

MARKET ANNOUNCEMENT

ARN MEDIA 2023 FULL YEAR RESULTS

Strong operational performance in a challenging market

- Strong operational performance in a highly competitive market against a backdrop of reduced advertising spend.
- Continuing to progress the Indicative Proposal with the SCA Board on the proposed transaction to acquire SCA through a scheme of arrangement.
- #1 metropolitan radio network in Australia, highest ever cumulative audience, reaching over 6.2 million people a week.
- Contracts of two top rating Breakfast shows in Sydney and Melbourne extended for significant periods.
- Kyle & Jackie O Show to broadcast live into Melbourne on KIIS 101.1 in 2024.
- Digital audio revenues +36% year on year and EBITDA loss narrowing.
- Maintained position as the #1 Podcast publisher, with 6.8 million listeners.
- Regional network now fully integrated, completed on time and on-budget.
- Review of operating model identifies annualised \$10 million in cost savings over two years; \$6.5 million to be realised in 2024.
- Rebuilding value in Cody Outdoor in the Hong Kong Outdoor market through successful tender for HK Tramways, Tram Body contract.
- Sound balance sheet with net debt of \$75.1 million and leverage of 1.26 times EBITDA; targeting ~1.0 times EBITDA by December 2024
- Fully franked dividend of 3.6cps, 75% dividend payout ratio whilst debt levels over 1 times EBITDA.
- Statutory result impacted by non-cash impairment of ARN intangibles and gain on sale of Soprano investment.



FY Financial Performance

A\$ million ¹	2023	2022
Revenue	334.3	344.9
Other income	2.5	3.4
Share of associate profits	5.1	9.7
Costs	(270.3)	(266.2)
Underlying EBITDA²	71.6	91.8
Depreciation and amortisation	(8.2)	(8.6)
Depreciation – Leases	(11.4)	(11.6)
Underlying EBIT²	52.0	71.6
Net interest	(4.6)	(3.7)
Finance cost – Leases	(2.1)	(1.9)
Net profit before tax²	45.2	66.0
Taxation on net profit	(12.9)	(17.5)
Net profit after tax (NPAT)²	32.3	48.5
Less non-controlling interest	(2.9)	(3.4)
NPAT attributable to ARN Media shareholders²	29.5	45.1
Significant items, net of tax	(39.3)	(221.5)
NPAT attributable to ARN Media shareholders	(9.8)	(176.3)
Underlying EPS (cps) ²	9.6	14.6
Dividend per share (cps)	7.1	10.2

(1) Totals may not add due to rounding

(2) Before significant items

SYDNEY, 22 February 2024 –ARN Media Limited [ASX: A1N] today released its results for the year ending 31 December 2023.

ARN was the #1 metropolitan radio network in Australia on an annualised basis again, and recorded its best ratings results with the highest ever cumulative audience, reaching over 6.2 million people a week.

The Company delivered a strong operational performance in 2023 despite challenging economic conditions impacting consumer confidence and demand for advertising.

ARN Media acquired a 14.8% stake in Southern Cross Media Group Limited (SCA) in June 2023, believing it represented attractive value for shareholders. In October 2023, the Company formed a consortium with Anchorage Capital Partners to make a Non-Binding Indicative Proposal to acquire SCA through a scheme of arrangement (subject to regulatory approvals).

The rationale for the proposal is very compelling as the Company sees a significant value creation opportunity in bringing together certain ARN and SCA radio and digital audio assets.

The 14.8% investment in SCA in June was funded from the \$66.3 million received from the sale of ARN's 25% interest in Soprano in March 2023, with additional monies used to pay down debt.

On a statutory basis, Group revenues from ordinary activities of \$334.3 million decreased \$10.6 million compared with the prior period.

Owing to the current challenging macro-economic conditions impacting consumer confidence and demand for advertising, and significantly reduced government advertising spend, ARN segment revenues declined 2% to \$307.0 million. Metro advertising revenues finished back 5%, despite increasing audiences and strong ratings performance in key markets, while regional advertising revenues were less impacted, back 3%. Growth in digital audio, up 36% to \$19.8 million, contributed to reducing the overall revenue shortfall versus the previous period.

Tight cost control restricted Group costs before significant items to \$270.3 million, an increase of 2% compared to the prior year.

Underlying Group earnings before significant items, interest, tax, depreciation, and amortisation (EBITDA) of \$71.6 million decreased by \$20.2 million compared to the previous period.

ARN Media Chairman, Hamish McLennan said, "ARN Media delivered a strong operational performance in a highly competitive market against a backdrop of reduced advertiser spend, a slowing economy and a reduction in government advertising spend, which impacted revenues.

"While current economic conditions are challenging, ARN is the most well-run audio business in Australia and we are taking a number of steps to improve performance. In 2023 we commenced a review of our operating model, with the aim to simplify and standardise radio operations and enable continued investment in-line with our strategy. Permanent annualised savings of more than \$10 million over the next two years have been identified, with \$6.5 million to be realised in 2024.

"We made important investments in ARN Regional, in local teams and local content as well as improving infrastructure, prioritising our connections to regional communities. Two years after the acquisition, our regional network is fully integrated with singular inventory, revenue and finance systems in place.

"We are strongly focused on delivering shareholder value and we are confident that the Indicative Proposal to acquire SCA represents a compelling proposition for both ARN Media and Southern Cross Media shareholders. The proposed transaction represents a unique opportunity for ARN to create a focused metro radio network of 10 stations across Sydney, Melbourne, Brisbane, Adelaide and Perth, plus a larger, growing and profitable regional radio footprint of 88 stations delivering a compelling regional network for advertisers and communities. We are continuing to progress the Indicative Proposal with the SCA Board."

The Company declared a fully franked dividend of 3.6 cents per share bringing total FY23 dividends to 7.1 cents per share (FY22 10.2 cents per share). The Board remains committed to maintaining strong dividends for shareholders thanks to the high cash generating nature of the business. The buyback remains on hold while the potential SCA transaction progresses.

ARN Media made a statutory loss of \$9.8m owing to a non-cash part impairment of historical intangible assets of ARN.

A spokesperson for Anchorage Capital Partners said, “Anchorage Capital Partners has reaffirmed its commitment to the consortium with ARN Media to acquire a strong, independent portfolio of media assets across metro and regional radio, regional TV, and an equal interest in the to be formed digital audio joint venture audio platform.

“ACP has been actively participating in the due diligence process, believes the transaction remains compelling and would deliver the foundation of a private, independent and well-capitalised national media company owned by ACP.”

ARN Media CEO & Managing Director, Ciaran Davis, said, “ARN continued its dominance of the radio market in Australia finishing the year as the #1 metropolitan radio network in Australia on an annualised basis again and our best ever ratings results, with regional markets also delivering impressive ratings results. While the macro-economic environment is impacting local advertising spend our metro, regional and digital assets are performing well in key audience metrics which demonstrates the quality of our talent and our content.

“One of the hallmarks of ARN’s success has been its ability to identify and invest in the best talent in Australia. Our landmark deal to extend the contracts of our two top rating Breakfast shows in Sydney and Melbourne for significant periods demonstrates our focus on locking in key talent to help drive improved shareholder returns. KIIS 106.5’s Kyle and Jackie O were secured until 31 December 2034, another ten years on top of their existing arrangements, and will also broadcast live into Melbourne on KIIS 101.1 from 2024. GOLD 104.3’s Christian O’Connell has been secured until 31 December 2029, another five years on top of his existing arrangement.

“These new multi-layered contracts are similar to the highly competitive sports rights deals that bring the certainty of audiences and commercial sponsors and incentivise and reward superior performance.

“We are excited about the outlook for digital audio given significant increases in the number of Australians consuming podcasts and live streaming radio across 2023. With a backdrop of challenging macro-economic conditions, we were able to uncover incremental revenue opportunities from new and existing clients and digital revenues grew 36% to \$19.8 million, and digital audio losses narrowed by 27% to \$8.8 million. We are very confident in establishing the digital business on a breakeven run-rate in the fourth quarter of 2024.

“While we are dealing with uncertain economic conditions which are impacting advertising spend across the entire media industry, ARN Media is well positioned for 2024. Following our review of operations we are confident we can identify and deliver further efficiencies across the business.”

Australian Radio Network (ARN)

ARN continues to be #1 metropolitan radio network in Australia reaching over 6 million people a week. In a highly competitive market, ARN finished 2023 as the #1 metropolitan network for people 10+ with our highest ever cumulative audience.

Across our metropolitan network, overall listeners increased by close to 12.7% year on year. ARN continues to lead key metropolitan markets with #1FM stations in Sydney and Melbourne the two largest markets. In Melbourne, GOLD 104.3 is #1FM in 2023 for Breakfast, Morning, Afternoon and Drive, led by The Christian O'Connell Show which has been #1FM for almost every survey since 2020.

In Sydney, ARN has maintained its Breakfast duopoly leadership with KIIS 1065's Kyle & Jackie O and WSFM's Jonesy & Amanda finishing in the #1FM and #2FM spots respectively in 2023. In the less regularly surveyed but equally important regional markets, ARN drove impressive results. In the largest non-capital market of the Gold Coast, ARN's Hot Tomato remained a strong overall #1, increasing 10+ Share YoY. Of the nine of ARN's other major regional markets surveyed in 2023, ARN increased come in five and held #1 rankings in Cairns, Hobart and Bundaberg.

ARN Regional

ARN is a major force in regional radio, with 47 regional stations across Australia serving as key pillars of the communities they broadcast in.

In 2023 we continued to prioritise the critically important connection to community through investing in local teams, local content and improving infrastructure. Two years after acquiring the regional radio network and within our integration timeline, the business is now fully integrated, with singular inventory, revenue and finance systems.

Our goal to deliver revenue synergies of up to \$20 million per annum within the first three years was impacted by reduced national agency advertiser budgets and considerably lower government spend following the Federal Election in 2022. Excluding the impact of reduced government spend, we have delivered approximately \$8 million annual incremental revenues after two years. We remain confident in delivering further incremental revenues in 2024.

ARN Digital Audio Investments

We continue to prioritise investment in digital audio to capitalise on strong growth in listening to live streaming of radio and podcasting. Digital audio advertising spend in Australia rose to more than \$244 million with strong growth across podcast and streaming advertising expenditure. ARN digital audio advertising revenues reached \$19.8 million, up 36% on the prior period.

A series of actions taken following a comprehensive review of our digital audio offering completed in first quarter, has delivered consistent revenue growth since May 2023, and this trajectory is

continuing into the first quarter of 2024. A key priority is balancing necessary investment for future growth with profitability.

The EBITDA loss in the period of \$8.8 million is an improvement on 2022, and we remain on-track to steering the digital audio business to the point of break-even run rate in the fourth quarter of 2024.

Podcast listening has reached mass appeal with significant increases in both weekly (+26.8%) and monthly (+7%) listening across 2023. 43% of Australians listen to podcasts each month with 74% of those listeners choosing to listen to ARN's iHeartPodcast Network. ARN's iHeart finished the year as the leading podcast publisher for the 44th consecutive time with on average almost 7 million combined listeners and more than 28 million monthly downloads. This represents 27% year on year audience growth, outstripping the market which grew 7%.

Cody (HK Outdoor)

Cody Outdoor has made progress towards rebuilding its position in the Hong Kong Outdoor market. Cody has been successful in its bid to secure the iconic Hong Kong Tramways Tram Body Advertising contract from incumbent, JC Decaux. Cody will be responsible for selling advertising on the iconic HK tramway fleet that transit the key districts of Hong Kong Island under the five-year contract. The contract has been signed and will commence in May 2024 following completion of administrative conditions.

Securing the Hong Kong Tramways contract is a significant step towards Cody Outdoor regaining its position as a significant player over the medium term, should the right opportunities present themselves.

Trading Update

January metro, regional and digital revenues were all up on the prior comparative period and delivered market share gains.

Q1 total revenue is pacing 1% ahead of the prior comparative period with radio revenues pacing ~2% down offset by digital audio revenues pacing ahead ~35%.

Full year cost guidance is expected to deliver ~\$6.5 million of the \$10 million 2-year permanent cost-out program (weighted to H2). In 2024, we are targeting total people and operating cost growth of ~2-4% with short term levers available should market conditions deteriorate.

ENDS

This and today's other full year results announcements have been authorised for release by the Board of ARN Media Limited.

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