

The Manager
Company Announcements Office
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FY19 GUIDANCE CONFIRMED AND 1H19 FINANCIAL RESULTS

Pacific Star Network Limited (**PNW**) is pleased to provide an update on FY19 guidance and report its financial results for the half-year ended 31 December 2018 (**1H19**).

1. FY19 Guidance Confirmed

PNW confirms FY19 Underlying EBITDA¹ guidance of between \$8.75-9.25 million, following a positive 1H19 performance.

2. 1H19 Financial Results

1H19 revenue of \$33.4 million was up 303%² and Underlying EBITDA³ of \$5.0 million was up 205% on the prior corresponding period (**pcp**), respectively.

Comparison of 1H19 results to the pcp is cautioned given the change in composition of 'continuing operations' due to significant acquisition and divestment activity completed since the pcp result (detailed below).

A reconciliation between net profit after tax and Underlying EBITDA is below:

	\$
NPAT	1.696
Tax	1.474
Net Interest	0.282
Depreciation & amortisation	1.712
Gain on disposal of MM	(0.506)
Restructuring & transaction costs	0.479
Underlying EBITDA from ordinary activities	5.137
Less:	
Profit from discontinued operations	(0.127)
Underlying EBITDA from continued operations	5.010

The positive 1H19 performance reflects:

- a full six-month contribution from Crocmedia (acquired March 2018);
- a part season contribution from AFL Publishing (acquired July 2018);
- a significant investment in resources (costs) to support organic growth initiatives and an initial return on these investments (implemented post Crocmedia merger);
- operational benefits from a 25% shareholding in Melbourne United (acquired July 2018); and
- no contribution from Morrison Media (divested September 2018).

Underlying EBITDA to ungeared pre-tax operating cash flow conversion was 102%⁴

¹ EBITDA from continuing operations and excludes restructuring and transaction costs, in the respective period

² Revenue from continuing operations (refer to Appendix 4D)

³ EBITDA from continuing operations and excludes restructuring and transaction costs, in the respective period

⁴ From continuing operations and excludes restructuring and transaction costs, in the respective period

Strong operating cash flow and proceeds from the Morrison Media divestment completely funded cash outflows associated with strategic investments (AFL Publishing and Melbourne United) and capital expenditure.

Net cash as at 31 December 2018 was \$0.2 million, an improvement from \$0.5 million net debt as at 30 June 2018. A new three-year \$15.1m debt facility was entered into with the Commonwealth Bank of Australia, effective 31 August 2018. PNW remained within all banking covenants during the period.

For more details please refer to the attached Appendix 4D.

3. Key Operational Highlights

PNW continued to expand its 'Whole of Sport' offering during 1H19, with key operational highlights including the:

- acquisition of the AFL Publishing business, with 1H19 earnings in line with expectations;
- expansion of 'Whole of Sport' broadcast rights partnerships, including:
 - o Melbourne United home, away and finals games;
 - o Racing Victoria in 2018 for 18 races including marquee Spring Carnival race days;
 - o NFL for the 2018 and 2019 seasons, including one game a week, the 2019 Super Bowl LIII and International Series Games;
 - o Australian Open 2019 Grand Slam;
- commencement of Cricket Australia radio broadcasting including Big Bash League matches (secured in FY18);
- divestment of non-sport publishing business Morrison Media; and
- expanded in-stadium advertising and hospitality assets at AAMI Park.

Subsequent to 1H19, PNW has further expanded its 'Whole of Sport' broadcast rights partnerships with:

- NBA with a selection of weekend games and finals series (secured in February 2019); and
- Super Rugby Live, including broadcast of Melbourne Rebels and NSW Waratahs home games for 2019 season (secured February 2019).

PNW has invested significant resources to support these organic growth initiatives and strategic investments, with an initial return evident in 1H19. Monetisation of these initiatives and investments is expected to continue 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.

A further update including progress on FY19 guidance will be provided following completion of the March 2019 quarter.

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