

The Manager  
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## 1H20 FINANCIAL RESULTS AND FY20 GUIDANCE

Pacific Star Network Limited (**PNW**) is pleased to report its financial results for the half-year ended 31 December 2019 (**1H20**) and provide guidance for the fiscal year ending 30 June 2020 (**FY20**).

### 1. 1H20 Financial Results

1H20 revenue of \$38.7 million was up 16%<sup>1</sup> on the prior corresponding period (**pcp**). Revenue growth was delivered in a radio advertising market that was down ~10%. The strong revenue performance evidences the strength of our ability to 'connect a brand to a fan' using our 'Whole of Sport' strategy, despite volatile media advertising markets.

Underlying EBITDA<sup>2</sup> of \$4.0 million was down 20% on the pcp. The result is in line with guidance provided in October 2019, which noted the budgeted increase in FY20 operating cost investment. The planned investment is being undertaken to scale the business for ongoing and sustainable earnings growth and build strategic value.

The 1H20 result reflects:

- strong performance from owned station platforms aided by increased flexibility over inventory and costs;
- a radio syndication performance more broadly impacted by advertising market conditions and a relatively greater fixed cost structure;
- initial contributions from Precision Talent (acquired August 2019) and Rapid TV (acquired July 2019);
- no material contribution from 23 narrowband area radio licences (acquired July 2019), which have an orderly activation strategy aimed at building strategic value and increasing earnings in future periods.

Underlying EBITDA to ungeared pre-tax operating cash flow conversion was 188%<sup>3</sup> reflecting receipt of prior period receivables. Net debt as at 31 December 2019 was \$8.8 million, up from \$3.5 million at 30 June 2019.

The strong balance sheet and operating cash flow supported three strategic investments with a total cost of \$9.3m, comprising:

- 23 narrowband are radio licences (announced July 2019)
- Rapid TV (announced July 2019); and
- Precision Talent (announced August 2019).

PNW remains appropriately geared with 1.1x LTM Underlying EBITDA leverage and adequate covenant headroom.

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

### 2. Key Highlights

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

- an exclusive commercial partnership with Bowls Australia and a five-year broadcast extension;
- the launch of SEN SA's showcase radio studio situated in the heart of Adelaide;
- record digital figures achieved by Crocmedia produced AFL Trade Radio, amassing over 3 million audio and video streams across only 13 days of the AFL trade period (117% on the pcp);
- significant digital revenue growth of almost 100% on the pcp, with several Crocmedia produced

<sup>1</sup> Revenue from continuing operations (refer to Appendix 4D)

<sup>2</sup> EBITDA from continuing operations and excludes restructuring and transaction costs, in the respective period and pre impact of AASB16 Leases

<sup>3</sup> From continuing operations, excludes restructuring and transaction costs in the respective period and pre impact of AASB16 Leases

- podcasts appearing in the top 100 of the Australian Podcast Ranker; and
- re-signing of Chief Sports Caller Gerard Whateley and signing of experienced play-by-play commentator and multi-sport analyst Dwayne Russell.

PNW continued to invest significant resources to support organic growth initiatives and strategic investments. Monetisation of these initiatives 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.

### 3. FY20 Guidance and Outlook

Our ability to 'connect a brand to a fan' using our 'Whole of Sport' strategy remains a strength during volatile media advertising markets. In-line with our previous guidance update in October 2019:

- our FY20 budget includes growth in operating cost investment; and
- we have experienced revenue growth, in a media spend environment down ~10%

We expect continued revenue growth and increased earnings in 2H20 relative to 1H20.

PNW is one of Australia's leading sports media content creators, connecting with audiences on mass scale via radio, mobile, television, online, publications and stadiums, focused on a 'Whole of Sport' strategy. PNW's radio-led strategy is benefitting from an Australian radio market which commands significant advertising spending and remains relevant in a changing media landscape.

PNW is actively assessing several corporate and operational opportunities which are aligned with its strategy and can leverage its unique business attributes.

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