

The Manager
Company Announcements Office
Australian Stock Exchange Limited
Level 4, 20 Bridge Street
SYDNEY NSW 2000

FY20 FINANCIAL RESULTS

Pacific Star Network Limited (**PNW**) today announced financial results for the fiscal year ended 30 June 2020 (**FY20**). A summary of the results and outlook commentary is provided below. For further detail please refer to the attached Appendix 4E.

1. FY20 Result Commentary

FY20 revenue¹ of \$66.8 million was down 0.3% and underlying EBITDA² of \$4.5 million was down 50.5% on the prior corresponding period (**pcp**), respectively. The table below reconciles FY20 underlying EBITDA³ to the pcp.

(\$ million)	FY20	FY19	Variance (\$)	Variance (%)
Total Revenue	66.8	67.0	(0.2)	(0.3%)
Operating Expenses	65.9	60.2	5.7	9.5%
EBITDA	0.9	6.8	(5.9)	(88.9%)
+ Restructuring costs	0.3	1.0	(0.7)	(70.0%)
+ Non-cash impairment of intangibles (COVID-19 impact)	3.4	-	3.4	n/a
+ Non-cash loss on disposal of intangibles (Nine Radio Syndication)	1.6	-	1.6	n/a
Underlying EBITDA⁴	6.2	7.8	(1.6)	(10.5%)
Underlying EBITDA (pre AASB16)	4.5	9.1	(4.6)	(50.5%)

Revenue for the nine months to March 2020 was 14.9% up on the pcp, reflecting positive returns on continued investment in organic and acquisitive growth initiatives. Fourth quarter FY20 revenue was down 50.3% on pcp, impacted by the COVID-19 pandemic.

Several cost initiatives were implemented in response to COVID-19 pandemic (see Section 3 below). The result also included \$1.6m received from the Federal Government JobKeeper subsidy scheme.

FY20 cash flow from operating activities was \$12.1 million and underlying EBITDA to ungeared pre-tax operating cash flow⁵ conversion was 322.8%. Strong cash conversion reflected collection of prior period receivables, negotiated favourable deferred payment terms and diligent working capital management.

FY20 net debt was \$7.1 million, up from \$3.7 million in the pcp and represented underlying EBITDA⁶ leverage of 1.6x. During the period, PNW:

- funded \$2.7 million of office, broadcast studio fit-out and transmitter site capital expenditure;
- funded \$13.7 million of acquisitions including 23 narrowband radio licences, AFL Publications (deferred consideration), Rapid TV, Precision Talent and 621AM Spirit Bunbury radio licence; and
- successfully raised \$1.975m through an equity placement at \$0.225 per share.

¹ From continuing operations

² Pre-AASB16 from continuing operations and excluding restructuring, transaction and abnormal costs

³ Excluding restructuring, transaction and abnormal costs

⁴ Totals may not reflect arithmetic addition due to rounding

⁵ From continuing operations and excluding restructuring, transaction and abnormal costs

⁶ From continuing operations and excluding restructuring, transaction and abnormal costs

PNW extended its existing financing facility from \$15.1 million to \$28.6 million in June 2020. \$13.8 million of undrawn financing facilities were available as at 30 June 2020. Of the \$14.8m debt drawn, \$8.5m was combined legacy PNW/Crocmedia debt at the time of the merger in March 2018. PNW has since funded \$20.0m of strategic acquisitions primarily from operating cash reserves.

PNW remained within all banking covenants during the nine months to March 2020 and received appropriate covenant relief to account for the impact of COVID-19.

2. Operational Highlights

PNW continued to expand its 'Whole of Sport' offering during FY20, with key highlights including:

- record digital consumption and significant digital revenue growth of almost 100% on the pcp, with several own produced podcasts consistently appearing in the top 100 of the Australian Podcast Ranker;
- re-signing of Chief Sports Caller Gerard Whateley and signing of experienced play-by-play commentator and multi-sport analyst Dwayne Russell;
- launch of SENTrack, Australia's first independent national racing, harness and greyhound radio service;
- an exclusive commercial partnership with Bowls Australia and a five-year broadcast extension;
- the launch of SEN SA's showcase radio studio situated in the heart of Adelaide; and
- strong performance from owned station platforms aided by increased flexibility over inventory and costs.

3. COVID-19 Pandemic Response

PNW's 'Whole of Sport' strategy is primarily focused on generating revenue from live sporting events. The COVID-19 pandemic resulted in:

- the cancellation and postponement of live sporting events;
- restrictions on event gatherings including crowds at live sporting events; and
- commercial impacts to advertisers, which has resulted in reduced advertising spend.

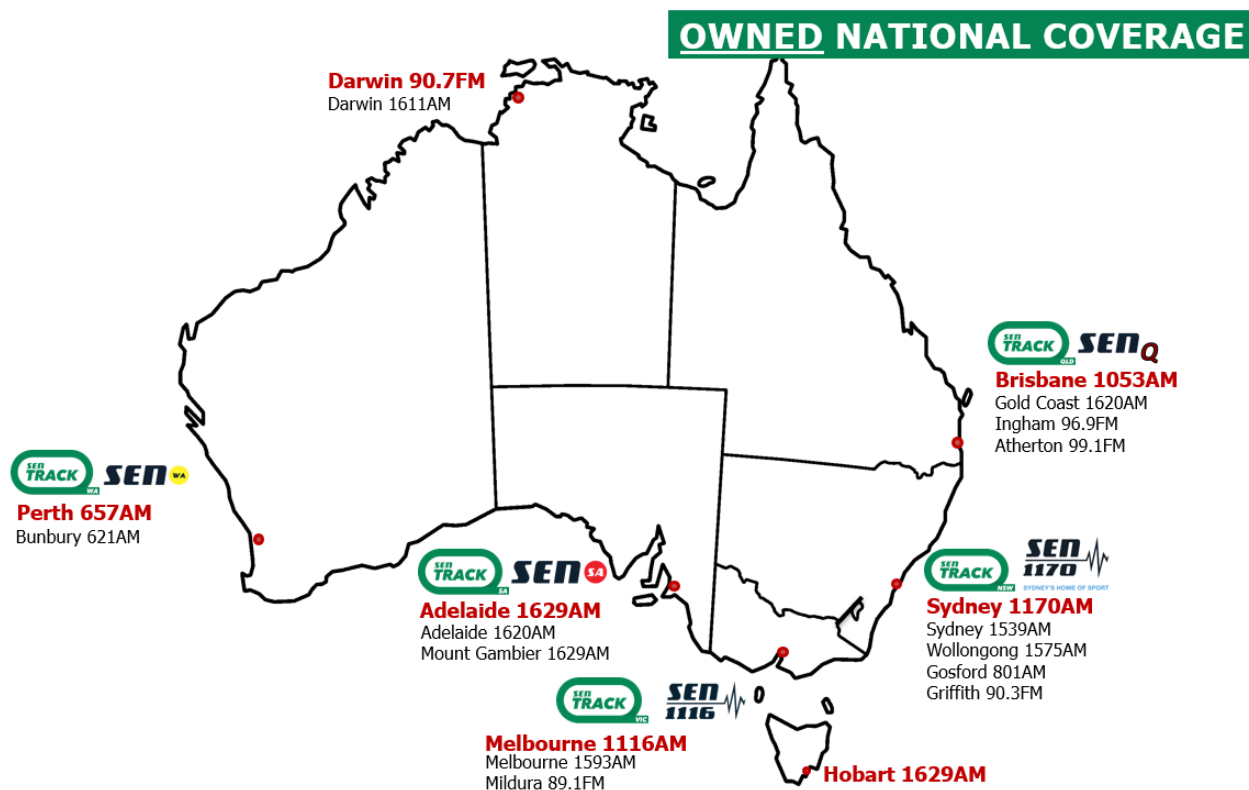
In response to the COVID-19 pandemic, PNW:

- successfully negotiated an increase to its existing debt facility to ensure adequate liquidity and working capital settings;
- reduced its employment costs by 65% and agreed pay reductions, reductions in hours and the use of leave balances with employees;
- obtained \$1.6m from the Federal Government's JobKeeper subsidy scheme;
- achieved material pro-rata production costs savings and ongoing cost reductions (e.g. travel and talent) relating to live sport broadcasts upon resumption of NRL and AFL seasons;
- benefited from the termination of the Nine Radio (previously Macquarie Media) syndication agreement equating to material cost savings in future periods;
- reduced capital expenditure plans by 60% and scaled back office and radio studio fit-outs;
- reached agreement for compensation, discounts, deferrals and terminations with suppliers and commercial partners for contracted costs unable to be serviced (positive but immaterial); and
- reached agreement for rent relief (discounts and deferrals) with landlords (positive but immaterial).

PNW is continuing to identify opportunities for operational long-term cost efficiencies.

4. Strategic Initiatives Update

The Board is pleased to have established a national network of owned stations.



Focus has been placed on low cost organic initiatives (for example, *SENTrack*) and acquisitions underpinned by infrastructure or licence value. This provides opportunity for PNW to generate attractive returns on capital by leveraging its national sales teams, broadcast rights, content portfolio and talent with these assets.

Our strategy for growth also seeks to not acquire more traditional media assets that have reached maturity, where there is no immediate operational opportunity beyond their existing earnings stream alone.

In May 2020, PNW acquired the **621AM Spirit Bunbury** radio licence. The Bunbury and South West area which Spirit broadcasts into, represents the largest population in Western Australia outside of Perth. The region contains an extensive selection of commercial and community enterprises.

Subsequent to FY20, two additional strategic radio licence acquisitions and a divestment were announced, including the:

- acquisition of **1170AM 2CH Sydney** where PNW will launch **1170 SEN** later this year to leverage its broadcast rights, content portfolio and talent;
- acquisition of **1539AM Sydney**, **1593AM Melbourne** and **90.7FM Darwin** narrowband area radio licences which will form part of the **SENTrack** racing service network; and
- divestment of 1377AM 3MP Melbourne radio licence which complemented the acquisition of the 1593AM Melbourne radio licence, yielding a positive net cash flow outcome.

5. Trading Update and Outlook Commentary

Revenue for July 2020 was down approximately 33% on pcp, an improvement on the trend experienced in fourth quarter FY20 (down 50.3% on pcp). EBITDA was positive and in-line with management's FY21 budget.

July 2020 benefitted from:

- resumption and continuity of the AFL and NRL seasons;
- initial easing of COVID-19 pandemic lockdown restrictions in Melbourne; and
- relatively better conditions in regional Victoria and generally across Australia.

The geographical diversification provided by the activation of a number of narrowband radio licences, the launch of SENTrack and the recent 621AM Bunbury and 1170AM 2CH Sydney acquisitions have provided some offset to Melbourne's subsequent Stage Four restrictions.

Initial client interest and engagement has also been positive following the:

- launch of **SEN Spirit** on 621AM Bunbury in August 2020; and
- announcement of the upcoming **1170 SEN "Sydney's Home of Sport"** later this year on 1170AM 2CH Sydney; and
- announcements of highly regarded on-air talent in Sydney, Brisbane and Perth.

Benefits are being realized from the cost restructures and rationalisation identified in the early stages of the COVID-19 pandemic. PNW will also continue to benefit from the Federal Government JobKeeper subsidy scheme during 1H21. PNW is targeting approximately \$2.5m to \$4.0m of cost savings to continue post FY21, which will support investment in resources (costs) to support strategic initiatives.

The establishment of PNW's national network of owned stations reduces significant fixed costs associated with reliance on supplied station relationships. PNW also retains greater flexibility in operating cost models and opportunities to leverage its national sales teams, broadcast rights, content portfolio and talent.

PNW is budgeting a positive EBITDA result in FY21, which remains subject to no material changes in economic conditions and COVID-19 pandemic conditions.

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