

HY23 Results Presentation

24 August 2023

arnmedia



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Executive Summary

Delivering milestones for continued success

Growing audiences

- ARN increasing audiences across all audio formats – Radio +4%; Podcasting +23%
- #1 broadcast network position (4 out of 5 surveys); #1 podcast publisher (39 in a row)
- 12% growth in iHeartRadio registered user base – 2.5m

Delivering regional synergies

- 'Live & local' content strategy key differentiator; engaging audiences and advertisers
- Local regional revenues performing well; National revenues impacted by lack of Government spending
- Gaining share in key markets; \$2m of \$5m national revenue synergies target delivered in H1 23 (off \$7m growth in 2022)

Maintaining the path to digital profitability

- Digital audio market valued at \$52m for the Mar23 quarter (+13% yoy)
- Simplified product, accelerated digital sales capability program & targeted client growth strategy delivering good revenue growth (+37%)
- Targeting cashflow break even run-rate by end of 2024

Improving operational performance

- Cost discipline to protect radio margins a key priority (HY 23 - 28%)
- Systems and business integration nearing completion; future efficiencies
- Delivering improved ease of trading to drive further revenue growth

Capital management focus

- Completed the sale of Soprano for \$66m
- Strategic investment of 14.8% in undervalued competitive asset; SCA
- Buy-back on-going
- ~10% yield on a fully franked dividend of 3.5 cps



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Sources:
GfK, S1-4 2023, SMBAP, 0530-2359, #1 based on Share, p10+
iHR registered users June 2022 & June 2023
Australian Podcast Ranker June 2023, Triton Digital
IAB Australia; Australian Online Advertising Expenditure Report Mar 23

Sound fundamentals in a challenging macroeconomic environment.

Revenue¹ \$165.9M - 2%	EBITDA^{1,2} \$35.5M - 19%	EBIT^{1,2} \$25.3M - 27%	EPS² 4.8cps - 40%
NPAT^{1,2} \$14.6M - 31%	Net Debt \$52.4M - 33%	Operating cash conversion³ 86.5% - 5.2%	Interim Dividend 3.5cps Fully franked

1. Percentage change prepared on a pro forma basis, normalising the comparative period for Soprano NPAT and a Cody Outdoor contract not renewed.

2. Before significant items; NPAT attributable to ARN Media shareholders

3. Refer Group cashflow

FY23 Financial Performance

Andrew Nye



Statutory results

Statutory profit up 97% on disposal of Soprano

- Pro forma column removes Soprano's NPAT and HK Tramways in 2022.
- Revenue down \$6.1m (-4%); -2% on a pro forma basis
 - Challenging ad market conditions, particularly metro.
- Costs up \$3.2m (+2%); +3% on a pro forma basis
 - Cost measures in place
 - Inflationary pressure remains.
- Underlying EBITDA down \$13.0m (-27%); back 19% on a pro forma basis.
- Underlying NPAT attributable to ARN Media shareholders down \$10.0m (-41%), and EPS back -40% to 4.8cps.
- Statutory NPAT +97% on Soprano sale profit.
- Interim dividend of 3.5 cps fully franked declared.

A\$ million	2023	2022	% Change	% change Pro forma
Revenue before finance income	165.9	172.0	(4%)	(2%)
Other income	0.9	1.6	(45%)	(45%)
Share of associate profits	2.3	5.2	(56%)	(14%)
Costs	(133.5)	(130.3)	2%	3%
Underlying EBITDA¹	35.5	48.5	(27%)	(19%)
Depreciation and amortisation	(10.2)	(10.4)	(2%)	8%
Underlying EBIT¹	25.3	38.1	(33%)	(27%)
Net interest expense	(3.0)	(2.3)	28%	29%
Net profit before tax¹	22.4	35.8	(37%)	(31%)
Taxation on net profit	(6.6)	(9.4)	(30%)	(30%)
Net profit after tax (NPAT)¹	15.8	26.4	(40%)	(31%)
Less non-controlling interest	(1.1)	(1.7)	(34%)	(34%)
NPAT attributable to ARN Media shareholders¹	14.6	24.6	(41%)	(31%)
Significant items net of tax	37.8	2.0	>100%	>100%
NPAT attributable to ARN Media shareholders	52.5	26.6	97%	>100%
Underlying EPS (cps) ¹	4.8	7.9	(40%)	–
Dividend per share (cps)	3.5	5.0		

ARN Group – Metro, Regional, Digital

Improving metro revenue share into Q2

- Total advertising revenues declined 4%
 - Metro revenues -7% vs market back 4.3%; improved ARN share performance last 3 months
 - National regional revenues most impacted by government spend
 - Local regional revenues resilient; near flat yoy
- Excluding government spend, radio revenues ~-2.5% yoy.
- Delivered ~\$2m Regional synergy revenues in H1; \$5m target in sight
- Revenue related cost change reflects investment in marque digital content
- People and operating costs +1%
 - People cost covers regional integration / enablement roles and salary inflation
 - Operating costs down 10%

A\$ million	2023	2022	% Change
Metro	90.2	97.2	(7%)
Regional	52.2	54.2	(4%)
Digital	8.8	6.4	37%
Total revenue	151.2	157.8	(4%)
Revenue related costs	(27.1)	(24.2)	12%
People costs	(71.4)	(68.2)	5%
Operating costs	(19.9)	(22.1)	(10%)
Total costs	(118.4)	(114.6)	3%
Share of associates NPAT	2.3	2.6	(14%)
EBITDA	35.1	45.9	(24%)
D&A	(6.8)	(6.7)	1%
EBIT	28.3	39.2	(28%)
EBITDA margin	23%	29%	

ARN Group – Metro, Regional, Digital

Strong broadcast radio margin

- Demonstrates ongoing strength of ARN broadcast radio business, and management focus on maintaining earnings in challenging market.
- Radio cost growth restricted to 2% in response to challenging macro-economic environment – cost measures in place.
- Protection of margin through the cycle a key priority.



A\$ million	2023	2022	% Change
Radio	142.5	151.4	(6%)
Digital	8.8	6.4	37%
Total revenue	151.2	157.8	(4%)
Radio	(104.4)	(102.1)	2%
Digital	(14.0)	(12.5)	12%
Total costs	(118.4)	(114.6)	3%
Share of associates NPAT	2.3	2.6	(14%)
EBITDA – Radio	40.3	52.0	(23%)
EBITDA – Digital	(5.2)	(6.1)	(15%)
EBITDA margin – Radio	28%	34%	

* Incorporating ARN Metro and ARN Regional radio results on a pro forma basis

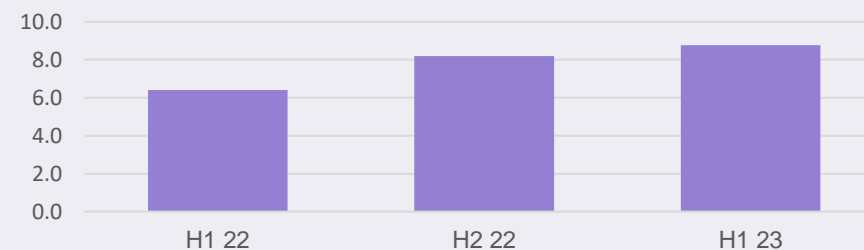
Digital Audio

37% revenue growth in the period

- Enhancements to collateral, product, team capacity and training in Q1
- Improved revenue growth in Q2, following a slow Q1
- Good growth in podcast revenues, comprising ~50% of total; further opportunity in streaming
- Revenue related cost change reflects investment in marque 3rd party content; includes semi-variable platform licence fees
- Expecting revenue related costs relationship of ~50% over the medium term
- Targeting cashflow break-even run-rate by end of 2024
- Business model requires minimal capex

A\$ million	2023	2022	% Change
Total revenue	8.8	6.4	37%
Revenue related costs	(5.8)	(3.8)	53%
Operating costs	(8.2)	(8.7)	(6%)
Total costs	(14.0)	(12.5)	12%
EBITDA	(5.2)	(6.1)	(15%)

Digital Revenue



Other investments

Cody Outdoor – Hong Kong

- Revenues & earnings +30% & +51% respectively on a like basis ^(1,2)
- Western Harbour Tunnel (WHT) contract not retained following competitive tender; decision taken not to renew on unprofitable terms
- WHT comprised ~50% of Cody revenues and majority of earnings
- Minimal cashflow funding requirements whilst we undertake a strategic review of options

Soprano

- Sale completed March 2023
- Proceeds of \$66.3m received; used to pay down debt and acquire SCA interest
- Existing tax losses offset the gain in full

A\$ million	2023	2022	% change	Local currency % change	Local currency Excl Trams % change
Total revenue	9.6	9.4	1%	(5%)	30%
Total costs	(5.3)	(4.8)	11%	4%	17%
EBITDA	4.3	4.7	(8%)	(14%)	51%
D&A	(0.1)	(0.0)	83%	72%	>100%
Depreciation – Leases	(3.1)	(3.5)	(13%)	(18%)	8%
EBIT	1.1	1.1	2%	(4%)	>100%
EBIT margin	12%	12%			

(1) On a local currency basis

(2) Adjusted for the loss of HK Tramways contract from May 2022

Group cash flow

Highly cash generative business

- Operating cash flows of \$30.7m, down 31% on lower EBITDA
- Strong operating cash conversion of 86.5%, down from 91.2%
- Investing cash flows includes Soprano proceeds offset by SCA investment
- Estimated annual recurring capex \$8-10m; structured refurbishment program of certain regional offices over the next 3-5 years
- Head office move to North Sydney in Q124
 - Macquarie Park fit-out +20 years old
 - One-off capex ~\$12-13m (after rent incentive); majority in current year
 - On-going cash impact +0.6m p/a (after rent incentive)
 - AASB16 impact ~\$3m p/a - split interest & depreciation

A\$ million	Jun 2023	Jun 2022
Net cash flow from operations	30.7	44.2
Principal lease payments	(5.6)	(7.6)
Capex net of proceeds on sale of fixed assets	(3.4)	(3.4)
Free cash flow	21.7	33.2
Net financing costs	(2.9)	(2.2)
Tax payments (incl ATO settlement in prior year)	(15.3)	(45.2)
Cash flow from operating activities, lease payments and capex	3.5	(14.3)
Investing cash flows	25.5	(236.8)
Borrowings	(10.0)	30.0
Dividends paid to shareholders	(16.1)	(12.1)
Other financing cash flows	(4.2)	(4.4)
Cash at the beginning of the year	23.9	257.1
Effect of foreign exchange for the year	0.1	0.1
Cash at end of year	22.6	19.6
Bank loans	(75.0)	(98.0)
Net debt	(52.4)	(78.4)
Operating cash conversion (EBITDA)	86.5%	91.2%
Free cash conversion (EBIT)	85.5%	87.1%

Group balance sheet

Strong balance sheet with leverage of 0.8x⁽¹⁾

- Net debt \$52 million and 0.8x⁽¹⁾ leverage
- Good tenure and undrawn limits remaining on Group financing facility
 - Undrawn limits ~\$118m
 - Majority expires in 2026
- Held for sale assets reflect disposal of Soprano investment
- SCA investment recorded at market value in non-current assets

Capital management initiatives

- Announced fully franked dividend of 3.5cps
- ~10% dividend yield p/a (inc. franking benefit)
- 73% dividend payout – maintained at higher end of payout ratio
- On market buy-back to resume

A\$ million	Jun 2023	Dec 2022	Change
Cash and cash equivalents	22.6	23.9	(1.2)
Receivables	67.9	65.7	2.2
Tax asset	4.6	–	4.6
Assets held for sale	–	23.8	(23.8)
Other current assets	3.7	4.1	(0.4)
Property, plant & equipment	49.7	49.1	0.6
Right-of-use assets	32.2	35.8	(3.6)
Intangible assets	436.2	437.3	(1.1)
Other non-current assets	67.3	34.9	32.4
Total assets	684.3	674.5	9.8
Payables	30.6	31.1	(0.5)
Income tax payable	–	4.1	(4.1)
Other current liabilities	23.3	19.8	3.5
Bank loans	74.5	84.4	(9.9)
Lease liabilities	35.0	38.4	(3.3)
Deferred tax liabilities	128.6	129.1	(0.5)
Other non-current liabilities	7.7	8.3	(0.6)
Total liabilities	299.7	315.1	(15.4)
Net assets	384.6	359.4	25.2

(1) EBITDA calculated on a pre-AASB16 basis under banking facility covenant definition

HY23 Operational Performance

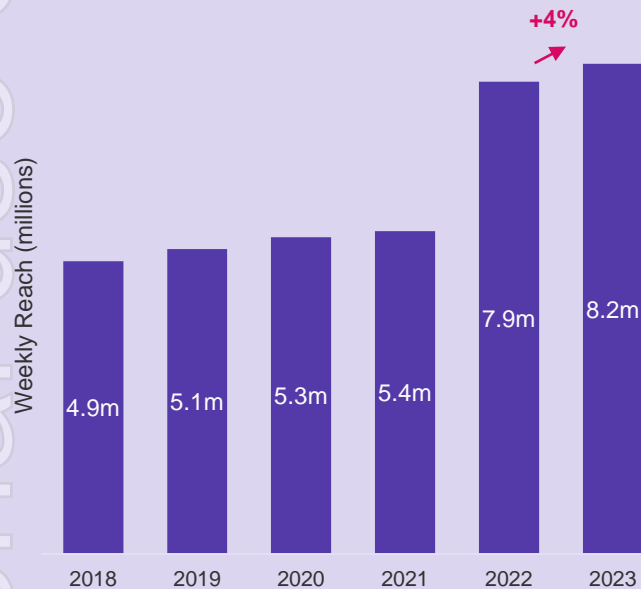


All Audio content strategy continues to grow audiences

More people, listening more often across more formats

79% of Australians listen to radio

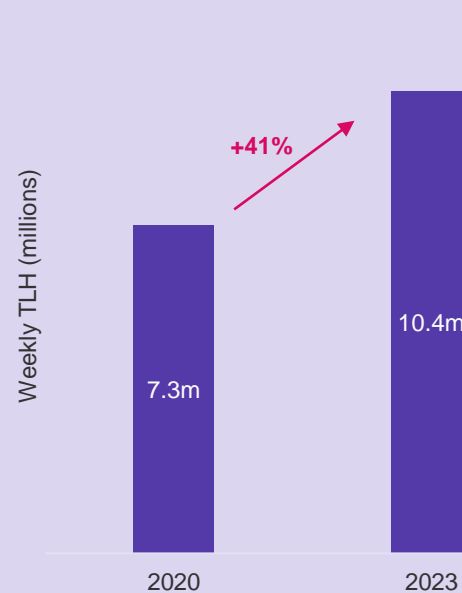
ARN Radio Growth



Source: GfK, Avg Survey Network Cume, 0530-2359, SMBAP
Xtra Insights, Avg Survey Network Cume, 12am-12mn
For owned and represented stations

6 million Australians stream online radio

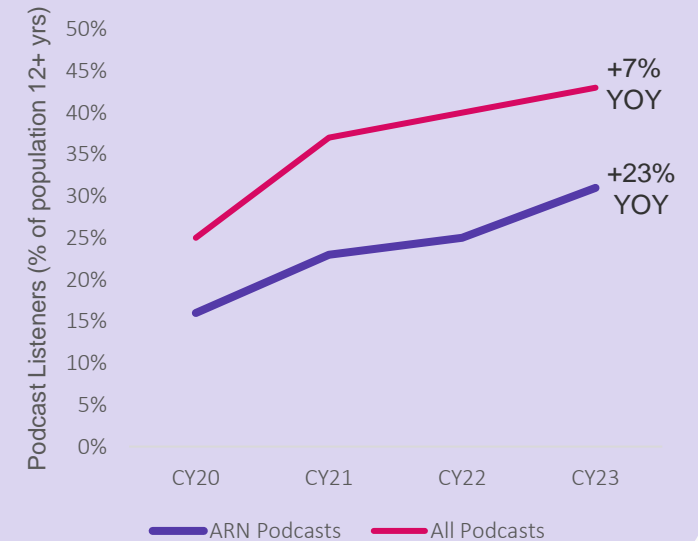
Streaming Radio TLH



Source: StreamGuys, Metro + Regional Stations, TLH,
Jan18-Mar23

Over 69% of podcast listeners, listen to iHeart podcasts

Monthly Podcast Growth in Australia

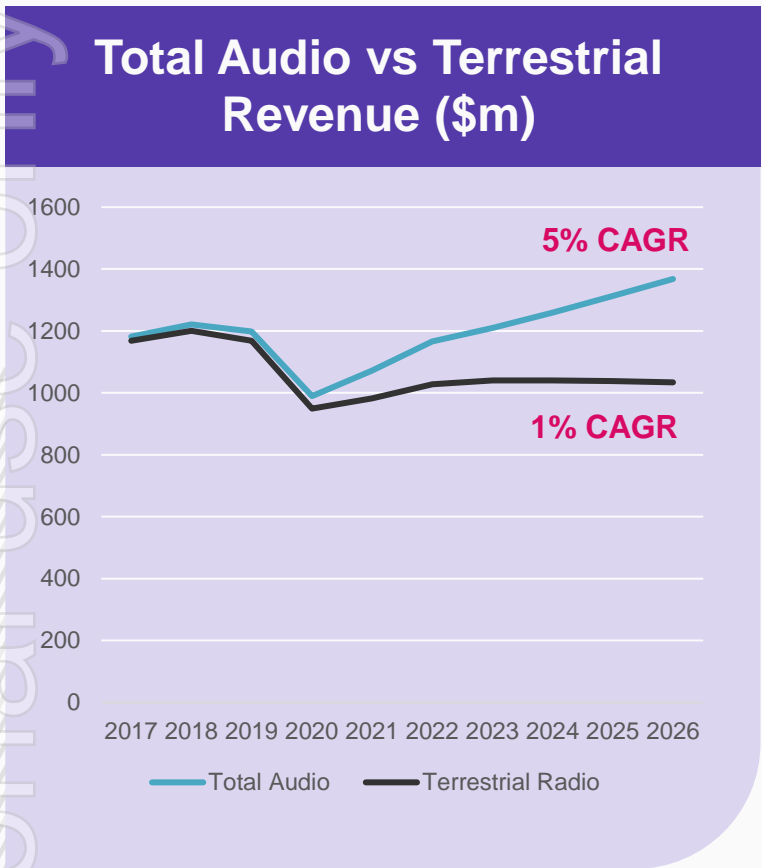


Source: Edison Infinite Dial (Total Podcasts);
Triton Australian Podcast Ranker (ARN Podcasts)

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Incremental listening indicates incremental revenue.

Volume of digital briefs up 67% YOY



Source: PWC, Australia Entertainment & Media Report 2022-2026.
CAGR based on 2021-2026 (except for Podcasts which is 2020-2026).
(Note: Terrestrial Revenue is calculated using the midpoints for the combined Total Terrestrial and Streaming Radio Market minus the Indicative Radio Digital Streaming Forecast; Podcasts have been adjust to match IAB Expenditure Report for Q1-2023)

Talent is key differentiator.



KIIS1065

#1 overall station twice
#1 FM station 6 surveys in a row

The Kyle & Jackie O Show

#1 overall for 3 of 4 surveys
#1 FM for 36 consecutive surveys
#1 Catch Up Podcast & #6 overall

KIIS Network

Highest cumulative reach ever in 2023,
breaking 4 million people per week

P25-54 cume up 16.0% YOY

Will & Woody

#1 Sydney drive for 5 of 6 surveys,
achieving highest cumes in 2023 for any
Sydney drive show ever

National reach of 1.6m+ is the network's
highest ever

Gold 104.3

#1 FM stations for 28 surveys straight
#1 FM Breakfast, Morning, Afternoons,
Weekends

The Christian O'Connell Show

#1 FM Breakfast for 25 surveys straight

#1 Commercial Radio Network
(AM/FM) for 4 of last 5 surveys

Highest cumulative reach ever in
2023 with 6.3+ million listeners
(incl. DAB+)

P25-54 cume increased +10.4%
YOY for H1-23

Source:
GfK, S1-4 2023, SMBAP, 0530-2359, #1 based on Share, p10+
GfK, S1-4 2023 vs S1-4 2022, SMBAP, 0530-2359, Cume, p25-54
GfK, S4 2023, SMBAP, 0530-2359, AM/FM, Share p10+ unless stated otherwise.

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Fiercely live and local; Unlike any other

Business integration nearing completion

Committed to live and local content strategy

- 79% of regional population listen to radio
- 147 localised shows
- 26 regional newsrooms



Quality connections with communities



Regional integration delivering improved ease of trading

2022

- ARN syndicated shows launched
- Agency Upfronts
- Restructure of enabling functions (Finance, P&C, Technology)
- Disposal of 4KQ
- Integration of TRSN into Agency Sales Team

H1 2023

- Aqira traffic system integration complete
- Launched "Your News Now" hyper local news service
- Launched "ARN Academy"

H2 2023

- "Single Invoice" to launch
- One Finance system

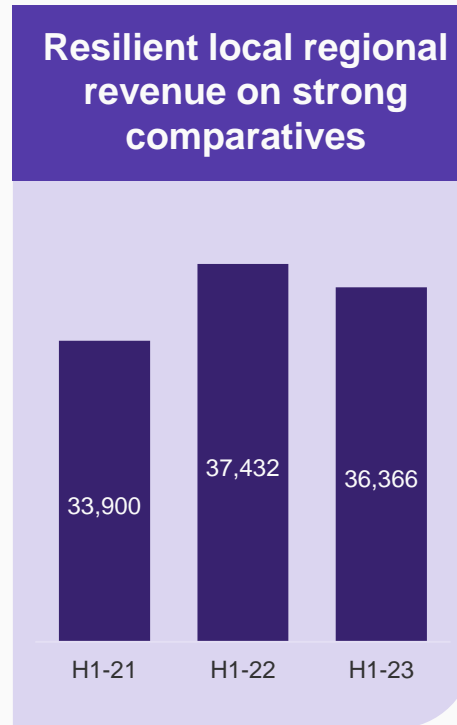
2024

- Salesforce integration

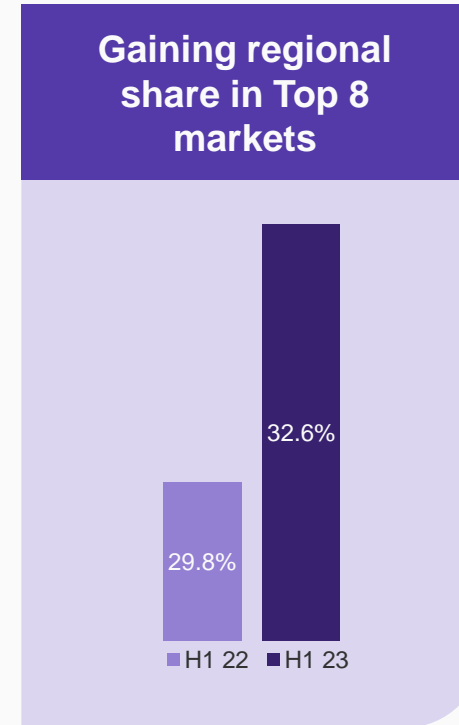
Valuable regional audiences converting to revenue

'Live & Local' content engaging audiences and clients

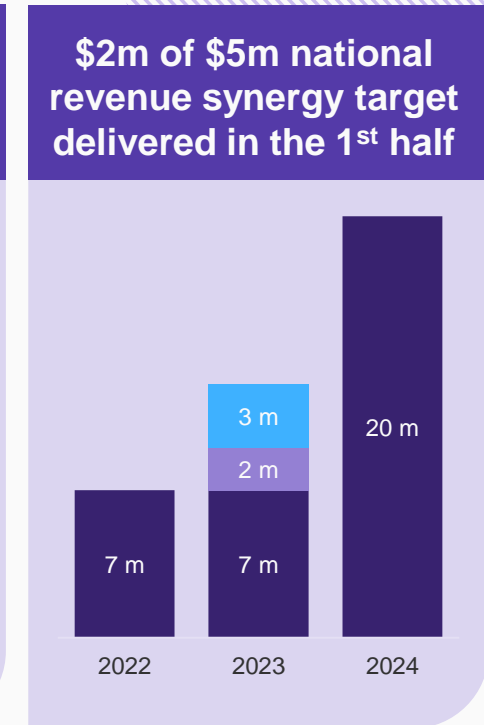
- Over the last 10 years, agency audio spend grown from 9% to 15% share of total regional media spend
- Radio outperforming most other media channels, including digital, when it comes to revenue
- Local regional revenues resilient on strong comparatives
- Gaining share in key top 8 markets
- \$2m of \$5m national revenue synergy target delivered in H1 23 (off \$7m in 2022)



Source: ARN financials



Source: SMI+



Source: ARN financials

Low capex model on digital audio

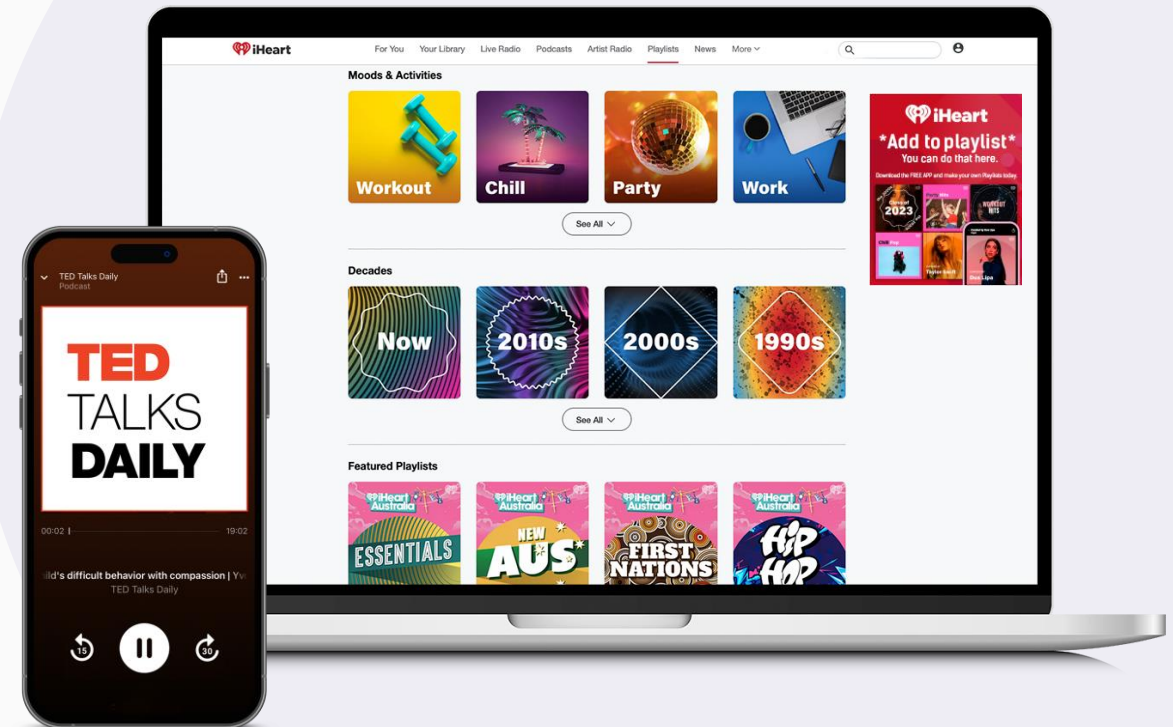
Targeting cashflow breakeven run-rate by the end of 2024

Continuing audience growth

- 2.5 million registered users +12% YOY
- Stream starts up +8.8% YOY
- Monthly podcast downloads increased +25.3% YOY
- #1 Publisher for 39th consecutive ranker
- #1 podcast across 6 key genres including Catchup, Crime, Relationship, Knowledge, Finance and Health & Wellness

Commercially friendly, digital product innovation.

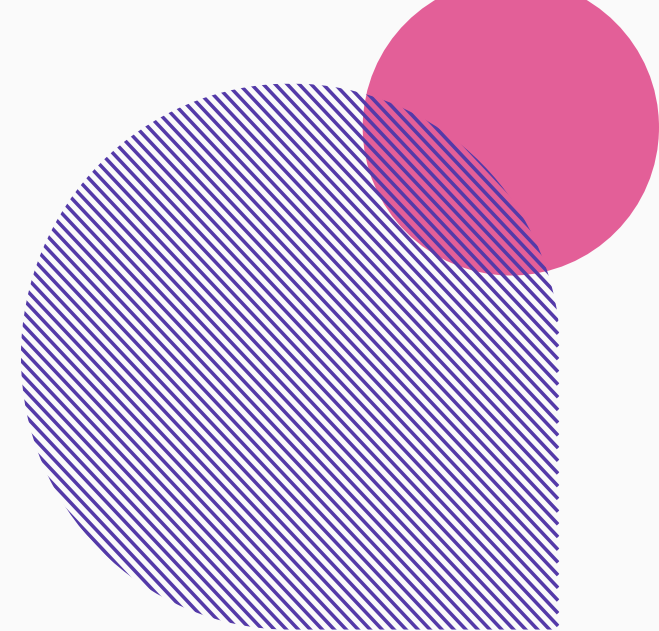
- Focus on audience acquisition & retention
- Continuous, robust product innovation roadmap
- Low capital expenditure
- Opportunity to drive 1st party data via registration



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Well positioned in tough market

- Growing audiences across all audio platforms – including radio
- On-air talent continue to deliver
- Incremental revenue opportunities in digital audio
- Unique localised content strategy key differentiator
- Strong regional revenue performance –
 - Growing commercial share in key markets
 - \$2m of \$5m synergy target achieved in the half
 - Local revenues holding up on strong comparatives
- Well-equipped to manage through current cycle
 - Net debt 0.8x
 - 85.5% cash conversion
 - 73% dividend payout ratio
 - Buy-back continuing
- Short market but improving trading performance in Q3



Trading update

Q3 radio revenues pacing in line with prior comparative period following above market performance in July. Briefing activity suggests a similar trajectory into the final quarter.

H2 digital audio revenues are pacing to +25% year on year.

Total ARN people & operating costs in challenging market conditions remain on track to finish near flat yoy (in line with May guidance).

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Appendices



Reconciliation of segment result to statutory result

A\$ million	Segment result		Significant items		Statutory result	
	2023	2022	2023	2022	2023	2022
Revenue before finance income	165.9	172.0	–	–	165.9	172.0
Other income	0.9	1.6	39.1	5.3	40.0	6.9
Share of associate profits	2.3	5.2	–	–	2.3	5.2
Costs	(133.5)	(130.3)	(1.9)	(8.9)	(135.4)	(139.3)
Underlying EBITDA	35.5	48.5	37.3	(3.6)	72.8	44.8
Depreciation and amortisation	(10.2)	(10.4)	–	–	(10.2)	(10.4)
Underlying EBIT	25.3	38.1	37.3	(3.6)	62.6	34.5
Net interest expense	(3.0)	(2.3)	–	–	(3.0)	(2.3)
Net profit before tax	22.4	35.8	37.3	(3.6)	59.6	32.1
Taxation on net profit	(6.6)	(9.4)	0.6	5.7	(6.0)	(3.8)
Net profit after tax (NPAT)	15.8	26.4	37.8	2.0	53.6	28.4
Less non-controlling interest	(1.1)	(1.7)	–	–	(1.1)	(1.7)
NPAT attributable to ARN Media shareholders	14.6	24.6	37.8	2.0	52.5	26.6

Significant items

Current year includes:

- Gain on sale of Soprano net of transaction costs
- Integration costs of FY22 acquisition of ARN Regional business from Grant Broadcasters
- Implementation costs associated with new software applications
- Credit to tax expense on deductible significant costs

A\$ million	2023	2022
Gain on sale of Soprano	39.1	–
Fair value adjustment on Lux Group shares	–	5.3
Acquisition costs – ARN Regional	–	(5.5)
Integration costs – ARN Regional	(0.7)	(0.9)
Impairment loss and costs on disposal of business (4KQ)	–	(2.4)
Software implementation costs	(1.1)	(0.4)
Reversal of provision for exit from NZME	–	0.3
Significant items, gross of tax	37.3	(3.6)
Income tax expense on exceptional items	0.6	(0.5)
Recognition of capital losses to offset capital gain on sale of Lux and 4KQ	–	3.2
Reassessment of DTL from recovery through use to recovery through sale	–	2.9
Significant items, net of tax	37.8	2.0

AASB 16 Leases – 2023

A\$ million	Reported 2023	AASB 16 Leases Adjustment ARN	AASB 16 Leases Adjustment HK Outdoor	AASB 16 Leases Adjustment Investments	Result without adoption of AASB 16
ARN	35.1	(2.8)	–	–	32.3
Hong Kong	4.3	–	(3.4) ²	–	0.9
Investments	0.6	–	–	(0.2)	0.5
Corporate	(4.5)	–	–	–	(4.5)
Underlying EBITDA¹	35.5	(2.8)	(3.4)	(0.2)	29.1
Depreciation and amortisation	(10.2)	2.8	3.1	0.1	(4.2)
Underlying EBIT¹	25.3	(0.0)	(0.3)	(0.0)	25.0
Net interest expense	(3.0)	0.7	0.1	0.1	(2.1)
Net profit before tax¹	22.4	0.7	(0.2)	0.0	22.9

¹⁾ Before significant items

ARN Media Corporate

- Corporate costs lower following revised treatment for incentive costs; will be expensed at time of award in December
- FY23 Corporate costs expectation remains unchanged at ~\$10m to \$11m, subject to on-target achievement of FY23 incentive targets

Reconciliation of EBITDA to Cash from Operations

A\$ million	Jun 2023	Jun 2022
EBITDA	35.5	48.5
Deduct share of associates' NPAT	(2.3)	(5.2)
Change in working capital	(0.5)	6.1
Other non-cash items	(0.2)	0.9
Significant cash items	(1.9)	(6.1)
Net cash flow from operations	30.7	44.2

A\$ million	2023	2022	% change
Salary and wages	1.9	1.8	7%
Incentives provided for	0.1	1.2	(96%)
Board costs	0.5	0.5	2%
Compliance and advisor costs	1.2	1.1	13%
Overheads (rent, office, other)	0.8	0.8	3%
Total Corporate costs	4.5	5.4	(16%)

Currency rates

	AUD / HKD	
	2023	2022
June half year average	5.298	5.630
December full year average	–	5.440
Period end rate – June	5.223	5.416
Period end rate – Dec	–	5.321

AASB 16 Leases – 2022

A\$ million	Reported 2022	AASB 16 Leases Adjustment ARN	AASB 16 Leases Adjustment HK Outdoor	AASB 16 Leases Adjustment Investments	Result without adoption of AASB 16
ARN	45.9	(2.8)	–	–	43.1
Hong Kong	4.7	–	(4.4) ²	–	0.3
Investments	3.2	–	–	(0.1)	3.2
Corporate	(5.4)	–	–	–	(5.4)
Underlying EBITDA¹	48.5	(2.8)	(4.4)	(0.1)	41.2
Depreciation and amortisation	(10.4)	2.2	3.5	0.1	(4.5)
Underlying EBIT¹	38.1	(0.6)	(0.8)	(0.0)	36.7
Net interest expense	(2.3)	0.5	0.1	0.0	(1.6)
Net profit before tax¹	35.8	(0.1)	(0.7)	0.0	35.1

¹⁾ Before significant items