (detailed above).

Monetisation of organic revenue growth initiatives including recently secured broadcasting rights (e.g. NRL) and strategic investments is expected to improve as:

- sales teams have increased runway to promote available inventory and become more familiar with available content, improving sales effectiveness;
- audiences become familiar with additional programming content; and
- brand partners become familiar with the unique content offering and commercial proposition, potentially driving additional enquiry across our 'Whole of Sport' offering.

An outlook statement for the fiscal year ending 30 June 2019 will be provided in an investor presentation, to be released in September 2018 (detailed below).

6. New \$15.1 million Debt Facility

PNW has successfully refinanced its bank debt facility with a new three-year \$15.1 million facility, following completion of a competitive tender process. The new debt facility has been negotiated with PNW's existing lender, the Commonwealth Bank of Australia, and is effective 31 August 2018.

As at 30 June 2018, PNW had a net debt position of \$0.2 million. The balance sheet was strengthened by the \$10.0 million capital raising completed in March 2018 with the Merger.

7. Investor Presentation

An investor presentation will be released in September 2018. The presentation will include commentary on FY18 operational and financial results, organic revenue growth initiatives and strategic investments, and an outlook statement for the fiscal year ending 30 June 2019.

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