



SCA delivers Net Profit increase of 91%

Southern Cross Media Group Limited (ASX: SXL) (SCA) today announced its financial results for the year ended 30 June 2021. The results highlight the strength of SCA's balance sheet and the high quality of SCA's earnings and cash flow. A fully franked dividend of 5.0 cents per share will be paid for the second half of FY22.

The following table summarises the results, including comparisons to the prior year.

	FY2021	Comparison to FY2020	
Revenue	\$529.1M	\$540.8M	(2.2%)
Expenses	(\$403.2M)	(\$432.6M)	(6.8%)
EBITDA	\$125.9M	\$108.2M	16.4%
NPAT	\$48.1M	\$25.1M	91.6%
Net Debt	\$53.0M	\$132.0M	(59.8%)
Free cash conversion	122%	139%	-

Results highlights

Headline achievements for the year are summarised below.

- SCA recorded EBITDA of \$125.9M, up 16.4% on the prior year. SCA's EBITDA margin improved from 20.0% to 23.8%. NPAT of \$48.1M was up 91.6% on the prior year.
- SCA's balance sheet is robust, with healthy liquidity. Net debt has reduced to \$53.0M and SCA has significant headroom in its banking covenants. Leverage of 0.43x EBITDA is well below the covenant of 3.50x and SCA's interest coverage ratio of 15.6x comfortably exceeds the minimum covenant of 3.0x.
- Free cash conversion of 122% demonstrates the quality of SCA's earnings. This was helped by lower capital expenditure and effective cash collection from advertisers, despite the difficulties posed by COVID-19 and associated government lockdowns.
- Revenue of \$529.1M was 2.2% lower than in FY20. Audio revenue of \$359.7M declined by 3.1%, while Television revenue of \$169.0M was just 0.3% lower than in FY20. The second half of FY21 delivered a 16% improvement in group revenue over the prior year, highlighting the recovery in media markets.
- As in FY20, the impact of COVID-19 on SCA was substantially mitigated by the geographic diversity of SCA's radio portfolio. The Boomtown industry trade marketing initiative continued to add value through a concentrated education and marketing program, with national advertising revenues for regional radio 10% higher than in FY20.

- Digital advertising revenue grew by 40% to \$15.4M. This growth was underwritten by audience growth and improving monetisation in live radio streaming, led by the successful launch and maturing of SCA's new LiSTNR platform.
- Expenses of \$403.2M were down \$29.4M on FY20. This reduction reflects the benefits of structural cost savings implemented and government support received during the first half, but also includes \$7M of investment in new digital audio content and capabilities.
- Capex of \$13.8M was around half of FY19 as a result of SCA's outsourcing of capital intensive broadcast transmission and television playout functions. SCA expects to incur capex of about \$35M in FY22 to refresh core sales and finance technology systems and to relocate the Melbourne office. Eligible elements of this expenditure will qualify for immediate tax deduction in FY22.

Capital management

SCA will pay a fully franked dividend of 5.0 cents per share, representing 85% of second half NPAT. This is at the top end of SCA's policy to pay dividends of 65% to 85% of NPAT and the Board currently intends to maintain dividends within this range in future periods. The dividend will be paid on 1 October 2021.

Management commentary and outlook

Southern Cross Austereo CEO, Grant Blackley, said:

"SCA is pleased to report EBITDA of \$125.9M and NPAT of \$48.1M, up 16.4% and 91.6% respectively on the prior year. With debt at historically low levels and a leaner operating model, these results put us in a strong position to invest for the future as well as to resume payment of fully franked dividends to our shareholders.

"The launch of LiSTNR in February was an exciting moment for SCA, and our progress since launch has only added to the excitement. LiSTNR is scaling quickly with a growing community of signed-in listeners exploring and enjoying the range of premium live and on-demand audio content. Listening to podcasts on LiSTNR has grown 200% in the five months since launch and, from a zero base, listening to live radio now matches podcast consumption. We expect this momentum to support further growth of 75% to 100% in digital revenues during FY22.

"This year's Infinite Dial¹ study confirmed that audio is a popular and growing source of entertainment and information for Australians. Every month, 86% of Australians listen to live radio or catch-up radio podcasts and 74% listen to online audio. Awareness of podcasting has reached 91% while 37% of Australians now listen to at least one podcast each month. Through LiSTNR, SCA is able to serve this growing demand for digital audio and to help advertisers connect to addressable and targeted audiences at scale.

"Our Australia-wide network of 99 AM, FM and DAB+ radio stations remains the creative core of SCA, but with a new digital-first mindset. With audiences increasingly choosing to listen via digital means, our teams are finding ways to make it easy to enjoy our radio shows, podcasts, music playlists, news and other local updates on LiSTNR and other platforms.

¹ Source: *The Infinite Dial Australia 2021*

“SCA’s Television business performed well, delivering EBITDA of \$38.1M, up 59.7% compared to the prior year. While this result benefited from government support in the first half of the year, it also reflected the relatively quicker recovery of television advertising markets and SCA’s market-leading sales performance.

“Our transition to Network 10 programming from 1 July has been seamless. Subject to the performance of television markets, we expect the change of affiliation to be earnings neutral in the year ahead.

“I’m pleased to announce SCA has this week reached a provisional agreement with Google for SCA to join Google News Showcase. We expect to document the agreement in coming weeks. This new partnership with Google fairly recognises the value and reach of our national and local Triple M and Hit Network news services. The partnership will not have a material impact on SCA’s earnings but will help support our digital news journalism.”

Approved for release by the Board.

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About Southern Cross Austereo

Southern Cross Austereo (SCA) is one of Australia’s leading media companies reaching more than 95% of the Australian population through its radio, television, and digital assets. Under the Triple M and Hit network brands, SCA owns 99 stations across FM, AM, and DAB+ radio. SCA provides national sales representation for 23 regional radio stations. SCA broadcasts 92 free to air TV signals across regional Australia, reaching 4.4 million people a week, with Network 10 programming and advertising representation across Australia’s East Coast, Seven Network programming in Tasmania and Darwin, and Seven, Nine and Network 10 programming in Spencer Gulf. SCA operates LiSTNR, Australia’s free, personalised audio destination for consumers featuring radio, podcasts, music, and news. SCA also provides Australian sales representation for global open audio platform SoundCloud and Sonos Radio. SCA's premium brands are supported by social media, live events and digital platforms that deliver national and local entertainment and news content. <https://www.southerncrossaustereo.com.au/>