



PRIME MEDIA GROUP LIMITED
ACN 000 764 867

NOTICE OF EXTRAORDINARY GENERAL MEETING AND EXPLANATORY MEMORANDUM

For a proposed transaction pursuant to which a wholly-owned subsidiary of Seven West Media Limited would acquire the business and assets of Prime Media Group Limited

The Meeting will be held on **Thursday 23 December 2021 at 11:00 am (AEDT)** as a **virtual meeting**.

The Directors unanimously recommend that Shareholders **VOTE IN FAVOUR** of the proposed Resolutions in the absence of a Superior Proposal.

Prime Media Group Limited has arranged to conduct the Meeting through an online platform provided by its share registry service, Link Market Services Limited.

The online platform for the Meeting can be accessed at <https://agmlive.link/PRTEGM21>.

This Explanatory Memorandum and the Proxy Form should be read in their entirety. If you are in doubt as to how you should vote, you should seek advice from your accountant, solicitor or other professional adviser prior to voting.

Should you wish to discuss the matters in this Explanatory Memorandum, please contact the Prime Information Line on 1300 290 691 (within Australia) or +61 2 9066 4055 (outside Australia).

The Independent Expert has concluded that the Proposed Transaction as set out in this Explanatory Memorandum and the enclosed Independent Expert Report is FAIR AND REASONABLE to, and IN THE BEST INTERESTS of, Shareholders, in the absence of a Superior Proposal.

IMPORTANT NOTICES

IMPORTANT INFORMATION

This explanatory memorandum, including the Notice of Meeting and Independent Expert Report (**Explanatory Memorandum**) and Proxy Form are all important documents and require your immediate attention. If you are a Shareholder, you should read this Explanatory Memorandum and its Annexures in full, and consider its contents carefully, before deciding how to vote on the Resolutions.

PURPOSE OF THIS EXPLANATORY MEMORANDUM

This Explanatory Memorandum contains an explanation of, and information about, the Resolutions to be considered at the Extraordinary General Meeting of Prime to be held on Thursday 23 December 2021. It is given to Shareholders to provide them with information that the Directors believe to be material to Shareholders in deciding whether and how to vote on the Resolutions. This Explanatory Memorandum is required by the Corporations Act. Shareholders should read this Explanatory Memorandum in full because individual sections do not give a comprehensive review of the Resolutions.

NO FINANCIAL PRODUCT OR INVESTMENT ADVICE

The information contained in this Explanatory Memorandum does not constitute financial product advice and has been prepared without reference to your own investment objectives, financial situation, taxation position or particular needs. You must make your own decision in this regard. The information and recommendations contained in this Explanatory Memorandum do not constitute, and should not be taken as, financial product advice. This Explanatory Memorandum does not constitute financial or tax advice. You will need to consult your own financial or tax adviser regarding the consequences of the Proposed Transaction in light of your particular circumstances.

It is important that you read this Explanatory Memorandum in its entirety before making any investment decision and any decision as to whether or not to vote in favour of the Resolutions. If you are in any doubt in relation to these matters, you should consult with a financial, legal, taxation or other professional adviser.

FORWARD LOOKING STATEMENTS

This Explanatory Memorandum contains both historical and forward looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward looking statements.

All forward looking statements in this Explanatory Memorandum reflect views, and are held, only as at the date of this Explanatory Memorandum, and generally may be identified by the use of forward looking words such as 'estimate', 'believe', 'aim', 'expect', 'anticipate', 'intending', 'foreseeing', 'likely', 'should', 'planned', 'may', 'potential', or other similar words. Similarly, statements that describe Prime's objectives, plans, goals or expectations are or may be forward looking statements.

All forward looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed, projected or implied by those forward looking statements.

These factors include matters not yet known to Prime or not currently considered by Prime to be material.

Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. Neither Prime, nor any of its respective officers or any person named in this Explanatory Memorandum or involved in its preparation, makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, and Shareholders are cautioned not to place reliance on those statements.

Subject to any obligations under law or the Listing Rules, Prime has no obligation to disseminate, after the date of this Explanatory Memorandum, any updates or revisions to any forward looking statements to

reflect any change in expectation in relation to those statements or any change in events, conditions or circumstances on which any such statement is based.

NOTICE TO PERSONS OUTSIDE AUSTRALIA

This Explanatory Memorandum has been prepared in accordance with Australian laws, disclosure requirements and accounting standards. These laws, disclosure requirements and accounting standards may be different to those in other countries.

DISCLAIMER

No person is authorised to give any information or make any representation in connection with the Resolutions which is not contained in this Explanatory Memorandum. Any information or representation not contained in this Explanatory Memorandum must not be relied on as having been authorised by Prime, the Board or the Directors in connection with the Resolutions.

RESPONSIBILITY FOR INFORMATION

Loneragan Edwards & Associates Limited has prepared the Independent Expert Report and has given, and has not withdrawn, as at the date of this Explanatory Memorandum, its written consent to the inclusion of the Independent Expert Report, and the references to that report, in the form and context in which they are included in this Explanatory Memorandum. Loneragan Edwards & Associates Limited takes responsibility for that report but is not responsible for any other information contained in this Explanatory Memorandum. Neither Prime nor any of its related entities, directors, officers, employees, contractors, advisers or agents assumes any responsibility for the accuracy or completeness of the Independent Expert Report. Shareholders are urged to read the Independent Expert Report carefully to understand the scope of the report, the methodology of the assessment, the sources of information and the assumptions made.

DEFINITIONS

Defined terms are used in this Explanatory Memorandum. The meanings of the defined terms are in the Glossary.

ASIC and ASX

Neither ASIC, ASX nor any of their respective officers takes any responsibility for the contents of this Explanatory Memorandum.

DATE

This Explanatory Memorandum is dated 22 November 2021.

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INDICATIVE TIMETABLE

Event	Anticipated date
Final time for lodgement of Proxy Form for the Meeting	11:00 am AEDT on Tuesday 21 December 2021
Voting Record Date for voting at the Meeting	7:00 pm AEDT on Tuesday 21 December 2021
Meeting of Shareholders	11:00 am AEDT on Thursday 23 December 2021
Expected timing for Completion of Asset Sale under the Share Sale Agreement	Friday 31 December 2021
Announcement of Proposed Distribution	Expected Friday 21 January 2022
Date on which ASX will suspend trading in Shares	Expected Tuesday 25 January 2022 (on close of trading)
Expected Distribution Record Date for the Proposed Distribution	Expected 7:00 pm AEDT on Friday 28 January 2022
Expected Distribution Payment Date for the Proposed Distribution	Expected Tuesday 1 February 2022

All references to dates and times in this timetable and in this Explanatory Memorandum generally are references to Sydney, Australia-time.

DATES MAY CHANGE

All dates and times in this timetable and throughout this Explanatory Memorandum are indicative only. The Board reserves the right to vary the dates and times set out above subject to the Corporations Act, the Listing Rules and other applicable law.

In particular, Completion of the Asset Sale is subject to the terms of the SSA, including satisfaction of the Conditions Precedent. Timing of satisfaction of the Conditions Precedent, including receipt of ACCC approval, is uncertain as at the date of this Explanatory Memorandum.

Any changes to this timetable will be announced through ASX and notified on Prime's website (<https://primemedia.com.au>).

LETTER FROM THE CHAIR

Dear Shareholder,

On behalf of the Board of Prime Media Group Limited (**Prime** or the **Company**), I am pleased to invite you to an Extraordinary General Meeting (**Meeting**) to be held virtually at 11:00 am AEDT on Thursday 23 December 2021.

As announced to the market on Monday 1 November 2021, the Company has entered into a Share Sale Agreement (**SSA**) for the sale of Prime's business and assets to Seven Network (Operations) Limited (**Seven**), a wholly-owned subsidiary of Seven West Media Limited (**SWM**), for cash consideration of A\$131.88 million (adjusted in accordance with the terms of the SSA) (the **Asset Sale**).

Prime intends to distribute the proceeds of the Asset Sale to Shareholders promptly following Completion of the Asset Sale (the **Proposed Distribution** and, together with the Asset Sale, the **Proposed Transaction**). Prime currently estimates that the Proposed Distribution will be in the amount of A\$0.36 per Share.¹

The Board **unanimously recommends Shareholders vote in favour** of the Resolutions to effect the Proposed Transaction, in the absence of a Superior Proposal. The Board has formed this view for the following reasons:

- the Proposed Distribution, estimated to be in the amount of A\$0.36 per Share, represents a significant premium to relevant Share price metrics, including its trading prices over the past 5 years;
- certainty of cash mitigates future risks that would otherwise be borne by Shareholders;
- the Independent Expert has opined that the Proposed Transaction is fair and reasonable and in the best interest of Shareholders, in the absence of a Superior Proposal; and
- a number of major Shareholders have already indicated their support for the Proposed Transaction.

Both CEO Ian Audsley and I are Shareholders and intend to vote in favour of all Resolutions, in the absence of a Superior Proposal.

Below I provide an update on our current trading performance and further rationale for our recommendations.

Trading update and market outlook

For the 3 month period ended 30 September 2021, Prime recorded total revenue (on an unaudited basis) of A\$52.0 million, which represents an 18.8% increase on the prior corresponding period. This increase was primarily due to a one-off increase in advertising revenues associated with the broadcast of the Tokyo Olympic Games. Advertising revenues for the prior corresponding period were also impacted by the COVID-19 pandemic, which disrupted the broadcast of the 2020 AFL final series. As a result of the improvement in revenue, EBITDA of A\$11.2 million increased 21.5% on the prior corresponding period.

Despite the relatively strong performance for YTD FY22, the Board continues to believe that the outlook for regional television audiences and advertising markets will remain structurally challenged. The disruptive presence of AVOD, SVOD and BVOD services in our regional markets, coupled with our inability to provide the Prime signal over BVOD services, continues to fragment television audience viewing habits and has an adverse impact on advertising revenues available to Prime.

Further, as a regional affiliate of SWM's metropolitan network, Prime's earnings are highly reliant on its Program Supply Agreement (**PSA**) with SWM, which is currently due to expire on 30 June 2023. At that time, there is an opportunity for other broadcasters to bid for the supply of SWM's programming in Prime's existing markets, which presents a potential and material risk to Prime's future earnings. There is no certainty that the PSA will be renewed, or renewed on satisfactory terms for Prime. An adverse outcome has the potential to materially reduce Prime's profitability.

¹ The precise amount of the Proposed Distribution will be determined at or following Completion of the Asset Sale, having regard to the financial position of Prime at that time. The characterisation of the Proposed Distribution for tax purposes is subject to an ATO class ruling.

Further information in relation to the Proposed Transaction

Under the SSA, subject to the satisfaction of certain conditions, Prime will transfer to Seven:

- 100% of the share capital in two wholly-owned subsidiaries, being Prime Television (Holdings) Pty Ltd (**Prime Television Holdings**) and Seven Affiliate Sales Pty Ltd (**SAS**); and
- certain assets and liabilities relating to the Prime business.

Completion of the Asset Sale (and, accordingly, the Proposed Distribution) is conditional on:

- Shareholders approving both the Asset Sale Resolution and the Proposed Distribution Resolution at the Meeting. These Resolutions must be approved by an ordinary resolution, which requires approval by at least 50% of votes cast by Shareholders entitled to vote;
- ACCC approval and customary regulatory matters; and
- no material adverse change occurring in respect of Prime.

The Proposed Transaction will not proceed unless both the Asset Sale Resolution and the Proposed Distribution Resolution are approved by Shareholders. Subject to the approval of these Resolutions and satisfaction of all other Conditions Precedent, it is currently expected that the Asset Sale will complete on or about Friday 31 December 2021. An overview of the key terms of the SSA can be found in Annexure 1 of this Explanatory Memorandum.

At Completion, it is anticipated that Prime will have A\$131.88 million in available cash. Post-Completion, Prime is expected to incur costs relating to the Proposed Transaction and in relation to the intended wind-up of the Company following the Proposed Transaction. Under the terms of the SSA, Seven has agreed to pay these costs subject to certain terms and conditions.

Accordingly, Prime currently estimates that the full A\$131.88 million will be available for distribution to Shareholders, which equates to A\$0.36 per Share.² This represents a premium of:

- 57% to the closing price of Shares on 29 October 2021;
- 55% to the one month volume weighted average price (**VWAP**) of Shares; and
- 50% to the three month VWAP of Shares.³

Subject to Completion of the Asset Sale, Prime expects the Proposed Distribution to be paid on 1 February 2022.⁴ Prime currently anticipates the Proposed Distribution to be comprised of the following:

- a fully franked special dividend of A\$0.26 per Share (which will have a franking value of up to approximately A\$0.11 per Share) (subject to receipt of a class ruling from the ATO); and
- a return of capital of A\$0.10 per Share.

The characterisation of the Proposed Distribution for tax purposes is subject to an ATO class ruling. The Company has applied to the ATO for a class ruling seeking confirmation of the tax treatment of the equal return of capital and the fully franked special dividend for certain Shareholders who hold their Shares on capital account. Only once the ATO has issued its class ruling can the final nature of the Proposed Distribution be known, for tax purposes, with certainty. The class ruling is only expected to be issued after the Proposed Distribution has been made.

Independent Expert Report

The Board has appointed Lonergan Edwards & Associates Limited as an Independent Expert to opine on whether the Proposed Transaction is in the best interests of Shareholders. The Independent Expert has concluded that the Proposed Transaction is fair and reasonable and in the best interests of Shareholders, in the absence of a Superior Proposal. A full copy of the Independent Expert Report is set out in Schedule 1 of this Explanatory Memorandum. You are encouraged to read the Independent Expert Report in full.

² The precise amount of the Proposed Distribution will be determined following Completion of the Asset Sale, having regard to the financial position of Prime at that time. The characterisation of the Proposed Distribution for tax purposes is subject to an ATO class ruling.

³ VWAP based on the period up to and including 29 October 2021, being the last trading day prior to the announcement of the Asset Sale.

⁴ The timetable for the Proposed Transaction is indicative and subject to change.

Name Change

As part of the Company's obligations under the SSA, it must transfer ownership of the intellectual property associated with the Prime business, including the word 'Prime', and use reasonable endeavours to change its name to a name that does not include the word 'Prime'.

Accordingly, the Board proposes to change the name of the Company to 'PRT Company Limited' and to make consequential amendments to the Company's Constitution (**Name Change**).

The Proposed Transaction is not conditional on approval of the Name Change Resolution. Nevertheless, the Board recommends that you vote in favour of the Name Change Resolution.

Actions following the Proposed Transaction

Following the Asset Sale, the Company will have divested its assets and will have no material operations. The Company will also distribute all of its available cash to Shareholders pursuant to the Proposed Distribution.

Based on the current timetable for the Proposed Transaction, ASX has advised that it intends to suspend trading in the Shares from the close of trading on Tuesday 25 January 2022.⁵

In the period following payment of the Proposed Distribution, the Company currently intends to proceed with a voluntary winding-up and will seek Shareholder approval to initiate that process at the relevant time. While the precise timing of these actions would only be determined following the Proposed Transaction, it is currently anticipated that this process would be initiated in February 2022 or as soon as practicable thereafter.

Major Shareholder support

A number of major Shareholders, holding in aggregate approximately 43.2% of Shares, have confirmed to Prime that they intend to vote in favour of the Proposed Transaction on the following bases.⁶

- WA Chess Investments Pty Ltd holds approximately 22.99% of Shares and has confirmed that it intends to vote in favour of resolutions in relation to the Proposed Transaction in the absence of a Superior Proposal.
- Birketu Pty Ltd holds approximately 11.4% of Shares and has confirmed that it intends to vote in favour of resolutions in relation to the Proposed Transaction in the absence of a Superior Proposal.
- Keybridge Capital Limited holds approximately 3.7% of Shares and has confirmed that it intends to vote in favour of resolutions in relation to the Proposed Transaction in the absence of a Superior Proposal and subject to the Independent Expert concluding that the Proposed Transaction is in the best interests of Shareholders.
- Regal Funds Management Pty Ltd holds approximately 2.92% of Shares and has confirmed that it intends to vote in favour of resolutions in relation to the Proposed Transaction in the absence of a Superior Proposal and subject to the Independent Expert concluding that the Proposed Transaction is in the best interests of Shareholders.
- Spheria Asset Management Pty Ltd has a relevant interest in approximately 2.2% of Shares and has confirmed that it intends to vote in favour of resolutions in relation to the Proposed Transaction in the absence of a Superior Proposal and subject to the Independent Expert concluding that the Proposed Transaction is in the best interests of Shareholders.

As at the date of this Explanatory Memorandum, SWM currently holds approximately 54,594,367 Shares, equating to a 14.90% interest in Prime. Seven is a wholly-owned subsidiary of SWM. SWM is therefore excluded from voting on the Asset Sale Resolution.

⁵ The timetable for the Proposed Transaction is indicative and subject to change.

⁶ The shareholdings below are current as at Tuesday 9 November 2021.

How to vote

Your vote is important regardless of how many Shares you own. We strongly recommend that all Shareholders lodge their votes via the Company's share registry platform prior to the Meeting or by appointing a proxy prior to 11:00 am AEDT on Tuesday 21 December 2021.

I encourage you to attend the virtual Meeting on Thursday 23 December 2021 by logging in to <https://agmlive.link/PRTEGM21> or by completing the Proxy Form accompanying this Explanatory Memorandum and returning it in accordance with the directions on the form so it is received by 11:00 am AEDT on Tuesday 21 December 2021.

Further information

This Explanatory Memorandum sets out important information regarding the Meeting, including the reasons for the Board's unanimous recommendation that you vote in favour of the Asset Sale Resolution, the Proposed Distribution Resolution and the Name Change Resolution, in the absence of a Superior Proposal. It also sets out the reasons why you may wish to vote against the Resolutions.

Please read this document carefully and in its entirety, as it will assist you to make an informed decision on how to vote at the Meeting. If you are in any doubt about what you should do, you should consult your financial, legal, tax and other professional advisers before making any investment decision in relation to your Shares.

If you require any further information, please contact 1300 290 691 (within Australia) or +61 2 9066 4055 (outside Australia).

Yours sincerely



Cass O'Connor
Chair

Dated: 22 November 2021

KEY CONSIDERATIONS RELEVANT TO YOUR VOTE

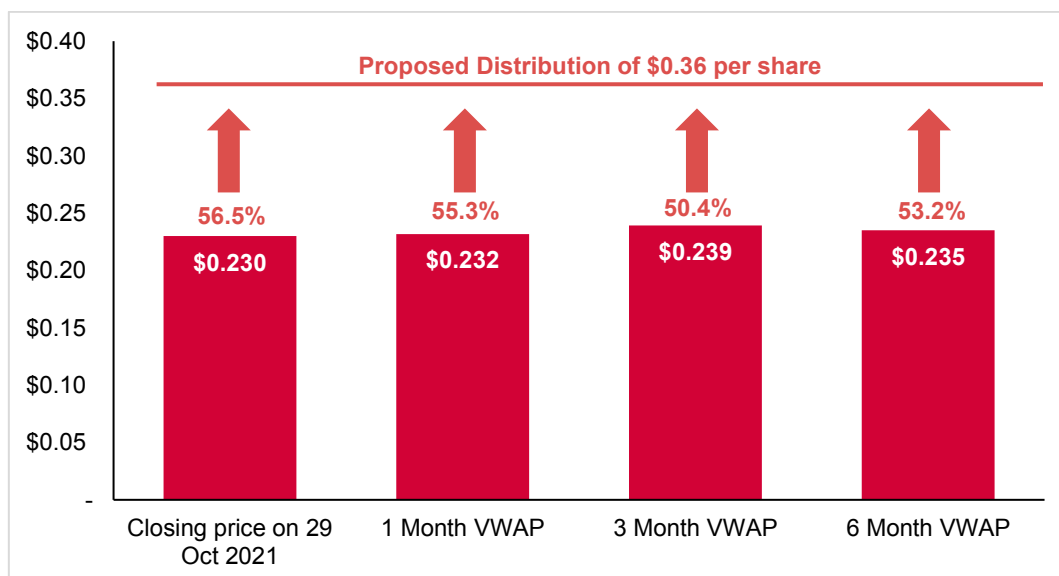
Reasons to vote in FAVOUR of the Resolutions in accordance with the Board's unanimous recommendation	Reasons you may wish to vote AGAINST the Resolutions
The Proposed Distribution, estimated to be in the amount of A\$0.36 per Share, represents a significant premium to relevant Share price metrics	Notwithstanding the Board's unanimous recommendation and the opinion of the Independent Expert that the Proposed Transaction is fair and reasonable and in the best interests of Shareholders, in the absence of a Superior Proposal, you may wish to remain a Shareholder of a continuing Prime business
The Proposed Distribution, estimated to be in the amount of A\$0.36 per Share, is generally higher than Prime's trading prices over the past 5 years	You may consider there is the potential for a Superior Proposal to emerge (noting that, as at the date of this Explanatory Memorandum, no Superior Proposal has emerged)
Certainty of cash mitigates future risks that would otherwise be borne by Shareholders	The characterisation of the Proposed Distribution for tax purposes is subject to receipt of an ATO class ruling and the tax consequences of the Proposed Transaction may not suit your current financial circumstances
The Independent Expert has opined that the Proposed Transaction is fair and reasonable and in the best interests of Shareholders, in the absence of a Superior Proposal	Despite the opinion of the Independent Expert and the unanimous recommendation of the Board, you may believe that the Asset Sale is not fair and reasonable or in the best interests of Shareholders
A number of major Shareholders, holding in aggregate approximately 43.2% of the Shares, have already indicated their support for the Proposed Transaction	You may be concerned about the potential uncertainty in relation to the precise quantum of the Proposed Distribution

1. Reasons to vote in FAVOUR of the Resolutions

(a) The Proposed Distribution, estimated to be A\$0.36 per Share, represents a significant premium to relevant Share price metrics

The Board believes that the Asset Sale consideration has regard to the strategic value of Prime's assets to SWM, with the Proposed Distribution currently estimated to be in the amount of A\$0.36 per Share representing a significant premium to relevant Share price metrics before the announcement of the Proposed Transaction.

Figure 1: Premia based on the estimated Proposed Distribution versus Prime's key Share trading metrics

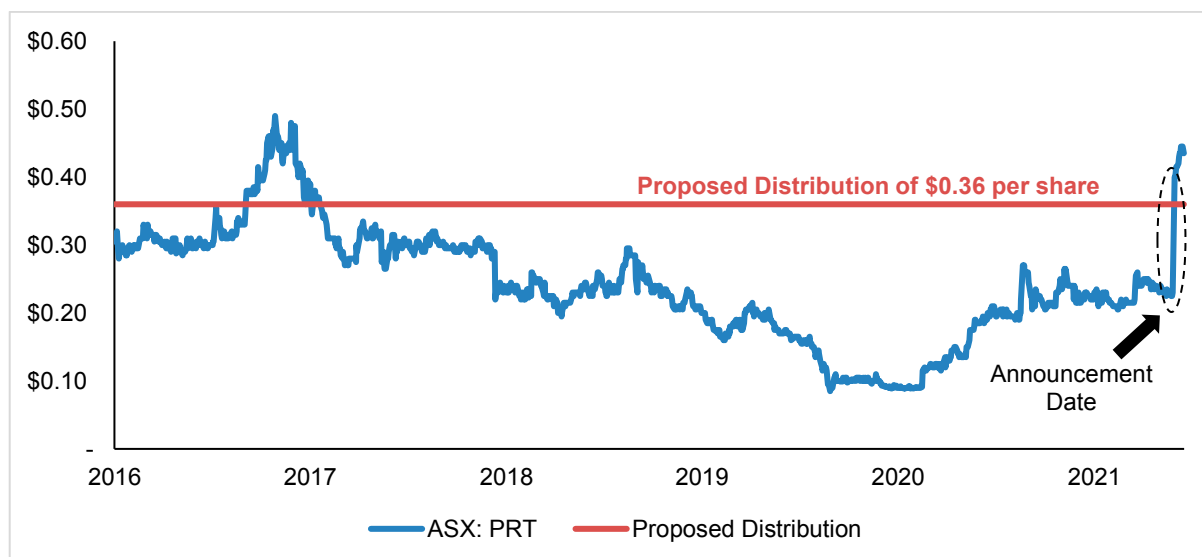


Source: IRESS⁷

(b) The Proposed Distribution, currently estimated to be in the amount of A\$0.36 per Share, is generally higher than Prime's trading prices over the past 5 years

The Board believes that if the Asset Sale were to be unsuccessful, and if there were subsequently no alternative offers or proposals, it is likely Shares will revert to pre-announcement trading prices, which are at a significant discount to the Proposed Distribution.

Figure 2: Prime's Share price over the past 5 years



Source: IRESS⁸

⁷ All Share price data as at 29 October 2021, being the last trading day prior to the announcement of the Asset Sale.

⁸ All Share price data as at Wednesday 17 November 2021.

(c) Certainty of cash mitigates future risks that would otherwise be borne by Shareholders

The Board believes that the Proposed Transaction crystallises a certain cash outcome for Shareholders and removes several risks that would otherwise be borne by Shareholders. These include, but are not limited to, the structural decline of traditional FTA broadcasting viewership and national-agency and regional-direct advertising revenues, ongoing renewal risks relating to the PSA with SWM and execution risks relating to Prime's revenue diversification strategy.

Structural decline of traditional FTA broadcasting viewership and regional advertising revenues

Regional audiences and regional advertising markets continue to be disrupted by the strengthening of AVOD, SVOD and BVOD services. These online digital services have fragmented television audience viewing habits and advertising revenues, ultimately having a direct impact on Prime's audience and revenue base. Regional television broadcasters, including Prime, do not have access to digital content rights, which are held by the respective metropolitan broadcasters. Accordingly, Prime is precluded from distributing its programming on digital platforms such as AVOD, SVOD or BVOD. As a result, Prime does not have the capacity to create services of a sufficiently high standard, or depth of content, to attract sustainable audiences and revenue. This structural shift, coupled with Prime's substantial fixed transmission costs to broadcast across regional Australia, will likely continue to adversely impact Prime's financial performance in the medium and longer term.

PSA renewal risks

Prime's television programming is currently almost exclusively sourced from SWM under its PSA, which is due to expire on 30 June 2023. Although Prime has a long-standing partnership with SWM and a history of renewing the PSA, there is no certainty that the PSA will be renewed or that it will be renewed on terms satisfactory to Prime.

The Board notes that failure to renew the PSA with SWM, or the failure to reach a satisfactory agreement with an alternative broadcaster, is likely to have a material impact on viewership and profitability.

Execution of revenue diversification strategies

In line with its stated strategy to diversify its revenue sources, Prime, on a standalone basis, intends to review potential acquisition and growth opportunities which, if executed, may require significant capital and management resources. Further, there is no guarantee that Prime will be able to successfully execute this strategy and generate additional value for all Shareholders. Prime has considered a number of potential acquisitions in pursuing this strategy to date, but has not identified a transaction that it considers to be in the best interests of Shareholders.

(d) The Independent Expert has opined that the Proposed Transaction is fair and reasonable and in the best interests of Shareholders

The Board appointed Lonergan Edwards & Associates Limited to prepare an Independent Expert Report, including an opinion as to whether the Proposed Transaction is in the best interests of Shareholders. The Independent Expert has concluded that the Proposed Transaction is fair and reasonable and in the best interests of Shareholders, in the absence of a Superior Proposal.

As at the date of this Explanatory Memorandum, the Proposed Transaction is the only offer available to Shareholders and the Directors are not aware of any other offer or proposal that might be an alternative to the Proposed Transaction.

(e) A number of major Shareholders have already indicated their support for the Proposed Transaction

The Board notes that major Shareholders, holding in aggregate approximately 43.2% of Shares as at Tuesday 9 November 2021, have confirmed to Prime that they intend to vote in favour of the Proposed Transaction in the absence of a Superior Proposal and, in some cases, subject to

the Independent Expert opining that the Proposed Transaction is in the best interests of Shareholders.

As at the date of this Explanatory Memorandum, no Competing Proposal has been received. Further, the Board notes that the Independent Expert has opined that the Proposed Transaction is fair and reasonable, and in the best interests of Shareholders (in the absence of a Superior Proposal).

2. Reasons you may wish to vote AGAINST the Resolutions

(a) You may wish to remain a Shareholder of a continuing Prime business

The Asset Sale will involve the disposal of Prime's business in its entirety. In the period following payment of the Proposed Distribution, the Company currently intends to proceed with a voluntary winding-up and will seek Shareholder approval to initiate that process at the relevant time. You may prefer to remain a Shareholder of a continuing Prime business, entitling you to participate in its future financial performance.

(b) You may consider that there is the potential for a Superior Proposal to emerge

You may believe that a Superior Proposal for Prime could emerge in the foreseeable future. However, you should note that as at the date of this Explanatory Memorandum, no Competing Proposal (superior or otherwise) had been received and there can be no assurances that any will emerge in the future.

(c) Tax consequences of the Proposed Distribution are subject to an ATO class ruling

Prime currently estimates that the Proposed Distribution will be in the amount of A\$0.36 per Share and anticipates it will be comprised of a A\$0.26 fully franked special dividend and a A\$0.10 return of capital. The characterisation of the frankable portion of the special dividend component and the treatment of the return of capital for tax purposes are, however, subject to receipt of an ATO class ruling and there can be no assurances that the outcome of the class ruling will be favourable to you.

Prime has sought a class ruling on behalf of Shareholders to provide certainty to Shareholders and to avoid the need for individual Shareholders to seek private rulings on the treatment of the special dividend and return of capital, including on the application by the Commissioner of Taxation of certain tax integrity rules (discussed further below). Although it is expected that the class ruling will confirm the tax treatment of the Proposed Distribution on the basis of a view which is broadly consistent with the summary outlined in section 8 of the section of this Explanatory Memorandum titled 'Resolution 2 – Proposed Distribution Resolution', it is important that Shareholders be aware that there is a risk that the Commissioner of Taxation may reach an alternative view. The final class ruling has not been issued as at the date of this Explanatory Memorandum and will not be issued prior to payment of the Proposed Distribution. You should consult your own taxation adviser to determine the tax consequences relevant to your specific circumstances.

(d) You may believe that the Proposed Transaction is not fair and reasonable or in the best interests of Shareholders

Notwithstanding the unanimous recommendation of the Directors and the Independent Expert's opinion that the Proposed Transaction is fair and reasonable and in the best interests of Shareholders (in the absence of a Superior Proposal), you may believe that the Proposed Transaction is not fair or not reasonable, or otherwise not in your best interests or in the best interests of Shareholders as a whole.

(e) You may be concerned about the potential uncertainty in relation to the precise amount of the Proposed Distribution

Prime intends to distribute the proceeds of the Asset Sale to Shareholders promptly following Completion of the Asset Sale and currently estimates that the Proposed Distribution will be in the amount of A\$0.36 per Share. However, the precise amount of the Proposed Distribution will only be determined following Completion of the Asset Sale, having regard to the financial position of

Prime at that time. While the Board currently has no reason to consider that Prime's financial position will change prior to the time of the Proposed Distribution such that the Proposed Distribution is a lesser amount than the current estimate, it is possible that this may occur.

KEY QUESTIONS ANSWERED

QUESTION	ANSWER	MORE INFORMATION
Overview of the Proposed Transaction and Resolutions		
Why have I received this Explanatory Memorandum?	<p>This Explanatory Memorandum has been sent to you because you are a Shareholder.</p> <p>This Explanatory Memorandum is intended to help you to decide on how to vote on the proposed Resolutions relating to the Proposed Transaction to be considered at the Meeting of Shareholders to be held on Thursday 23 December 2021.</p> <p>You should read this Explanatory Memorandum carefully and, if necessary, consult your legal, tax, financial or other independent professional adviser before voting on the proposed Resolutions.</p>	Important Notices
What is the Proposed Transaction?	<p>The Proposed Transaction is comprised of:</p> <ul style="list-style-type: none"> the Asset Sale, being the sale of Prime's business and assets to Seven; and the Proposed Distribution, which is the distribution of the proceeds of the Asset Sale to Shareholders. <p>Further details in respect of the Asset Sale and Proposed Distribution are set out below.</p>	<p>Further information in relation to the Resolutions, Resolution 1 – Asset Sale Resolution, Section 1 (<i>Overview</i>)</p> <p>Further information in relation to the Resolutions, Resolution 2 – Proposed Distribution Resolution, Section 1 (<i>Overview</i>)</p>
What are the Resolutions?	<p>The Resolutions include:</p> <ul style="list-style-type: none"> the Asset Sale Resolution: to approve the sale of Prime's business and assets to Seven; the Proposed Distribution Resolution: to approve the distribution of the proceeds of the Asset Sale to Shareholders; and the Name Change Resolution: to approve the change of Prime's name to 'PRT Company Limited'. <p>Further details in respect of the Resolutions are set out below.</p>	<p>Further information in relation to the Resolutions, Resolution 1 – Asset Sale Resolution</p> <p>Further information in relation to the Resolutions, Resolution 2 – Proposed Distribution Resolution</p> <p>Further information in relation to the Resolutions, Resolution 3 – Name Change Resolution</p>
What do the Directors recommend and how do they intend to vote?	The Board unanimously recommends Shareholders vote in favour of all Resolutions to effect the Proposed Transaction, in the absence of a Superior Proposal, being the Asset Sale Resolution, the Proposed Distribution	Letter from the Chair

QUESTION	ANSWER	MORE INFORMATION
	<p>Resolution and the Name Change Resolution.</p> <p>Each Director who is also a Shareholder intends to vote in favour of the Resolutions, in each case in the absence of a Superior Proposal and subject to the Independent Expert maintaining its opinion that the Proposed Transaction is in the best interests of Shareholders (in the absence of a Superior Proposal).</p>	
What is the opinion of the Independent Expert?	The Independent Expert has concluded that the Proposed Transaction is fair and reasonable and in the best interests of Shareholders, in the absence of a Superior Proposal.	Schedule 1 (Independent Expert Report)
What are the benefits of the Proposed Transaction?	<p>The Proposed Transaction is expected to deliver Shareholders the opportunity to crystallise value at a significant premium to recent and historical share prices. The Proposed Distribution, currently estimated to be in the amount of A\$0.36 per Share, represents a premium of:</p> <ul style="list-style-type: none"> • 57% to the closing price of Shares on 29 October 2021; • 55% to the one month VWAP to 29 October 2021; and • 50% to the three month VWAP of Shares.⁹ <p>Shareholders should also take into consideration the significant risks and uncertainties currently being faced by Prime, including (but not limited to):</p> <ul style="list-style-type: none"> • structural decline of traditional FTA broadcasting viewership and regional advertising revenues; • ongoing renewal risks relating to the PSA with SWM; and • execution risks relating to Prime's revenue diversification strategy. <p>The Proposed Transaction will provide a certain cash outcome for Shareholders and mitigate these risks that would otherwise be borne by Shareholders.</p>	Key considerations relevant to your vote
What are the disadvantages of the Proposed Transaction?	Should the Resolutions be passed, Shareholders will receive the Proposed Distribution. In the period following payment of the Proposed Distribution, the Company currently intends to proceed with a voluntary winding-up and will seek Shareholder approval to initiate that process at the relevant time. This will mean Shareholders no longer have exposure to Prime's operations or businesses, which may not align with your investment preferences should you wish	Key considerations relevant to your vote

⁹ Share price data up to 29 October 2021, being the last trading day prior to the announcement of the Asset Sale.

QUESTION	ANSWER	MORE INFORMATION
	<p>to remain a Shareholder of a continuing Prime business.</p> <p>Furthermore, if the Resolutions are passed, Shareholders will no longer have the opportunity to receive any potential Superior Proposals in the future. However, the Directors note that as at the date of this Explanatory Memorandum, no Competing Proposal (superior or otherwise) has been received relating to Prime.</p>	
Have any statements of support been received from Shareholders?	Yes. Certain major Shareholders, holding in aggregate approximately 43.2% of Shares, have confirmed to Prime that they intend to vote in favour of the Asset Sale and Proposed Distribution in the absence of a Superior Proposal and, in some cases, subject to the Independent Expert opining that the Proposed Transaction is in the best interests of Shareholders.	Letter from the Chair
<i>Voting at the Meeting</i>		
What voting majority is required to approve the Resolutions?	<p>The Asset Sale Resolution and the Proposed Distribution Resolution must be approved by at least 50% of votes cast by Shareholders entitled to vote on the Resolutions.</p> <p>The Name Change Resolution must be approved by at least 75% of votes cast by Shareholders entitled to vote on the Resolution.</p> <p>The Asset Sale Resolution and the Proposed Distribution Resolution are interconditional, which means they must both be approved for the Proposed Transaction to proceed.</p>	Notice of Meeting
Am I entitled to vote?	<p>If you are registered as a Shareholder on the Prime Registry at 7:00 pm on Tuesday 21 December 2021 (the Voting Record Date) then you will be entitled to attend and vote at the Meeting.</p> <p>SWM is excluded from voting on the Asset Sale Resolution.</p>	Voting Information
How do I vote?	<p>Shareholders may vote either:</p> <ul style="list-style-type: none"> during the Meeting using the online platform as set out under the heading 'Voting via the Online Platform' in the section titled 'Voting Information'; or by completing and returning the attached Proxy Form in one of the other ways specified under the heading 'Appointing a proxy' in the section titled 'Voting Information' by 11:00 am (AEDT) on Tuesday 21 December 2021. 	Voting Information
How will voting at the Meeting be conducted?	Voting at the Meeting will be conducted by way of a poll.	Voting Information

QUESTION	ANSWER	MORE INFORMATION
	This means that every Shareholder who is present in person or by proxy, representative or attorney will have one vote for each Share held by them.	
Can I vote differently on each Resolution?	Yes, you may vote differently on each Resolution. However, the Asset Sale Resolution and the Proposed Distribution Resolution are interconditional, which means they must both be approved for the Proposed Transaction to proceed.	N/A
What happens if some of the Resolutions are approved, but others are not?	The Asset Sale Resolution and the Proposed Distribution Resolution are interconditional, which means they must both be approved for the Proposed Transaction to proceed. However, only the Asset Sale Resolution and the Proposed Distribution Resolution need to be approved in order for the Proposed Transaction to proceed. The Proposed Transaction can still proceed (subject to satisfaction of the Conditions Precedent), if the Name Change Resolution is not approved.	Voting Information
When and where will the Meeting be held?	<p>The Meeting is scheduled for 11:00 am AEDT (Sydney time) on Thursday 23 December 2021.</p> <p>The Meeting will be held virtually using the online platform described in the Voting Information. Accordingly, Shareholders will not be able to physically attend the Meeting.</p> <p>Further information is set out in the Notice of Meeting.</p>	Voting Information
What if I cannot attend the Meeting?	If you are unable to attend the Meeting, you are entitled to appoint a proxy to attend virtually on your behalf. If you choose to appoint a proxy, you must complete and return the attached Proxy Form as specified by the instructions outlined on the form.	Voting Information
Where and when do I send my Proxy Form?	<p>To vote by proxy, you need to complete and return the Proxy Form accompanying this Explanatory Memorandum. You must ensure that your Proxy Form (and a certified copy of the relevant authority under which it is signed) is received by the Prime Registry on behalf of the Company no later than 11:00 am AEDT on Tuesday 21 December 2021:</p> <ul style="list-style-type: none"> by mail to Prime Media Group Limited c/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235; by fax to Link Market Services Limited on (02) 9287 0309; electronically at www.linkmarketservices.com.au (as detailed on the Proxy Form). 	Voting Information

QUESTION	ANSWER	MORE INFORMATION
When will the results of the Meeting be known?	The results of the Meeting will be available shortly after the conclusion of the Meeting and will be announced to ASX once available.	N/A
What are my options?	Shareholders have the following choices in relation to the Resolutions: <ul style="list-style-type: none"> • vote in favour of the Resolutions at the Meeting; • vote against the Resolutions at the Meeting; • sell their Shares on ASX; or • do nothing. 	N/A
Further detail in relation to the Proposed Transaction		
What is the Asset Sale?	<p>The Asset Sale is the transaction documented under the SSA pursuant to which (subject to satisfaction of the Conditions Precedent), Prime will transfer to Seven:</p> <ul style="list-style-type: none"> • 100% of the share capital in two wholly-owned subsidiaries, being Prime Television (Holdings) Pty Ltd and Seven Affiliate Sales Pty Ltd; and • certain assets and liabilities relating to the Prime business. <p>An overview of the key terms of the SSA can be found in Annexure 1.</p>	<p>Further information in relation to the Resolutions, Resolution 1 – Asset Sale Resolution, Section 1 (<i>Overview</i>)</p> <p>Annexure 1 (<i>Overview of the Share Sale Agreement</i>)</p>
What is the Proposed Distribution?	<p>The Proposed Distribution is the means by which Prime intends to distribute the proceeds from the Asset Sale to Shareholders post-Completion. Subject to the Asset Sale Resolution and Proposed Distribution Resolution being approved by Shareholders and Completion of the Asset Sale occurring, Prime currently estimates that the Proposed Distribution will be A\$0.36 per Share and currently anticipates the Proposed Distribution to be comprised of the following:</p> <ul style="list-style-type: none"> • a fully franked special dividend of A\$0.26 per Share (which will have a franking value of up to approximately A\$0.11 per Share) (subject to receipt of a class ruling from the ATO); and • a return of capital of A\$0.10 per Share.¹⁰ <p>It is expected that the Proposed Distribution will be paid on or around 1 February 2022.¹¹</p>	<p>Further information in relation to the Resolutions, Resolution 2 – Proposed Distribution Resolution, Section 1 (<i>Overview</i>)</p> <p>Further information in relation to the Resolutions, Resolution 2 – Proposed Distribution Resolution, Section 2 (<i>Reasons for the Proposed Distribution</i>)</p>
Are there any conditions to be satisfied in order for the Proposed Transaction to proceed?	<p>The Asset Sale is subject to a number of Conditions Precedent, including the following:</p> <ul style="list-style-type: none"> • receipt of all necessary regulatory approvals (including ACCC approval); 	Annexure 1 (<i>Key Terms of the Share Sale Agreement</i>)

¹⁰ The precise amount of the Proposed Distribution will be determined following Completion of the Asset Sale, having regard to the financial position of Prime at that time. The characterisation of the Proposed Distribution for tax purposes is subject to an ATO class ruling. .

¹¹ The timetable for the Proposed Transaction is indicative and subject to change.

QUESTION	ANSWER	MORE INFORMATION
	<ul style="list-style-type: none"> • Shareholder approval of the Asset Sale Resolution; • Shareholder approval of the Proposed Distribution Resolution; and • no Material Adverse Change occurring. <p>An overview of the key terms of the SSA can be found in Annexure 1.</p>	
What will happen to Prime if the Proposed Transaction is implemented?	<p>Following the Asset Sale, the Company will have divested its assets and will have no material operations. Prime will also distribute all of its available cash to Shareholders pursuant to the Proposed Distribution.</p> <p>Based on the current timetable for the Proposed Transaction, the ASX has advised that it intends to suspend trading in Shares from the close of trading on Tuesday 25 January 2022.¹²</p> <p>In the period following payment of the Proposed Distribution, the Company currently intends to proceed with a voluntary winding-up and will seek Shareholder approval to initiate that process at the relevant time. While the precise timing of these actions would only be determined following the Proposed Transaction, it is currently anticipated that this process would be initiated in February 2022 or as soon as practicable thereafter.</p>	<p>Letter from the Chair</p> <p>Further information in relation to the Resolutions, Resolution 1 – Asset Sale Resolution, Section 5.5 (<i>Intentions if the Asset Sale proceeds</i>)</p> <p>Further information in relation to the Resolutions, Resolution 1 – Asset Sale Resolution, Section 1 (<i>Overview</i>)</p>
What will happen if the Proposed Transaction is not implemented?	<p>If the Proposed Transaction is not implemented:</p> <ul style="list-style-type: none"> • Prime will retain ownership of its wholly-owned subsidiaries and assets and continue to engage in the same operations and pursue the same strategies as it did prior to the Meeting; and • Shareholders will not receive the Proposed Distribution. 	<p>Letter from the Chair</p> <p>Further information in relation to the Resolutions, Resolution 1 – Asset Sale Resolution, Section 5.6 (<i>Intentions if the Asset Sale does not proceed</i>)</p> <p>Further information in relation to the Resolutions, Resolution 1 – Asset Sale Resolution, Section 1 (<i>Overview</i>)</p>
Will the Asset Sale proceed if the Proposed Distribution is not approved?	No, the Asset Sale is conditional upon the approval of the Asset Sale Resolution and the Proposed Distribution Resolution. If the Proposed Distribution Resolution is not passed, the Asset Sale will not proceed.	Further information in relation to the Resolutions, Resolution 1 – Asset Sale Resolution, Section 1 (<i>Overview</i>)
Has Prime received an alternative proposal from another party?	No, as at the date of this Explanatory Memorandum, Prime has not received	Further information in relation to the Resolutions,

¹² The timetable for the Proposed Transaction is indicative and subject to change.

QUESTION	ANSWER	MORE INFORMATION
	any alternative proposals from other parties.	Resolution 1 – Asset Sale Resolution, Section 4 (<i>Considerations of the Board in recommending the Asset Sale</i>)
When will I be paid the Proposed Distribution?	Subject to the Asset Sale Resolution and Proposed Distribution Resolution being approved by Shareholders and Completion of the Asset Sale, Prime expects that the Proposed Distribution will be paid on or around 1 February 2022. ¹³	Indicative timetable
What are the taxation implications of the Proposed Distribution for existing Shareholders?	<p>The tax consequences of the Proposed Distribution will depend on your personal situation.</p> <p>A general outline of the main Australian taxation implications of the Proposed Distribution for certain Shareholders is set out in section 8 of this Explanatory Memorandum.</p> <p>As this outline is general in nature, you should consult with your own taxation advisers for detailed tax advice regarding the Australian and, if applicable, foreign taxation implications for receiving the Proposed Distribution in light of the particular circumstances which apply to you before making a decision as to how to vote.</p>	Further information in relation to the Resolutions, Resolution 2 – Proposed Distribution Resolution, Section 8
What happens to my Shares after the Proposed Distribution is made?	<p>After the Proposed Distribution is made, you will retain your Shares in Prime.</p> <p>However, based on the current timetable for the Proposed Transaction, ASX has advised that it intends to suspend trading in Shares from the close of trading on Tuesday 25 January 2022.¹⁴ You will not be able to sell your Shares on ASX after this time.</p> <p>In the period following payment of the Proposed Distribution, the Company currently intends to proceed with a voluntary winding-up and will seek Shareholder approval to initiate that process at the relevant time. If the voluntary winding-up proceeds, your Shares will be cancelled and Prime will no longer exist.</p>	<p>Letter from the Chair</p> <p>Further information in relation to the Resolutions, Resolution 2 – Proposed Distribution Resolution, Section 7 (<i>Effect of the Proposed Distribution</i>)</p>
Name Change		
Why is the Company changing its name?	The Company is changing its name in order to comply with its obligations under the SSA, which requires Prime to use reasonable endeavours to change its	<p>Letter from the Chair</p> <p>Further information in relation to the</p>

¹³ The timetable for the Proposed Transaction is indicative and subject to change.

¹⁴ The timetable for the Proposed Transaction is indicative and subject to change.

QUESTION	ANSWER	MORE INFORMATION
	name to a name that does not include the word 'Prime' as soon as reasonably practicable following Completion.	Resolutions, Resolution 3 – Name Change Resolution, Section 2 (<i>Rationale for proposed change</i>)
Information about SWM		
Who is SWM?	<p>SWM is one of Australia's most prominent media companies, with a market leading presence in content production across broadcast television, publishing and digital.</p> <p>The company is home to some of Australia's most renowned media businesses, including the Seven Network and its affiliate channels 7two, 7mate and 7flix, BVOD platform 7plus, as well as the West Australian and The Sunday Times. With iconic brands such as Australia's leading news and breakfast programs 7NEWS and Sunrise, Big Brother, Big Brother VIP, SAS Australia, Farmer Wants a Wife, The Voice, Dancing with the Stars: All Stars, Home and Away, The Chase Australia and Better Homes and Gardens, SWM is also the broadcast partner of the AFL, Cricket Australia, Supercars, the Commonwealth Games and the Olympics.</p>	Further information in relation to the Resolutions, Resolution 1 – Asset Sale Resolution, Section 7 (<i>Information about SWM</i>)
Do Seven or SWM own any Shares?	<p>Yes, as at the date of this Explanatory Memorandum, SWM currently holds approximately 54,594,367 Shares, equating to a 14.90% interest in Prime.</p> <p>While SWM is not a party to the SSA, Seven is a wholly-owned subsidiary of SWM. Seven is therefore considered an associate of SWM for the purpose of Listing Rule 10.1 and SWM is excluded from voting on the Asset Sale Resolution.</p>	Further information in relation to the Resolutions, Resolution 1 – Asset Sale Resolution, Section 1 (<i>Overview</i>)
Further information		
Where can I get further information?	If you have any questions about the Resolutions or this Explanatory Memorandum, or you would like additional copies of this Explanatory Memorandum, please contact the Shareholder Information Line on 1300 290 691 (within Australia) or +61 2 9066 4055 (outside Australia), Monday to Friday between 9:00 am and 5:00 pm (Sydney time).	N/A
Can I sell my Shares now?	You can sell your Shares on-market at any time. However, if you do so you will receive the prevailing on-market price set at the time of sale which may not be equivalent to the value you will receive if the Asset Sale is implemented and the Proposed Distribution is made. If you sell your Shares on-market, you may also be required to pay brokerage fees.	N/A

QUESTION	ANSWER	MORE INFORMATION
	<p>Based on the current timetable for the Proposed Transaction, ASX has advised that it intends to suspend trading in the Shares from the close of trading on Tuesday 25 January 2022. If ASX suspends trading, you will not be able to sell your Shares on ASX.</p> <p>In the period following payment of the Proposed Distribution, the Company currently intends to proceed with a voluntary winding-up and will seek Shareholder approval to initiate that process at the relevant time.</p>	

FURTHER INFORMATION IN RELATION TO THE RESOLUTIONS

Resolution 1 – Asset Sale Resolution

1. Overview

On 30 October 2021, the Company entered into a share sale agreement with Seven Network (Operations) Limited (ACN 052 845 262) (**Seven**) (**SSA**) pursuant to which the Company agreed to sell all of the issued share capital in Prime Television (Holdings) Pty Ltd (ACN 003 368 974) (**Prime Television Holdings**) and Seven Affiliate Sales Pty Ltd (ACN 058 428 158) (**SAS**) (**Sale Shares**) (Prime Television Holdings and SAS together with their subsidiaries, the **Target Group**) and certain assets relating to Prime's business (**Prime Business Assets**) to Seven (the **Asset Sale**). The SSA includes certain Conditions Precedent that must be satisfied or waived in order for Completion to occur. The key terms of the SSA are described in Annexure 1 of this Explanatory Memorandum.

Listing Rule 10.1 provides that a listed company must not acquire or agree to acquire a substantial asset from, or dispose of or agree to dispose of a substantial asset to:

...
10.1.3 a person who is, or was at any time in the 6 months before the transaction, a substantial (10%+) holder in the company; or
10.1.4 an associate of a person referred to in Listing Rule ... 10.1.3;

...
unless it obtains the approval of its shareholders.

Seven is a wholly-owned subsidiary of SWM, which holds approximately 14.90% of all Shares and accordingly Seven is an associate of a substantial holder in Prime for the purpose of Listing Rule 10.1.4

Under Listing Rule 10.2, an asset is 'substantial' if, in ASX's opinion, its value or the value of the consideration being paid or received by the Company for it is 5% or more of the equity interests of the Company, as set out in the latest accounts given to ASX under the Listing Rules. The consideration for the proposed disposal of the Target Group and the Prime Business Assets is A\$131.88 million (subject to adjustment in accordance with the SSA). This would exceed 5% of the equity interests in the Company as set out in its latest accounts, and accordingly is regarded as a disposal of substantial assets for the purpose of Listing Rule 10.2. The Asset Sale therefore involves the disposal of a substantial asset to a party requiring the approval of Shareholders under Listing Rule 10.1.

ASX Listing Rule 11.2 provides that a listed company must obtain the approval of its shareholders before disposing of its main undertaking. The Asset Sale involves the disposal of the entirety of Prime's business to Seven, and accordingly is regarded as a disposal of Prime's main undertaking for the purpose of Listing Rule 11.2.

The Asset Sale Resolution is proposed in order to obtain the required Shareholder approval for the Asset Sale under and for the purposes of Listing Rules 10.1 and 11.2.

If the Asset Sale Resolution and the Proposed Distribution Resolution are approved, the Company will be able to proceed with the Asset Sale, subject to the other Conditions Precedent being satisfied or waived, and the Company will no longer have an operating business.

If the Asset Sale Resolution is not approved, the Asset Sale will not proceed and the Company will retain its assets and current operating business.

Under the terms of the SSA, if the Asset Sale does proceed, Prime will receive total consideration of A\$131.88 million, less the expected cash balance of the Company immediately prior to Completion of the Asset Sale.

Following Completion of the Asset Sale, Prime intends to distribute those proceeds to Shareholders by proceeding with the Proposed Distribution. In estimating the amount of the Proposed Distribution, the Company has had regard to a number of items including employee costs, transaction costs, wind-up costs and agreed cost reimbursement arrangements with Seven.

Prime currently estimates that A\$131.88 million will be available for distribution to Shareholders via the Proposed Distribution. The precise amount of the Proposed Distribution will be determined at or following Completion of the Asset Sale and will depend on factors outlined below in the section titled 'Resolution 2 – Proposed Distribution Resolution'.

The Proposed Distribution can only proceed if the Asset Sale Resolution and the Proposed Distribution Resolution are approved by Shareholders and Completion of the Asset Sale occurs. Further information in relation to the Proposed Distribution Resolution is below in the section titled 'Resolution 2 – Proposed Distribution Resolution'.

2. Key terms of the Share Sale Agreement

An overview of the key terms of the SSA can be found in Annexure 1 of this Explanatory Memorandum.

3. ACCC approval

One of the Conditions Precedent to Completion of the Asset Sale in the SSA is the receipt by Seven of any necessary regulatory approvals, including that of the ACCC. The ACCC commenced its review of the Proposed Transaction on Monday 8 November 2021. A letter to interested parties and an overview of the transaction have been published on the ACCC public register. Interested parties were invited to make submissions regarding the Proposed Transaction by Monday 22 November 2021. The ACCC has indicated that the provisional date for announcement of its findings is Thursday 9 December 2021.

4. Considerations of the Board in recommending the Asset Sale

In making the decision to ultimately execute the SSA and announce the Asset Sale, the Board had regard to the implied value and cash certainty being offered to Shareholders relative to:

- the recent and relevant trading prices of Shares and its implied valuations;
- the longer term underlying value of Prime should it continue to trade on a standalone basis; and
- the inherent risks borne by Shareholders should it continue to trade on a standalone basis, including PSA renewal risks, continuing structural declines of the FTA advertising market and execution risks relating to Prime's stated revenue diversification strategy.

Furthermore, the Board notes that major Shareholders, holding in aggregate approximately 43.2% of Shares as at Tuesday 9 November 2021, have confirmed to Prime that they intend to vote in favour of the Proposed Transaction in the absence of a Superior Proposal and, in some cases, subject to the Independent Expert opining that the Proposed Transaction is in the best interests of Shareholders.

While no alternative bidders had been actively solicited by the Board prior to the announcement of the Proposed Transaction, the Board believes there has been ample time since the announcement of the Proposed Transaction on Monday 1 November 2021 for any interested third party to make a Competing Proposal.

5. Effect of the Asset Sale on the Company

5.1 Independent Expert Report

The Board has engaged Lonergan Edwards & Associates Limited to prepare the Independent Expert Report and opine whether the Proposed Transaction is fair and reasonable and in the best interests of Shareholders.

The Independent Expert has determined that the Proposed Transaction is fair and reasonable and in the best interests of Shareholders, in the absence of a Superior Proposal. The Independent Expert has assessed the value of the Prime business (including estimated cash on completion that will be included in the 'Sale Assets') at between A\$96 million to A\$110 million. The Independent Expert has estimated the consideration offered for the 'Sale Assets' under the Asset Sale is A\$122 million. 'Sale Assets' is defined in the Independent Expert Report as 'all of the issued share capital in Prime Television (Holdings) Pty Ltd and Seven Affiliate Sales Pty Ltd as well as certain assets (net of associated liabilities) used in the Prime business (including cash held by Prime in its operating businesses)'.

On the basis that the estimated consideration for the Asset Sale is above the assessed valuation range, the Independent Expert has concluded that the Proposed Transaction is fair and reasonable and in the best interests of Shareholders, in the absence of a Superior Proposal.

"...the consideration for the Sale Assets is A\$131.88 million in cash less the Completion Cash Balance... Prime's actual cash balance as at 30 September 2021 (following payment of Prime's FY21 final dividend on 27 September 2021) was approximately \$34 million. However, by late December 2021 (the estimated completion date), we have estimated that the cash balance will be approximately \$40 million (primarily reflecting cash inflows associated with the earnings of the business in the intervening period). Of this amount approximately \$10 million will be held by the parent entity and is therefore excluded from the Sale Assets ... Accordingly, for the purpose of our report, we have assessed the value of the consideration at \$121.88 million (being \$131.88 million less the Completion Cash Balance)."

"For the purposes of our assessment we have therefore assumed that cash on completion of \$30 million will be included in the Sale Assets. On this basis, the value of the Sale Assets (including cash) ranges between \$96 million and \$110 million."

"As the value of the consideration is above our assessed valuation range for the Sale Assets, in our opinion, the offer consideration is fair to Prime shareholders when assessed based on the guidelines set out in RG 111."

The IER also contains an assessment of the advantages and disadvantages of the Proposed Transaction, which is designed to assist Shareholders in making an informed decision in relation to the Asset Sale Resolution contained in this Explanatory Memorandum.

A full copy of the Independent Expert Report is set out in Schedule 1 to this Explanatory Memorandum and you are encouraged to read this report in full.

5.2 Financial impact of the Proposed Transaction

A pro forma statement indicating the financial impact on certain balance sheet items has been prepared based on Prime's balance sheet as at 30 June 2021. The pro forma statement is based on assumptions set out below and is provided to assist Shareholders to understand the effect of the Asset Sale on Prime's business and assets, including television licences, relative to Prime's most recent disclosed annual report and does not assume that any distribution is made to Shareholders. This information should be read in the context of:

- the Asset Sale comprising the acquisition of the business and assets of Prime, including television licences;
- the Proposed Distribution; and
- the Company's intention to change its name and commence a process to wind-up, following the Proposed Transaction.

Pro forma (A\$ million)	Reported as at 30 June 2021	Change due to Q1 trading	Post Q1 trading and pre-Proposed Distribution	Change due to sale of business and assets	Post sale of business and assets and pre-Proposed Distribution
Total Assets	105.7	(3.5)	102.2	35.0	137.2
Total Liabilities	(24.8)	2.5	(22.3)	17.0	(5.3)
Total Equity Interests	80.9	(1.0) ¹⁵	79.9	52.0	131.9

The key assumptions which inform this statement include:

- the consideration for the Asset Sale is A\$131.88 million;
- Seven is to reimburse Prime for certain costs associated with the Proposed Transaction; and
- receipt of a favourable ATO class ruling.

¹⁵ This amount includes payment of the final dividend for FY21 of A\$7.3 million.

If the Asset Sale completes, Prime will have disposed of its business and assets, including television licences. Following Completion, Prime will cease to have any operating revenue or other income and will cease to have any operating expenses. Its profit before tax is expected to reduce to zero (or a nominal amount).

5.3 Effect on capital structure

As at 30 June 2021, Prime had 366,330,303 Shares on issue and the balance of its share capital account was A\$310,262,000.

If the Asset Sale is completed, Prime currently estimates that A\$131.88 million will be available for distribution to Shareholders via the Proposed Distribution. Prime anticipates that the Proposed Distribution will be comprised of a fully franked special dividend of A\$0.26 per Share (approximately A\$95.25 million in aggregate) and a return of capital of A\$0.10 per Share (approximately A\$36.63 million in aggregate).¹⁶ This would result in a reduction of capital of the Company by A\$36.63 million.

No Shares will be cancelled and the number of Shares held by Shareholders will not change as a result of the Proposed Transaction. All Shares issued by Prime are fully paid, therefore the return of capital will not have any effect on amounts unpaid on Shares of Prime on issue.

Otherwise, the Proposed Transaction will not impact the capital structure of the Company.

5.4 Tax impact

If the Asset Sale proceeds, the Company is not expected to incur a tax liability. The Company expects to realise a capital loss on the sale of the Assets.

5.5 Intentions if the Asset Sale proceeds

Following Completion of the Asset Sale, the Company will have divested its assets (other than cash) and will have no material operations. The Company will then distribute all of its available cash to Shareholders pursuant to the Proposed Distribution.

Following Completion of the Asset Sale, Prime's only employees would be Ian C. Audsley (**CEO**) and John Palisi (**CFO, Company Secretary**). On the basis that Prime would no longer have business operations it is anticipated that Ian C. Audsley and John Palisi will cease to be employed by Prime, and Ian C. Audsley will retire as an Executive Director of Prime, at or around the time of Completion. It is not otherwise intended that there will be any changes in Board membership following Completion of the Asset Sale.

Based on the current timetable for the Proposed Transaction, ASX has advised that it intends to suspend trading in Shares from the close of trading on Tuesday 25 January 2022.¹⁷

In the period following payment of the Proposed Distribution, the Company currently intends to proceed with a voluntary winding-up and will seek Shareholder approval to initiate that process at the relevant time. While the precise timing of these actions would only be determined following the Proposed Transaction, it is currently anticipated that this process would be initiated in February 2022 or as soon as practicable thereafter.

Under the SSA, Prime is entitled to receive basic transitional services from Seven for a period of up to 12 months after Completion.

5.6 Intentions if the Asset Sale does not proceed

If the Asset Sale is not approved by Shareholders or it otherwise does not complete under the terms of the SSA, the Directors intend to continue operating the business of the Company and pursuing existing strategies.

¹⁶ The precise amount of the Proposed Distribution will be determined following Completion of the Asset Sale, having regard to the financial position of Prime at that time. The characterisation of the Proposed Distribution for tax purposes is subject to an ATO class ruling.

¹⁷ The timetable for the Proposed Transaction is indicative and subject to change.

If Prime continues to trade, specific issues that the Board and management of Prime would need to address in the day to day conduct of the Prime business include:

- **(dynamic market)** the regional media industry is facing intensifying competition for regional audiences from other media providers, from streaming platforms to metropolitan media providers having greater reach into the regional markets (and subsequently competing for advertising revenues). Advertising revenues across regional Australia have fragmented and advertising revenue's regional markets have declined by 18.9% over the past 5 financial years to 30 June 2021;
- **(industry initiatives)** Prime will need to consider its approach to certain initiatives including advocating for regulatory reform to manage threats from online or satellite television delivery and spectrum re-stacking that would free up television broadcasting spectrum for other uses;
- **(organic growth)** without revenue diversification, Prime expects regional audiences and regional advertising revenues to continue to fragment. Prime has limited options for cost management given cost reductions over the past 5 years and substantial fixed transmission costs to broadcast in regional licence areas;
- **(limited in reach)** Prime is limited by its broadcast licence areas with regard to assisting regional advertisers widen their national reach or advertise simultaneously on a Prime signal BVOD platform; and
- **(renegotiations)** Prime will need to engage with SWM to renegotiate the PSA. The current PSA is anticipated to expire on 30 June 2023, and there is no certainty that it will be renewed, or renewed on satisfactory terms.

6. Directors' recommendation

6.1 Directors' recommendation

The Directors **unanimously recommend** that Shareholders vote in favour of the Asset Sale Resolution in the absence of a Superior Proposal.

Each Director who is also a Shareholder and who is not otherwise restricted from voting intends to vote all Shares which they control in favour of the Asset Sale Resolution, in the absence of a Superior Proposal.

In making this recommendation, the Directors considered the advantages and disadvantages of the Proposed Transaction, including those factors discussed in this Explanatory Memorandum. Before agreeing to enter into the SSA, the Directors also considered whether there were alternatives which could produce a better outcome for Shareholders. The Asset Sale and these alternatives were assessed against a number of criteria, including:

- a) the value delivered to the Company and to Shareholders; and
- b) the level of certainty regarding, and the likely timing of, any alternative being effectively executed and completed.

After considering the advantages and disadvantages of the Asset Sale, the Directors have unanimously concluded that, in the absence of a Superior Proposal, the Asset Sale represents the best outcome for Shareholders of all available alternatives considered by the Board.

6.2 Directors' background and interests

Director	Role	Independence	Appointed	Committee membership	Skills and experience
Cass A. O'Connor	Chair of the Board and Director	Independent	Tuesday 21 April 2015 (appointed Chair in October 2021)	<ul style="list-style-type: none"> • Remuneration and Nomination Committee; and • Audit and Risk Committee 	Public and private board experience, business management.
Joshua Lowcock	Director	Independent	Wednesday 9 December 2020	Remuneration and Nomination Committee (Chair)	Media and advertising, digital and data, public

					board experience.
Brent A. Cubis	Director	Independent	Thursday 15 April 2021	Audit and Risk Committee (Chair)	Accounting, audit, risk management, corporate governance, private board experience.
Ian C. Audsley	Chief Executive Officer and Director	Not independent	Thursday 24 June 2010	N/A	Technology, media, regional and general broadcasting, business management.

The Board currently comprises the Chief Executive Officer & Executive Director, an independent Chair and two independent Non-executive Directors.

The Directors have a diverse range of expertise in: regional broadcasting and broadcasting generally; technology; data-driven marketing and advertising; business development; finance (including audit, mergers and acquisitions and capital markets); and corporate governance.

The Board deliberated a number of alternatives before making a unanimous decision in favour of the Proposed Transaction. While the management team led by the Chief Executive Officer & Executive Director assisted the Board in these deliberations, the Board relied upon the significant level of previous experience in business among the Directors, including in the context of mergers and acquisitions, accounting, divestments and capital restructuring, to make the final independent decision, absent of any potential or perceived conflict of interest or undue influence, and in the best interest of all Shareholders.

No Director will receive a payment or benefit of any kind, as a result of the Asset Sale, other than as securityholder of the Company or, in the case of the Chief Executive Officer & Executive Director, any payment he may receive after Completion of the Asset Sale as a result of the termination of his employment with Prime.

The number and type of securities in Prime which each Director (or an associate) holds as at the date of this Explanatory Memorandum is:

Director	Registered owner of shares (if not directly owned by the Director)	Shares	Total Fully Diluted Holding
Cass A. O'Connor	Cassocom Pty Ltd ATF Cassocom Superannuation Fund	75,000	75,000
Joshua Lowcock	-	0	0
Brent A. Cubis	-	0	0
Ian C. Audsley	-	974,300	974,300

7. Information about SWM

SWM has been a long-term, strategic partner of Prime and is one of Australia's most prominent media companies, with a market leading presence in content production across broadcast television, publishing and digital.

SWM is home to some of Australia's most renowned media businesses, including the Seven Network and its affiliate channels 7two, 7mate, 7flix and BVOD offering 7plus, as well as The West Australian and The Sunday Times. With iconic brands such as Australia's leading news and breakfast programs 7NEWS and Sunrise, Big Brother, Big Brother VIP, SAS Australia, Farmer Wants a Wife, The Voice, Dancing with the Stars: All Stars, Home and Away, The Chase Australia and Better Homes and

Gardens, SWM is also the broadcast partner of the AFL, Cricket Australia, Supercars, the Commonwealth Games and the Olympics.

8. No other material information

Other than as set out in this Explanatory Memorandum, and information previously disclosed to Shareholders, there is no information known to the Directors which they consider might reasonably be expected to be material to the making of a decision by Shareholders whether or not to vote in favour of the Asset Sale Resolution.

The Chair of the Meeting intends to vote undirected proxies in favour of the Asset Sale Resolution.

Resolution 2 – Proposed Distribution Resolution

1. Overview

As noted above, subject to the Asset Sale Resolution and the Proposed Distribution Resolution being approved by Shareholders and Completion of the Asset Sale in accordance with the terms of the SSA, Prime currently estimates it will make a Proposed Distribution of A\$0.36 per Share, which is anticipated to be comprised of:

- a fully franked special dividend of up to A\$95.25 million (or A\$0.26 per Share), which will have a franking value of up to approximately A\$0.11 per Share (subject to a class ruling from the ATO); and
- a return of capital of up to A\$36.63 million (or A\$0.10 per Share).¹⁸

Prime has applied to the ATO for a class ruling seeking confirmation of the tax treatment of the return of capital and the fully franked special dividend for certain Shareholders who hold their Shares on capital account. Only once the ATO has issued its class ruling can the final nature of the Proposed Distribution be known, for tax purposes, with any certainty. The class ruling is expected to be issued after the Proposed Distribution.

To the extent that the Proposed Distribution represents a distribution of profits, it will be made to Shareholders in the form of fully franked dividends. The remainder of the Proposed Distribution is expected to be made to Shareholders by way of an equal reduction of capital.

Section 256C of the Corporations Act requires that Shareholder approval be obtained for the component of the Proposed Distribution which is currently intended to be made by way of an equal capital reduction. Shareholder approval is sought for this purpose under the Proposed Distribution Resolution.

The Proposed Distribution will not proceed if Completion of the Asset Sale does not occur

Subject to the Proposed Transaction being approved by Shareholders, Prime proposes to make the Proposed Distribution as soon as possible after Completion of the Asset Sale. At this time, Prime expects that the Proposed Distribution will be paid in full on or around 1 February 2022. The exact timetable of the Proposed Distribution will depend on the timing of Completion under the SSA. Prime will release an announcement to ASX when the timetable for the Proposed Distribution has been determined.

2. Reasons for the Proposed Distribution

The purpose of the Proposed Distribution is to return to Shareholders all available cash following Completion of the Asset Sale.

3. Calculation of the amount of the Proposed Distribution

At Completion, it is currently estimated that the total amount available for the Proposed Distribution will be A\$131.88m, of which up to approximately A\$95.25 million will be distributed as a fully franked special dividend, and the balance will be distributed as a return of capital by way of an equal reduction of capital.

The following table shows how Prime has calculated its estimate of the total amount available for the Proposed Distribution, the amount anticipated to be distributed as a special dividend and the amount anticipated to be distributed as a return of capital.

¹⁸ The precise amount of the Proposed Distribution will be determined following Completion of the Asset Sale, having regard to the financial position of Prime at that time. The characterisation of the Proposed Distribution for tax purposes is subject to an ATO class ruling.

Components	A\$ (unless stated otherwise)
Unadjusted cash consideration	131.88 million
<i>Less: Estimated Prime cash balance at Completion¹⁹</i>	<i>(10.00 million)</i>
Purchase Price	121.88 million
<i>Add: Estimated Prime cash balance at Completion</i>	<i>10.00 million</i>
Estimated total cash available for Distribution	131.88 million
Relevant number of shares to participate in the Distribution	366,330,303 shares
<i>Estimated Distribution per Share</i>	<i>0.36</i>
<i>Anticipated Dividend per Share</i>	<i>0.26</i>
<i>Anticipated Capital Reduction per Share</i>	<i>0.10</i>

In estimating the amount available for the Proposed Distribution, Prime has considered items such as transaction costs, wind-up costs, employee and Director costs, liabilities the Company will retain following the Asset Sale and other costs associated with the transaction, including the terms of any cost reimbursement by Seven. These estimates are based on an assessment of current economic and operating conditions, third party estimates and projections. The estimate may differ from the final amount which becomes available for distribution to Shareholders via the Proposed Distribution.

4. Conditionality of the Proposed Distribution

The Proposed Distribution is conditional on the Asset Sale Resolution and the Proposed Distribution Resolution being approved, and Completion of the Asset Sale.

5. Payment details

If the Proposed Distribution proceeds, payment will be made by way of direct credit into a nominated Australian bank account, or by cheque if banking details of a Shareholder have not previously been provided to the Prime Registry prior to the Distribution Record Date.

Shareholders who wish to be paid by direct credit into a nominated Australian bank account can nominate an account for the payments to be made by direct credit by updating your payment details with the Prime Registry, Link Market Services Limited. Shareholders wishing to do so can provide details online at <https://investorcentre.linkmarketservices.com.au/login.aspx/login> or by phoning 1300 554 474 within Australia or +61 1300 554 474 from outside Australia.

At this time the Board contemplates making both the proposed special dividend and the return of capital simultaneously. However, the Board reserves the right to make these as separate payments/distributions.

6. Requirements for the return of capital

For the purposes of the Corporations Act, the component of the Proposed Distribution to be made by way of a return of capital is an equal reduction of capital because:

- it relates only to ordinary shares in Prime;
- it applies to each holder of ordinary shares in Prime in proportion to the number of ordinary shares they hold; and
- the terms of the reduction are the same for each holder of ordinary shares in Prime.

¹⁹ Represents cash held by Prime, and excludes any cash held by Prime Business Assets (which are proposed to be acquired by Seven).

Under section 256(1) of the Corporations Act, a company may conduct an equal capital reduction provided that the three requirements described below are met. These requirements apply to the component of the Proposed Distribution proposed to be made by return of capital but not to the component of the Proposed Distribution being made by dividend:

a) The return of capital must be fair and reasonable to the Shareholders as a whole

The Directors are of the opinion that the return of capital is fair and reasonable to all Shareholders as it will apply to all Shareholders at the Distribution Record Date equally, in proportion to the number of Shares which they hold at the Distribution Record Date (as outlined in the Indicative Timetable of this Explanatory Memorandum).

The Independent Expert has concluded that the Proposed Transaction as set out in this Explanatory Memorandum and the enclosed Independent Expert Report is fair and reasonable to and in the best interests of Shareholders, in the absence of a Superior Proposal.

b) The return of capital must not materially prejudice the Company's ability to pay its creditors

The Directors are of the opinion that the return of capital will not materially prejudice Prime's ability to pay its creditors after having reviewed and considered the expected financial position of the Company if the Asset Sale completes, including the Company's expected assets, liabilities, cashflow and capital requirements. Prime notes the following terms of the SSA which are relevant to its ability to pay its creditors:

- under the SSA, Seven will assume all of the liabilities of Prime arising out of or in connection with the business of the Prime Group from Completion of the Asset Sale (meaning Prime is not expected to have any material creditors following Completion); and
- the SSA contains a cost reimbursement mechanism pursuant to which Seven undertakes to reimburse certain costs incurred by Prime in connection with the Proposed Transaction and relating to the intended the winding up of Prime.

c) The return of capital must be approved by ordinary resolution of Shareholders under section 256C of the Corporations Act

The Proposed Distribution Resolution seeks Shareholder approval of the return of capital, for the purposes of section 256C of the Corporations Act.

7. Effect of the Proposed Distribution

A discussion of the effect of the Proposed Transaction on the current and future operations of Prime is included above in the section titled 'Resolution 1 – Asset Sale Resolution'.

7.1 Effect on capital structure

For the purposes of Listing Rule 7.20, the Company notes that a discussion of the effect of the Proposed Transaction on the capital structure of Prime is included above in the section titled 'Resolution 1 – Asset Sale Resolution'.

7.2 Effect on share price

If the Proposed Transaction is implemented, Prime's Shares are expected to trade at a lower share price than its then trading price immediately prior to the 'ex' date for the Proposed Distribution. This is due to the payment/return of funds to Shareholders.

8. Tax consequences for Shareholders

8.1 Introduction

The following is a general summary of the Australian income tax implications for Shareholders who receive the Proposed Distribution.

As noted in section 1 of the section of this Explanatory Memorandum dealing with the Proposed Distribution Resolution, the Proposed Distribution will be distributed to Shareholders as a fully franked

special dividend (subject to receipt of a class ruling from the ATO) and a return of capital. For the purposes of this section, the return of capital will be referred to as the **Capital Return**.

This summary is general in nature only, should be read in conjunction with the rest of this Explanatory Memorandum, and is not intended to be an authoritative or complete statement of the tax laws applicable to the particular circumstances of Shareholders. It is therefore recommended that Shareholders obtain their own professional tax advice relevant to their circumstances.

This summary is based on the provisions of the *Income Tax Assessment Act 1936* (Cth) (**ITAA 1936**), the *Income Tax Assessment Act 1997* (Cth) (**ITAA 1997**) and the *Taxation Administration Act 1953* (Cth) (**TAA**), as at the date of this Explanatory Memorandum. The laws are complex and subject to change periodically, as is their interpretation by the courts and the tax authorities.

The information provided below is not applicable to all Shareholders. This tax summary applies to Australian tax resident and non-resident Shareholders who hold their Shares on capital account. This summary does not apply to Shareholders who:

- (i) hold their Shares on revenue account (such as share trading entities or entities who acquired their Shares for the purposes of resale at a profit) or as 'trading stock';
- (ii) hold their Shares under an employee share scheme offered by Prime or otherwise hold performance rights where those Shares or performance rights remain subject to deferred taxation under Division 83A of the ITAA 1997;
- (iii) may be subject to special tax rules, such as partnerships, tax exempt organisations, insurance companies, dealers in securities or Shareholders who change their tax residency while holding their Shares;
- (iv) have a functional currency for Australian tax purposes other than an Australian functional currency; or
- (v) are subject to the taxation of financial arrangements rules in Division 230 of the ITAA 1997 in relation to gains and losses on their Shares.

8.2 Class Ruling

Prime has lodged a class ruling application with the ATO to obtain the Commissioner of Taxation's views on specific Australian income tax implications for certain Shareholders for the Proposed Distribution.

Neither the Asset Sale nor the Proposed Distribution is conditional on the receipt of the class ruling.

The class ruling has not been issued by the ATO as at the date of this Explanatory Memorandum. It is not expected to be issued until after the Proposed Distribution has been paid.

Shareholders should refer to the class ruling once it is published. The class ruling will be available at www.ato.gov.au.

It is expected that the class ruling will be issued by the Commissioner of Taxation on the basis of a view which is broadly consistent with this summary. It is important that Shareholders be aware that the Commissioner of Taxation may reach an alternative view. This summary should be considered in light of that possibility and read together with the class ruling once it is available.

8.3 Capital Return

a) CGT Event G1 – Shares held on the Distribution Record Date and the Distribution Payment Date

For a Shareholder who owns a Share on the Distribution Record Date and on the Distribution Payment Date, the receipt of the Capital Return will trigger a capital gains tax (**CGT**) event G1.

The CGT event should occur when Prime makes the payment (ie, on the Distribution Payment Date).

Broadly, if the amount of the Capital Return received by the Shareholder:

- (i) exceeds the cost base of their Share, the Shareholder will make a 'capital gain' and the cost base and reduced cost base of the Share would be reduced to nil; or
- (ii) is equal to or less than the cost base of their Share, the cost base and reduced cost base of the Share would be reduced by the amount of the Capital Return received for that Share.

The cost base and reduced cost base of Shares will generally include the amount paid, or the market value of any property given, to acquire the Shares, plus any incidental costs of acquisition (eg, brokerage fees and stamp duty) that are not otherwise deductible to the Shareholders. The cost base of each Share will depend on the individual circumstances of each Shareholder.

Shares acquired in different transactions may have different cost bases and therefore the receipt of the Capital Return may have different tax consequences for different Shareholders.

b) CGT event C2 – Shares held on the Distribution Record Date and disposed of before the Distribution Payment Date²⁰

For a Shareholder who ceases to own a Share after the Distribution Record Date but before the Distribution Payment Date, the receipt of the Capital Return will trigger a CGT event C2.

The CGT event should occur on the Distribution Payment Date, when the Shareholder's right to receive the Capital Return is discharged or satisfied by the payment of the Capital Return.

Broadly, a Shareholder will:

- (i) make a 'capital gain' if the capital proceeds from the CGT event exceeds the cost base of the right; or
- (ii) make a 'capital loss' if the capital proceeds from the CGT event are less than the reduced cost base of the right.

The capital proceeds from the CGT event should be equal to the amount of the Capital Return received by the Shareholder.

The cost base of the right that is 'discharged' or 'satisfied' by the payment of the Capital Return should not include the cost base or reduced cost base of the Share previously owned by the Shareholder on the Distribution Record Date to the extent that it was applied in working out a capital gain or capital loss made when a CGT event happened to the Share; for example, when the Shareholder disposed of the Share after the Distribution Record Date and before the Distribution Payment Date.

Accordingly, if the cost base or reduced cost base of the Share previously owned by a Shareholder has been fully applied in working out a capital gain or capital loss on the Share, the right to receive the return of capital should have a nil cost base.

In those circumstances, the Shareholder should make a capital gain from CGT event C2 equal to the capital proceeds, being the Capital Return received for each Share held on the Distribution Record Date.

c) Assessability of capital gains and utilising capital losses

Shareholders who make a capital gain on the equal capital reduction will be required to include the net capital gain (if any) for the income year in their assessable income.

A capital gain made by a Shareholder should be disregarded if the Shareholder acquired the Share before 20 September 1985.

²⁰ Based on the current timetable for the Proposed Transaction, ASX has advised that it intends to suspend trading in the Shares from the close of trading on Tuesday 25 January 2022 (prior to the Distribution Record Date). If ASX suspends trading, you will not be able to sell your Shares on ASX.

A capital loss made by a Shareholder may be used to offset other capital gains derived by a Shareholder in the income year in which the capital loss is realised, or may be carried forward to offset capital gains derived by the Shareholder in future income years. Specific capital loss recoupment rules apply to companies to restrict their ability to utilise capital losses in future years in some circumstances. Shareholders should obtain their own tax advice regarding the operation of these rules.

d) CGT discount

Generally, Australian resident Shareholders who are individuals, trusts and complying superannuation funds that have held Shares for at least 12 months at the time of the Distribution Payment Date should be entitled to a CGT discount in calculating the amount of capital gain on the Capital Return. The CGT discount is applied after any available capital losses have been offset to reduce the capital gain.

The applicable CGT discount which would reduce a capital gain arising from the disposal of Shares is 50% in the case of individuals and trusts or 33⅓% in the case of Australian complying superannuation entities. The CGT discount is not available for Shareholders that are companies.

As the rules relating to CGT discounts for trusts are complex, Shareholders who are trustees should seek their own independent advice on how the CGT discount provisions will apply to them and the trust's beneficiaries.

e) Non-Australian tax resident Shareholders

For a Shareholder who:

- (i) is a foreign resident or the trustee of a foreign trust for CGT purposes; and
- (ii) has not used their Shares at any time in carrying on a business through a permanent establishment in Australia,

the receipt of the Capital Return should generally only result in Australian CGT implications if, in broad terms:

- (i) that Shareholder together with their associates held an interest of 10% or more in Prime at the time of disposal or for a 12 month period within the 24 month period preceding the disposal (referred to as a 'non-portfolio interest'); and
- (ii) more than 50% of the market value of Prime's assets is attributable to direct or indirect interests in 'taxable Australian real property' (as defined in the income tax legislation) (referred to as the 'principal asset test').

On the basis that less than 50% of the market value of Prime's assets is, and will be at the time of the Proposed Distribution, attributable to direct or indirect interests in 'taxable Australian real property' (as defined in the income tax legislation), Shareholders that are non-Australian tax residents should generally be able to disregard any Australian capital gain or loss arising as a result of the receipt of the Capital Return.

Shareholders who are non-Australian tax residents should seek independent tax advice as to the tax implications of the Proposed Distribution, including tax implications in their country of residence.

f) Capital benefits: tax rules

The Australian tax legislation contains certain rules which may operate to treat part or all of a return of capital paid by a company as an unfranked dividend out of profits. Broadly, these provisions are designed to, amongst other things, ensure that certain amounts are treated as dividends for tax purposes if a company streams capital benefits to certain 'advantaged shareholders' who would derive a greater benefit from the receipt of capital than other 'disadvantaged shareholders' or where payments, allocations or distributions are made in substitution for dividends.

It is expected that the Commissioner of Taxation will not determine to treat any part of the Capital Return as an unfranked dividend but this will be confirmed in the class ruling requested by Prime.

Shareholders should refer to the class ruling once published. The commentary above is subject to the Commissioner of Taxation's determination on these matters.

8.4 Fully franked special dividend

Prime is entitled to pay a special dividend to each Shareholder who is registered as a holder of Shares on the Distribution Record Date. The special dividend is expected to be fully franked and will be paid on the Distribution Payment Date.

Under Australian tax law, certain Shareholders who receive a fully franked special dividend may be entitled to a 'tax offset' equal to the amount of the franking credit attaching to the dividend, provided they are not prevented from claiming the benefit of the franking credit (see section 8.4(b) below).

If a Shareholder is entitled to a tax offset, the Shareholder may offset or reduce the amount of tax payable on their taxable income. However, certain Shareholders may not be eligible to receive a tax offset for their franking credits. This is explained further below.

The Australian tax legislation prescribes a number of rules which may prevent Shareholders from claiming the benefit of franking credits on the special dividend, including the requirement that a Shareholder is not a 'qualified person' (see section 8.4(b) below).

Broadly, these rules are designed to, amongst other things, discourage trading in franking credits, and may deny the benefit of franking credits to Shareholders generally, or because of their particular circumstances. It is expected that these issues will be addressed in the class ruling requested by Prime. Shareholders should refer to the class ruling once published. The commentary below is subject to the Commissioner of Taxation's determination on these matters.

a) Assessability of the special dividend

(i) Australian resident individuals, companies and complying superannuation funds

Australian tax resident Shareholders who are individuals, companies or complying superannuation entities:

- should include the special dividend in their assessable income in the income year in which the dividend is paid, together with any franking credits attached to that dividend; and
- should be entitled to a tax offset equal to the franking credits attached to any special dividend.

An individual or complying superannuation entity who receives a franking credit tax offset can apply the offset or reduce the tax payable on their taxable income. Where the tax offset exceeds the tax payable on their taxable income, these Shareholders should be entitled to a tax refund.

Where the Shareholder is an Australian resident corporate shareholder, franked dividends will generally give rise to a franking credit in the company's franking account.

(ii) Australian resident trusts and partnerships

Australian tax resident Shareholders who are trustees (other than trustees of complying superannuation entities) or partnerships should include any special dividend in the net income of the partnership or trust in the income year in which the dividend is paid, together with any franking credits attached to that dividend.

The tax laws that apply to the treatment of dividends, and in particular franked dividends, for trusts and partnerships are complex. However, subject to satisfying certain conditions, the liability to pay tax on any special dividend (and any franking credits) and the tax offset provided by any franking credits can flow through to eligible beneficiaries or partners.

(iii) Non-Australian residents

Special dividends paid to Shareholders who are non-residents of Australia should not be subject to Australian dividend withholding tax on the basis that any special dividend will be fully franked.

Shareholders who are non-Australian tax residents should seek independent tax advice as to the tax implications of the Proposed Distribution, including tax implications in their country of residence.

b) Franking credits – Shares held at risk

The benefit of franking credits can be denied where a Shareholder is not a 'qualified person'. If a Shareholder is not a 'qualified person', the Shareholder would not need to include an amount equal to any franking credits attaching to any special dividend in their assessable income but would also not be entitled to a tax offset.

Broadly, to be a 'qualified person', a Shareholder must satisfy the 'holding period rules'. Certain Shareholders may not be subject to the 'holding period rules', including Shareholders who have franking credit offsets that do not exceed A\$5,000 for the income year ending 30 June 2022.

Under these rules, a Shareholder is required to have held their Share 'at risk' for a continuous period of at least 45 days (not including the date of acquisition and the date of disposal of the Shares) within the relevant 'qualification period'.

A Share will not be taken to have been held 'at risk' by a Shareholder where they hold positions (such as hedging positions) that materially diminish the risks of loss or opportunities for gain on their Shares by more than 70%.

The duration of the relevant 'qualification period' depends on whether the Shareholders will be taken to make a 'related payment' in connection with the special dividend. If the Shareholders are taken to make a 'related payment' in connection with a special dividend, the more stringent 'secondary qualification period' will apply. If not, the 'primary qualification period' will apply. It is expected that the payment of the special dividend should not constitute a related payment for the purposes of former section 160APHN of the ITAA 1936 on the basis that the benefit of the special dividend does not pass to another person under the Asset Sale. Consequently, it is expected that the primary qualification period will apply.

The primary qualification period requires that the Shareholder holds the relevant Share 'at risk' for a continuous period of at least 45 days during the period that begins on the day after the date of acquisition of the Share and ends on the 45th day after the day on which the Share becomes ex dividend.

As a practical matter, and applying the Indicative Timetable in this Explanatory Memorandum, a Shareholder who receives a special dividend and holds their Shares 'at risk' for a continuous period of at least 45 days during the period commencing the day after the day on which the Shareholder acquired the Share and ending on Tuesday 15 March 2022 (inclusive) should satisfy the 'holding period rules' and be eligible for the franking credit and tax offset.

This issue is expected to be addressed in the class ruling requested by Prime. Shareholders should refer to the class ruling once published.

9. Directors' recommendation

9.1 Directors' recommendation

The Directors **unanimously recommend** that Shareholders vote in favour of the Proposed Distribution Resolution. Each Director who is a Shareholder and who is not otherwise restricted from voting intends to vote all Shares which they control in favour of the Proposed Distribution Resolution.

9.2 Directors' interests

No Director will receive a payment or benefit of any kind as a result of the Proposed Distribution, other than as a Shareholder of Prime or, in the case of the Chief Executive Officer & Executive Director, any payment he may receive after Completion of the Asset Sale as a result of termination of his employment with Prime.

Refer to section 6.2 in the section titled 'Resolution 1 – Asset Sale Resolution' above for information about the number of securities of the Company held by each Director as at the date of this Explanatory Memorandum.

10. No other material information

Other than as set out in this Explanatory Memorandum, and information previously disclosed to Shareholders, there is no information known to the Directors which might reasonably be expected to be material to the making of a decision by Shareholders whether or not to vote in favour of the Proposed Distribution Resolution.

The Chair of the Meeting intends to vote undirected proxies in favour of the Proposed Distribution.

Resolution 3 – Name Change Resolution

1. Overview

Section 157(1) of the Corporations Act requires a company to obtain the approval of its shareholders by special resolution to adopt a new name and section 136(2) of the Corporations Act provides that a Company may modify its constitution by a special resolution of shareholders. A special resolution requires approval of at least 75% of the votes cast by shareholders who are entitled to vote on that resolution.

The Name Change Resolution seeks the approval of Shareholders for the Company to change its name to 'PRT Company Limited'.

Changing the Company's name will require amendments to the Constitution to reflect the name change. The Name Change Resolution therefore also seeks the approval of Shareholders to amend the Constitution. The proposed amendments are to amend all references in the Constitution from Prime Media Group Limited to 'PRT Company Limited'.

2. Rationale for proposed change

Under the SSA, Prime is required to use reasonable endeavours to change its name to a name that does not include the word 'Prime' as soon as reasonably practicable following Completion.

3. Effect of approval of the Name Change Resolution

This Resolution is subject to the passing of the Asset Sale Resolution and the Proposed Distribution Resolution, such that if those Resolutions do not pass, this Resolution will not come into effect (even if it is passed).

If the Name Change Resolution is approved, and the Asset Sale Resolution and the Proposed Distribution Resolution are also approved and Completion occurs under the SSA, the Company will lodge an application to change its name with ASIC. The change of name and the consequential amendments to the Constitution will then take effect from the date that ASIC alters the details of the Company's registration to reflect the Company's new name.

The Company will continue to use 'PRT' as its ASX listing code for as long as it remains listed.

The proposed change of the Company name will not affect any of the rights of Shareholders.

4. Conditionality of the Name Change Resolution

The change of name and consequential amendments to the Constitution are conditional on the Asset Sale Resolution and the Proposed Distribution being approved, and Completion of the Asset Sale.

5. Directors' recommendation

The Directors **unanimously recommend** that Shareholders vote in favour of the Name Change Resolution.

The Chair of the Meeting intends to vote undirected proxies in favour of the Name Change Resolution.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that a general meeting of the shareholders of Prime Media Group Limited ACN 000 764 867 (**Company**) will be held as a virtual meeting at 11:00 am AEDT on Thursday 23 December 2021 (**Meeting**).

The ongoing public health concerns, as a result of COVID-19, have put restrictions on public gatherings and the Board has decided that in the interests of all stakeholders, the Meeting will be a virtual meeting.

To access the virtual Meeting, visit: <https://agmlive.link/PRTEGM21>.

An Explanatory Memorandum containing additional information on matters to be considered at the Meeting accompanies and forms part of this Notice.

Terms used in this Notice have the meaning given to them in the Glossary set out in the Explanatory Memorandum, unless the context requires otherwise.

ASX does not take any responsibility for the contents of this Notice.

AGENDA

Resolution 1 – Approval of the Asset Sale

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That the disposal by the Company of:

(i) all of the issued share capital in Prime Television (Holdings) Pty Ltd (ACN 003 368 974) and Seven Affiliate Sales Pty Ltd (ACN 058 428 158); and

(ii) certain assets used with respect to the Company's business,

to Seven, in accordance with the Share Sale Agreement (dated 30 October 2021) described in the Explanatory Memorandum, is approved under and for the purposes of Listing Rules 10.1 and 11.2, and for all other purposes."

Voting exclusion: The Company will disregard any votes cast in favour of Resolution 1 by Seven as the acquirer under the Asset Sale or on behalf of Seven or an associate of Seven (including SWM). However, this does not apply to a vote cast in favour of a resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way;
- (b) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 2 – Approval of return of capital

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Part 2J.1 of the Corporations Act 2001 (Cth), and subject to Completion occurring under the Share Sale Agreement (as those terms are defined in the Explanatory Memorandum), approval is given for the share capital of the Company to be reduced by way of a return of capital in an amount of up to A\$36.63 million (or A\$0.10 per Share) and otherwise as described in the Explanatory Memorandum."

Resolution 3 – Change of Company name and consequential amendments to Company Constitution

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

"That for the purposes of sections 136(2) and 157(1) of the Corporations Act and for all other purposes, subject to Completion occurring under the Share Sale Agreement (as those terms are defined in the Explanatory Memorandum), the name of the Company be changed to 'PRT Company Limited' and the Constitution be amended to reflect the change of name."

VOTING INFORMATION

Entitlement to vote

The Company has determined that in accordance with Regulation 7.11.37 of the Corporations Regulations, for the purposes of voting at the Meeting, Shares will be taken to be held by those persons recorded on the Prime Registry, Link Market Services Limited, as at **7:00 pm (AEDT) on Tuesday 21 December 2021**.

All resolutions will be by poll

In accordance with Rule 14.3 of the Company's Constitution, the Chair intends to call a poll on each of the resolutions proposed at the Meeting.

How to vote

Shareholders may vote either:

- a. during the Meeting using the online platform as set out below under the heading 'Voting via the Online Platform'; or
- b. by completing and returning the attached Proxy Form in one of the other ways specified below under the heading 'Appointing a proxy' by **11:00 am (AEDT) on Tuesday 21 December 2021**.

Voting via the Online Platform

Shareholders and proxyholders participating in the Meeting via the online platform will be able to vote at any time between the commencement of the Meeting at **11.00 am (AEDT) on Thursday 23 December 2021** and the closure of voting as announced by the Chair during the Meeting.

Appointing a proxy

If a Shareholder is unable to participate virtually and vote at the Meeting, the Shareholder is entitled to appoint a proxy to attend virtually and vote on their behalf. A Proxy Form is attached to this Notice of Meeting. If a Shareholder wishes to appoint two (2) proxies, the Shareholder may obtain another Proxy Form from the Company or copy the enclosed form.

The following applies in terms of proxy appointments:

- A Shareholder entitled to attend and cast two (2) or more votes at the Meeting is entitled to appoint two (2) proxies in accordance with Rule 14.1 of the Company's Constitution.
- Where two (2) proxies are appointed, each proxy may be appointed to represent a specified portion or number of the Shareholder's votes. If the proportion or number is not specified then, in accordance with section 249X(3) of the Corporations Act, each proxy may exercise half of that Shareholder's votes. Fractional votes will be disregarded.
- A proxy need not be a Shareholder.
- Where a proxy is appointed by a Shareholder's attorney, the authority of power of attorney under which the Proxy Form is signed (or a certified copy of the authority or power of attorney) must be lodged with the Proxy Form.
- To appoint a proxy, the Proxy Form must be signed by the Shareholder or the Shareholder's attorney duly authorised in writing. If the Shareholder is a corporation, the Proxy Form must be signed as provided by section 127 of the Corporations Act or the Shareholder corporation's constitution.
- For an appointment of a proxy to be effective, the proxy's appointment (and, if it is signed by an attorney, the authority or power of attorney under which it is signed, a certified copy of the authority or power of attorney or proof of appointment to the satisfaction of the Chair or the Chair's delegate) must be received by the Prime Registry, Link Market Services Limited, by no later than **11:00 am (AEDT) on Tuesday 21 December 2021**.
- If a Shareholder holds a Share jointly with another person or persons, either of them may sign the Proxy Form.
- Should the Shareholder desire to direct the proxy how to vote, the Shareholder should mark the appropriate column in respect of one or more items on the Proxy Form, otherwise the proxy may vote as he or she thinks fit, or abstain from voting.

Instructions for completing the Proxy Form are outlined on the form, which may be returned by:

- a. posting it to Prime Media Group Limited c/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235;
- b. faxing it to Link Market Services Limited on (02) 9287 0309; or
- c. lodging it online at www.linkmarketservices.com.au in accordance with the instructions provided on the website. Shareholders will need their SRN/HIN to lodge the Proxy Form online.

SHAREHOLDER QUESTIONS

Shareholders and proxyholders will be given an opportunity to ask questions in real-time by telephone. A personalised PIN is needed to ask questions by telephone. To receive a personalised PIN, please contact Link Market Services Limited before the Meeting. Dial-in details for the Meeting and contact details for Link Market Services are included in the Online Guide. If you plan to ask questions by telephone, you will still need to log into the online platform if you wish to vote during the Meeting. It may not be possible to respond to all questions. All Shareholder questions should be stated clearly and should be relevant to the business of the Meeting. Shareholders should not ask questions at the Meeting relating to any matters that are personal to the Shareholder or commercial in confidence.

Shareholders who are unable to attend the virtual Meeting, or who prefer to register questions in advance of the Meeting, are invited to do so. To do so, Shareholders should log in to www.linkmarketservices.com.au, select 'Voting' then click 'Ask a Question'. Shareholders will need their individual SRN/HIN to log in. Shareholders may also complete the Shareholder Question Form that has been included with this Notice and is also available on the Company's website at www.linkmarketservices.com.au. To allow time to collate questions and prepare answers, Shareholders are requested to submit any questions by **11.00 am (AEDT) on Tuesday 21 December 2021**.

DATED at Sydney this 22 November 2021.

By Order of the Board

John Palisi

Company Secretary

GLOSSARY

ACCC means Australian Competition and Consumer Commission.

ASIC means Australian Securities and Investments Commission.

Asset Sale means the sale and transfer of the following to Seven:

- (a) the Sale Shares; and
- (b) the Prime Business Assets.

Asset Sale Resolution means the resolution set out at Resolution 1 in the Notice of Meeting enclosed in this Explanatory Memorandum.

ASX means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as the Australian Securities Exchange operated by it.

ATO means Australian Taxation Office.

AVOD means Advertising-Based Video on Demand.

Board means the board of directors of the Company.

Business Day means a day on which banks are open for business in Sydney, other than a Saturday, Sunday or public holiday in that city.

BVOD means Broadcaster Video on Demand.

CGT means capital gains tax.

Company or **Prime** means Prime Media Group Limited ACN 000 764 867.

Competing Proposal means any proposal, agreement, arrangement or transaction (or expression of interest therefor), which, if entered into or completed, would mean a third party (either alone or together with any associate):

- (a) directly or indirectly acquire a Relevant Interest (as defined in sections 608 and 609 of the Corporations Act) in, or have a right to acquire, a legal, beneficial or economic interest in, or control of, 30% or more of the Shares;
 - (b) acquire Control (as defined in section 50AA of the Corporations Act) of Prime;
 - (c) directly or indirectly acquire or become the holder of, or otherwise acquire or have a right to acquire, a legal, beneficial or economic interest in, or control of, all or a material part of the business or assets of the Prime Group;
 - (d) otherwise directly or indirectly acquire or merge with Prime; or
 - (e) require Prime to abandon, or otherwise fail to proceed with, the Asset Sale,
- whether by way of takeover bid, members' or creditors' scheme of arrangement, shareholder approved acquisition, capital reduction, buy back, sale or purchase of shares, other securities or assets, assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), agreement of company arrangement, any debt for equity arrangement or other transaction or arrangement.

Competition and Consumer Act means *Competition and Consumer Act 2010* (Cth).

Completion means completion of the Asset Sale in accordance with the SSA.

Completion Cash Balance means the expected cash balance of Prime immediately prior to Completion, calculated in accordance with clause 5.4(a)(1) of the SSA.

Completion Date means the date on which Completion occurs.

Conditions Precedent means the conditions in clause 2.1 of the SSA, as described in Annexure 1 to this Explanatory Memorandum.

Consolidated Group means a Consolidated Group or a MEC group as those terms are defined in section 995-1 of the ITAA 1997.

Constitution means the constitution of the Company.

Corporations Act means the *Corporations Act 2001* (Cth).

Corporations Regulations means the *Corporations Regulations 2001* (Cth).

Cut Off Date means 6 months after the date of the SSA, or such other later date as agreed in writing by the parties to the SSA.

Director means a director of the Company.

Distribution Payment Date means 1 February 2022.

Distribution Record Date means 7:00 pm AEDT on Friday 28 January 2022.

Exclusivity Period means the period from and including the date of the SSA to the earlier of:

- (a) the date of termination of the SSA;
- (b) the Cut Off Date; and
- (c) the Completion Date.

Explanatory Memorandum means this explanatory memorandum, including the Notice of Meeting, Independent Expert Report and Proxy Form.

FTA means Free to Air.

Independent Expert means Lonergan Edwards & Associates Limited.

Independent Expert Report means the independent expert's report prepared by the Independent Expert dated 22 November 2021, set out in Schedule 1.

ITAA 1936 means *Income Tax Assessment Act 1936* (Cth).

ITAA 1997 means *Income Tax Assessment Act 1997* (Cth).

Listing Rules means the listing rules of ASX.

Material Adverse Change means an event, change, condition, matter, circumstance or thing occurring before, on or after the date of the SSA (each a **Specified Event**) which, whether individually or when aggregated with all such events, changes, conditions, matters, circumstances or things that have occurred, has had or would be considered reasonably likely to have:

- (a) the effect of a diminution in the value of the consolidated net assets of the Target Group, taken as a whole, by at least A\$12,000,000 against what it would reasonably have been expected to have been but for such Specified Event; or
- (b) the effect of a diminution in the consolidated earnings before interest and tax of the Prime Group, taken as a whole, by at least A\$3,200,000 in any financial year for the Prime Group against what they would reasonably have been expected to have been but for such Specified Event, other than those events, changes, conditions, matters, circumstances or things:
 - (c) arising out of the announcement or pendency of the Asset Sale (including any loss of or adverse change in the relationship of Prime and its Related Bodies Corporate with their respective employees, customers, partners (including joint venture partners), creditors or suppliers as at the date of the SSA, including the loss of any contract);
 - (d) required or permitted by the SSA or the transactions contemplated by it, including any reasonably foreseeable consequences of such matters;
 - (e) arising from an action of Seven, including any action taken by Seven in relation to the PSA;
 - (f) that are fairly disclosed in the Prime disclosure materials;
 - (g) that were actually known to Seven prior to the date of the SSA (which does not include knowledge of the generic risk of the relevant event, change, condition, matter, circumstance or thing occurring, but does include knowledge of a specific risk of the relevant event, change, condition, matter, circumstance or thing occurring);
 - (h) agreed to in writing by Seven, including any reasonably foreseeable consequences;

- (i) arising as a result of any generally applicable change in law (including subordinate legislation), regulation, directions, orders, accounting standards or principles or governmental policy;
- (j) arising from changes in economic or business conditions that impact on Prime and its competitors in a similar manner (including interest rates, general economic, political or business conditions, including material adverse changes or major disruptions to, or fluctuations in, domestic or international financial markets);
- (k) arising from any act of terrorism, outbreak or escalation of war (whether or not declared), major hostilities, civil unrest or outbreak or escalation of any disease, epidemic or pandemic (including the outbreak, escalation or any impact of, or recovery from, the Coronavirus or COVID-19 pandemic);
- (l) arising from any act of God, natural disaster, lightning, storm, flood, bushfire, earthquake, explosion, cyclone, tidal wave or landslide, on or after the date of the SSA; or
- (m) that Prime fairly disclosed in an announcement made by Prime to ASX, or a publicly available document lodged by it with ASIC, prior to the date of the SSA.

Meeting means the general meeting of the Company convened by the Notice of Meeting.

Name Change Resolution means the resolution set out as Resolution 3 in the Notice of Meeting enclosed in this Explanatory Memorandum.

Notice of Meeting means the notice of extraordinary general meeting accompanying this Explanatory Memorandum.

Parent Guarantee means the guarantees, indemnities, charges or other securities given by Prime under an agreement to better secure the performance of a Target Group Member who is party to the agreement or required for the benefit of a Target Group Member.

Prime Business Assets means the assets (including intellectual property rights) which are held by Prime prior to Completion, but which are predominantly used in the Prime business in the 6 month period before Completion (being mostly business and supplier contracts).

Prime Group means Prime and its Related Bodies Corporate.

Prime Media Business Contracts means any agreement, contract, deed or other arrangement, right or instrument to which Prime is a party relating to the business of the Prime Group, including a Parent Guarantee, but excluding specific contracts listed in the SSA.

Prime Media Business Liabilities means all loss and obligations of Prime arising out of or in connection with, or otherwise relating to, the business of the Prime Group (regardless of when they have fallen or may fall due to be performed), excluding any liabilities arising under contracts that are explicitly excluded from the definition of Prime Media Business Contracts.

Prime Registry means Link Market Services Limited.

Prime Television Holdings means Prime Television (Holdings) Pty Ltd (ACN 003 368 974).

Proposed Distribution means the amounts to be returned to Shareholders following Completion of the Asset Sale.

Proposed Distribution Resolution means the resolution set out as Resolution 2 in the Notice of Meeting enclosed in this Explanatory Memorandum.

Proposed Transaction means the Proposed Distribution and the Asset Sale.

Proxy Form means the proxy form in respect of the Meeting accompanying this Explanatory Memorandum.

PSA means the Program Supply Agreement between Prime and SWM, which is currently due to expire on 30 June 2023.

Purchase Price means A\$131.88 million as adjusted under the terms of the SSA.

Related Body Corporate or **Related Bodies Corporate** has the meaning given to that term in the Corporations Act.

Related Person means in respect of a party to the SSA or its Related Bodies Corporate, each director, officer, employee, adviser, agent or representative of that party or Related Body Corporate.

Reimbursement Fee means A\$1.2 million.

Resolution means each of the Asset Sale Resolution, the Proposed Distribution Resolution and the Name Change Resolution.

Sale Shares means all of the issued share capital in:

- (a) Prime Television (Holdings) Pty Ltd (ACN 003 368 974); and
- (b) Seven Affiliate Sales Pty Ltd (ACN 058 428 158).

SAS means Seven Affiliate Sales Pty Ltd (ACN 058 428 158).

Seven means Seven Network (Operations) Limited (ACN 052 845 262).

Seven Group means Seven and each of its Related Bodies Corporate (other than the Target Group) and **Seven Group Member** means any member of Seven Group.

Share means a fully paid ordinary share in the capital of the Company.

Share Sale Agreement or **SSA** means the share sale agreement dated 30 October 2021 between the Company and Seven for the acquisition by Seven of:

- (a) the Sale Shares; and
- (b) the Prime Business Assets.

Shareholder means a holder of a Share.

Superior Proposal means a bona fide Competing Proposal:

- (a) of the kind referred to in any of paragraphs (b), (c) or (d) of the definition of Competing Proposal; and
- (b) not resulting from a breach by Prime of any of its obligations under clause 13 of the SSA (it being understood that any actions by the Related Persons of Prime in breach of clause 13 shall be deemed a breach by Prime for the purposes hereof),

that the Prime Board, acting in good faith, and after receiving written legal advice from its external legal advisers, determines:

- (c) is reasonably capable of being valued and completed; and
- (d) would, if completed substantially in accordance with its terms, reasonably likely be more favourable to Shareholders than the Asset Sale,

in each case taking into account all terms and conditions and other aspects of the Competing Proposal and of the Asset Sale.

SVOD means Subscription Video on Demand.

SWM means Seven West Media Limited (ACN 053 480 845).

TAA means *Taxation Administration Act 1953* (Cth).

Target Group means Prime Television Holdings, SAS and each of their Related Bodies Corporate other than Prime and a **Target Group Member** means any member of the Target Group.

Voting Record Date means 7:00 pm AEDT on Tuesday 21 December 2021.

VWAP means Volume Weighted Average Price.

Annexure 1 – Key terms of Share Sale Agreement

Parties	Seven Network (Operations) Limited (ACN 052 845 262) Prime Media Group Limited (ACN 000 764 867)
Purchase Price	A\$131.88 million less the Completion Cash Balance.
Purchase Adjustment Completion Balance Price for Cash	Prior to Completion, Prime must provide Seven with a report containing the anticipated cash balance of Prime at Completion and reasonable substantiations. Seven will review the cash balance report and Prime will provide all reasonable assistance and information required to permit Seven to undertake its review. The parties must act reasonably to agree the Completion Cash Balance not less than 2 Business Days before Completion. In the absence of agreement, the calculation of the Completion Cash Balance will be referred to the CEOs of Prime and Seven who will act in good faith to seek to agree the Completion Cash Balance. If agreement is unable to be reached, the Completion Cash Balance is to be determined by Prime acting reasonably and in good faith.
Utilisation of Purchase Price	<p>Prime undertakes to Seven to use the Purchase Price to (subject to retaining an amount of no more than is reasonably necessary for the ongoing operations of Prime consistent with Prime proceeding with a voluntary winding-up of Prime promptly following Completion):</p> <ul style="list-style-type: none"> a) pay a fully franked special dividend to the extent of Prime's capacity to do so promptly following Completion; and b) pay the balance to Shareholders in accordance with the Proposed Distribution Resolution.
Conditions Precedent	<p>Shareholders approving the Asset Sale in accordance with Listing Rules 10.1 and 11.2.</p> <p>Shareholders approving the Proposed Distribution Resolution under section 256C of the Corporations Act.</p> <p>Receipt by Seven of any regulatory approvals, including written notification that:</p> <ul style="list-style-type: none"> a) based on the information provided to the ACCC, the ACCC does not propose to intervene in the acquisition by Seven of the Sale Shares pursuant to section 50 of the Competition and Consumer Act; b) based on the information provided to the ACCC and the acceptance by the ACCC of written undertakings provided to the ACCC, the ACCC does not propose to intervene in the acquisition by Seven of the Sale Shares pursuant to section 50 of the Competition and Consumer Act; c) authorisation of the acquisition by Seven of the Sale Shares is granted by the Australian Competition Tribunal and no application to the Federal Court of Australia has been made for judicial review of the decision within the prescribed period; or d) the Federal Court of Australia makes orders or declares that the acquisition by Seven of the Sale Shares will not contravene section 50 of the Competition and Consumer Act. <p>No Material Adverse Change occurs or is discovered, announced, disclosed or otherwise becomes known to Prime between the date of the SSA and 8:00 am on the date of the Meeting.</p>

Assets transferred on Completion	<p>Prime must sell, and Seven must buy, the Sale Shares and the Prime Business Assets for the Purchase Price free and clear of all encumbrances.</p> <p>On and from Completion, Seven is beneficially entitled to the benefit of the Prime Media Business Contracts. Before Completion, Prime and Seven must take all reasonable steps to ensure that, effective from Completion, Prime is released from any actual, contingent or accrued liabilities under each Parent Guarantee, and the Prime Media Business Contracts are otherwise novated to Seven or another Seven Group Member on terms providing for the Seven Group Member to assume all liabilities under and the responsibility for the performance of the Prime Media Business Contracts. Seven must, from Completion, assume all liabilities under and responsibility for the performance of all Prime Media Business Contracts on behalf of Prime, but at the risk and expense of Seven, and indemnify Prime against any loss that may be incurred by Prime in relation to any breach or failure to fulfil or comply with the terms of the Prime Media Business Contracts by Seven.</p> <p>On and from Completion, Seven assumes the Prime Media Business Liabilities and must indemnify Prime against any Prime Media Business Liabilities incurred by Prime.</p> <p>On and from Completion, Seven releases Prime from all loss, obligations or claims arising under the PSA.</p>
Pre-Completion Obligations of Prime	<p>Prime must take all necessary steps to implement the Asset Sale as soon as is reasonably practicable, including each of the following acts:</p> <ul style="list-style-type: none"> a) prepare the Explanatory Memorandum; b) include in the Explanatory Memorandum a statement by the Board unanimously recommending that Shareholders vote in favour of the Asset Sale Resolution and Proposed Distribution Resolution, in the absence of a Superior Proposal, unless there has been a change of recommendation permitted by clause 4.3 of the SSA; c) consult with Seven in relation to the Explanatory Memorandum; d) convene the Meeting; e) provide all necessary information which Seven reasonably requires to progressively review the tally of proxy appointments and directions received by Prime prior to the Meeting; f) promptly appoint the Independent Expert and provide all assistance and information reasonably requested by them; g) provide Seven and its Related Persons with reasonable access during normal business hours to information and personnel of the Prime Group for the purpose of implementation of the Asset Sale; h) do everything reasonably within its power to ensure that the Asset Sale is effected in accordance with all applicable laws and regulations; and i) until the date of the Meeting, promptly update or supplement the Explanatory Memorandum with any information that arises after the Explanatory Memorandum has been dispatched to ensure the Explanatory Memorandum does not contain any material statement that is false or misleading. <p>Prime must use its best endeavours to procure that the Board unanimously recommend that Shareholders vote in favour of the Asset Sale Resolution and the Proposed Distribution Resolution in the absence of a Superior Proposal and subject to the Independent Expert concluding that the Asset Sale is in the best interests of Shareholders.</p>

	<p>Before Completion, Prime must procure that the Target Group Members repay all external financing debts and that any inter-company balances between Prime and a Target Group Member are settled.</p> <p>Prime must ensure that any Target Group Member who is a member of Prime's 'Consolidated Group' (as defined in the SSA) pay any relevant exit payments to Prime prior to Completion. If required by Seven in writing, Prime must release the Target Group Member (and the Target Group Member releases Prime) from its obligations under the tax sharing agreement entered into by the members of the Prime Group.</p> <p>On Completion, Prime must procure that a notice of disposal is lodged in respect of the Target Group Members who are party to the deed of cross guarantee entered into by the members of the Prime Group.</p> <p>Prime must transfer, or procure that the relevant registrant transfer, to Prime Television Holdings, any domain names held by Prime in relation to Prime's business and all social media handles used or held by Prime in relation to Prime's business.</p>
Completion Date	<p>Completion must take place on Friday 31 December 2021 or, if the Conditions Precedent are not satisfied before Wednesday 29 December 2021, the day that is 2 Business Days after satisfaction or waiver of the Conditions Precedent, or such other date as Prime and Seven agrees.</p>
Exclusivity	<p>No shop and no talk</p> <p>During the Exclusivity Period, except with the prior written consent of Seven, Prime must ensure that neither it nor its Related Persons, Related Bodies Corporate and the Related Persons of those Related Bodies Corporate do not, directly or indirectly:</p> <ul style="list-style-type: none"> a) solicit, invite, encourage or initiate (including by the provision of non-public information to any third party) any inquiry, expression of interest, offer, proposal or discussion by any person in relation to, or which would reasonably be expected to encourage or lead to the making of, an actual, proposed or potential Competing Proposal or communicate to any person an intention to do anything referred to in this clause; b) participate in or continue any negotiations or discussions with respect to any inquiry, expression of interest, offer, proposal or discussion by any person to make, or which would reasonably be expected to encourage or lead to the making of, an actual, proposed or potential Competing Proposal or participate in or continue any negotiations or discussions with respect to any actual, proposed or potential Competing Proposal; c) negotiate, accept or enter into, or offer or agree to negotiate, accept or enter into, any agreement, arrangement or understanding regarding an actual, proposed or potential Competing Proposal; d) disclose or otherwise provide or make available any material non-public information about the business or affairs of the Prime Group to a third party (other than a government agency that has the right to obtain that information and has sought it) in connection with, with a view to obtaining, or which would reasonably be expected to encourage or lead to the formulation, receipt or announcement of, an actual, proposed or potential Competing Proposal (including, without limitation, providing such information for the purposes of the conduct of due diligence investigations in respect of the Prime Group) whether by that third party or another person; or e) communicate to any person an intention to do anything referred to in the preceding paragraphs (b) to (d). <p>Fiduciary exception</p>

	<p>Paragraphs (b) to (e) above do not prohibit Prime, its Related Bodies Corporate or their Related Persons from taking any action or inaction in relation to an actual, proposed or potential Competing Proposal if compliance with that clause would, in the opinion of the Board, formed in good faith after receiving written legal advice from its external legal advisers, constitute, or would be reasonably likely to constitute, a breach of any of the fiduciary or statutory duties of the Directors of Prime, provided that the actual, proposed or potential Competing Proposal was not directly or indirectly brought about by, or facilitated by, a breach of the no-shop and no-talk provisions.</p> <p>Notice of approaches</p> <p>During the Exclusivity Period, Prime must notify Seven in writing if it, any of its Related Bodies Corporate or any of their respective Related Persons, becomes aware of any:</p> <ul style="list-style-type: none"> a) negotiations or discussions, approach or attempt to initiate any negotiations or discussions, or intention to make such an approach or attempt to initiate any negotiations or discussions in respect of any inquiry, expression of interest, offer, proposal or discussion in relation to an actual, proposed or potential Competing Proposal; b) proposal made to Prime, any of its Related Bodies Corporate or any of their respective Related Persons in connection with, or in respect of any exploration or completion of, an actual, proposed or potential Competing Proposal; or c) provision by Prime, any of its Related Bodies Corporate or any of their respective Related Persons of any material non-public information concerning the business or operations of Prime or the Prime Group to any third party (other than a government agency) in connection with an actual, proposed or potential Competing Proposal, <p>whether direct or indirect, solicited or unsolicited, and in writing or otherwise.</p> <p>Matching right and counterproposal</p> <p>Prime must not, and must procure that its respective Related Bodies Corporate do not, enter into any legally binding agreement, arrangement or understanding (whether or not in writing) pursuant to which one or more of a third party, Prime or any Related Body Corporate of Prime proposes an actual, proposed or potential Competing Proposal, and Prime must use its best endeavours to procure that none of its Directors publicly change their recommendation in favour of the Asset Sale, unless the Board, acting in good faith and in order to satisfy what the Directors consider to be their statutory or fiduciary duties (having received written legal advice from Prime's external legal advisers), determines that the Competing Proposal would or would be reasonably likely to be an actual, proposed or potential Superior Proposal. Prime must provide Seven with the material terms and conditions of the Competing Proposal and give Seven 5 Business Days to provide a matching or superior proposal to the terms of the Competing Proposal. If Seven formally proposes to Prime, or announces, amendments to the Asset Sale that the Board determines constitute a matching or superior proposal to the Competing Proposal (Counterproposal), the parties must use their best endeavours to agree the amendments to the SSA and Asset Sale that are reasonably necessary to reflect the Counterproposal and Prime must procure that the Board continues to recommend the Asset Sale (as modified by the Counterproposal).</p>
Reimbursement Fee	<p>Prime must pay a Reimbursement Fee of A\$1.2 million to Seven if:</p> <ul style="list-style-type: none"> a) during the Exclusivity Period, one or more of the Directors fails to recommend the Asset Sale to Shareholders, publicly withdraws, adversely revises or adversely qualifies his or her recommendation, or publicly recommends a Competing Proposal, unless the Independent Expert concludes that the Asset Sale is not in the best

	<p>interests of Shareholders, other than where the conclusion is due wholly or primarily to the existence of a Competing Proposal, or Prime is entitled to terminate under clause 15.1(a) or 15.2(b) of the SSA;</p> <p>b) a Competing Proposal is announced during the Exclusivity Period and the Competing Proposal completes or the third party enters into an agreement with the Board within 9 months of the date of such announcement; or</p> <p>c) Seven has terminated the SSA because Prime has materially breached the SSA, a 'prime prescribed occurrence' or 'prime regulated event' has occurred (as those terms are defined in the SSA) or Prime has breach a representation or warranty given by it under the SSA.</p> <p>Seven must pay a Reimbursement Fee of A\$1.2 million to Prime if Prime has terminated the SSA because Seven has materially breached the SSA or Seven has breached a representation or warranty given by it under the SSA.</p> <p>The Reimbursement Fee will not be payable if Completion occurs.</p>
Payment of Transaction Costs	<p>Seven undertakes to pay the transaction costs to the invoicing parties on behalf of Prime (or to Prime directly if they have already been paid by Prime):</p> <p>a) in the case of costs in category 1 of Schedule 6 of the SSA incurred before Completion, within 14 days of Completion provided Prime provides the reasonable supporting information no later than 7 days after Completion;</p> <p>b) in the case of costs in category 2 of Schedule 6 of the SSA, within 14 days of a liquidator being appointed to wind-up Prime, provided Prime provides the reasonable supporting information no later than 7 days after the liquidator has been appointed; and</p> <p>c) in the case of any other costs, within 14 days of Prime providing the reasonable supporting information with respect to those costs.</p> <p>Transaction costs comprise the bona fide expenses of Prime (including GST) in category 1 of the costs estimated in Schedule 6 of the SSA (including the costs of the termination entitlements of the Prime CEO and CFO, legal counsel, Independent Expert, financial advisor, shareholder engagement and notice of meeting fees) and, provided a winding-up commences within 18 months of Completion, the expenses (including GST) of Prime in category 2 of the costs estimated in Schedule 6 of the SSA (including winding-up/liquidator fees, documentation printing/mailling, director fees post-Completion, preparation of financial reports and tax returns, management retainer fees, and directors' and officers' run-off insurance). If the amount incurred by Prime is higher than the estimate provided in Schedule 6 of the SSA, the actual amount paid in respect of the excess will be what is reasonable.</p>
Post-Completion Actions	<p>Following Completion, Prime agrees not to use the word 'Prime' as, or as part of, a trade mark or for any other use which is likely to be misleading or deceptive, or any other intellectual property rights of a Target Group Member or which are used in relation to Prime's business.</p> <p>Prime must use reasonable endeavours to change its name to a name that does not include the word 'Prime' as soon as reasonably practicable following Completion.</p>
Warranties and Indemnities	<p>Each party to the SSA gives customary representations and warranties as to title and capacity and indemnifies the other party and certain indemnified parties (being the Related Bodies Corporate of the other party and their directors, officers and employees) against any claim, action, damage, loss, liability, cost, expense or payment of whatever nature and however arising</p>

	<p>that the other party or an indemnified party suffers, incurs or is liable for arising out of any breach of those representations and warranties.</p> <p>In addition, Prime gives representations and warranties as to the accuracy and preparation of the Explanatory Memorandum, the accuracy and completeness of the Prime disclosure materials, ownership of the Share Sales, the business of the Target Group, and tax.</p>
Limitations of Liability	<p>The representations, warranties and indemnities made or given by each party are each subject to matters that:</p> <ul style="list-style-type: none"> a) have been fairly disclosed by that party to the other party in writing; b) have been fairly disclosed by that party in an announcement to ASX or a publicly available document lodged by it with ASIC in the 2 year period prior to the date of the SSA; or c) are required or expressly permitted by the SSA, the Asset Sale or the transactions contemplated by either. <p>Other than the representations and warranties given by Prime in relation to title and capacity, the representations and warranties given by Prime terminate at Completion.</p>
Transitional Services	<p>For a period of 12 months commencing on the Completion Date, Seven will provide Prime with payroll services, IT services, general corporate accounting services, general corporate legal services, and ad hoc assistance with general 'head office' matters. The parties acknowledge that the transitional services are being provided to and for the benefit of Prime only, and are being provided to Prime for the purposes of facilitating an orderly winding-up of Prime.</p> <p>The transitional services must be provided by Seven without any charge or cost to Prime. Seven is liable for all costs, charges and expenses relating to the provision of the transitional services.</p> <p>The transitional services must be provided by Seven promptly, upon reasonable request from Prime, and to a standard consistent with good business practice.</p>

LONERGAN EDWARDS & ASSOCIATES LIMITED

ABN 53 095 445 560
AFS Licence No 246532
Level 7, 64 Castlereagh Street
Sydney NSW 2000 Australia
GPO Box 1640, Sydney NSW 2001

Telephone: [61 2] 8235 7500
www.lonerganedwards.com.au

The Directors
Prime Media Group Limited
363 Antill Street
Watson ACT 2602

22 November 2021

Subject: Sale of business to Seven West Media Limited

Dear Directors

Introduction

- 1 On 1 November 2021, Prime Media Group Limited (Prime or the Company) announced that it had entered into a Share Sale Agreement (SSA) with Seven Network (Operations) Limited (Seven), a wholly owned subsidiary of Seven West Media Limited (SWM), pursuant to which Seven will acquire all of the issued share capital in Prime Television (Holdings) Pty Ltd and Seven Affiliate Sales Pty Ltd as well as certain assets (net of associated liabilities) used in the Prime business (Sale Assets) for cash consideration of \$131.88 million less the Completion Cash Balance as defined in the SSA (the Asset Sale). The Completion Cash Balance refers to the level of cash held in the parent entity, which is expected to be approximately \$10 million at completion. Cash held in the operating businesses being acquired (expected to be around \$30 million) will be included in the Sale Assets. Prime intends to distribute the proceeds of the Asset Sale to Prime shareholders, together with its available cash, promptly following completion of the Asset Sale (Proposed Distribution, which together with the Asset Sale, is referred to as the Proposed Transaction).
- 2 In summary, the Proposed Transaction (if implemented) will result in the sale of Prime's business and related net assets to Seven, and the distribution of net proceeds together with available cash to shareholders.
- 3 Further, it should be noted that:
 - (a) Seven will assume liabilities relating to the Prime business on completion
 - (b) all employees (other than Mr Ian Audsley (the CEO of Prime) and Mr John Palisi (the CFO of Prime), being directly employed by Prime) will transition to Seven with Prime's business
 - (c) Seven has agreed to meet the bona fide reasonable expenses of Prime associated with:
 - (i) the Proposed Transaction, including the termination entitlements which Prime will need to pay to Messrs Audsley and Palisi and transaction costs (such as legal fees, financial advisory fees, the cost of this independent expert's report (IER) and

Authorised Representatives:

Wayne Lonergan • Craig Edwards* • Hung Chu • Martin Hall • Martin Holt* • Grant Kepler* • Julie Planinic* • Nathan Toscan • Jorge Resende

* Members of Chartered Accountants Australia and New Zealand and holders of Certificate of Public Practice.
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costs associated with the shareholder meeting to approve the Proposed Transaction)

- (ii) the wind-up of Prime (such as liquidator fees, the printing and mailing costs associated with shareholder communications etc.), provided Prime is wound-up within 18 months of completion
 - (d) Prime will not pay tax on the sale proceeds as any taxable gain will be offset by carry forward tax losses¹.
- 4 On completion of the Proposed Transaction, Prime will cease to have an operating business and its only material asset will be approximately \$0.36 per share in cash which is intended to be distributed via the Proposed Distribution (as noted below). It is currently intended that Prime will proceed with a voluntary winding up of the Company following completion of the Proposed Transaction.
- 5 Prime estimates that the Proposed Distribution will be \$0.36 per share, comprised of a \$0.10 capital return (Capital Return) and a fully franked dividend of \$0.26 per share (Proposed Dividend)².
- 6 Certain transitional services will also be provided by Seven to Prime for a 12 month period for the purposes of facilitating an orderly winding-up of Prime.

Conditions

- 7 The Proposed Transaction is subject to certain conditions as outlined in Section I, including shareholder approval at an extraordinary general meeting (EGM) pursuant to Australian Securities Exchange (ASX) Listing Rules 10.1 and 11.2.

Purpose of report

- 8 ASX Listing Rule 10.1 states that an entity must ensure that it does not acquire a substantial asset from, or dispose of a substantial asset to a substantial holder (of > 10% of the voting rights) or an associate of a substantial holder without the approval of holders of the entity's ordinary securities. ASX Listing Rule 11.2 requires that if the Company proposes to dispose of its main undertaking, it must first obtain shareholder approval.
- 9 As SWM holds a 14.9% interest in Prime, and the Proposed Transaction will constitute the sale of Prime's main undertaking, Prime intends to seek approval of shareholders at an EGM to approve the Proposed Transaction.
- 10 Further, the Directors of Prime have unanimously recommended the Proposed Transaction (in the absence of a superior proposal), subject to an independent expert determining that the Proposed Transaction is in the best interests of Prime shareholders.

¹ Prime had capital tax losses of \$91.5 million as at 30 June 2021.

² The tax treatment of the Proposed Dividend is subject to receipt of a class ruling from the Australian Taxation Office (ATO).

- 11 Accordingly, the Directors of Prime have requested that Lonergan Edwards & Associates Limited (LEA) prepare an IER stating whether, in LEA's opinion, the Proposed Transaction is fair and reasonable to, and in the best interests of, Prime shareholders other than SWM³.
- 12 LEA is independent of Prime and SWM and has no other involvement or interest in the outcome of the Proposed Transaction, other than the preparation of this report.

Summary of opinion

- 13 LEA has concluded that the Proposed Transaction is fair and reasonable and in the best interests of Prime shareholders, in the absence of a superior proposal. We have formed this opinion for the reasons set out below.

Valuation of Sale Assets

- 14 As set out in Section V, we have assessed the value of the Prime business (excluding cash) at between \$66 million and \$80 million.
- 15 As stated above, cash held by Prime in its operating businesses at completion will also be included in the Sale Assets.
- 16 Prime's actual cash balance as at 30 September 2021 (following payment of Prime's FY21 final dividend on 27 September 2021) was approximately \$34 million. However, by late December 2021 (the estimated completion date), we have estimated that the cash balance will be approximately \$40 million⁴ (primarily reflecting cash inflows associated with the earnings of the business in the intervening period). Of this amount approximately \$10 million will be held by the parent entity and is therefore excluded from the Sale Assets.
- 17 For the purposes of our assessment, we have therefore assumed that cash on completion of \$30 million will be included in the Sale Assets.
- 18 On this basis, the value of the Sale Assets (including cash) ranges between \$96 million and \$110 million.

Value of Consideration

- 19 As noted above, the consideration for the Sale Assets is \$131.88 million in cash less the Completion Cash Balance⁵, which is expected to be \$10 million.
- 20 Accordingly, for the purpose of our report, we have assessed the value of the consideration at \$121.88 million (being \$131.88 million less the Completion Cash Balance).

³ For ease of reference, "Prime shareholders other than SWM" have been referred to simply as "Prime shareholders" in the remainder of this report.

⁴ This assumes the transaction costs associated with the Proposed Transaction are borne by Seven (which will only occur if the Proposed Transaction is completed).

⁵ The Proposed Transaction has been structured to ensure that Prime has cash balances totalling approximately \$131.88 million (approximately \$0.36 per share) at completion. The Completion Cash Balance (as defined in the SSA) therefore has no impact on our opinion on the Proposed Transaction. This is because, if the Completion Cash Balance is higher or lower than \$10 million, the value of the Sale Assets and the value of the consideration change by the same amount.

Assessment of fairness

- 21 Pursuant to Australian Securities & Investments Commission (ASIC) Regulatory Guide 111 – *Content of expert reports* (RG 111) the Proposed Transaction is “fair” if the value of the consideration is equal to, or greater than, our assessed value of the Sale Assets. This comparison is shown below:

Comparison of consideration and value of Sale Assets			
	Low \$m	High \$m	Mid-point \$m
Value of consideration (rounded)	122	122	122
Value of Sale Assets	96	110	103
Extent to which the consideration exceeds the value of the Sale Assets	26	12	19

- 22 As the value of the consideration is above our assessed valuation range for the Sale Assets, in our opinion, the offer consideration is fair to Prime shareholders when assessed based on the guidelines set out in RG 111.

Assessment of reasonableness

- 23 Pursuant to RG 111, a transaction is reasonable if it is fair. Further, in our opinion, if the Proposed Transaction is “fair and reasonable” it must also be “in the best interests” of shareholders.
- 24 Consequently, in our opinion, the Proposed Transaction is also “reasonable” and “in the best interests” of Prime shareholders in the absence of a superior proposal.

Summary of advantages and disadvantages

- 25 We summarise below the likely advantages and disadvantages for Prime shareholders if the Proposed Transaction proceeds.

Advantages

- 26 The Proposed Transaction has the following benefits for Prime shareholders:
- (a) the consideration is greater than our assessed value range for the Sale Assets. Thus, in our view:
 - (i) Prime shareholders are being paid an appropriate price to compensate them for the fact that control of the Sale Assets will pass to Seven if the Proposed Transaction is approved
 - (ii) Prime shareholders are being paid a share of the value of the synergies which SWM is likely to realise from the acquisition of the Sale Assets
 - (b) the consideration implies a significant premium to the value of Prime implied by recent trading in Prime shares prior to the announcement of the Proposed Transaction
 - (c) the Proposed Distribution may give rise to additional consideration to those Australian resident shareholders able to benefit from the related franking credits attaching to the Proposed Dividend⁶

⁶ As reflected by share market trading in Prime shares subsequent to the announcement of the Proposed Transaction.

- (d) if the Proposed Transaction does not proceed, and in the absence of an alternative offer or proposal, the price of Prime shares is likely to trade at a significant discount to the Proposed Distribution.

Disadvantages

- 27 Prime shareholders should note that if the Proposed Transaction is implemented they will no longer hold an interest in the Prime business. However, as our assessed value of the Sale Assets is materially less than the consideration, in our opinion, the present value of Prime's future potential (in the absence of the Proposed Transaction) is reflected in the consideration.

Conclusion

- 28 Given the above analysis, we consider that the advantages of the Proposed Transaction significantly outweigh the disadvantages. Consequently, in our view, the Proposed Transaction is fair and reasonable and in the best interests of Prime shareholders in the absence of a superior proposal.

General

- 29 In preparing this report we have considered the interests of Prime shareholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.
- 30 The taxation consequences of approving the Proposed Transaction depend on the individual circumstances of each investor⁷. Shareholders should read the taxation overview set out in the Explanatory Memorandum and should consult their own professional adviser if in doubt as to the taxation consequences of the Proposed Transaction. Those Prime shareholders who are unable to obtain a benefit from the franking credits attached to the Proposed Dividend should consider selling their Prime shares on market prior to completion of the Proposed Transaction.
- 31 The ultimate decision whether to approve the Proposed Transaction should be based on each shareholder's assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions.
- 32 If shareholders are in doubt about the action they should take in relation to the Proposed Transaction or matters dealt with in this report, shareholders should seek independent professional advice.
- 33 For our full opinion on the Proposed Transaction, and the reasoning behind our opinion, we recommend that Prime shareholders read the remainder of our report.

Yours faithfully



Craig Edwards
Authorised Representative



Martin Holt
Authorised Representative

⁷ The tax treatment of the Proposed Dividend is also subject to receipt of a class ruling from the ATO.

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I Outline of Proposed Transaction

Key terms

- 34 The key terms of the Proposed Transaction are set out at paragraphs 1 to 6. A further detailed description of these terms and the matters discussed below is set out in the Explanatory Memorandum.

Conditions

- 35 The Proposed Transaction is subject to the following conditions:
- (a) shareholder approval of the Proposed Transaction at an EGM pursuant to ASX Listing Rules 10.1 and 11.2
 - (b) shareholders approving the Capital Reduction component of the Proposed Distribution
 - (c) Australian Competition and Consumer Commission (ACCC) approval and customary regulatory matters
 - (d) no material adverse change occurring or otherwise becoming known to Prime between the date of the SSA and the date of the EGM.
- 36 Seven may terminate the SSA before completion if a prescribed occurrence or regulated event occurs with respect to Prime that remains unremedied within the specified period. Seven may also terminate the SSA if any of Prime's board members fail to recommend the Proposed Transaction, or otherwise publicly withdraw, or adversely revise or modify their recommendation, or publicly recommend or otherwise support a Competing Proposal⁸.
- 37 Seven or Prime may terminate the SSA if the other party commits a material breach of the SSA and that breach remains unremedied after five business days, a Government Agency⁸ takes action prior to completion preventing the Proposed Transaction, a condition precedent is not satisfied or completion of the Proposed Transaction has not occurred within the specified period.

Warranties and indemnities

- 38 The SSA contains customary warranties and indemnities for a transaction of this nature, including warranties in relation to title and capacity, ownership of the Sale Assets, tax and information.

Prohibitions regarding a Competing Proposal

- 39 During the Exclusivity Period⁹, subject to certain fiduciary exceptions, Prime is prohibited from:
- (a) soliciting or encouraging any inquiry or discussions which may reasonably be expected to lead to the making of an offer in relation to a Competing Proposal
 - (b) negotiating or entering into any actual, proposed or potential Competing Proposal; or

⁸ As defined in the SSA.

⁹ As defined in the SSA.

- (c) disclosing or otherwise providing or making available any material non-public information about the business or affairs of Prime to a third party with a view to obtaining, or encouraging the receipt or announcement of, a Competing Proposal.

40 A “Competing Proposal” includes any proposal which would mean a third party:

- (a) acquires an interest of 30% or more of Prime shares
- (b) acquires control of Prime
- (c) directly or indirectly acquires or becomes the holder of, or otherwise acquires or has a right to acquire, an interest in, or control of, all or a material part of the business or assets of the Prime Group
- (d) otherwise acquires or merges with Prime
- (e) requires Prime to abandon, or otherwise fail to proceed with, the Proposed Transaction.

41 If Prime is approached by any person to discuss, engage or provide information in connection with an actual or potential Competing Proposal, Prime must, within one business day of becoming aware of such approach, provide written notice to Seven including all relevant details (including the identity and material terms and conditions) and regular updates of the status of such an approach.

42 If Prime receives a Competing Proposal that is more favourable to shareholders than the Proposed Transaction, it must offer Seven five business days to match such superior proposal.

Reimbursement fee

43 A reimbursement fee of \$1.2 million is payable by Prime to Seven or by Seven to Prime in certain circumstances as set out in the SSA.

Proposed Distribution to shareholders

44 Subsequent to the completion of the Proposed Transaction, Prime intends to distribute all available cash to shareholders (Proposed Distribution)¹⁰. Prime estimates that the Proposed Distribution will be \$0.36 per share, comprised of the \$0.10 Capital Return and the Proposed Dividend of \$0.26 per share¹¹.

¹⁰ In the SSA, Prime has undertaken to pay the Proposed Dividend promptly following completion, and to pay the capital return to Prime shareholders in accordance with the Capital Reduction Resolution (as defined in the SSA).

¹¹ The tax treatment of the Proposed Dividend is subject to receipt of a class ruling from the ATO.

II Scope of our report

Purpose

- 45 ASX Listing Rule 10.1 states that an entity must ensure that it does not acquire a substantial asset from, or dispose of a substantial asset to a substantial holder (of > 10% of the voting rights) or an associate of a substantial holder without the approval of holders of the entity's ordinary securities. ASX Listing Rule 11.2 requires that if the Company proposes to dispose of its main undertaking, it must first obtain shareholder approval.
- 46 As SWM holds a 14.9% interest in Prime, and the Proposed Transaction will constitute the sale of Prime's main undertaking, Prime intends to seek approval of shareholders at an EGM to approve the Proposed Transaction.
- 47 Further, the Directors of Prime have unanimously recommended the Proposed Transaction (in the absence of a superior proposal), subject to an independent expert determining that the Proposed Transaction is in the best interests of Prime shareholders.
- 48 Accordingly, the Directors of Prime have requested that LEA prepare an IER stating whether, in LEA's opinion, the Proposed Transaction is fair and reasonable to, and in the best interests of, Prime shareholders other than SWM¹².

Basis of assessment

- 49 Our assessment of the Proposed Transaction has been undertaken as if it was required under s640 of the *Corporations Act 2001* (Cth) (Corporations Act). Consequently, in preparing our report we have given due consideration to the Regulatory Guides issued by ASIC, particularly RG 111.
- 50 RG 111 distinguishes "fair" from "reasonable" and considers:
- (a) a proposal to be "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities or assets that are the subject of the proposal. A comparison must be made assuming 100% ownership of the target company / business
 - (b) a proposal to be "reasonable" if it is fair. A proposal may also be "reasonable" if, despite not being "fair" but after considering other significant factors, in the opinion of the expert shareholders should approve the proposal in the absence of any superior proposal.
- 51 There is no legal definition of the expression "in the best interests". However, RG 111 states that a proposal may be "in the best interests of the members of the company" if there are sufficient reasons for security holders to vote in favour of the proposal in the absence of a superior proposal.
- 52 In our opinion, if the Proposed Transaction is "fair" and "reasonable" under RG 111 it must also be "in the best interests" of Prime shareholders.

¹² For ease of reference, "Prime shareholders other than SWM" has been referred to simply as "Prime shareholders" in the remainder of this report.

53 Our report has therefore considered:

Fairness

- (a) the market value of the Sale Assets
- (b) the value of the consideration to be paid by SWM
- (c) the extent to which (a) and (b) differ (in order to assess whether the Proposed Transaction is fair under RG 111)

Reasonableness

- (d) what the Proposed Transaction equates to in terms of a per share value (and Prime's intentions regarding the consideration to be received)
- (e) the extent to which (d) exceeds the recent trading price of the Prime shares prior to the announcement of the Proposed Transaction
- (f) the extent to which Prime shareholders are being paid a share of any synergies likely to be generated pursuant to the Proposed Transaction
- (g) the likelihood of a higher alternative offer being made for the Sale Assets or Prime prior to the date of the EGM
- (h) the advantages and disadvantages of the Proposed Transaction from the perspective of Prime shareholders.

General

- 54 This report has been prepared to assist the Directors of Prime in making their recommendation to Prime shareholders in relation to the Proposed Transaction and to assist the shareholders of Prime assess the merits of the Proposed Transaction. The sole purpose of this report is to set out LEA's opinion in relation to the Proposed Transaction. This report should not be used for any other purpose.
- 55 The ultimate decision whether to approve the Proposed Transaction should be based on each shareholder's assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Proposed Transaction or matters dealt with in this report, shareholders should seek independent professional advice.

Limitations and reliance on information

- 56 Our opinion is based on the economic, share market, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.
- 57 Our report is also based upon financial and other information provided by Prime and its advisers. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.

- 58 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion on the Proposed Transaction from the perspective of Prime shareholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, “due diligence” of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.
- 59 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the Proposed Transaction, rather than a comprehensive audit or investigation of detailed matters.
- 60 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 61 We in no way guarantee the achievability of budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from forecasts and budgets with consequential valuation impacts.
- 62 In forming our opinion, we have also assumed that the information set out in the Explanatory Memorandum is complete, accurate and fairly presented in all material respects.

III Profile of Prime

Overview

- 63 Prime is a regional television broadcaster with a viewing area that covers northern and southern New South Wales (NSW), the Australian Capital Territory (ACT), Victoria, the Gold Coast and all of regional Western Australia (WA). The Company primarily operates the free-to-air (FTA) television networks PRIME7 and GWN7, which broadcast content largely through a program supply agreement (PSA) with SWM. Prime is headquartered in Pymont, Sydney.
- 64 Prime produces six separate PRIME7 local news bulletins (Local News bulletins), that are broadcast at 6:00pm each weeknight for the Central West region of NSW, the New England region, the NSW North Coast, the NSW Riverina, and the Albury-Wodonga region. Prime also produces and broadcasts the National News bulletin, PRIME7 News at 6:30pm, following the Local News bulletins in NSW. Prime produces a half-hour local news bulletin in regional WA under the GWN7 signal. Prime's Local News bulletins are also supplemented with local news and weather updates.

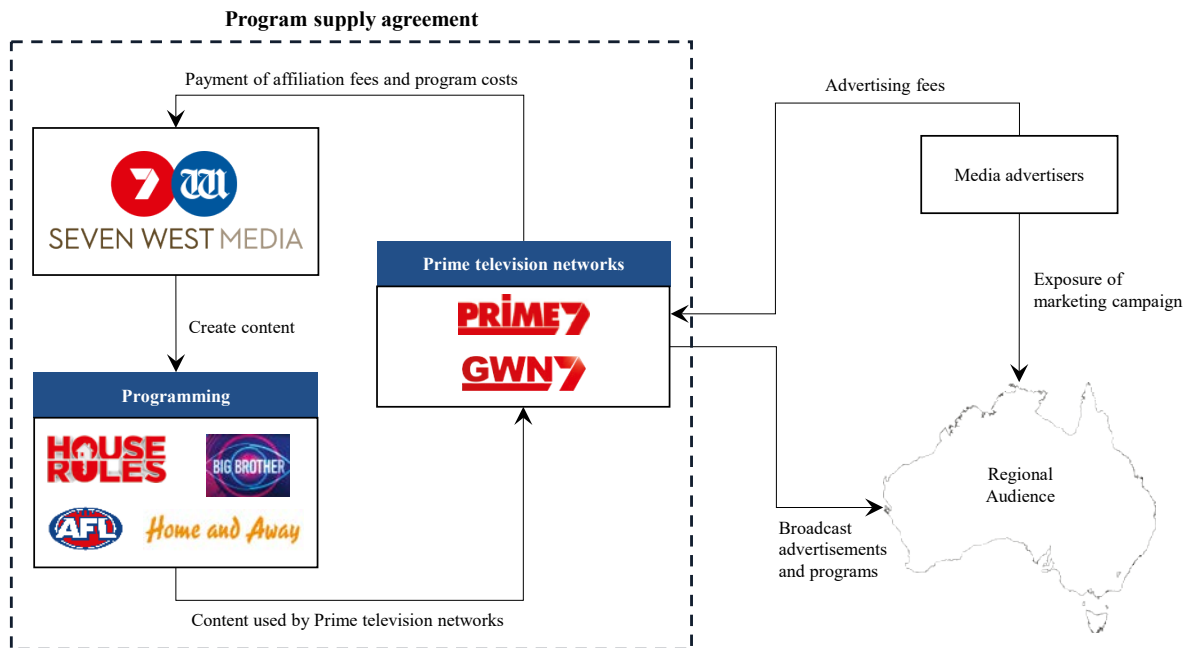
History

- 65 The foundations of Prime (formerly known as Prime Television Ltd) were established in 1986 upon the acquisition of a number of regional television stations in NSW. In 1996, Prime expanded into the regional WA television market, purchasing the Golden West Network (GWN) from Mr Kerry Stokes for \$71 million. At the time of the acquisition, GWN was the monopoly commercial television network in the regional WA area, however shortly after the acquisition, WIN Corporation Pty Ltd (WIN) purchased a licence to operate a second commercial FTA television service in the regional WA area. In March 1999, GWN became an affiliate of SWM, replacing the existing agreements with Nine Entertainment Co. Holdings Limited (Nine Entertainment). Since then, the operations of Prime have been impacted by the addition and disposal of a number of media businesses and assets.

Current operations

- 66 Prime operates from a Pymont head office and employs approximately 340 full time equivalent staff. The Company generates revenue from the broadcast of advertisements primarily across its FTA television networks PRIME7 and GWN7. A diagrammatic overview of Prime's primary FTA television operations is set out below:

Prime – FTA television operations



- 67 As noted above, Prime’s FTA television networks broadcast to an audience which covers regional northern and southern NSW, the ACT, Victoria, the Gold Coast and all of regional WA. These regional areas provide Prime with the potential to reach an audience of over 5.5 million people. In FY21, Prime maintained its industry leadership in regional advertising revenue share and audience share for the ninth consecutive year, reporting a 40.4% revenue market share¹³ and a 42.7% audience share¹⁴.

Program supply agreement

- 68 The majority of content which is shown on PRIME7 and GWN7 is supplied through a PSA with SWM (which operates the Seven Network). The Seven Network has developed a programming schedule that includes some of the biggest content brands including Big Brother, House Rules and Home and Away, as well as major sports such as the Australian cricket, Australian Football League, Supercars and the Olympic Games.
- 69 Prime extended its PSA with SWM for a further five years from 1 July 2018¹⁵. Under the PSA, Prime is required to pay SWM an affiliation fee which is based on a percentage of gross television advertising revenues. Whilst the affiliation fee percentage is confidential, the

¹³ Based on the aggregated markets of NSW and Victoria for the period 1 July 2020 to 30 June 2021.

¹⁴ Based on all people 6.00am to midnight for the period 1 July 2020 to 30 June 2021 in the aggregated regional markets of NSW and Victoria.

¹⁵ Prime’s profitability is highly reliant on the renewal of the PSA (which expires on 30 June 2023).

affiliation fee increased significantly in FY20 based on the terms of the agreement, to a percentage level that will be maintained for the remaining term.

- 70 It should also be noted that Prime holds no digital rights to the Seven Network's content, and that the Seven Network is now streaming and providing broadcast video on demand (BVOD) services in Prime's licence areas through the 7plus streaming service (which enables users to access the Seven Network's live television broadcast as well as catch-up television without needing to watch Prime's broadcast).

News programming

- 71 PRIME7 and GWN7 are the number one local television news providers in their respective broadcast markets across regional Australia, with an audience share of more than 50% of the available audience during the news broadcast. Details of the news programs delivered by these networks are set out below:
- (a) **PRIME7** – PRIME7 augments the Seven Network's news and current affairs services, producing six separate 30-minute local news bulletins each weekday for the Central West region of NSW, New England and the North West region of NSW, the North Coast of NSW, Wagga Wagga and the Riverina, and Albury-Wodonga. In addition to producing local news, PRIME7 produces a 6.30pm PRIME7 National News bulletin that, in the eastern states of Australia, follows the PRIME7 Local News bulletin at 6.00pm. The news bulletins are supplemented with local news and weather updates throughout the day and evening
 - (b) **GWN7** – provides the only Local News bulletin on television for viewers in regional WA. The 30-minute Local News bulletins are supplemented with local news and weather updates throughout the day and evening.

Other operations

- 72 Prime also has a 50% interest in joint ventures that have acquired FTA television licenses in regional WA and in Mildura / Sunraysia, which it operates with related entities of WIN. Both joint ventures ended their respective PSAs with Nine Entertainment on 30 June 2021, and have since commenced broadcasting Ten Network programming in their television licence areas of regional WA and Mildura, Victoria. As the joint ventures continue to be loss making, the Group's interests in these joint ventures have been fully impaired.
- 73 Prime also broadcasts the television channel iShopTV in its broadcast licence areas in conjunction with Brand Developers Australia Pty Ltd (Brand Developers). Prime owns the iShop brand and is responsible for transmission services. Brand Developers is responsible for sourcing, producing and delivering content for the channel.

Financial performance

- 74 The financial performance of Prime for the six years ended 30 June 2021 (FY21) is set out below:

Prime – statement of financial performance⁽¹⁾

	FY16	FY17	FY18	FY19	FY20⁽⁷⁾	FY21⁽⁷⁾
	\$m	\$m	\$m	\$m	\$m	\$m
Revenue from customer contracts	235.1	237.4	220.0	207.8	174.9	183.7
Agency commissions	(19.2)	(19.6)	(19.9)	(17.1)	(15.0)	(15.1)
Net sales⁽²⁾	215.9	217.8	200.1	190.7	159.9	168.6
Cost of sales	(112.0)	(106.3)	(100.9)	(101.5)	(93.6)	(95.2)
Gross profit	103.9	111.5	99.1	89.2	66.3	73.4
EBITDA⁽³⁾ before significant items⁽⁴⁾⁽⁹⁾	53.4	63.6	47.1	38.5	20.2	28.9
D&A ⁽³⁾ (excluding program rights)	(8.6)	(8.3)	(8.0)	(7.2)	(5.4)	(4.4)
Amortisation of program rights	(1.7)	(1.7)	(1.7)	(4.7)	(3.0)	(3.0)
EBIT⁽³⁾ before significant items⁽⁴⁾	43.1	53.6	37.5	26.6	11.7	21.5
Net finance costs	(3.5)	(2.4)	(1.5)	(1.2)	(0.3)	(0.1)
Significant items ⁽⁵⁾⁽⁹⁾	(121.0)	0.5	(53.6)	(14.0)	(2.2)	6.1
Profit / (loss) before tax	(81.3)	51.7	(17.6)	11.4	9.3	27.5
Income tax expense	23.6	(15.4)	5.3	(4.1)	(2.6)	(8.0)
Profit / (loss) after tax	(57.7)	36.2	(12.3)	7.3	6.7	19.5
<i>Net revenue growth</i>	<i>na</i>	<i>0.9%</i>	<i>(8.2%)</i>	<i>(4.7%)</i>	<i>(16.2%)</i>	<i>5.5%</i>
<i>Gross profit margin⁽⁶⁾</i>	<i>48.1%</i>	<i>51.2%</i>	<i>49.5%</i>	<i>46.8%</i>	<i>41.5%</i>	<i>43.5%</i>
<i>Underlying EBITDA margin⁽⁶⁾</i>	<i>24.8%</i>	<i>29.2%</i>	<i>23.5%</i>	<i>20.2%</i>	<i>12.6%</i>	<i>17.2%</i>
<i>Underlying EBITDA growth</i>	<i>na</i>	<i>18.9%</i>	<i>(25.9%)</i>	<i>(18.3%)</i>	<i>(47.6%)</i>	<i>43.4%</i>

Note:

- 1 Rounding differences exist.
- 2 Net sales revenue represents advertising and other external revenue (net of agency commissions), and excludes interest income, Government grants and other income.
- 3 Earnings before interest, tax, depreciation and amortisation (EBITDA). Depreciation and amortisation (D&A). Earnings before interest and tax (EBIT).
- 4 Includes share of profits / (losses) from associates.
- 5 Significant items comprise the following:

	FY16	FY17	FY18	FY19	FY20	FY21
	\$m	\$m	\$m	\$m	\$m	\$m
Impairment expense	(122.9)	-	(51.7)	(14.0)	(0.5)	-
PING grant revenue	-	-	-	-	-	4.1
Expected credit loss adjustment	-	-	-	-	-	(0.4)
Redundancies	(0.1)	(0.5)	(1.0)	-	-	-
Temporary waiver of commercial broadcast taxes	-	-	-	-	-	1.0
Gain on sale of surplus assets	2.1	1.0	-	-	-	1.4
Non-recurring legal and consulting expenses ⁽⁸⁾	-	-	(0.9)	-	(1.6)	-
Total significant items	(121.0)	0.5	(53.6)	(14.0)	(2.2)	6.1

- 6 Based on net sales revenue.
- 7 The FY20 and FY21 results exclude the impact of changes required under Australian Accounting Standard AASB 16 – *Leases* (AASB 16). In summary, the adoption of AASB 16 increased reported EBITDA by approximately \$1.7 million and \$1.8 million in FY20 and FY21 respectively, as rent expenses were replaced by amortisation charges (of the right of use asset) and notional interest expenses (on operating lease liabilities). However, in our view this EBITDA uplift should be excluded as it is simply an accounting treatment which has no cash flow impact or impact on the underlying profitability of Prime.
- 8 The \$1.6 million in non-recurring legal and consulting expenses in FY20 related to the costs associated with the scheme of arrangement proposed by SWM in calendar 2019.

9 EBITDA before significant items includes \$3.0 million and \$3.4 million in JobKeeper subsidies in FY20 and FY21 respectively. These subsidies have not been treated as significant items in the above table as advertising revenues were negatively impacted by the COVID-19 pandemic (particularly in the June 2020 quarter).

75 Over the period set out above, Prime's revenue and underlying EBITDA declined significantly as the regional television advertising market has faced increasing competition from national and international entertainment, news and information platforms. Growing competition from online media (such as YouTube and subscription video on demand (SVOD) services such as Netflix and Stan) has been a key factor behind the decline in regional FTA broadcasting industry revenue, as more viewers have streamed films and television programs online. In addition, most of these platforms do not have the same regulatory obligations that Prime does, such as fees for broadcast spectrum, local content quotas, advertising time and category restrictions, drama and children's programming quotas and captioning for the hearing impaired. These regulatory obligations are increasingly expensive to meet and maintain, at a time when advertising revenue is falling, and have contributed to the decline in Prime's EBITDA margins over the above period.

FY20 result

76 Prime's gross advertising revenue declined by approximately 17% in FY20 reflecting (inter-alia):

- (a) the decline in regional television audiences due to the increasing number of digital platforms now available in regional Australia (as stated above)
- (b) a 34.7% decline in gross advertising revenue in the final quarter of the financial year (i.e. Q4 FY20), as advertisers responded to the COVID-19 pandemic and related government restrictions.

77 Gross margins (as a percentage of net sales) also declined, largely due to an increase in the program affiliation fee percentage of gross advertising revenue payable to SWM.

78 Government imposed lockdowns in regional Victoria and Melbourne also directly impacted Prime's staff and business operations in those areas. However, the Company received \$3.0 million in JobKeeper subsidies and benefited from employee cost savings of approximately \$0.3 million from temporary stand down directions and temporary reductions in management remuneration. Due to the negative impact of the COVID-19 pandemic on advertising revenue, we have not treated these related benefits as significant items.

79 Operating cost reductions during FY20 also helped to mitigate the substantial impact of the decline in advertising revenue.

FY21 result

80 Gross advertising revenue increased by approximately 5.8% in FY21, primarily due to an increase of 17.9% in the second half compared to the prior comparative period (which was negatively impacted by the COVID-19 pandemic). These higher revenues, together with further cost savings, contributed to a significant increase in EBITDA before significant items.

- 81 EBITDA in FY21 includes Prime's share of losses from joint ventures that broadcast Nine Entertainment programming in regional WA and Mildura (FY21 loss: \$371,000, compared to a profit of \$194,000 in FY20). Both joint ventures ended their respective PSAs with Nine Entertainment on 30 June 2021, and have since commenced broadcasting Ten Network programming in their television licence areas of regional WA and Mildura, Victoria. As noted above, the Group's interests in these joint ventures have been fully impaired.
- 82 During FY21 Prime also received a Public Interest News Gathering Program (PING) grant of \$4.7 million (of which \$4.1 million was recognised as income in FY21) to assist the Company respond to the structural changes in regional advertising markets. As this is expected to be a one-off grant we have treated this benefit as a significant item.
- 83 Other significant (one-off) items included:
- (a) the temporary waiver of commercial broadcast taxes, saving \$973,000
 - (b) a gain of \$1.3 million on the sale of a surplus property in Bunbury, WA.

FY22 outlook

- 84 On 26 August 2021, as part of its FY21 results announcement, Prime management made the following comments regarding the outlook for the business (our emphasis added):
- (a) Prime's FY21 Full Year Results Presentation:

"Future performance highly dependent on Prime's advertising markets in regional New South Wales and Victoria not being materially disrupted by the COVID-19 pandemic. The COVID-19 pandemic has the potential to disrupt broadcasting schedules, particularly for the AFL final series and Ashes cricket."

"Regional advertising markets have continued to improve:

 - *July 21 advertising revenues up 40% on same time last year due to Olympic broadcast*
 - *Forward bookings: August up 38%; September up 23% on same time last year"*

"The decline in regional audiences and advertising revenues is expected to continue. Prime's advertising revenue in the aggregated market of NSW and Victoria is back 13.1% when compared to the 2019 financial year."
 - (b) Prime's FY21 Annual Report:

"the outlook for regional television audiences and advertising markets remains challenged. As highlighted at the 2020 Annual General Meeting, the Board considers that the Company needs to diversify its revenue beyond regional advertising revenues. The Board also considers that the Company is undersized and without the financial capacity to compete with disruptive digital services such as Google, Facebook, Netflix, Disney and other streamed services available in its regional television licence areas. The Company does not own digital rights to stream Seven Network programming in its regional television licence areas. Regional audiences are able to stream Seven Network programming directly from the Seven Network. For these reasons, the Company continues to actively review revenue diversification opportunities including

options for inorganic growth and will focus on maintaining adequate cash reserves with a view to funding such opportunities.”

Financial position

85 The financial position of Prime as at 30 June 2020 and 30 June 2021 is set out below:

Prime – statement of financial position⁽¹⁾		
	30 Jun 20	30 Jun 21
	\$m	\$m
Debtors and prepayments	32.2	35.6
Creditors, accruals, deferred income and provisions	(15.8)	(20.4)
Net working capital	16.3	15.2
Property, plant and equipment	18.7	17.2
Program rights	9.0	6.0
Intangible assets	0.2	0.1
Right of use assets (net of AASB 16 lease liabilities)	(0.2)	(0.2)
Investment in associates	0.1	-
Non-current prepayments	0.5	0.3
Deferred tax assets (net) ⁽²⁾	0.9	2.0
Non-current deferred income ⁽³⁾ and provisions	(1.3)	(1.0)
Total funds employed	44.2	39.7
Cash and cash equivalents	17.1	41.2
Borrowings	-	-
Net cash	17.1	41.2
Net assets attributable to Prime shareholders	61.4	80.9

Note:

- 1 Rounding differences exist.
- 2 Deferred tax assets (net of deferred tax liabilities) include expenses not yet deductible for tax. Prime has no income tax losses, but has \$91.5 million in carried forward capital losses arising from discontinued operations in prior years. These carried forward capital losses are not reflected in deferred tax assets as there is no expectation that they will be utilised in the ordinary course of business.
- 3 Deferred income as at 30 June 2021 includes the Group’s obligations for monies received but not earned from the PING grant totalling \$568,000. Prime completed its obligations under the PING grant in August 2021, and accordingly the \$568,000 will be recognised as income in FY22.

Program rights

86 The composition of Prime’s program rights is shown below:

Prime – program rights		
	30 Jun 20	30 Jun 21
	\$m	\$m
Current program rights	3.0	3.0
Non-current program rights	6.0	3.0
Total	9.0	6.0

87 Program rights relate to television program rights which have arisen from the Company’s PSAs with SWM, and represent the purchased rights to broadcast certain programs at some

time in the future. In FY19, Prime paid SWM \$15.0 million for program costs which covered the five year period of the PSA from 1 July 2018 to 30 June 2023. Program rights are amortised over the term of the contract to which the rights relate¹⁶ and are carried at cost less accumulated amortisation and impairment.

Property, plant and equipment

88 The composition of Prime's property, plant and equipment is shown below:

Prime – property, plant and equipment		
	30 Jun 20	30 Jun 21
	\$m	\$m
Land and buildings	6.3	5.9
Leasehold improvements	0.4	0.3
Plant and equipment	12.0	11.0
Total	18.7	17.2

89 Prime's property, plant and equipment is carried at historical cost less accumulated depreciation and impairment. The Company's land and buildings include properties located in the ACT and leasehold strata units located in Pymont, Sydney, which are both held under 99 year lease agreements. Based on external valuations, the estimated market value of these properties is around \$12.0 million (prior to selling costs)¹⁷.

Intangible assets

90 The composition of Prime's intangible assets is shown below:

Prime – intangible assets		
	30 Jun 18	30 Jun 19
	\$m	\$m
Television broadcast licenses	-	-
Business software development costs including websites	0.2	0.1
Total	0.2	0.1

91 As a result of impairment testing in FY19, Prime recognised an \$11.8 million impairment charge against television broadcast licenses (which consist of the right to broadcast television to specific market areas), reducing the carrying value to \$nil.

Investments in associates

92 Prime's investment in associates relates to joint ventures that broadcast Nine Entertainment programming in regional WA and Mildura. As noted above, both joint ventures ended their respective PSAs with Nine Entertainment on 30 June 2021, and have since commenced broadcasting Ten Network programming in their television licence areas of regional WA and Mildura, Victoria. As a result, the Group's interests in these joint ventures have been fully impaired.

¹⁶ The \$15 million program costs purchased in FY19 is being amortised at the rate of \$3 million per annum.

¹⁷ Comprising \$5.75 million for the Sydney properties and \$6.25 million for the ACT property.

Net cash

- 93 Despite the difficult trading environment and significant disruption caused by the COVID-19 pandemic, Prime has generated \$50.8 million in net cash over the two year period ended on 30 June 2021¹⁸. Net debt was \$9.6 million as at 30 June 2019, and the financial position of the Company improved to a net cash position of \$41.2 million as at 30 June 2021.
- 94 Despite the net cash position, Prime has maintained a \$10 million secured bank loan facility (which was undrawn as at 30 June 2021).

Franking credits

- 95 We note that Prime had a significant franking credit balance of approximately \$75 million as at 30 June 2021. However, Prime does not have the financial capacity to distribute all of these franking credits, and is unlikely to do so in the ordinary course of business¹⁹.

Share capital and performance

- 96 As at 31 October 2021, Prime had 366.3 million fully paid ordinary shares on issue, and no performance rights or other equity securities on issue.

Significant shareholders

- 97 As at 31 October 2021, there were four substantial shareholders in Prime. The substantial shareholders (based upon the annual report and substantial shareholder notices released to the ASX) were as follows:

Prime – substantial shareholders		
Shareholder	Number of shares in which an interest is held	
	million	% interest
WA Chess Investments Pty Ltd	84.2	22.99
SWM	54.6	14.90
Bruce Gordon and associated entities	41.6	11.37
Regal Funds Management Asia Pte Limited (Regal) ⁽¹⁾	18.9	5.15
Total	199.3	54.41

Note:

- 1 Regal lodged a notice on 3 November 2021 advising that its interest in Prime was now below 5%.

Share price performance

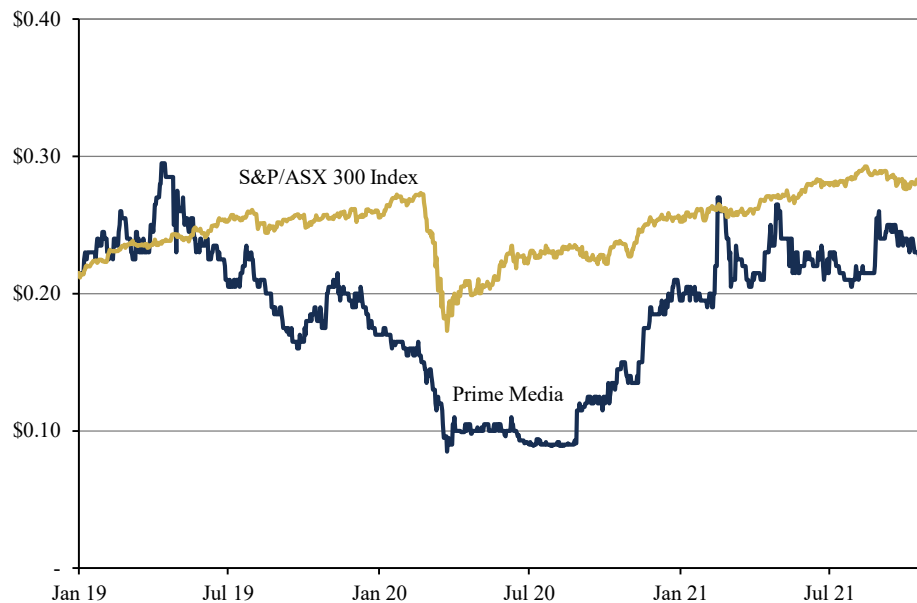
- 98 The following chart illustrates the movement in the share price of Prime from 1 January 2019 to 29 October 2021 (i.e. the last trading day prior to the announcement of the Proposed Transaction):

¹⁸ This net cash inflow included \$6.4 million in JobKeeper subsidies and \$4.7 million in PING grants.

¹⁹ Prime paid a fully franked dividend of \$0.02 per share in September 2021 (the first dividend since September 2017). This dividend utilised approximately \$3.1 million of franking credits.

Prime – share price history⁽¹⁾

1 January 2019 to 29 October 2021



Note:

1 The S&P/ASX 300 Index has been rebased to the closing price of Prime on 1 January 2019, being \$0.215.

Source: Bloomberg.

- 99 As indicated in the chart above, Prime shares have underperformed the S&P/ASX 300 Index over the period, reflecting (inter-alia) the challenging market conditions for regional broadcasters.

Liquidity in Prime shares

- 100 The liquidity in Prime shares based on trading on the ASX over the 12 month period prior to 29 October 2021 (i.e. the last trading day prior to the announcement of the Proposed Transaction) is set out below:

Prime – liquidity in shares						
Period	Start date	End date	No of shares traded 000	WANOS ⁽¹⁾ outstanding 000	Implied level of liquidity Period ⁽²⁾ %	Annual ⁽³⁾ %
1 month	30 Sep 21	29 Oct 21	5,311	366,330	1.4	17.4
3 months	30 Jul 21	29 Oct 21	35,099	366,330	9.6	38.3
6 months	30 Apr 21	29 Oct 21	44,123	366,330	12.0	24.1
1 year	30 Oct 20	29 Oct 21	121,073	366,330	33.1	33.1

Note:

1 Weighted average number of shares outstanding (WANOS) during relevant period.

2 Number of shares traded during the period divided by WANOS.

3 Implied annualised figure based upon implied level of liquidity for the period.

- 101 As indicated in the table above, the level of liquidity in Prime shares (as a percentage of the total number of shares on issue) has been relatively high given both the size of the company and the aggregate percentage interest in the Company held by substantial shareholders.

IV Industry overview

Introduction

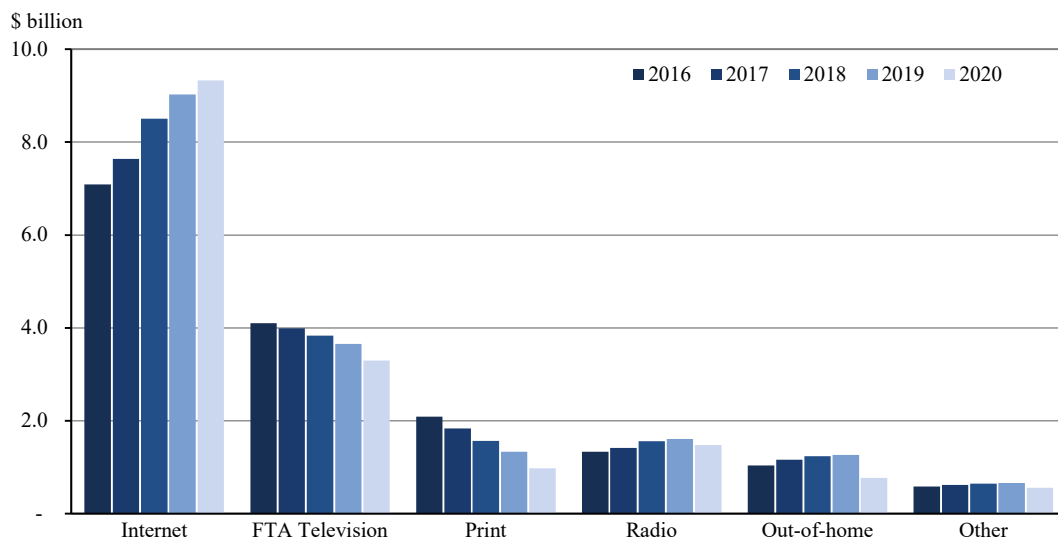
102 Prime operates as an affiliate in the Australian FTA commercial television sector of the media industry, which relies on advertising as its primary source of revenue. This section of our report sets out an overview of the Australian media industry, with a particular focus on the FTA commercial television sector, including key trends and growth drivers.

Australian media industry

103 The Australian media industry is made up of six primary sectors, being FTA television and subscription television, print, radio, online (including digital online such as mobile and handheld technology), cinema and out-of-home, all of which compete for a share of advertiser budgets. Industry revenue is primarily driven by macroeconomic factors including business and consumer confidence, the domestic and international geo-political environment and the overall state of the economy.

104 Key themes in the advertising industry over the last five years have included the continued rise of online advertising at the expense of traditional forms of advertising mediums, in particular print and FTA television. This is illustrated in the chart below, which shows advertising revenue by media format for the CY16 to CY20 period:

Australian advertising spend by media format ⁽¹⁾



Note:

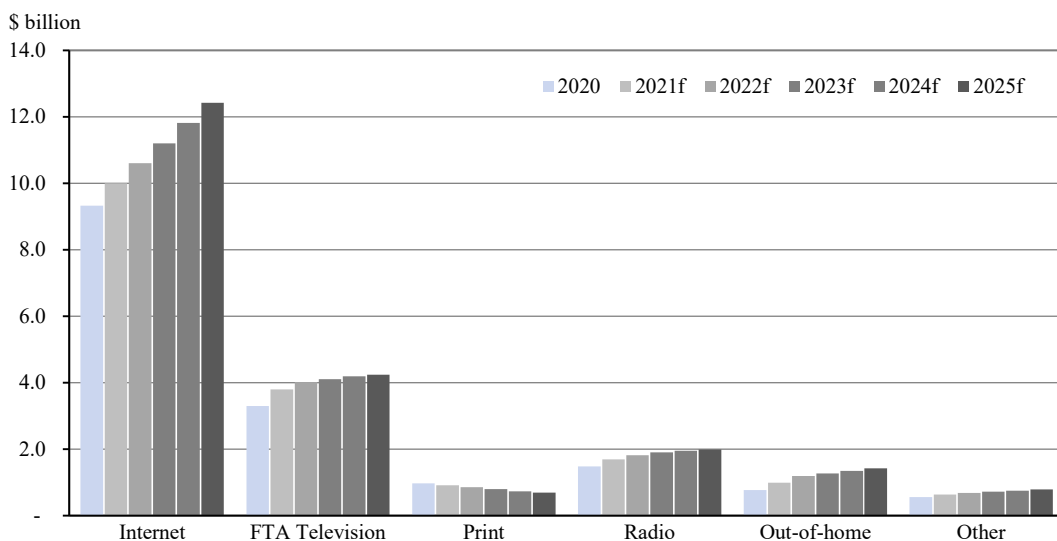
1 Other includes cinema, digital news sites and interactive games.

Source: PwC (2021) *Australian Entertainment & Media Outlook 2021-2025*.

105 Online advertising overtook FTA television to become the largest form of advertising in Australia in CY15. Online advertising, which represented around 44% of the total advertising spend in CY16, grew to 57% in CY20. Over the same period, FTA television, which traditionally accounted for the largest proportion of industry advertising, decreased from 25% to 20% of advertising spend, and print decreased from 13% to 6%.

- 106 FTA television saw a temporary increase in audience numbers during COVID-19, however revenues fell by 9.8% in CY20, as marketing budgets contracted across much of the sector.
- 107 Recent trends in advertising spend are expected to continue, with FTA television (excluding BVOD revenues) and the print segment declining in market share, as more expenditure is directed to online and out-of-home advertising. However, the FTA television segment is forecast to increase revenues overall, due to continuing growth in the BVOD market²⁰.
- 108 Media industry revenues (in total) are expected to grow to \$39 billion in CY25, driven by an increase in online advertising of around \$3 billion from CY20 to CY25, as shown below:

Australian forecast advertising spend by media format⁽¹⁾⁽²⁾



Note:

1 Other includes cinema, digital news sites and interactive games. FTA Television includes BVOD.

2 Based on PwC's mid-point forecast scenario, and does not take into account positive or negative recovery factors associated with the COVID-19 pandemic.

Source: PwC (2021) *Australian Entertainment & Media Outlook 2021-2025*.

Regulation and outlook

Television regulation

- 109 The FTA television sector has been undergoing regulatory reform over the last five years in order to level the playing field with the largely unregulated digital advertising platforms. Two major reforms, which have sought to make licence fees payable by commercial television providers more competitive with the media sector globally, and to allow industry consolidation, are summarised below:

- (a) the *Broadcasting Legislation Amendment (Television and Radio Licence Fees) Act 2016* (Cth), was introduced to reduce the licence fees payable by commercial television and radio broadcasters

²⁰ As noted in Section IV, Prime does not own the digital rights to stream Seven Network programming in its regional television licence areas. Regional audiences are therefore able to stream Seven Network programming directly from the Seven Network, without the need for Prime's broadcast.

- (b) the *Broadcasting Legislation Amendment (Broadcasting Reform) Act 2017* (Cth) changed media ownership laws that had been in place since the *Broadcasting Services Act 1992* (Cth) was introduced. The Federal Government passed these reforms through the Senate in September 2017, removing several regulations that restricted FTA television network operations. These reforms led to:
 - (i) the removal of the 75% audience reach rule, which prevented commercial television networks from broadcasting to more than 75% of the Australian population; and
 - (ii) the removal of the “two-out-of-three” rule, which prevented firms from owning or holding controlling interests in more than two companies that operate television broadcasting, radio broadcasting or newspaper publishing in the same market
- (c) the *Commercial Broadcasting Tax Act 2017* (Cth) was introduced as a five year interim measure as part of the 2017 Media Reform package, which was designed to set tax payable according to the amount of spectrum used. The level of tax payable by Australian FTA broadcasters is subject to review by 30 June 2022.

110 In addition to introducing a number of reforms, the Federal Government has ensured regulation related to the protection of local media content remains in place, including:

- (a) anti-siphoning rules, designed to prevent pay television broadcasting from gaining monopoly rights to key sporting and cultural events by granting FTA television broadcasters first right to purchase rights to televise the events.

FTA broadcasters currently have a competitive advantage over streaming services in that they are able to bid for the FTA television rights for major events included on the anti-siphoning list. However, the anti-siphoning list is subject to review in April 2023;²¹

and

- (b) the Australian Content Standard, which came into effect in March 2016 (and was updated in January 2021), requires broadcasters each year to broadcast at least:
 - (i) 55% Australian content between 6.00am and midnight on primary channels
 - (ii) 1,460 hours of Australian content between 6.00am and midnight on non-primary channels²².

Media regulation

111 The Australian media sector is heavily regulated with the *Broadcasting Services Act 1992* (Cth) serving as the overarching piece of legislation which broadly covers issues relating to content regulation and media ownership in Australia. This legislation primarily covers the traditional platforms of television, radio and print newspapers, which were the dominant media platforms at the time. Although a number of media control laws were repealed in the

²¹ Source: <https://www.infrastructure.gov.au/media-centre/publications/anti-siphoning>.

²² Source: <https://www.acma.gov.au/australian-content-commercial-tv>.

2017 amendment discussed above, there are a number of rules that continue to apply to media ownership in Australia, including the:

- (a) “two-to-a-market” rule, which prevents control of more than two commercial radio licenses in the same licence area
- (b) “one-to-a-market” rule, which prevents control of more than one commercial television licence in the same licence area, and
- (c) the “number of voices” rule, which prevents media acquisitions²³ that would result in fewer than five independent media operators in metropolitan areas, or four in regional areas.

- 112 Historically, legislation only covered the traditional forms of media, and did not provide any guidance on modern forms, such as digital and online media outlets. This was partly addressed when further amendments were introduced with the *Broadcasting Services Amendment (Online Services) Act 1999* (Cth), which established the legislative framework for online content and digital advertising regulation in Australia.
- 113 In June 2019 the ACCC released its final report on the impact of online search engines, social media and digital content aggregators (digital platforms) on competition in the media and advertising services markets²⁴. The ACCC report noted that:
- (a) there has been rapid growth of digital platforms in Australia, with Google and Facebook in particular attracting significant advertising expenditure due to their ability to offer highly targeted advertising, based on data they collect from users, and because of the large amount of time consumers spend on these platforms
 - (b) digital platforms impact both the production and consumption of news and journalism in Australia through their roles as:
 - (i) platforms for distribution of news stories to Australian customers
 - (ii) rival suppliers of online advertising opportunities
 - (c) the breadth and depth of user data collected by the incumbent digital platforms provides them with a strong competitive advantage, creating barriers to rivals entering and expanding in relevant markets, and allowing the incumbent digital platforms to expand into adjacent markets
 - (d) broadcast television and radio are subject to numerous content requirements in relation to the broadcast of Australian or local content and children’s content, however these regulations do not apply to online content²⁵. This creates a significant imbalance between broadcasters and digital platforms in the provision of audio and/or visual content to the Australian public
 - (e) print, radio and television remain significant sources of news, however the vast majority of media businesses using these formats also operate news websites. Some of the most

²³ Including commercial television, commercial radio, and associated newspapers.

²⁴ ACCC (2019) *Digital platforms inquiry: final report*.

²⁵ Under a Ministerial Determination made in 2000, “broadcasting services” does not include “a service that makes available television programs or radio programs using the Internet, other than a service that delivers television programs or radio programs using the broadcasting services bands”.

frequently accessed and trusted brands of online news are those associated with established broadcasters and newspapers.

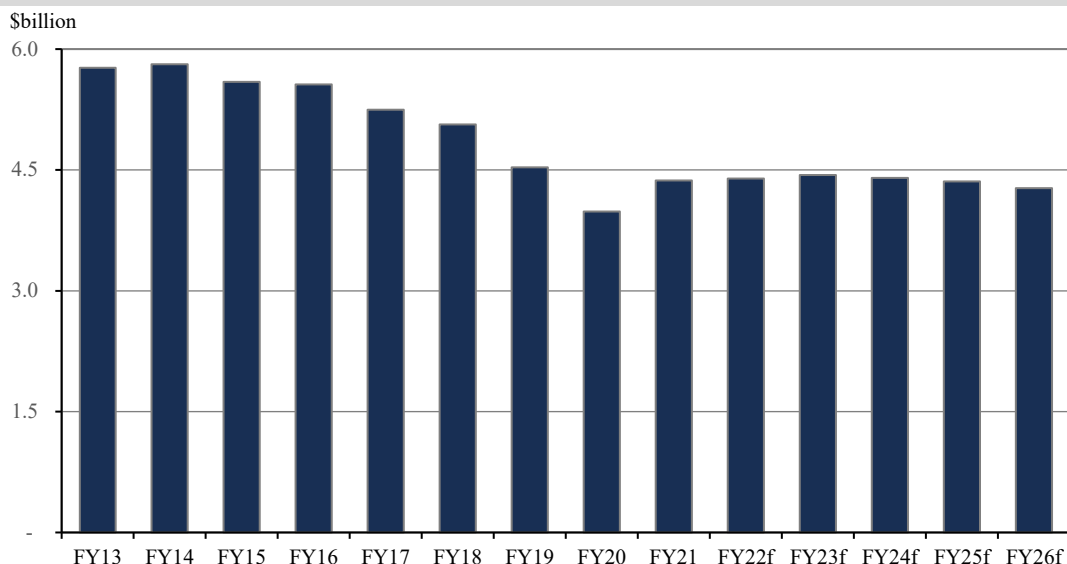
- 114 In the report, the ACCC made a number of recommendations, including the development and implementation of a new platform-neutral regulatory framework to ensure “*effective and consistent regulatory oversight of all entities involved in content production or delivery in Australia, including media businesses, publishers, broadcasters and digital platforms.*” In the ACCC’s view “*this would create a level playing field that promotes competition in Australian media and advertising markets*”. As at the date of this report, the ACCC has taken steps to achieve its stated recommendations, including the introduction of the Media Bargaining Code and the Ad Tech Inquiry Interim Report. However, an overhaul of the regulatory framework has not yet been implemented.

FTA television industry

Overview

- 115 The Australian FTA television broadcasting industry has faced a number challenges over the past five years, as the way customers have been accessing media has changed substantially. Instead of watching FTA television, viewing is now fragmented across a number of platforms and devices, and SVOD services are rapidly increasing in popularity with over half of the Australian population now expected to have access to a Netflix subscription²⁶. This has drawn advertising agencies away from FTA television, placing downward pressure on industry revenue, as shown below:

Australian FTA television revenue⁽¹⁾



Note:

1 Values are real 2021 dollars.

Source: IBISWorld (2021) *Free-to-air television broadcasting in Australia*.

- 116 FTA television broadcasters have responded to the evolving landscape and change in consumer preferences by shifting their strategy and altering the content they show. Rather

²⁶ IBISWorld (2021) *Free-to-air television broadcasting in Australia*.

than focus on traditional sitcoms and dramas, which are now almost entirely available via SVOD subscriptions, television networks are broadcasting time sensitive programs such as news and live sports. Ratings remain strong for live sporting events, as evidenced by the high prices attached to broadcasting rights of sporting events. Live sports also provide networks cross-promotion opportunities for other shows on their network, boosting ratings through in-game advertising.

Revenue trends in metropolitan and regional markets

- 117 Over the five years to 30 June 2021, advertising revenues generated by the FTA broadcasting sector have declined at a significantly greater rate in regional areas compared to metropolitan areas (as shown below):

Decline in FTA broadcasting advertising revenues – five year period to FY21	
	%
Metropolitan	
Sydney	(9.4)
Melbourne	(9.9)
Brisbane	(4.0)
Adelaide	(16.3)
Perth	(19.5)
Total metropolitan markets	<u>(10.3)</u>
Regional	
NSW	(19.3)
Victoria	(25.2)
Queensland	(21.6)
South Australia	(25.7)
WA	(16.9)
Northern Territory / Tasmania	(24.2)
Total regional markets	<u>(21.2)</u>
State / territory	
NSW	(11.9)
Victoria	(11.9)
Queensland	(8.8)
South Australia	(17.6)
WA	(19.2)
Northern Territory / Tasmania	(24.2)
Total	<u>(12.7)</u>

Source: FreeTV.

- 118 Possible reasons for the greater decline in advertising revenue in regional markets compared to metropolitan markets include (inter-alia):
- (a) the larger guaranteed audience in metropolitan markets
 - (b) the launch of BVOD services by all the major television networks, which enables users in regional areas to stream the live television broadcasts of the major networks as well as catch-up television rather than watch their local, regional broadcaster
 - (c) differences in economic growth and prosperity etc.

- (d) the fact that regional broadcasters only have linear television services (i.e. no BVOD / SVOD) whereas metropolitan broadcasters offer these services.

Competition

- 119 The Australian television market is characterised by a number of incumbent broadcasters with significant market shares, as well as government-owned stations and regionally focused providers. These operators are set out below:

Australian television competitors	
	Operating status
SWM	Metropolitan, FTA
Nine Entertainment	Metropolitan, FTA
Ten	Metropolitan, FTA
Australian Broadcasting Corporation (ABC)	National, Government
Southern Cross Media Group Limited (SXL)	Metropolitan and regional radio, regional FTA
Special Broadcasting Service Corporation (SBS)	National, Government
Prime	Regional, FTA
WIN	Regional, FTA
Imparja	Remote

- 120 The three major networks (Seven Network, Nine Entertainment and Ten) generally operate in the capital cities of each state, with distribution arrangements with regional operators like Prime, WIN and SXL. Programming costs for the regional operators are shared with the major networks by way of program supply or affiliate agreements.
- 121 Domestic television networks are continuing to face increased competition from global SVOD providers that are attracting advertisers due to the capability of advertisements to target consumers based on viewing behaviours. Australian television networks are addressing this increased competition by investing in their own streaming services and targeted market capabilities. All major Australian television networks now offer free online and mobile streaming platforms, where consumers can view content that is broadcast through the network's regular FTA programming.
- 122 In 2015, Nine Entertainment entered the SVOD market through a joint venture with Fairfax Media Limited (Fairfax) in streaming platform Stan, the first major competitor for Netflix in Australia. Since its launch, Stan has secured exclusive rights to provide content from major networks and production companies in Australia and the United States of America (US), in addition to producing its own original content.

Outlook

- 123 Whilst FTA television broadcasting industry revenues increased in FY21 (as advertising demand recovered from the significant economic disruption which occurred in the last quarter of FY20 due to the onset of the COVID-19 pandemic), online media is forecast to continue growing rapidly in popularity and accessibility over the next five years, which is expected to further shift advertising revenue away from the FTA television broadcasting industry.

- 124 Further, the shift in advertising revenue away from the FTA television broadcasting industry to connected television (CTV)²⁷ is a major problem for Prime, as Prime does not own the digital rights to stream Seven Network programming in its regional television licence areas. Regional audiences are therefore able to stream Seven Network programming directly from the Seven Network, without the need for Prime's broadcast.

²⁷ CTV refers to any television that is used to stream video over the internet. These are most often videos that are streamed via apps that are downloaded or pre-installed on smart TVs.

V Valuation of Prime's business (excluding cash²⁸)

Valuation methodologies

- 125 RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:
- (a) the discounted cash flow (DCF) methodology
 - (b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets
 - (c) the amount that would be available for distribution to shareholders in an orderly realisation of assets
 - (d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis
 - (e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.
- 126 Having regard to the above, we have adopted the following methodologies to value the Prime business (excluding cash):
- (a) DCF method
 - (b) capitalisation of earnings (based on EBITDA); and
 - (c) listed market price, adjusted for a premium for control.

DCF valuation

- 127 Under the DCF methodology, the value of a business is equal to the net present value (NPV) of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.
- 128 Our DCF valuation has been based on the free cash flow projections developed by LEA for the Prime business. These cash flow projections were formulated having regard to, inter-alia, the recent historical results of the business, Prime management's FY22 budget and discussions with management regarding the expected future financial performance and outlook for the business.
- 129 Whilst LEA believes the assumptions underlying the cash flow projections are reasonable and appropriate, it should be noted that in respect of these projections:

²⁸ At the date of this report Prime has no interest bearing debt.

- (a) the major assumptions underlying the projections were formulated in the context of current economic, financial and other conditions
- (b) the projections and the underlying assumptions have not been reviewed by an investigating accountant for reasonableness or accuracy of compilation and application of assumptions
- (c) future profits and cash flows are inherently uncertain
- (d) the achievability of these projections is not warranted or guaranteed by LEA or Prime, as they are predictions of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of Prime management; and
- (e) actual results may be significantly more or less favourable.

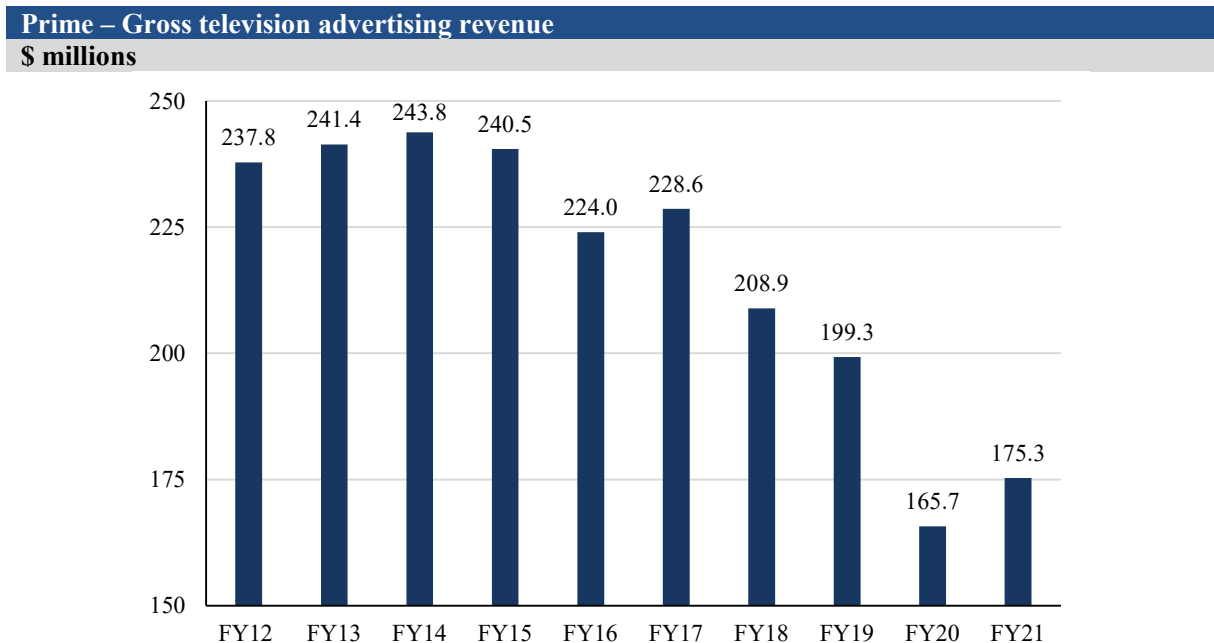
130 Free cash flow represents the operating cash flows of the business on an ungeared basis (i.e. before interest income and expenses) less taxation payments, capital expenditure and working capital requirements.

Cash flow assumptions

131 As the detailed cash flow projections are commercially sensitive they have not been set out in our report. However, the key assumptions adopted in our base case DCF valuation are set out below.

Gross television advertising revenues

132 Prime's gross television advertising revenues²⁹ have declined significantly since FY14 as shown below:



Source: Prime.

²⁹ Inclusive of agency commissions.

- 133 Over the five years ended 30 June 2021 (FY21), Prime's gross television advertising revenue has declined at a compound average rate of 4.8% per annum. Further, this decline has accelerated over more recent years, with the compound average decline being 5.7% per annum over the three years to FY21³⁰.
- 134 In comparison, IBISWorld has reported that FTA television broadcasting industry revenue in Australia is expected to have declined by around 4.7% per annum over the five years to 30 June 2021³¹.
- 135 Growing competition from online media (such as YouTube and SVOD services such as Netflix and Stan) has been the key factor behind this revenue decline, as more viewers have streamed films and television programs online³². In response, advertising agencies have moved towards more lucrative online advertising markets, limiting demand for advertising timeslots on FTA television networks.
- 136 Whilst FTA television broadcasting industry revenues increased in FY21 (as advertising demand recovered from the significant economic disruption which occurred in the last quarter of FY20 due to the onset of the COVID-19 pandemic), online media is forecast to continue growing rapidly in popularity and accessibility over the next five years, which is expected to further shift advertising revenue away from the FTA television broadcasting industry.
- 137 This view is consistent with the following statements by advertising industry participants such as Mr Jeff Green (the CEO of The Trade Desk, a programmatic advertising platform):

"While each major media market and nation have different dynamics impacting adoption rates, every major market in the world is heading toward consumption of premium TV and movie content over the Internet."

"Brands are looking to their CMOs [Chief Marketing Officers] to find value and advertising that can help fuel new growth. The only way to find advertising efficiency in this market is with objective data-driven technology. And within that context, CTV [Connected TV³³] offers some of the most effective advertising in the history of this space. The combination of moving pictures, sound and data creates effectiveness and value that are unprecedented."

"We are seeing many brands shift TV budgets to the data-driven precision of CTV, and I expect this trend to accelerate through the next year's upfronts. One major global food company is working with us to shift almost a quarter of its TV budget to CTV by next year so that they can better manage targeting and frequency. A global entertainment brand is doubling down on CTV with us because it allows them to measure the full customer journey

³⁰ Due to the adverse impact of the COVID-19 pandemic on advertising revenues in the June 2020 quarter, in our view it is appropriate to compare the change in gross advertising revenues over at least a three year period.

³¹ IBISWorld's report was dated June 2021 (i.e. prior to the end of the FY21 financial year).

³² For example, Netflix has expanded rapidly since its launch in Australia in March 2015, with over half of Australia's population now expected to have access to a Netflix subscription.

³³ CTV refers to any television that is used to stream video over the internet. These are most often videos that are streamed via apps that are downloaded or pre-installed on smart TVs.

from exposure to purchase. And a major telco is enjoying measurable sales lift by shifting a significant portion of its TV budget to decision CTV on our platform.”³⁴

- 138 Further, the shift in advertising revenue away from the FTA television broadcasting industry to CTV is a major problem for Prime, as Prime does not own the digital rights to stream Seven Network programming in its regional television licence areas. Regional audiences are therefore able to stream Seven Network programming directly from the Seven Network, without the need for Prime’s broadcast.
- 139 Given the above, in our view, it is reasonable to expect continued significant ongoing declines in Prime’s advertising revenue. Consistent with recent history, we have therefore assumed that Prime’s gross advertising revenue declines between 5% and 6% per annum in our base case forecasts from (and inclusive of) FY23 onwards.
- 140 Gross advertising revenues in FY22 are budgeted by management to increase by around 6% due primarily to the positive boost from the Tokyo Olympics broadcasts in July 2021. Our DCF valuation reflects this assumption.

Affiliation fee

- 141 Prime extended its PSA with SWM for a further five years from 1 July 2018. For the remaining term of the current arrangement, the affiliation fee has been fixed at a percentage of gross television advertising revenues. Whilst the affiliation fee percentage is confidential, it increased in FY20 based on the terms of the agreement (and is maintained at that higher percentage for the remaining term).
- 142 Our cash flow forecasts assume that the PSA with SWM will be renewed for another five year term following expiry of the current agreement³⁵. Whilst the affiliation fee which will apply from 1 July 2023 is inherently uncertain, given the symbiotic relationship between Prime and SWM we have assumed in our base case valuation scenario that the affiliation fee arrangement which applies from 1 July 2023 and/or operating cost reductions will allow Prime to achieve (what we would consider to be) a reasonably commercial EBITDA margin equal to 10% of gross television advertising revenue. This margin recognises that, inter-alia:
- (a) Prime is effectively only a “distributor” of SWM programming in its regional markets
 - (b) SWM, as the supplier of programming, has the greater bargaining power in any pricing negotiation
 - (c) further reductions in Prime’s gross advertising revenue (discussed above) are expected to put continued downward pressure on EBITDA margins.
- 143 In comparison, Prime’s historical EBITDA margins prior to significant items (as a percentage of gross advertising revenue) are shown below³⁶:

³⁴ Source: Trade Desk Q2 CY21 earnings call transcript, 9 August 2021.

³⁵ Consistent with this assumption, our cash flow forecasts cover the period to 30 June 2028.

³⁶ In contrast, SWM’s television business achieved EBITDA margins (as a percentage of total revenue) in FY21 of 21.3% (before unallocated corporate costs) and Nine Entertainment’s television business (which includes its BVOD offering 9Now) achieved EBITDA margins (as a percentage of total revenue) in FY21 of 26.8% (before unallocated corporate costs).

Prime – historical EBITDA margins						
	FY16	FY17	FY18	FY19	FY20	FY21
	\$m	\$m	\$m	\$m	\$m	\$m
Gross advertising revenue	224.0	228.6	208.9	199.3	165.7	175.3
EBITDA ⁽¹⁾						
including JobKeeper ⁽²⁾	53.4	63.6	47.1	38.5	20.2	28.9
excluding JobKeeper	53.4	63.6	47.1	38.5	17.2	25.5
EBITDA margin ⁽³⁾						
including JobKeeper ⁽²⁾	24.3%	27.8%	22.6%	19.2%	12.1%	16.5%
excluding JobKeeper	24.3%	27.8%	22.6%	19.2%	10.4%	14.5%

Note:

1 Before significant items and prior to AASB 16 lease accounting entries.

2 JobKeeper subsidies of \$3.0 million and \$3.4 million were received in FY20 and FY21 respectively.

3 As a percentage of gross advertising revenue.

Rounding differences exist.

- 144 Our base case assumptions implicitly reflect an expectation that the current affiliation fee will increase from 1 July 2023³⁷. In this regard, it was reported in March 2021 that Nine Entertainment had signed a new affiliation agreement with the regional broadcaster WIN, pursuant to which WIN would pay an affiliation fee of around 50% of its regional advertising revenue to Nine Entertainment and provide airtime to allow promotion of Nine Entertainment's assets across WIN's television and radio network. This affiliation fee significantly exceeds the current affiliation fee payable by Prime to SWM.
- 145 We have also undertaken a sensitivity analysis on the EBITDA margin assumption to show the impact of different EBITDA margin assumptions on value, as set out in paragraphs 161 to 164 below.

Program costs

- 146 In addition to the affiliation fee, Prime also paid SWM \$15.0 million in FY19 for program costs. This covered a five year period (to 30 June 2023), and implied an annual cost of \$3.0 million (which is the amortisation charge over the five year term). A further payment for program costs will therefore need to be paid in FY24 (and potentially every five years thereafter assuming new five year agreements continue to be entered into)³⁸.
- 147 For valuation purposes, we have therefore assumed:
- (a) a further payment of \$16.6 million is paid for program costs in FY24 (being \$15 million plus 2% per annum for five years); and
 - (b) an annual program (cash) cost of \$3.3 million³⁹ in real terms in our terminal value calculation (i.e. from 1 July 2028), to recognise the need to allow for ongoing program costs following the expiry of any new agreement.

³⁷ Further reductions in Prime's gross advertising revenue are also expected to put downward pressure on EBITDA margins.

³⁸ In the absence of the Proposed Transaction.

³⁹ \$16.6 million divided by five years.

Synergy benefits

- 148 In the ASX announcement dated 1 November 2021 in respect of the Proposed Transaction, SWM stated that it expected to achieve cost synergies of between \$5.0 million and \$10.0 million on an annualised basis (excluding one-off transaction and implementation costs) within 12 to 18 months from completion. These synergies are expected to arise from removing duplicated costs, achieving operational efficiencies by reducing selling, broadcasting and operational costs, removing Prime's ASX listing costs, and the consolidation of premises. SWM also noted that revenue synergies were also expected, but have not been quantified.
- 149 These potential synergies are clearly material when compared to Prime's standalone earnings. However, the large majority of these synergy benefits are prima facie unique to a Prime / SWM combination and reflect the longstanding affiliation and programming arrangements between both companies.
- 150 Pursuant to RG 111, synergies that are not available to other potential bidders should not be taken into account in the valuation of the target company when assessing whether an offer is fair. Accordingly, the unique synergy benefits expected to be generated by SWM from the proposed acquisition of Prime and subsequent combination of business operations are excluded from our valuation assessment of Prime.
- 151 However, corporate cost savings (e.g. ASX listing costs, shareholder communication costs and other public company costs such as directors' fees) could be generated by other potential acquirers (particularly those with an existing corporate reporting / management / shared services structure), and some of these costs would not be incurred by a 100% owner.
- 152 Having regard to the level of corporate costs incurred by Prime, we have assumed corporate cost savings to a 100% owner of \$3.0 million per annum (which principally relates to the elimination of public company costs). In this regard, we note that the total remuneration paid to Prime's Board and key management (who will remain with Prime following completion of the Proposed Transaction) totalled \$2.8 million in FY21.

Capital expenditure

- 153 Capital expenditure costs (excluding program costs) are assumed to be around \$3.0 million in real terms. This is broadly consistent with the average level of capital expenditure incurred (excluding program costs) over the FY17 to FY21 period.

Property assets

- 154 As stated in Section III, Prime owns two leasehold property interests in the ACT and Sydney. Whilst the ACT property is a special purpose facility where Prime's transmission and related equipment is located, the strata unit in Sydney is used as an office and is not a critical operating asset. Accordingly, in order to maximise shareholder value we believe a purchaser of 100% of Prime would either enter into a sale and leaseback of the Sydney property⁴⁰, or sell the property and relocate the staff in the Sydney office.

⁴⁰ Prime holds a 99 year leasehold interest in the Sydney property, the remaining term of which is some 81 years.

- 155 For valuation purposes, we have therefore included the value of the Sydney property (around \$5.75 million⁴¹) in our DCF value and allowed for the notional market rent which would then be payable.

Terminal value

- 156 We have assessed the terminal value of the business at the end of our forecast period (i.e. 30 June 2028) based on the growth in perpetuity formula. We have assumed that the free cash flow of the business declines at 5% to 6% per annum in our base case valuation scenario. This is consistent with the assumed long term rate of decline in gross advertising revenue discussed above.

Discount rate

- 157 We have applied a base case discount rate of 12% per annum (nominal, after tax) to the forecast free cash flows, which we consider reasonably reflects the required equity return for an investor acquiring the business. The discount rate has been derived using the capital asset pricing model, based on a risk free rate of 3% per annum, a market risk premium (MRP) of 6.5% and a beta of 1.3 to 1.5. We note that when considering the required return on equity there is an inherent inter-relationship between the risk free rate and MRP (which is discussed further below).

Risk free rate

- 158 Whilst the risk free rate adopted of 3% exceeds the current yield on long term Commonwealth Government bonds (CGB) (30 year CGBs yielded 2.78% on 29 October 2021), this is consistent with market practice which is to apply a normalised risk free rate having regard to a mix of historical averages and current spot rates.

Market risk premium

- 159 Empirical studies on the long term (historical) MRP in Australia generally support a MRP within the range of 5% and 7%. However, the risk free rate of return (which was used to derive the MRP in those studies) was, on average, significantly above both current levels and the 3% risk free rate adopted above. Whilst, prima-facie, recent lower interest rates globally have lowered the total equity return required by investors, based on our experience, such investors have not reduced their required rates of return by the full extent of the fall in risk free rates. Accordingly, in our opinion, it is appropriate to adopt a MRP of 6.5% (toward the upper end of the empirical studies) when used in conjunction with our risk free rate of 3% per annum. This is consistent with the current prevailing total expected equity return (being the sum of the risk free rate and market risk premium) adopted by most investment analysts of around 9% to 10% per annum.

Beta

- 160 The beta adopted reflects the following factors:
- (a) the beta estimates for listed Australian and US FTA television broadcasting companies (which generally exceed 1.0)
 - (b) the sensitivity of advertising revenues to economic growth; and

⁴¹ Based on an independent property valuation dated 17 June 2021.

- (c) the risks associated with the Prime business, particularly its dependence on program content from SWM and SWM's greater bargaining power in any pricing negotiation.

Sensitivity analysis and DCF value

- 161 The base case assumptions set out above reflect the base case assumptions adopted in the financial model developed by LEA. As stated above, there are inherent qualifications that apply to cash flow projections on which DCF valuations are based. In addition, the cost of capital can vary between industry participants based on factors such as differing perceptions / acceptance of risk and willingness to assume debt funding obligations.
- 162 It is important therefore not to credit the output of DCF models with a precision it does not warrant. It follows that any DCF valuation process should consider a range of scenarios, having regard to the respective key valuation drivers of the business being valued.
- 163 In assessing our valuation range we have therefore considered the sensitivity of value to changes in the key assumptions, as shown below:

Sensitivity analysis – EBITDA margin and change in gross television advertising revenue						
		Change in gross television advertising revenue (per annum up to 30 June 2023)				
		(4.5%)	(5.0%)	(5.5%)	(6.0%)	(6.5%)
EBITDA margin from 1 Jul 23 (post expiry of Affiliation agreement)	13.0%	90.2	87.4	84.7	82.2	79.8
	12.0%	83.8	81.3	78.8	76.5	74.3
	11.0%	77.5	75.1	72.9	70.9	68.9
	10.0%	71.1	69.0	67.1	65.2	63.4
	9.0%	64.7	62.9	61.2	59.5	58.0
	8.0%	58.3	56.8	55.3	53.9	52.5
	7.0%	52.0	50.7	49.4	48.2	47.1

Sensitivity analysis – terminal value growth rate and discount rate						
		Discount rate (per annum)				
		11.0%	11.5%	12.0%	12.5%	13.0%
Terminal value growth rate	(7.0%)	64.0	62.8	61.7	60.7	59.7
	(6.0%)	67.8	66.5	65.2	64.0	62.8
	(5.0%)	72.0	70.5	69.0	67.6	66.3
	(4.0%)	76.7	75.0	73.3	71.7	70.2
	(3.0%)	82.1	80.0	78.0	76.2	74.5

- 164 Having regard to the above scenarios (which include the value of Prime's Sydney property), we have assessed the value of the Prime business (excluding cash) under the DCF method at between \$65 million and \$75 million.

Capitalisation of EBITDA approach

- 165 Under the capitalisation of EBITDA method, the value of the Prime business (excluding cash) is represented by its underlying EBITDA capitalised at a rate (or EBITDA multiple) reflecting the risks inherent in those earnings.

EBITDA adopted for valuation purposes

166 In order to assess the appropriate level of EBITDA for valuation purposes, we have had regard to the historical and forecast results of the business, and have discussed Prime's financial performance, operating environment and prospects with Prime management.

Historical EBITDA

167 A summary of Prime's revenue and underlying EBITDA⁴² for the six years ended 30 June 2021 (FY21) is summarised below:

Revenue and underlying EBITDA ⁽¹⁾						
	FY16	FY17	FY18	FY19	FY20	FY21
	Audited	Audited	Audited	Audited	Audited	Audited
	\$m	\$m	\$m	\$m	\$m	\$m
Net sales revenue ⁽²⁾⁽³⁾	215.9	217.8	200.1	190.7	159.9	168.6
Change in revenue	(7.2%)	0.9%	(8.2%)	(4.7%)	(16.2%)	5.5%
EBITDA ⁽⁴⁾						
including JobKeeper ⁽⁵⁾	53.4	63.6	47.1	38.5	20.2	28.9
excluding JobKeeper ⁽⁵⁾	53.4	63.6	47.1	38.5	17.2	25.5
EBITDA margin ⁽⁶⁾						
including JobKeeper ⁽⁵⁾	24.8%	29.2%	23.5%	20.2%	12.6%	17.2%
excluding JobKeeper ⁽⁵⁾	24.8%	29.2%	23.5%	20.2%	10.8%	15.1%

Note:

- 1 Rounding differences exist.
- 2 Net sales revenue represents advertising and other external revenue (net of agency commissions), and excludes interest income, government grants and other income.
- 3 Prior to FY19, advertising revenue was shown exclusive of agency commissions (which were included as a cost of sale). However, under Australian Accounting Standard AASB 15 – *Revenue from Contracts with Customers*, advertising revenue is required to be shown net of agency commissions. Accordingly, the FY16 to FY18 revenue figures shown above have been restated so that they are net of agency costs.
- 4 Prior to significant items and impairment charges. The FY20 and FY21 results exclude the impact of changes required under AASB 16. In summary, the adoption of AASB 16 increased reported EBITDA by approximately \$1.7 million and \$1.8 million in FY20 and FY21 respectively, as rent expenses were replaced by amortisation charges (of the right of use asset) and notional interest expenses (on operating lease liabilities). However, this EBITDA uplift has been excluded from the above figures as it is simply an accounting treatment which has no cash flow impact or impact on the underlying profitability of Prime.
- 5 JobKeeper subsidies of \$3.0 million and \$3.4 million were received in FY20 and FY21 respectively.
- 6 As a percentage of net sales revenue. The calculation of EBITDA margin in the table in paragraph 143 has been calculated as a percentage of gross advertising revenue rather than net sales revenue.

168 Prime's revenue and underlying EBITDA has fallen significantly over the period. This was principally due to:

- (a) declining television advertising revenues, which have fallen \$48.7 million (21.7%) over the five years to FY21, as shown in paragraph 132 above

⁴² Before significant items.

- (b) increased affiliation fees (as a percentage of gross television advertising revenue) pursuant to the long-standing PSAs between SWM and Prime. As stated above, these arrangements were extended for a further five years effective 1 July 2018, and higher affiliation fees (which is now an agreed percentage of advertising revenues) took effect from FY20.

FY22 earnings guidance

- 169 Prime management have not provided any formal earnings guidance for FY22 to shareholders in its ASX announcements or financial reports. However, in Prime's FY21 full year results presentation and FY21 annual report, management provided commentary on the outlook for the business. This commentary is set out in Section IV of our report. In summary, Prime management noted that:
- (a) regional advertising markets have continued to improve, with July 2021 advertising revenues up 40% compared to July 2020 due to the Olympic broadcast
 - (b) notwithstanding the short term boost from the Olympics, in the medium and long term the decline in regional audiences and advertising revenues is expected to continue.
- 170 Gross advertising revenues are budgeted by management to increase by around 6% in FY22 due to the positive boost from the Olympic broadcasts in July 2021. However, reported EBITDA is budgeted to fall in FY22 compared to FY21, as EBITDA in FY21 included \$3.4 million in JobKeeper subsidies and employee cost savings of some \$0.4 million due to stand-down directions as a result of COVID-19 restrictions.

EBITDA adopted for valuation purposes

- 171 Having regard to the above, we have adopted EBITDA for valuation purposes of \$25.0 million, as set out below:

Prime – EBITDA	
	\$m
FY22 forecast EBITDA ⁽¹⁾	28.0
Less program costs ⁽²⁾	(3.0)
Less notional market rent on Sydney premises ⁽³⁾	(0.3)
Adjusted EBITDA	24.7
EBITDA adopted for valuation purposes	<u>25.0</u>

Note:

- 1 LEA estimate having regard to year to date results to 30 September 2021 and management's FY22 budget.
- 2 Program costs paid to SWM are amortised over a five year period. However, as these reflect a recurring operating cost, in our opinion, these amortisation charges (which approximate the annual cash expense) should be deducted from EBITDA when determining Prime's value.
- 3 In order to maximise shareholder value we have assumed that a purchaser of 100% of Prime would either enter into a sale and leaseback of the Sydney property, or sell the property and relocate the staff in the Sydney office. Accordingly, we have allowed for an estimate of the incremental market rent payable in such circumstances.

EBITDA multiple

- 172 The selection of the appropriate EBITDA multiple to apply is a matter of judgement but normally involves consideration of a number of factors including, but not limited to:

<ul style="list-style-type: none"> • The stability and quality of earnings • The quality of the management and the likely continuity of management • The nature and size of the business • The spread and financial standing of customers • The financial structure of the company and gearing level • The multiples attributed by share market investors to listed companies involved in similar activities or exposed to the same broad industry sectors • The multiples that have been paid in recent acquisitions of businesses involved in similar activities or exposed to the same broad industry sectors 	<ul style="list-style-type: none"> • The future prospects of the business including the growth potential of the industry in which it is engaged, strength of competitors, barriers to entry, etc. • The cyclical nature of the industry • Expected changes in interest rates • The asset backing of the underlying business of the company and the quality of the assets • The extent to which a premium for control is appropriate • Whether the assessment is consistent with historical and prospective earnings
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- 173 We discuss below specific factors taken into consideration when assessing the appropriate EBITDA multiple range for Prime.

Listed company multiples

- 174 The EBITDA multiples for selected listed companies involved in FTA television broadcasting are set out below. Due to the small number of ASX listed companies which operate FTA television stations, we have also considered the EBITDA multiples for FTA television broadcasters in the US (notwithstanding that these companies are significantly larger than Prime).

Listed company trading multiples ⁽¹⁾				
	Enterprise value ⁽²⁾ A\$m	EBITDA multiples ⁽⁴⁾ FY21 ⁽³⁾ FY22		Forecast CAGR growth ⁽⁶⁾ (%)
Australian companies				
Prime	43	1.9 ⁽⁵⁾	na	na
Nine Entertainment	5,120	9.8	9.1	9.3
SWM	875	3.6	3.6	1.2
SXL	635	5.6	6.3	(4.0)
Nexstar Media Group	18,273	7.5	6.5	2.8
Sinclair Broadcast Group	17,584	9.9	10.1	(12.6)
TEGNA Inc.	10,503	8.4	6.6	6.0
Gray Television Inc.	7,289	7.8	5.0	9.4
E.W. Scripps	6,256	8.2	5.7	11.1

Note:

- 1 Enterprise value, earnings multiples and forecast compound annual growth rate (CAGR) in EBITDA calculated as at 21 October 2021.
- 2 Enterprise value calculated as net debt plus market capitalisation and outside equity interests, less value of surplus assets.
- 3 Earnings are based on average analyst forecasts (excluding outliers and outdated forecasts) sourced from Bloomberg for the year ending 31 December 2021 (CY21) with the exception of Prime, Nine Entertainment, SWM and SXL, which are based on actual earnings for FY21.
- 4 Consistent with the approach adopted for Prime, EBITDA has been adjusted to exclude the impact of AASB 16.
- 5 Calculated based on EBITDA on \$28.9 million (refer paragraph 167) less \$3.0 million for program costs (refer paragraph 171) and \$3.4 million for JobKeeper subsidies. If the JobKeeper subsidies are not excluded from EBITDA, the EV / EBITDA multiple for FY21 would reduce to 1.7.
- 6 CAGR in EBITDA forecast by analysts over the two year period from FY21 to FY23.

na – not available.

Source: Bloomberg, latest full year statutory accounts, latest interim accounts, company announcements and LEA analysis.

- 175 The above multiples are based on the listed market price of each company's shares (and therefore exclude a premium for control). Empirical research undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover)⁴³. This broadly translates to a premium of 20% to 25% at the EBITDA multiple or enterprise value level, although this varies depending on the level of debt funding employed in each company.
- 176 In relation to the above listed EBITDA multiples it should be noted that:
- (a) in addition to its television business, Nine Entertainment owns newspaper publishing businesses (The Sydney Morning Herald, The Age and The Australian Financial Review), digital only publishing assets (such as nine.com.au, 9Honey and Pedestrian.TV) and investments in Domain, Stan, CarAdvice and Macquarie Media (now Nine Radio). As a result its television broadcasting business only accounted for approximately 56% of EBITDA (before corporate costs) in FY21. Further, the higher expected earnings growth (based on analyst forecasts) is likely to be a key reason for its higher trading multiples compared to the other Australian listed media companies
 - (b) in addition to its ownership of the Seven Network, SWM owns newspaper publishing businesses (The West Australian and The Sunday Times) and other investments. However, SWM's television business accounted for approximately 87% of revenues and 87% of underlying EBITDA (prior to corporate costs) in FY21
 - (c) whilst SXL's television business operates a number of regional television stations, the large majority of its revenue and earnings are generated from its national metropolitan and regional commercial radio business (with SXL's television business only

⁴³ LEA has analysed the control premiums paid in successful takeovers and other change in control transactions involving cash consideration in Australia over the period 2000 to 2020. LEA's study covered around 500 transactions in all sectors excluding real estate investment trusts, based on data sourced from Bloomberg, Connect4 and public company transaction documents and ASX announcements. Scrip transactions were excluded from the analysis because the value of the scrip consideration can vary materially depending on the date of measurement.

accounting for around 32% of revenues and 25% of EBITDA (prior to corporate costs) in FY21

- (d) over the five years to 30 June 2021, advertising revenues generated by the FTA broadcasting sector declined at a greater rate in regional areas compared to metropolitan areas (as shown at paragraph 117) which (all other variables held constant) would translate into lower EBITDA multiples for regional broadcasters such as Prime
- (e) we do not consider that the US listed companies shown above provide any reasonable valuation reference point for Prime for the following reasons:
 - (i) the US television broadcasting companies are substantially larger than Prime (due, in part, to the large size of the US market and the high level of mergers and acquisition activity over many years in that market)
 - (ii) due to their size and diversification (all the US listed companies above own a large number of television stations), the above US television broadcasting companies are able to achieve significant economies of scale benefits (which Prime is unable to achieve due to the much smaller size of its operation)
 - (iii) the US companies operate in a different market and regulatory environment to Prime. For example, earnings are often averaged over a two-year period when considering the value of US television broadcasting companies in order to smooth out the impact of the US bi-annual election year cycle on earnings
 - (iv) the FY21 EBITDA multiples for the US companies do not reflect the full year earnings impact (and related synergy benefits) of recent acquisitions.

177 Of the above listed companies, in our opinion, only SWM provides a relevant valuation benchmark for the purposes of assessing the appropriate EBITDA multiple for Prime. This is principally because:

- (a) Prime is an affiliate of the Seven Network and is reliant on SWM for programming
- (b) approximately 87% of SWM's underlying EBITDA (prior to corporate costs) is generated from its television business.

178 However, it is clear that Prime should trade on significantly lower multiples than SWM due to (inter-alia) Prime's lack of scale and diversification, reliance on SWM for programming, lower opportunity for earnings growth and SWM's greater bargaining power in pricing negotiations regarding ongoing affiliation fees and program costs. In addition, we note that Prime holds no digital rights to SWM's content, and that SWM is now streaming and providing BVOD services in Prime's licence areas through the 7plus streaming service (which enables users to access the Seven Network's live television broadcast as well as catch-up television without needing to watch Prime's broadcast). This is a significant risk to Prime's future advertising revenues.

Transaction evidence

179 We set out below a summary of the EBITDA multiples implied by recent transactions in the Australian and US FTA television broadcasting markets. As indicated below there have been a limited number of transactions in the Australian FTA television broadcasting market in

recent years⁴⁴. Accordingly, we have also set out recent transaction evidence in the US market. However, for the reasons stated above, we do not consider that these US transactions are particularly relevant when assessing the appropriate EBITDA multiple for Prime:

Transaction evidence						
Date ⁽¹⁾	Target	Acquirer	Vendor	Consideration \$m	EBITDA multiple ⁽²⁾	
					Pre synergies	Post synergies
Australian transactions						
19 May 17	NNSW television assets	WIN	SXL	A\$55	5.5	nd F
21 Feb 11	Seven Media Group	West Australian Newspapers	nd	A\$1,981	9.4	9.1 F
US transactions						
3 May 21	17 television stations	Gray Television	Meridith Corp	US\$2,700	9.4	7.9 H
1 Feb 21	Quincy Media, Inc	Gray Television	nd	US\$925	8.3	6.9 H
24 Sep 20	ION Media (48 TV stations)	E.W. Scripps Company	nd	US\$2,650	8.2	5.9 H
11 Jun 19	2 local television stations and 2 radio stations	TEGNA	Dispatch Broadcast Group	US\$535	nd	7.9 F
20 Mar 19	8 television stations	E.W. Scripps Company	Nexstar Media Group	US\$580	10.4	8.1 H
20 Mar 19	11 local television stations	TEGNA	Nexstar Media Group	US\$740	7.7	6.7 F
02 Jan 19	2 television stations	TEGNA	Gray Television Inc.	US\$105	5.9	5.0 H
03 Dec 18	Tribune Media Company	Nexstar Media Group	nd	US\$6,400	8.5	7.0 F
25 Jun 18	Raycom Media	Gray Television	nd	US\$3,647	nd	7.5 F
29 Oct 18	15 television stations	E.W. Scripps	Cordillera Communications	US\$521	8.3	7.2 F
18 Dec 17	Television and radio broadcast stations in San Diego	TEGNA	Midwest Television Inc	US\$325	nd	6.6 F
Jan 16	Shaw Media	Corus Ent.	nd	C\$2,659	8.6	7.5 H

Note:

1 Date of announcement.

2 H = Historical EBITDA multiple. F = Forecast EBITDA multiple.

nd – not publicly disclosed.

180 In our opinion, the only relevant transaction to Prime shown above is the Australian acquisition by WIN of the Northern NSW (NNSW) television assets of SXL in May 2017.

⁴⁴ We note that CBS Corporation acquired Ten in October 2017 for approximately \$170 million. However, no meaningful earnings multiple could be calculated as Ten was loss making at the time and was in voluntary administration prior to the acquisition. In addition, Discovery Inc acquired TV3 (a New Zealand television station) for approximately NZ\$20 million in September 2020. TV3 was also loss making at the time.

These television assets broadcast Ten programming in the NNSW licence area under an affiliation agreement with Ten⁴⁵. However, since the date of this transaction, we note that:

- (a) the earnings of the FTA broadcasting sector in Australia have continued to decline
- (b) the listed market value of SWM (being the most relevant listed company) has declined significantly.

181 Other relevant transaction evidence includes:

- (a) the sale by Nine Entertainment on 30 June 2019⁴⁶ of Australian Community Media (ACM).

At the date of acquisition, ACM was an Australian rural, regional and agricultural newspaper and digital media business with more than 160 regional publications and community based websites. Whilst ACM did not own or operate any FTA television broadcasting businesses, its regional newspaper assets are subject to similar industry trends (e.g. declining adverting revenues). Further, like Prime, ACM has suffered significant declines in revenues and earnings over the last four years, as shown below:

ACM					
	FY15	FY16	FY17	FY18	FY19
	\$m	\$m	\$m	\$m	\$m
Revenue	539.1	485.1	428.2	400.2	365.9
EBITDA	100.9	90.4	73.0	57.2	34.4
EBITDA margin	18.7%	18.6%	17.0%	14.3%	9.4%

ACM was acquired for a headline price of around \$115 million, which appears to have represented an EBITDA multiple of around 3.3 times FY19 actual EBITDA

- (b) the sale by SWM on 21 October 2019 of its magazine publishing business (Pacific Magazines) for \$40 million in cash⁴⁷, which represented an EBITDA multiple of 4.9 times FY19 EBITDA. As shown below, the revenue of the Pacific Magazines business has also declined significantly over recent years:

Pacific Magazines				
	FY16	FY17	FY18	FY19
	\$m	\$m	\$m	\$m
Revenue	201.2	168.0	139.5	129.4
EBITDA ⁽¹⁾	10.5	6.2	9.9	8.2
EBITDA margin ⁽¹⁾	5.2%	3.7%	7.1%	6.4%

Note:

- 1 Prior to significant items.

⁴⁵ The affiliation agreement had a five year term to 30 June 2021.

⁴⁶ Completion date.

⁴⁷ The sale price was stated to be “pre-adjustments and leave provisions”. Completion of the transaction did not occur until 1 May 2020.

Potential synergies

- 182 As stated in paragraph 148 above, SWM expects to realise significant synergies from the acquisition of Prime. However:
- (a) pursuant to RG 111, synergies that are not available to other potential bidders should not be taken into account in the valuation of the target company when assessing whether an offer is fair
 - (b) the existence of synergies from business combinations is one of the key reasons why bidders pay a control premium to acquire a company. Accordingly, in our opinion, it is inappropriate (in the circumstances of Prime) to incorporate a separate value for synergies over and above that implicitly reflected in the controlling interest multiple applied.

Conclusion on appropriate EBITDA multiples

- 183 As stated above, it is clear that Prime should trade on significantly lower multiples than SWM due to (inter-alia) Prime's lack of scale and diversification, reliance on SWM for programming, lower opportunity for earnings growth, SWM's greater bargaining power in pricing negotiations regarding ongoing affiliation fees and program costs, and the significant risk to advertising revenues from BVOD services.
- 184 This is consistent with the listed EBITDA multiples of both companies prior to the announcement of the Proposed Transaction, as SWM was trading on a FY21 EBITDA multiple of around 3.6 compared to Prime's 1.948.
- 185 After incorporating a control premium we have applied an EBITDA multiple of 2.5 to 3.0 for valuation purposes.

Value under capitalisation of EBITDA approach

- 186 Based on the above the value of Prime's business (excluding cash) under the capitalisation of EBITDA method is as follows:

Prime – value per share		
	Low \$m	High \$m
EBITDA	25.0	25.0
EBITDA multiple	2.5	3.0
	62.5	75.0
Add surplus property ⁽¹⁾	5.5	6.0
Business value (excluding cash)	68.0	81.0

Note:

- 1 Refer paragraph 154.

⁴⁸ Calculated based on EBITDA on \$28.9 million (refer paragraph 167) less \$3.0 million for program costs (refer paragraph 171) and \$3.4 million for JobKeeper subsidies. If the JobKeeper subsidies are not excluded from EBITDA, the EV / EBITDA multiple for FY21 would reduce to 1.7.

Valuation based on recent share price trading range

- 187 We set out below the trading range of Prime shares from 31 August 2021 (being the date Prime shares traded excluding an entitlement to the FY21 final dividend) up to 29 October 2021 (being the last day prior to the announcement of the Proposed Transaction):

Prime – share trading				
Period	Low (cents)	High (cents)	VWAP ⁽¹⁾ (cents)	Value traded \$m
1 month to 29 October 2021	22.5	24.0	23.2	1.2
2 months to 29 October 2021	22.5	25.0	23.8	5.3

Note:

- 1 Volume weighted average price (VWAP).

- 188 In addition, we note that there has been significant trading in Prime shares over recent months by some of Prime’s substantial shareholders, as shown below:

Prime – recent changes in substantial shareholdings				
Date	Purchaser	Shares traded	% interest	Price (cents)
6 Sep 21	WA Chess Investments ⁽¹⁾	10,989,909	3.0	24.0
20 Apr 21	Birketu Pty Ltd ⁽²⁾	29,050,000	7.9	23.0
5 Mar 21	WA Chess Investments ⁽¹⁾	18,867,154	5.2	22.5

Note:

- 1 The vendor in this transaction was Birketu Pty Limited (which is associated with Mr Bruce Gordon) and related entities.
2 This related to the unwinding of an equity swap position.

Source: Substantial shareholder notices by shareholders.

- 189 Based on the above, we have adopted a share price range of \$0.225 to \$0.255 for the purposes of our analysis. However, the above share trading involves minority or portfolio interests in Prime. It is therefore appropriate to apply a control premium when estimating the controlling interest value of the business.
- 190 However, Prime held approximately \$41 million in net cash as at 30 June 2021. Whilst a purchaser would not pay a premium for this cash balance, it is likely in our view that the listed market price of Prime shares implicitly reflected a lower (i.e. less than full) value for this cash balance. This is because the Prime Board had not indicated any intention to distribute this cash to shareholders, and instead had indicated that (at least) some of the cash would be used to potentially diversify Prime’s revenue streams:

“As highlighted at the 2020 Annual General Meeting the Board considers that the Company needs to diversify its revenue beyond regional advertising revenues ... For these reasons, the Company continues to actively review revenue diversification opportunities including options for inorganic growth and will focus on maintaining adequate cash reserves with a view to funding such opportunities.”⁴⁹

⁴⁹ Source: Prime’s FY21 annual report.

- 191 Given the above, for the purposes of estimating the minority interest value of Prime's business implied from recent share trading, we have applied a 10% to 20% discount⁵⁰ to Prime's cash balance (after allowing for the payment of the FY21 final dividend in September 2021⁵¹). On this basis, the controlling interest value of the Prime business after adding a control premium (at the enterprise value level) of between 20% and 25%⁵² is as follows:

Controlling interest value of Prime business based on share trading		
	Low \$m	High \$m
Shares on issue (m)	366.33	366.33
Listed market price	\$0.225	\$0.255
Market capitalisation	82.4	93.4
Less net cash ⁽¹⁾	(27.2)	(30.6)
Minority interest value of business	55.2	62.8
Add control premium ⁽²⁾	20.0%	25.0%
Controlling interest value of business based on share trading	66.3	78.5

Note:

- 1 \$41.2 million in net cash (as at 30 June 2021) less the FY21 final dividend of \$7.3 million, less a 10% to 20% discount.
- 2 Refer paragraph 175.
- 3 Rounding differences may exist.

Summary of valuations

- 192 Based on the above, we set out below the valuations of Prime's business (excluding cash) under each valuation approach and our adopted valuation range:

Prime – valuation of business (excluding cash)		
Valuation approach	Low \$m	High \$m
DCF	65.0	75.0
Capitalisation of EBITDA	68.0	81.0
Share price, adjusted for a control premium	66.3	78.5
Adopted range (rounded)	66.0	80.0

- 193 As indicated above, there is a high degree of consistency regarding the value of Prime's business under all three valuation methodologies.

⁵⁰ Noting that the actual discount implicit in the share price is unknown.

⁵¹ As the share trading shown in paragraph 211 is from the ex-dividend date of 31 August 2021 it is appropriate to adjust the cash balance for the FY21 final dividend paid.

⁵² Refer paragraph 175.

VI Evaluation of the Proposed Transaction

- 194 In our opinion, the Proposed Transaction is fair and reasonable and in the best interests of Prime shareholders in the absence of a superior proposal. We have formed this opinion for the reasons set out below.

Valuation of Sale Assets

- 195 As set out in Section V, we have assessed the value of the Prime business (excluding cash) at between \$66 million and \$80 million.
- 196 As stated above, cash held by Prime in its operating businesses at completion will also be included in the Sale Assets.
- 197 Prime's actual cash balance as at 30 September 2021 (following payment of Prime's FY21 final dividend on 27 September 2021) was approximately \$34 million. However, by late December 2021 (the estimated completion date), we have estimated that the cash balance will be approximately \$40 million (primarily reflecting cash inflows associated with the earnings of the business in the intervening period). Of this amount approximately \$10 million will be held by the parent entity and is therefore excluded from the Sale Assets.
- 198 For the purposes of our assessment we have therefore assumed that cash on completion of \$30 million will be included in the Sale Assets.
- 199 On this basis, the value of the Sale Assets (including cash) ranges between \$96 million and \$110 million.

Value of consideration

- 200 The consideration for the Sale Assets is \$131.88 million in cash less the Completion Cash Balance⁵³. As stated above, the Completion Cash Balance is expected to be \$10 million.
- 201 Accordingly, for the purpose of our report, we have assessed the value of the consideration at \$121.88 million (being \$131.88 million less the Completion Cash Balance).

Assessment of fairness

- 202 Pursuant to RG 111 the Proposed Transaction is "fair" if the value of the consideration is equal to, or greater than, our assessed value of the Sale Assets. This comparison is shown below:

⁵³ The Proposed Transaction has been structured to ensure that Prime has cash balances totalling approximately \$131.88 million (approximately \$0.36 per share) at completion. The Completion Cash Balance (as defined in the SSA) therefore has no impact on our opinion on the Proposed Transaction. This is because, if the Completion Cash Balance is higher or lower than \$10 million, the value of the Sale Assets and the value of the consideration change by the same amount.

Comparison of consideration and value of Sale Assets			
	Low \$m	High \$m	Mid-point \$m
Value of consideration (rounded)	122	122	122
Value of Sale Assets	96	110	103
Extent to which the consideration exceeds the value of the Sale Assets	26	12	19

203 As the value of the consideration is above our assessed valuation range for the Sale Assets, in our opinion, the offer consideration is fair to Prime shareholders when assessed based on the guidelines set out in RG 111.

Assessment of reasonableness

204 Pursuant to RG 111, a transaction is reasonable if it is fair. Further, in our opinion, if the Proposed Transaction is “fair and reasonable” it must also be “in the best interests” of shareholders.

205 Consequently, in our opinion, the Proposed Transaction is also “reasonable” and “in the best interests” of Prime shareholders in the absence of a superior proposal.

206 In assessing whether the Proposed Transaction is reasonable and in the best interests of Prime shareholders LEA has also considered, in particular:

- (a) what the Proposed Transaction equates to in terms of a per share value (and Prime’s intentions regarding the consideration to be received)
- (b) the extent to which (a) exceeds the recent trading price of the Prime shares prior to the announcement of the Proposed Transaction
- (c) the extent to which Prime shareholders are being paid a share of any synergies likely to be generated pursuant to the Proposed Transaction
- (d) the likelihood of a higher alternative offer being made for the Sale Assets or Prime prior to the date of the EGM
- (e) the advantages and disadvantages of the Proposed Transaction from the perspective of Prime shareholders.

207 These issues are discussed in detail below.

Proposed Distribution per share

208 As noted in paragraph 3:

- (a) Seven will assume the liabilities of the Prime business on completion
- (b) all employees (other than Mr Ian Audsley (the CEO of Prime) and Mr John Palisi (the CFO of Prime)) will transition to Seven with Prime’s business
- (c) Seven has agreed to meet the bona fide reasonable expenses of Prime associated with:
 - (i) the Proposed Transaction, including the termination entitlements which Prime will need to pay to Messrs Audsley and Palisi and transaction costs (such as legal fees,

financial advisory fees, the cost of this IER and costs associated with the shareholder meeting to approve the Proposed Transaction)

- (ii) the wind-up of Prime (such as liquidator fees, the printing and mailing costs associated with shareholder communications etc.), provided Prime is wound-up within 18 months of completion
- (d) Prime will not pay tax on the sale proceeds as any taxable gain will be offset by carry forward tax losses⁵⁴.

209 Consequently, on completion of the Proposed Transaction, Prime will cease to have an operating business and its only material asset will be cash of approximately \$0.36 per share, comprising:

Cash on completion	
	\$m
Proceeds from Proposed Transaction	122
Retained cash at completion (being the Completion Cash Balance)	10
Estimated cash on completion	132
Shares on issue (m)	366
Estimated cash on completion (per share) ⁽¹⁾	<u>\$0.36</u>

Note:

- 1 The Proposed Transaction has been structured to ensure that Prime has cash balances totalling approximately \$131.88 million (approximately \$0.36 per share) at completion.

210 Prime intends to distribute the above cash balance to shareholders following completion. Subject to the receipt of a favourable tax ruling, Prime estimates that the Proposed Distribution will be \$0.36 per share, comprising:

- (a) the \$0.10 Capital Return; and
- (b) the Proposed Dividend of \$0.26 per share.

Extent to which a premium is being paid

211 We set out below the trading range of Prime shares from 31 August 2021 (being the date Prime shares traded excluding an entitlement to the FY21 final dividend) up to 29 October 2021 (being the last trading day prior to the announcement of the Proposed Transaction):

Prime – share trading				
Period	Low	High	VWAP	Value traded
	\$	\$	\$	\$m
1 month to 29 October 2021	0.225	0.24	0.232	1.2
2 months to 29 October 2021	0.225	0.25	0.238	5.3

⁵⁴ Prime had capital tax losses of \$91.5 million as at 30 June 2021.

- 212 The Proposed Distribution of \$0.36 per share therefore represents a substantial premium to the listed market price of Prime shares prior to the announcement of the Proposed Transaction:

Proposed Distribution – premium to listed market prices prior to announcement of Proposed Transaction		
	Share price \$	Premium %
Proposed Distribution	0.36 ⁽¹⁾	
Share price prior to announcement of Proposed Transaction		
1 month VWAP	0.232	55
2 month VWAP	0.238	51
2 month low	0.225	60
2 month high	0.25	44

Note:

1 Management estimate.

Extent to which Prime shareholders are being paid a share of synergies

- 213 As stated in Section V, SWM has stated that it expects to achieve cost synergies of between \$5.0 million and \$10.0 million on an annualised basis (excluding one-off transaction and implementation costs) within 12 to 18 months from completion. These synergies are expected to arise from removing duplicated costs, achieving operational efficiencies by reducing selling, broadcasting and operational costs, removing Prime's ASX listing costs, and the consolidation of premises. SWM also noted that revenue synergies were also expected, but have not been quantified.
- 214 These potential cost saving synergies are clearly material when compared to Prime's standalone earnings. However, the large majority of these synergy benefits are prima-facie unique to a Prime / SWM combination and reflect the longstanding affiliation and programming arrangements between both companies.
- 215 Pursuant to RG 111, the value of synergies that are not available to other potential bidders should not be taken into account in the valuation of the target company when assessing whether an offer is fair. Accordingly, the unique synergy benefits expected to be generated by SWM from the proposed acquisition of Prime and subsequent combination of business operations are excluded when considering our valuation assessment of Prime.
- 216 However, as the consideration being paid by SWM for the Sale Assets exceeds our (standalone) valuation range, it would therefore appear likely that a proportion of the value of synergy benefits expected to be realised by SWM is being reflected in the consideration.

Likely price of Prime shares if the Proposed Transaction is not implemented

- 217 If the Proposed Transaction is not implemented we expect that, at least in the short term, Prime shares will trade at a significant discount to the Proposed Distribution, as evidenced by the listed market prices of Prime shares prior to the announcement of the Proposed Transaction.
- 218 If the Proposed Transaction is not implemented those Prime shareholders who wish to sell their Prime shares are therefore likely, at least in the short term, to realise a significantly lower price for their shares than will effectively be realised under the Proposed Transaction.

Likelihood of a superior proposal

- 219 Given the longstanding affiliation and programming arrangements between Prime and SWM, SWM's existing 14.9% shareholding in Prime and the implied value of the consideration per Prime share (relative to the listed market price of Prime shares prior to the announcement of the Proposed Transaction), we consider it highly unlikely that a superior proposal for either the Sale Assets or Prime will emerge.
- 220 Further, we note that both WA Chess Investments Pty Ltd and Birketu Pty Limited⁵⁵ (entities which may have had an interest in acquiring control of Prime in the past) have confirmed to Prime that they intend to vote in favour of the Proposed Transaction.

Summary of advantages and disadvantages

- 221 We summarise below the likely advantages and disadvantages for Prime shareholders if the Proposed Transaction proceeds.

Advantages

- 222 The Proposed Transaction has the following benefits for Prime shareholders:
- (a) the consideration is greater than our assessed value range for the Sale Assets. Thus, in our view:
 - (i) Prime shareholders are being paid an appropriate price to compensate them for the fact that control of the Sale Assets will pass to Seven if the Proposed Transaction is approved
 - (ii) Prime shareholders are being paid a share of the value of the synergies which SWM is likely to realise from the acquisition of the Sale Assets
 - (b) the consideration implies a significant premium to the value of Prime implied by recent trading in Prime shares prior to the announcement of the Proposed Transaction
 - (c) the Proposed Distribution may give rise to additional consideration to those Australian resident shareholders able to benefit from the related franking credits attaching to the Proposed Dividend⁵⁶
 - (d) if the Proposed Transaction does not proceed, and in the absence of an alternative offer or proposal, the price of Prime shares is likely to trade at a significant discount to the Proposed Distribution.

⁵⁵ Associated with Mr Bruce Gordon.

⁵⁶ As reflected by share market trading in Prime shares subsequent to the announcement of the Proposed Transaction.

Disadvantages

- 223 Prime shareholders should note that if the Proposed Transaction is implemented they will no longer hold an interest in the Prime business. However, as our assessed value of the Sale Assets is materially less than the consideration, in our opinion, the present value of Prime's future potential (in the absence of the Proposed Transaction) is reflected in the consideration.

Conclusion

- 224 Given the above analysis, we consider that the advantages of the Proposed Transaction significantly outweigh the disadvantages. Consequently, in our view, the Proposed Transaction is fair and reasonable and in the best interests of Prime shareholders in the absence of a superior proposal.

Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

- 3 The Corporations Act 2001 authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Explanatory Memorandum to be sent to Prime shareholders in connection with the Proposed Transaction.
- 4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

- 5 Our Australian financial services licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

- 6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- 7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

- 8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at \$150,000 plus GST.
- 9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.

Appendix A

- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- 11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

- 12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- 13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Australian Financial Complaints Authority (AFCA), an external complaints resolution service. You will not be charged for using the AFCA service.

Contact details

- 14 LEA can be contacted by sending a letter to the following address:

Level 7
64 Castlereagh Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

Appendix B

Qualifications, declarations and consents

Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERs.
- 2 This report was prepared by Mr Craig Edwards and Mr Martin Holt, who are each authorised representatives of LEA. Mr Edwards and Mr Holt have over 27 years and over 35 years experience respectively in the provision of valuation advice (and related advisory services).

Declarations

- 3 This report has been prepared at the request of the Directors of Prime to accompany the Explanatory Memorandum to be sent to Prime shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Proposed Transaction is fair and reasonable and in the best interests of Prime shareholders.

Interests

- 4 At the date of this report, neither LEA, Mr Edwards nor Mr Holt have any interest in the outcome of the Proposed Transaction. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 5 We have considered the matters described in ASIC RG 112 – *Independence of experts*, and consider that there are no circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective independent assistance in this engagement.

Indemnification

- 6 As a condition of LEA's agreement to prepare this report, Prime agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of Prime which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

- 7 LEA consents to the inclusion of this report in the form and context in which it is included in the Explanatory Memorandum.

Appendix C

Glossary

Abbreviation	Definition
AASB 16	Australian Accounting Standard AASB 16 – <i>Leases</i>
ABC	Australian Broadcasting Corporation
ACCC	Australian Competition and Consumer Commission
ACM	Australian Community Media
ACT	Australian Capital Territory
ASIC	Australian Securities & Investments Commission
Asset Sale	The proposed acquisition by Seven of all of the issued share capital in Prime Television (Holdings) Pty Ltd and Seven Affiliate Sales Pty Ltd as well as certain assets (net of associated liabilities) used in the Prime business for cash consideration of \$131.88 million less the Completion Cash Balance as defined in the SSA
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
Brand Developers	Brand Developers Australia Pty Ltd
BVOD	Broadcast video on demand
CAGR	Compound annual growth rate
Capital Reduction	The capital reduction component of the Proposed Distribution
CGB	Commonwealth Government bonds
Competing Proposal	As defined in the SSA
Completion Cash Balance	As defined in the SSA
Corporations Act	<i>Corporations Act 2001</i> (Cth)
CTV	Connected television
CY	Calendar year
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EGM	Extraordinary general meeting
Exclusivity Period	As defined in the SSA
Fairfax	Fairfax Media Limited
FTA	Free-to-air
FY	Financial year
Government Agency	As defined in the SSA
GWN	Golden West Network
IER	Independent expert's report
LEA	LonerGAN Edwards & Associates Limited
Local News bulletins	PRIME7 local news bulletins produced by Prime
MRP	Market risk premium
Nine Entertainment	Nine Entertainment Co. Holdings Limited
NNSW	Northern NSW
NPV	Net present value
NSW	New South Wales
Pacific Magazines	SWM's former magazine publishing business
PING	Public Interest News Gathering Program
Prime / the Company	Prime Media Group Limited
Proposed Distribution	Distribution by Prime of all available cash to shareholders post completion of the Proposed Transaction, comprising a capital reduction component of \$0.10 per share and the Proposed Dividend of \$0.26 per share
Proposed Dividend	Fully franked dividend of \$0.26 per Prime share

Appendix C

Abbreviation	Definition
Proposed Transaction	The Asset Sale and Proposed Distribution
PSA	Program supply agreement
Regal	Regal Funds Management Asia Pte Limited
RG 111	Regulatory Guide 111 – <i>Content of expert reports</i>
Sale Assets	All of the issued share capital in Prime Television (Holdings) Pty Ltd and Seven Affiliate Sales Pty Ltd as well as certain assets (net of associated liabilities) used in the Prime business (including cash held by Prime in its operating businesses)
SBS	Special Broadcasting Service Corporation
Seven	Seven Network (Operations) Limited
SSA	Share Sale Agreement
SVOD	Subscription video on demand
SWM	Seven West Media Limited
SXL	Southern Cross Media Group Limited
US	United States of America
VWAP	Volume weighted average price
WA	Western Australia
WANOS	Weighted average number of shares outstanding
WIN	WIN Corporation Pty Ltd

PRIME
MEDIA GROUP



Prime Media Group Limited

ACN 000 764 867

LODGE YOUR VOTE



ONLINE

www.linkmarketservices.com.au



BY MAIL

Prime Media Group Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



BY FAX

+61 2 9287 0309



BY HAND*

Link Market Services Limited
Level 12, 680 George Street, Sydney NSW 2000

*during business hours Monday to Friday (9:00am - 5:00pm)
and subject to public health orders and restrictions



ALL ENQUIRIES TO

Telephone: 1300 554 474

Overseas: +61 1300 554 474

LODGE A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given above by **11:00am on Tuesday, 21 December 2021**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes.

Please note: you cannot change ownership of your shares using this form.

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to participate in the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting Virtually the appropriate "Certificate of Appointment of Corporate Representative" must be received at registrars@linkmarketservices.com.au prior to admission in accordance with the Notice of Extraordinary General Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

NAME SURNAME
ADDRESS LINE 1
ADDRESS LINE 2
ADDRESS LINE 3
ADDRESS LINE 4
ADDRESS LINE 5
ADDRESS LINE 6



X99999999999

PROXY FORM

I/We being a member(s) of Prime Media Group Limited and entitled to attend and vote hereby appoint:

STEP 1

☐ the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name and email of the person or body corporate you are appointing as your proxy

Name

Email

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Extraordinary General Meeting of the Company to be held at **11:00am on Thursday, 23 December 2021 (the Meeting)** and at any postponement or adjournment of the Meeting.

The Meeting will be conducted as a virtual event. You can participate by logging in online at <https://agmlive.link/PRTEGM21>. To access Prime Media Group Limited's Notice of Meeting, Explanatory Memorandum and Virtual Meeting Online Guide please go to <https://primemedia.com.au/egm/>.

The Chairman of the Meeting intends to vote all available proxies in favour of all items of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an ☒

To consider and, if thought fit, to pass the following resolutions:

1** That the disposal by the Company of:

(i) all of the issued share capital in Prime Television (Holdings) Pty Ltd (ACN 003 368 974) and Seven Affiliate Sales Pty Ltd (ACN 058 428 158); and

(ii) certain assets used with respect to the Company's business, to Seven, in accordance with the Share Sale Agreement (dated 30 October 2021) described in the Explanatory Memorandum, is approved under and for the purposes of Listing Rules 10.1 and 11.2, and for all other purposes.

2** That, for the purposes of Part 2J.1 of the Corporations Act 2001 (Cth), and subject to Completion occurring under the Share Sale Agreement (as those terms are defined in the Explanatory Memorandum), approval is given for the share capital of the Company to be reduced by way of a return of capital in an amount of up to A\$36.63 million (or A\$0.10 per Share) and otherwise as described in the Explanatory Memorandum.

3 That for the purposes of sections 136(2) and 157(1) of the Corporations Act and for all other purposes, subject to Completion occurring under the Share Sale Agreement (as those terms are defined in the Explanatory Memorandum), the name of the Company be changed to 'PRT Company Limited' and the Constitution be amended to reflect the change of name.

For Against Abstain*

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------



* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a poll and your votes will not be counted in computing the required majority on a poll.

** Resolutions 1 and 2 are interconditional.

STEP 2

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

Director

STEP 3

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

PRT PRX2102N





Prime Media Group Limited

ACN 000 764 867

LODGE YOUR VOTE



ONLINE

www.linkmarketservices.com.au



BY MAIL

Prime Media Group Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



BY FAX

+61 2 9287 0309



BY HAND

Link Market Services Limited
Level 12, 680 George Street, Sydney NSW 2000



ALL ENQUIRIES TO

Telephone: +61 1300 554 474



X99999999999

Please use this form to submit any questions about Prime Media Group Limited ("the Company") that you would like us to respond to at the Company's 2021 Extraordinary General Meeting. Your questions should relate to matters that are relevant to the business of the meeting, as outlined in the accompanying Notice of Meeting and Explanatory Memorandum.

This form must be received by the Company's share registrar, Link Market Services Limited, by **11:00am on Tuesday, 21 December 2021**.

Questions will be collated. During the course of the Extraordinary General Meeting, the Chairman of the Meeting will endeavour to address as many of the more frequently raised shareholder topics as possible. However, there may not be sufficient time available at the meeting to address all topics raised. Please note that individual responses will not be sent to shareholders.

My question relates to *(please mark the most appropriate box)*

☐

A resolution being put to the EGM

☐

The Asset Sale

☐

General suggestion

☐

Future direction

☐

The proposed distribution to shareholders

☐

Other

QUESTION

SAMPLE

QUESTION

☐

A resolution being put to the EGM

☐

The Asset Sale

☐

General suggestion

☐

Future direction

☐

The proposed distribution to shareholders

☐

Other

QUESTION

SAMPLE

QUESTION

Virtual Meeting Online Guide

Before you begin

Ensure your browser is compatible.
Check your current browser by going to the website: **whatismybrowser.com**

Supported browsers are:

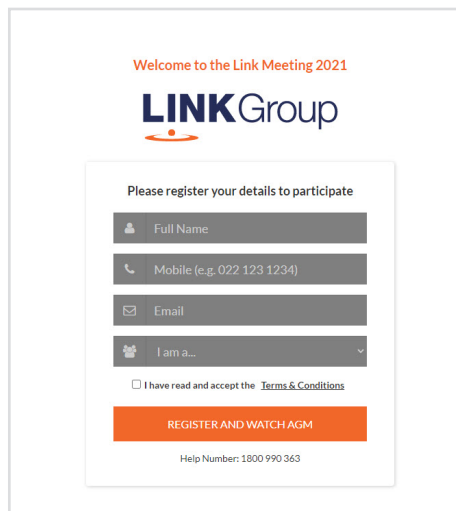
- Chrome – Version 44 & 45 and after
- Firefox – 40.0.2 and after
- Safari – OS X v10.9 & OS X v10.10 and after
- Internet Explorer 9 and up
- Microsoft Edge - 92.0 and after

To attend and vote you must have your securityholder number and postcode.

Appointed Proxy: Your proxy number will be provided by Link before the meeting.

Please make sure you have this information before proceeding.

Virtual Meeting Online Guide



Step 1

Open your web browser and go to <https://agmlive.link/PRTEGM21>

Step 2

Log in to the portal using your full name, mobile number, email address, and participant type.

Please read and accept the terms and conditions before clicking on the blue **'Register and Watch Meeting'** button.

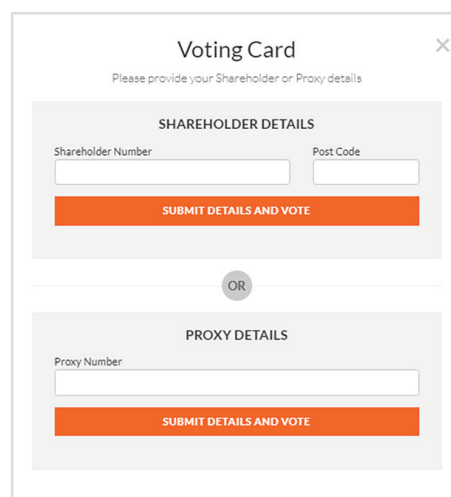
- On the left – a live video webcast of the Meeting
- On the right – the presentation slides that will be addressed during the Meeting
- At the bottom – buttons for 'Get a Voting Card', 'Ask a Question' and a list of company documents to download

Note: If you close your browser, your session will expire and you will need to re-register. If using the same email address, you can request a link to be emailed to you to log back in.

1. Get a Voting Card

To register to vote – click on the 'Get a Voting Card' button.

This will bring up a box which looks like this.

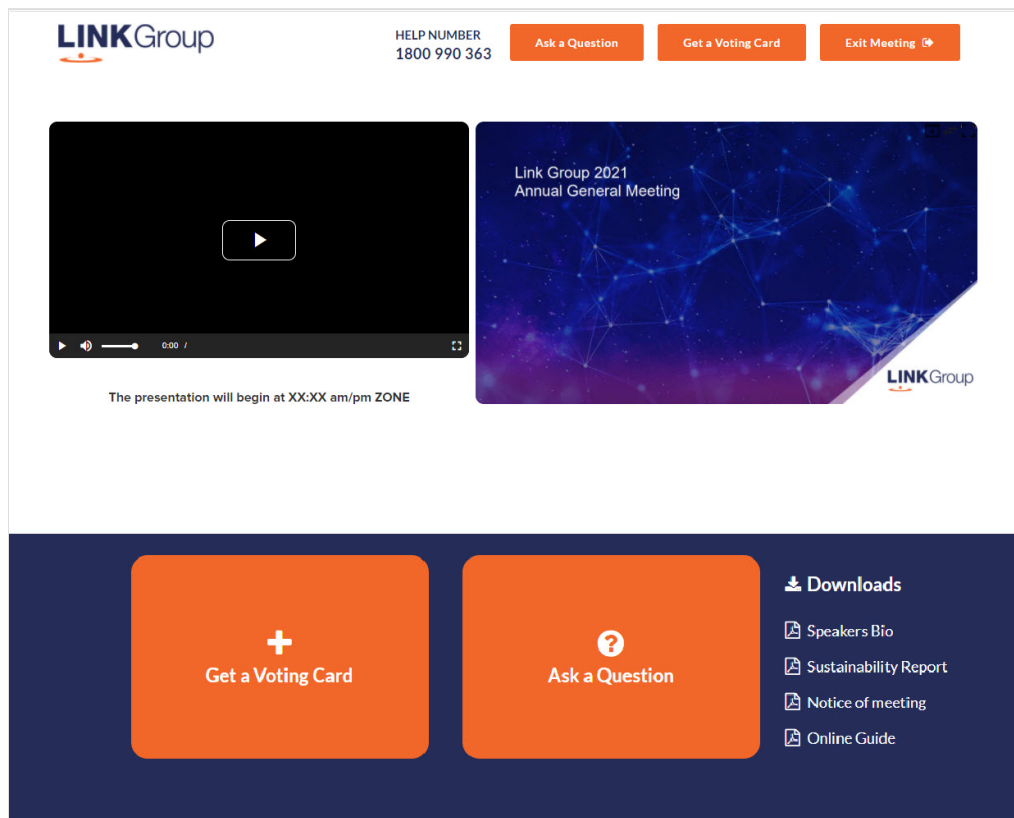


If you are an individual or joint securityholder you will need to register and provide validation by entering your securityholder number and postcode.

If you are an appointed Proxy, please enter the Proxy Number issued by Link in the PROXY DETAILS section. Then click the **'SUBMIT DETAILS AND VOTE'** button.

Once you have registered, your voting card will appear with all of the resolutions to be voted on by securityholders at the Meeting (as set out in the Notice of Meeting). You may need to use the scroll bar on the right hand side of the voting card to view all resolutions.

Securityholders and proxies can either submit a Full Vote or Partial Vote.



ABC COMPANY PTY LTD
X123456789

Voting Card

Please complete your vote by selecting the required voting instruction (For, Against or Abstain) for each resolution. If you would like complete a partial vote, please specify the number of votes for each resolution in the Partial Vote section. Proxy holder votes will only be applied to discretionary (undirected) votes. Directed votes will be applied as per the Unitholder's voting instructions.

Full Vote
Partial Vote

Resolution 2B
For
Against
Abstain

RE-ELECTION OF MRL ABC AS A DIRECTOR

Resolution 2C
For
Against
Abstain

RE-ELECTION OF MS XYZ AS A DIRECTOR

Resolution 3
For
Against
Abstain

INCREASE TO DIRECTORS' MAXIMUM FEE POOL LIMIT

Resolution 4
For
Against
Abstain

ADOPTION OF REMUNERATION REPORT

SUBMIT VOTE

Full Votes

To submit a full vote on a resolution ensure you are in the **'Full Vote'** tab. Place your vote by clicking on the **'For'**, **'Against'**, or **'Abstain'** voting buttons.

Partial Votes

To submit a partial vote on a resolution ensure you are in the **'Partial Vote'** tab. You can enter the number of votes (for any or all) resolution/s. The total amount of votes that you are entitled to vote for will be listed under each resolution. When you enter the number of votes it will automatically tally how many votes you have left.

Note: If you are submitting a partial vote and do not use all of your entitled votes, the un-voted portion will be submitted as No Instruction and therefore will not be counted.

Once you have finished voting on the resolutions scroll down to the bottom of the box and click on the **'Submit Vote'** or **'Submit Partial Vote'** button.

Note: You can close your voting card without submitting your vote at any time while voting remains open. Any votes you have already made will be saved for the next time you open up the voting card. The voting card will appear on the bottom left corner of the webpage. The message **'Not yet submitted'** will appear at the bottom of the page.

You can edit your voting card at any point while voting is open by clicking on **'Edit Card'**. This will reopen the voting card with any previous votes made.

At the conclusion of the Meeting a red bar with a countdown timer will appear at the top of the Webcast and Slide windows advising the remaining voting time. Please make any changes and submit your voting cards.

Once voting has been closed all submitted voting cards cannot be changed.

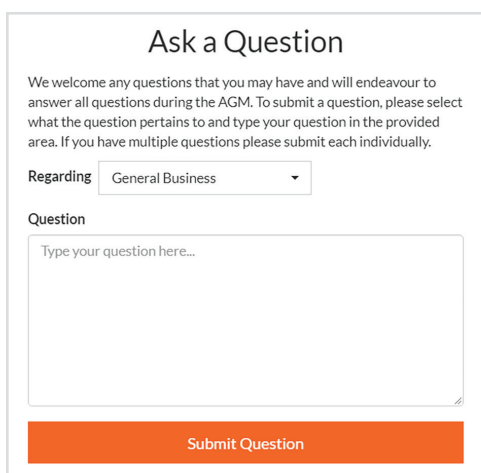
Virtual Meeting Online Guide *continued*

2. How to ask a question

Note: Only securityholders are eligible to ask questions.

If you have yet to obtain a voting card, you will prompted to enter your securityholder number or proxy details before you can ask a question. To ask a question, click on the 'Ask a Question' button either at the top or bottom of the webpage.

The '**Ask a Question**' box will then pop up with two sections for completion.



The 'Ask a Question' form is titled 'Ask a Question' and includes a welcome message: 'We welcome any questions that you may have and will endeavour to answer all questions during the AGM. To submit a question, please select what the question pertains to and type your question in the provided area. If you have multiple questions please submit each individually.' Below this, there is a 'Regarding' section with a dropdown menu currently set to 'General Business'. Underneath is a 'Question' section with a large text area containing the placeholder 'Type your question here...'. At the bottom of the form is an orange button labeled 'Submit Question'.

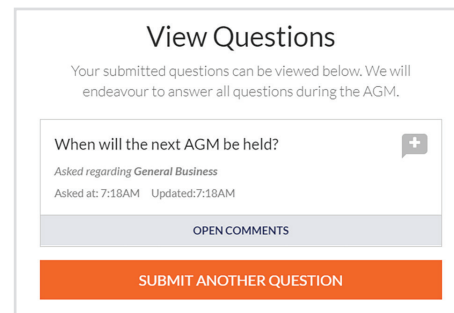
In the '**Regarding**' section click on the drop down arrow and select the category/resolution for your question.

Click in the '**Question**' section and type your question and click on 'Submit'.

A '**View Questions**' box will appear where you can view your questions at any point. Only you can see the questions you have asked.

If your question has been answered and you would like to exercise your right of reply, you can submit another question.

Note that not all questions are guaranteed to be answered during the Meeting, but we will do our best to address your concerns.



The 'View Questions' box is titled 'View Questions' and includes a message: 'Your submitted questions can be viewed below. We will endeavour to answer all questions during the AGM.' Below this, there is a question card for 'When will the next AGM be held?'. The card indicates it was 'Asked regarding General Business', 'Asked at: 7:18AM', and 'Updated: 7:18AM'. There is a small speech bubble icon with a plus sign in the top right corner of the card. Below the card is a grey button labeled 'OPEN COMMENTS'. At the bottom of the box is an orange button labeled 'SUBMIT ANOTHER QUESTION'.

3. Downloads

View relevant documentation in the Downloads section.

4. Voting closing

Voting will end 5 minutes after the close of the Meeting.

At the conclusion of the Meeting a red bar with a countdown timer will appear at the top of the Webcast and Slide screens advising the remaining voting time. If you have not submitted your vote, you should do so now.

5. Phone Participation

What you will need

- a) Land line or mobile phone
- b) The name and securityholder number of your holding/s
- c) To obtain your unique PIN, please contact Link Market Services on +61 1800 990 363.

Joining the Meeting via Phone

Step 1

From your land line or mobile device,
call: 1800 577 505 or +61 2 9189 2002

Step 2

You will be greeted with a welcome message and provided with instructions on how to participate in the Meeting. Please listen to the instructions carefully.

At the end of the welcome message you will be asked to provide your PIN by the moderator. This will verify you as a securityholder and allow you to ask a question on the resolutions at the Meeting.

Step 3

Once the moderator has verified your details you will be placed into a waiting room where you will hear music playing.

Note: If your holding cannot be verified by the moderator, you will attend the Meeting as a visitor and will not be able to ask a question.

Step 4

At the commencement of the Meeting, you will be admitted to the Meeting where you will be able to listen to proceedings.

Asking a Question

Step 1

When the Chairman calls for questions on each resolution, you will be asked to **press *1** on your keypad should you wish to raise your hand to ask a question.

Step 2

Please advise if your question relates to an item of business or General Business. The moderator will make a note and ask if you have any additional questions.

Step 3

When it is time to ask your question, the moderator will introduce you to the meeting, your line will be unmuted and you can then start speaking.

Note: If at any time you no longer wish to ask your question, you can lower your hand by **pressing *2** on your key pad. If you have also joined the Meeting Online, we ask that you mute your laptop, desktop, tablet or mobile device while you ask your question.

Step 4

Your line will be muted once your question has been answered.

Contact us

Australia

T +61 1800 990 363

E info@linkmarketservices.com.au