

# Annual Results 2023

22<sup>nd</sup> February 2024

armmedia



# Agenda

- 1 Financial and Operational Highlights
- 2 Financial Performance
- 3 Investor Proposition 2024
- 4 SCA Update
- 5 Trading Outlook



# Financial and Operational highlights

## Financial

### Revenue<sup>1</sup>

**\$334.3M**  
- 1%

### EBITDA<sup>1,2</sup>

**\$71.6M**  
- 13%

### NPAT<sup>1,2</sup>

**\$29.5M**  
- 22%

### Net Debt

**\$75.1M**  
+ 23%

### Dividend

**3.6 cps**  
FY23 – 7.1cps

## Operational

### #1 Metro Network<sup>4</sup>

**6.2M**  
+ 4%

### #1 Breakfast Network<sup>8</sup>

**3.1M**  
+ 8%

### Regional Audiences

**1.9M**

### iHeartRadio<sup>5</sup> Registered Users

**2.6M**  
+ 10%

### #1 Podcast Publisher<sup>6,7</sup>

**6.8M**  
+ 27%

1. Percentage change prepared on a pro forma basis, normalising the comparative period for Soprano NPAT and a Cody Outdoor contracts not renewed.
2. Before significant items; NPAT attributable to ARN Media shareholders
3. Refer Group cashflow
4. GfK Metro S1-8 2023, SMBAP, AM/FM/DAB+, Mon-Sun, 0530-2359, Cume, p10+ (vs S1-8 2022).
5. iHeartRadio Australia, Registration Data, Lifetime Users, as at December 2023.
6. Triton Australian Podcast Ranker, Publisher Audience, monthly average Jan-Dec 2023
7. Triton Ranker/Edison Podcast Monthly Population estimate, 2023.
8. GfK S1-8 2023, SMBAP, 05:30-09:00 M-F, AM/FM, Cume, P10+

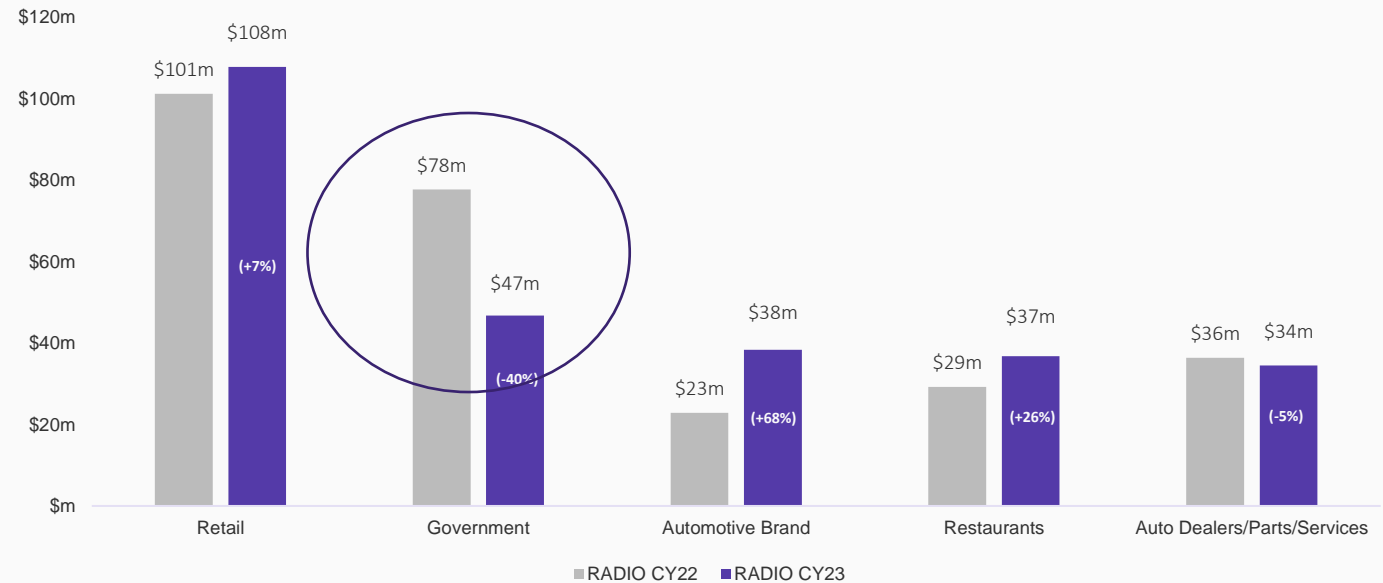
# 2023 key radio categories in growth

- Top 5 radio spenders account for 43% of SMI radio revenue
- 3 of the top 5 experienced growth year-on-year
- Decline in total radio revenue in '23 driven by decline on Gov spend; Back -\$31m
- Radio's role well understood in delivery of campaign effectiveness
- Radio share of total advertising remains consistent at 7.1%

“Radio doesn't need to be the hero, or the lead media, but it does drive a disproportionately large impact for a relatively modest investment. It's the ultimate sidekick.”

Prof. Mark Ritson, CRA 'Heard' conference, Feb 2024

Top 5 Category Spenders - Radio (SMI)

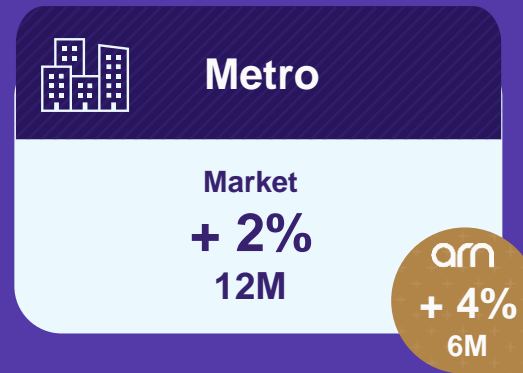




# Continued success generating audiences

We continue to grow our audiences across broadcast radio, digital audio streaming and podcasting through a considered content strategy that delivers Australia's most popular content from world class talent, coupled with a distribution strategy that delivers this content everywhere audiences seek it.

- Best ratings result and highest cumulative audience ever
- Australia's leading broadcast and on-demand audio company
- Connect with over 8.4m Australians each week
- Long-term partnership with iHeart
- Ability to scale and target new digital revenue opportunities



- Radio remains relevant with total listening up 2%
- ARN outperformed the market - up 4%



- 43% of population listen to a podcast every month
- ARN out-performed the market – up 27%

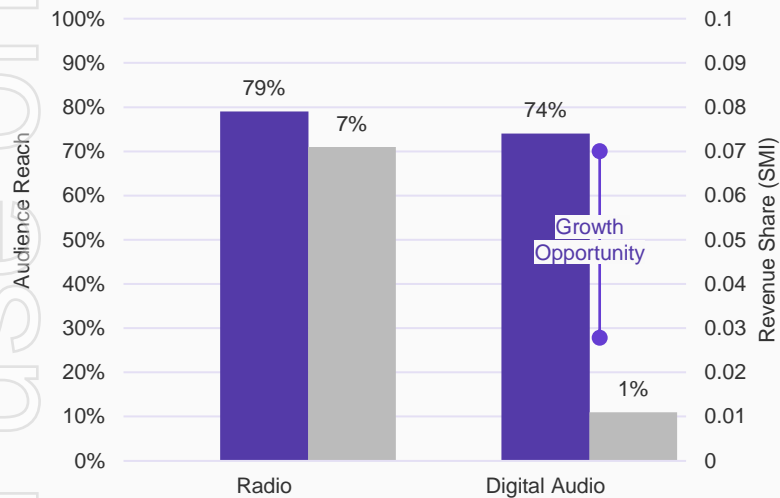


- ARN grew stream starts by 11%
- 115m streaming hours of ARN content consumed



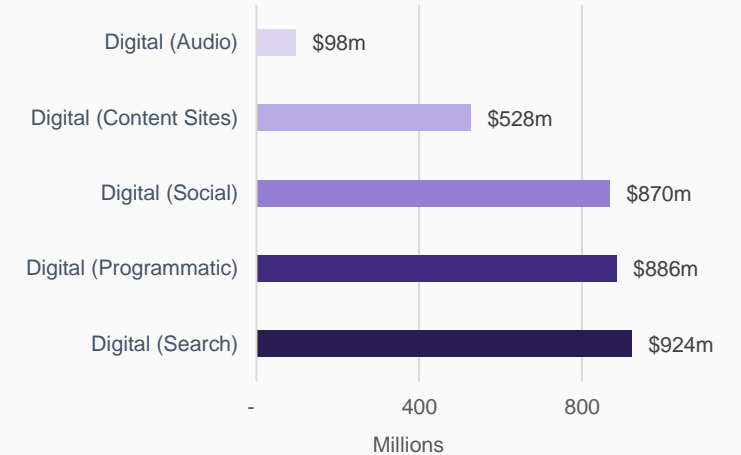
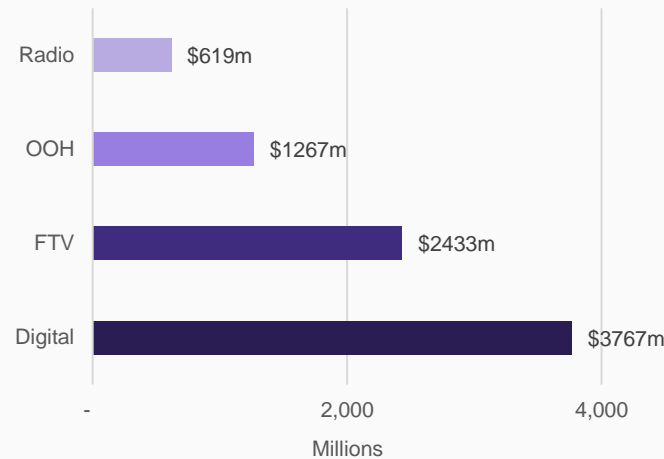
# Digital audiences are growing - revenue to follow

Digital audio revenue is in growth, but audience growth still outpaces advertising growth



- Continued audience growth: podcast +27% (market +7%), streaming +11% (market +10%)
- Only 45% of agencies regularly use digital audio

Growth will come from within the digital pool



- 2 years ago we had no relationship with the 'Digital' segment of the market
- Of the top 500 spenders on Social, 170 of them spent \$0 on Radio yet still spent \$500m

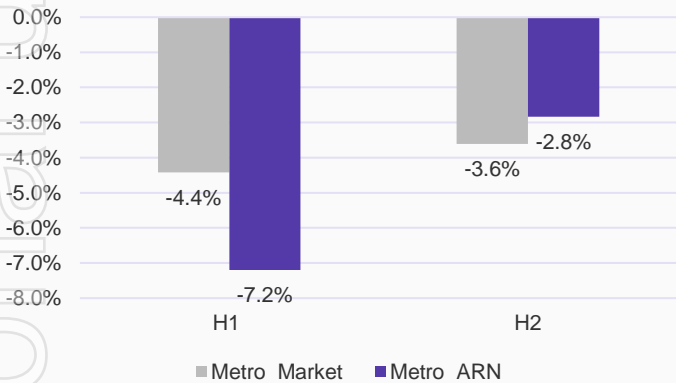
# Revenue out-performing market in H2

- Investment in sales capability post regional acquisition resulting in improving ARN performance
- ARN sales team exceptionally well regarded on key measurement metrics (e.g. Media-i NPS)
- Out-performing radio and digital audio market in H2 '23
- Trend continuing in Jan '24

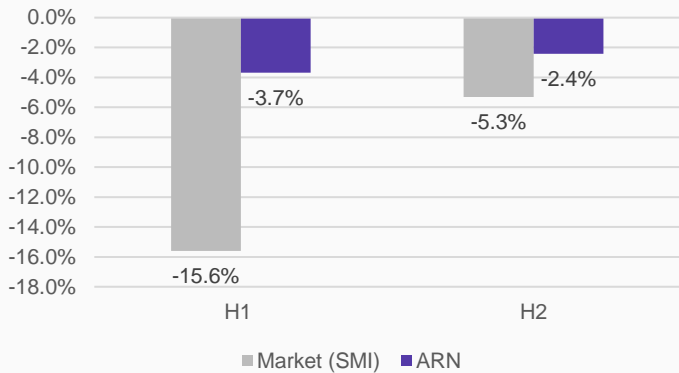
Media-i National Radio/Streaming NPS

Radio / Streaming	Rank	Promote	Passive	Detract	NPS
ARN	1	54%	38%	8%	46
NOVA Entertainment	2	50%	38%	12%	38
SCA	3	47%	41%	12%	35
Spotify	4	36%	40%	24%	12
Nine Audio	5	31%	45%	23%	8

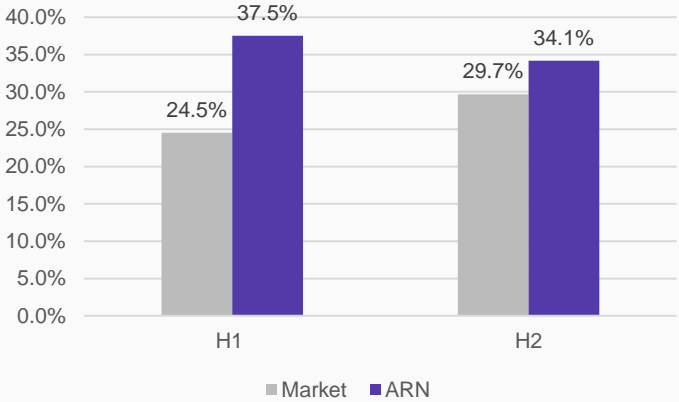
Metro Market & ARN (incl & excl Gov)



Regional Market (SMI) & ARN (incl & excl Gov)



Digital Market & ARN Growth



Source: SMI CY 2022 / 2023  
Media-I Survey (October 2023)

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# Unique, long-term contracts creating alignment and commercial opportunity

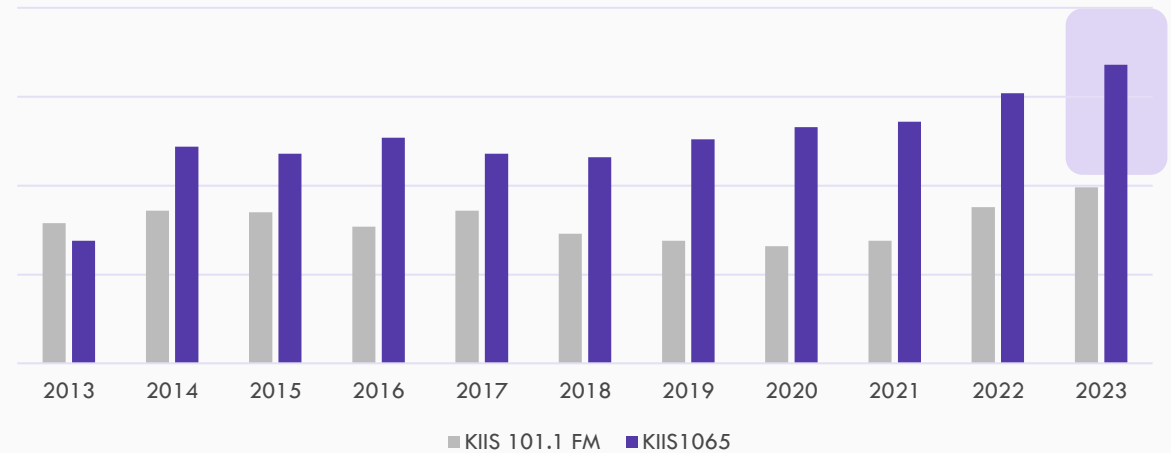
- **Top rating Breakfast shows in Sydney and Melbourne extended on longer term contracts**
  - Kyle and Jackie O have been secured until 31 December 2034
  - Christian O'Connell has been secured until 31 December 2029
- **Aligning the objectives of our key talent with that of the Company;** creating a platform for incremental revenue growth and improved shareholder returns over the medium term.
- **Kyle and Jackie O Show will also broadcast live into Melbourne on KIIS 101.1**
- New multi-layered contracts incentivise and reward superior commercial performance
  - **Revenue share arrangements** replace current audience ratings bonus structure
  - Total of **\$7 million worth of shares in ARN Media issued** to Kyle Sandilands, Jackie Henderson and Christian O'Connell
  - **Vest at the end of the contract term**
- Increase in cost base limited to a **net total increase of approximately \$2-3 million per annum**
  - Increased costs offset by lower content costs resulting in part from the live broadcast of Kyle and Jackie O Show into Melbourne
  - **Fees are not subject to CPI** or any further fixed increases over the term of the contracts
  - New contract arrangements **take effect from January 2025**
- Additional marketing **investment of around \$3-4 million in 2024** to launch the Kyle & Jackie O Show in the Melbourne market.



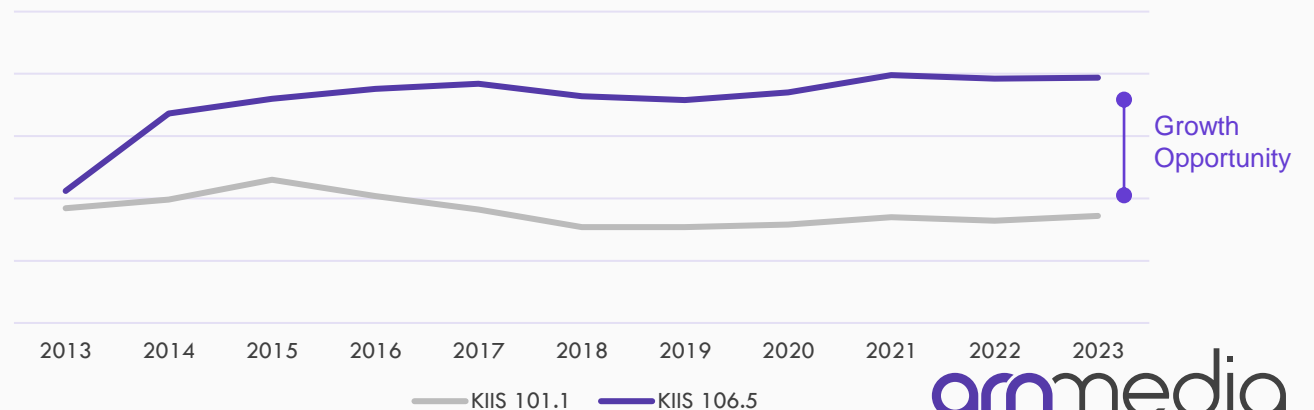
# Kyle & Jackie O to drive commercial opportunity in Melbourne

- Value of Melbourne radio market - \$219m;  
Sydney value \$200m
- KIIS 1065 has 54% more average audience than KIIS101.1
- KIIS 1065 breakfast ranking = #1;  
KIIS101.1 ranking = #6
- K&J syndicated 'Hour of Power' is #2 nationally
- K&J is #1 catch-up podcast in the country
- 11.5% of downloads come from Victoria
- Modelling demonstrates a 10x share point opportunity based on shifting the station rank from #6 (5 year average) to #1.

KIIS1011 & KIIS1065 Audience Share



KIIS1011 & KIIS1065 Commercial Share





# FY23 Financial Performance

Andrew Nye



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# Statutory results

## Statutory result impacted by non-cash part impairment of ARN intangibles and gain on sale of Soprano investment

- Pro forma removes Soprano NPAT, and revenue impact of exited contracts for Cody Outdoor<sup>1</sup>
- Revenue down \$10.6m; -1% pro forma
  - Current macro-economic environment impacting ad spend
- Costs up \$4.1m; +2% pro forma
  - 3<sup>rd</sup> party content costs on growing digital revenues
  - Cost control regime maintained, limiting inflation impact
- Underlying NPAT attributable to ARN Media shareholders down \$15.6m; -22% pro forma, and EPS 9.6cps.
- Statutory loss \$9.8m owing to a non-cash impairment of historical intangible assets of ARN
  - \$72.6m (net of tax) impairment
  - Impact of current trading environment
  - Reflects lower trading multiples of ARN & peers
- Final dividend of 3.6cps fully franked declared bringing total FY23 dividends to 7.1cps (10.2cps FY22<sup>3</sup>)

A\$ million	2023	2022	% Change	% change Pro forma <sup>1</sup>
Revenue before finance income	334.3	344.9	(3%)	(1%)
Other income	2.5	3.4	(25%)	(25%)
Share of associate profits	5.1	9.7	(48%)	(4%)
Costs	(270.3)	(266.2)	2%	2%
<b>Underlying EBITDA<sup>2</sup></b>	<b>71.6</b>	<b>91.8</b>	<b>(22%)</b>	<b>(13%)</b>
Depreciation and amortisation	(19.6)	(20.2)	(3%)	9%
<b>Underlying EBIT<sup>2</sup></b>	<b>52.0</b>	<b>71.6</b>	<b>(27%)</b>	<b>(19%)</b>
Net interest expense	(6.7)	(5.6)	20%	21%
<b>Net profit before tax<sup>2</sup></b>	<b>45.2</b>	<b>66.0</b>	<b>(31%)</b>	<b>(23%)</b>
Taxation on net profit	(12.9)	(17.5)	(26%)	(26%)
<b>Net profit after tax (NPAT)<sup>2</sup></b>	<b>32.3</b>	<b>48.5</b>	<b>(33%)</b>	<b>(21%)</b>
Less non-controlling interest	(2.9)	(3.4)	(15%)	(15%)
<b>NPAT attributable to ARN Media shareholders<sup>2</sup></b>	<b>29.5</b>	<b>45.1</b>	<b>(35%)</b>	<b>(22%)</b>
Significant items net of tax	33.3	1.8	>100%	>100%
Impairment of intangibles net of tax	(72.6)	(223.3)	(67%)	(67%)
<b>NPAT attributable to ARN Media shareholders</b>	<b>(9.8)</b>	<b>(176.3)</b>	<b>(94%)</b>	<b>(95%)</b>
Underlying EPS (cps) <sup>2</sup>	9.6	14.6	(34%)	–
Dividend per share (cps)	7.1	5.0		
Dividend per share (cps) from 2023 profits <sup>3</sup>	–	5.2		

<sup>1</sup>) Percentage change prepared on a pro forma basis, normalising the comparative period for Soprano NPAT and a Cody Outdoor contracts not renewed.

<sup>2</sup>) Before significant items

<sup>3</sup>) Dividend declared in February 2023 of 5.2cps paid from parent entity profits since 1 January 2023

# ARN Group – Metro, Regional, Digital

## Improving metro revenue share into Q2

- Total advertising revenues declined 2%
  - Metro revenues -5% marginally ahead of market
  - National regional revenues -6% impacted by lower government spend
  - Local regional revenues +1% on strong comps
- Excl. government & political spend, metro ~-3%, regional flat.
- Revenue related cost growth on investment in premium digital content
- People and operating costs flat yoy
  - Regional integration / enablement roles, contracted increases and a level of salary inflation impacted people costs
  - Effective short-term operating cost measures in place for full year; marketing and discretionary spend

A\$ million	2023	2022	% Change
Metro	182.8	192.5	(5%)
Regional	104.4	107.7	(3%)
Digital	19.8	14.6	36%
<b>Total revenue</b>	<b>307.0</b>	<b>314.8</b>	<b>(2%)</b>
Revenue related costs	(56.4)	(50.5)	12%
People costs	(145.3)	(138.4)	5%
Operating costs	(38.1)	(44.6)	(15%)
<b>Total costs</b>	<b>(239.8)</b>	<b>(233.6)</b>	<b>3%</b>
Share of associates NPAT	5.1	5.3	(4%)
<b>EBITDA</b>	<b>72.2</b>	<b>86.5</b>	<b>(17%)</b>
D&A	(13.8)	(13.3)	4%
<b>EBIT</b>	<b>58.4</b>	<b>73.2</b>	<b>(20%)</b>
EBITDA margin	24%	27%	
EBITDA margin (radio)	28%	33%	

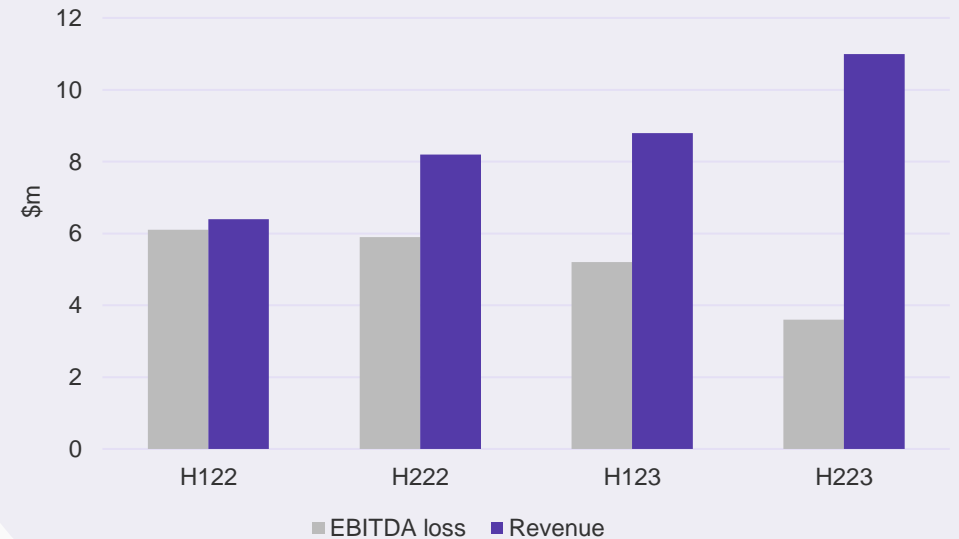


# Digital Audio

## 36% revenue growth and losses narrowing

- Consistent revenue trajectory since May 2023, with market share gains over last 4 months
- Revenue related cost change reflects investment in premium 3<sup>rd</sup> party content, and includes semi-variable platform fees
- Forecasting revenue related costs relationship of ~50% over the medium term
- H223 EBITDA loss (\$3.6m) reduced by 31% vs H123 loss (\$5.2m).
- Closing in on cashflow break-even run-rate in Q424; may occur earlier.
- Business model requires minimal capex

A\$ million	2023	2022	% Change
Total revenue	19.8	14.6	36%
Revenue related costs	(11.8)	(7.9)	49%
People & operating costs	(16.9)	(18.8)	(10%)
<b>Total costs</b>	<b>(28.6)</b>	<b>(26.6)</b>	<b>7%</b>
<b>EBITDA</b>	<b>(8.8)</b>	<b>(12.0)</b>	<b>(27%)</b>



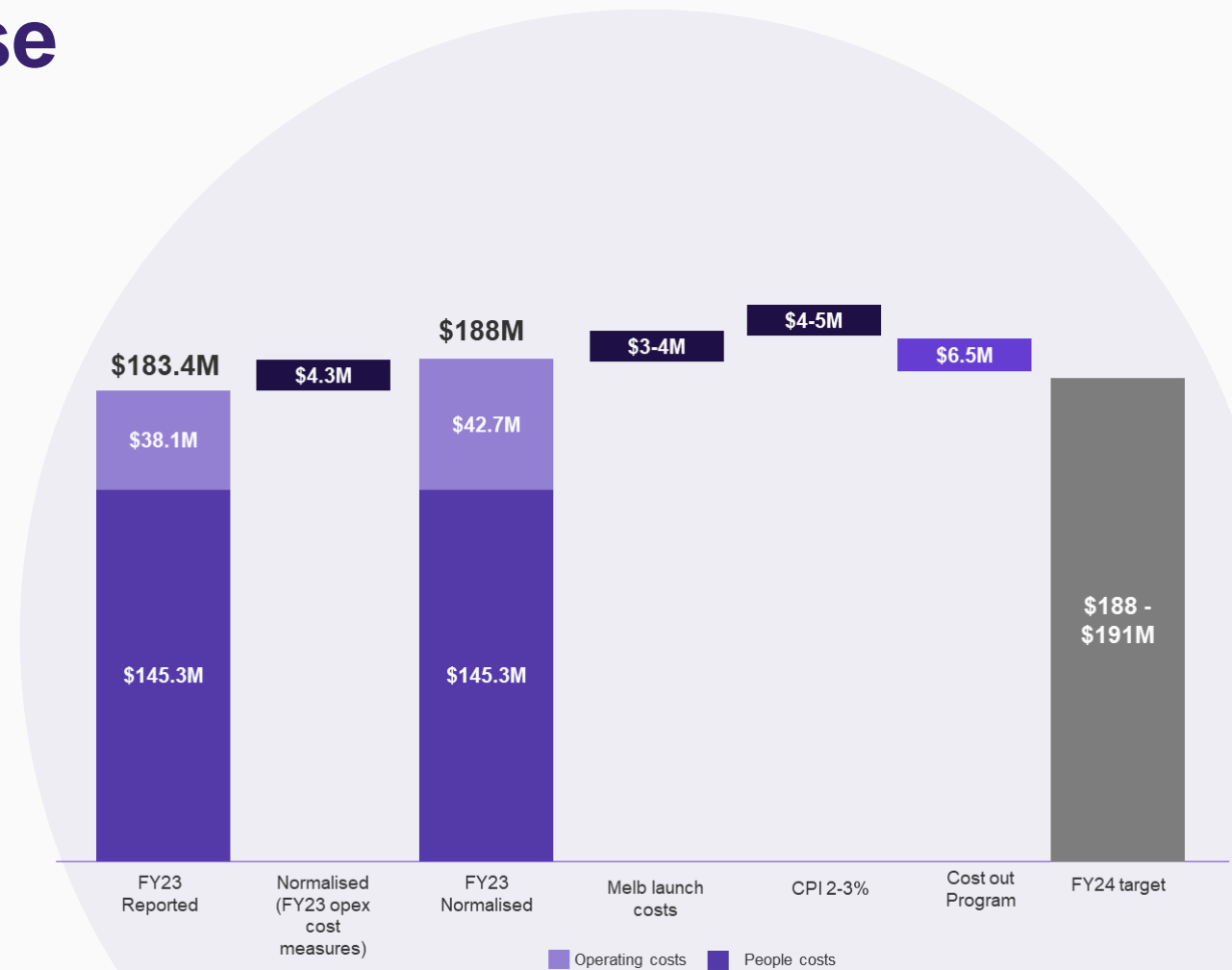
# ARN Group – FY24 cost base

## Review of ARN operating model well progressed

- Review commenced mid-2023
- Focused on simplifying and standardising radio operations
- Objective to maximise operating margins through the cycle and enable continued investment.
- \$10m permanent annualised savings identified, ~\$6.5m impact in 2024, remainder in 2025
- Representing ~5.5% of addressable cost base

## FY24 cost base implications

- Reinstatement of opex base (~\$4m) necessary in 2024 to facilitate medium term business objectives
- ~\$3-4m marketing investment for Melbourne launch; material incremental revenue opportunity
- Incorporating impacts of cost out program, targeting total people and operating cost growth of ~2-4% in 2024
- Short term levers available should market conditions deteriorate



# Cody Outdoor – Hong Kong

## Secured iconic HK Tramways tram body contract

- Cody Outdoor successful tenderer for iconic HK Tramways tram body contract; announced 22 February 2024.
  - Advertising partner for iconic tram cars circulating key districts of HK Island
  - 5-year term with multi-year extension options, commencing May 2024
  - Key pillar to re-build market share and business valuation
  - Annualised contract revenues >A\$30m; EBITDA >A\$25m (post AASB 16), NPBT <A\$5m
  - Contract subject to completion of administrative conditions
- Operating metrics impacted by exit from Western Harbour Tunnel contract from 1 August 23



A\$ million	2023	2022	% change	Local currency Excl exited contracts <sup>1</sup> % change	2023 Pro forma current contracts
<b>Total revenue</b>	<b>15.8</b>	<b>19.5</b>	<b>(19%)</b>	<b>18%</b>	<b>11.0</b>
Total costs	(9.2)	(10.7)	(14%)	(6%)	(8.5)
<b>EBITDA</b>	<b>6.6</b>	<b>8.8</b>	<b>(25%)</b>	<b>79%</b>	<b>2.5</b>
D&A	(0.1)	(0.1)	28%	66%	(0.1)
Depreciation – Leases	(5.2)	(6.4)	(19%)	13%	(3.5)
<b>EBIT</b>	<b>1.3</b>	<b>2.2</b>	<b>(42%)</b>	<b>&gt;100%</b>	<b>(1.1)</b>
EBIT margin	8%	11%			

(1) Adjusted for the loss of HK Tramways (tram shelters) contract from May 2022 and Western Harbour Tunnel from September 2022 (in the comparative)

# Group cash flow

## Cash generation impacted by Sydney office relocation

- Operating cash conversion 70.4%, down from 79.2%; temporary deterioration in working capital owing to Sydney relocation build in Dec
- Lower free cash conversion on trading performance and \$11.5m Sydney office build capex
- Normalised view of cash conversion consistent with 2022
- Investing cash flows includes Soprano proceeds offset by SCA investment
- Estimated annual recurring capex \$8-10m in a normal year
- Sydney studios and office moving to North Sydney in March
  - Macquarie Park fit-out +20 years old
  - One-off capex ~\$12-13m (after rent incentive); majority spent in 2023
  - On-going cash impact +0.6m p/a (after rent incentive)
  - AASB16 impact ~\$3m p/a - split interest & depreciation

A\$ million	Dec 2023	Dec 2022
Net cash flow from operations	50.4	72.7
Principal lease payments	(10.1)	(12.9)
Capex net of proceeds on sale of fixed assets	(19.7)	(8.1)
<b>Free cash flow</b>	<b>20.6</b>	<b>51.7</b>
Net financing costs	(5.2)	(5.1)
Tax payments (incl ATO settlement in prior year)	(24.5)	(47.7)
<b>Cash flow from operating activities, lease payments and capex</b>	<b>(9.1)</b>	<b>(1.0)</b>
Investing cash flows	28.0	(213.3)
Borrowings	9.0	17.0
Dividends paid to shareholders	(26.8)	(27.6)
Other financing cash flows	(6.1)	(8.4)
Cash at the beginning of the year	23.9	257.1
Effect of foreign exchange for the year	0.0	0.1
<b>Cash at end of year</b>	<b>18.9</b>	<b>23.9</b>
Bank loans	(94.0)	(85.0)
<b>Net debt</b>	<b>(75.1)</b>	<b>(61.1)</b>
Operating cash conversion (EBITDA)	70.4%	79.2%
Free cash conversion (EBIT)	39.6%	72.3%

# Group balance sheet

## Sound balance sheet

- Net debt \$75.1 million and 1.26x<sup>1</sup> leverage; impacted by necessary capex investment in Sydney office relocation
- Good tenure and undrawn limits remaining on Group financing facility
  - Undrawn limits ~\$100m
  - Majority expires in Jan 2027
- Increase in right-of-use-assets and lease liabilities for recognition of Sydney lease
- SCA investment recorded at market value in non-current assets
- \$103.7m impairment of intangible assets, offset by \$31.1m writeback of associated deferred tax liability

## Capital management initiatives

- Announced fully franked dividend of 3.6cps (2023: 7.1 cps)
- ~10.5% dividend yield p/a (inc. franking benefit)
- 75% dividend payout – mid range pay-out ratio whilst debt levels over 1x
- Buyback remains on-hold whilst potential SCA transaction progresses

A\$ million	Dec 2023	Dec 2022	Change
Cash and cash equivalents	18.9	23.9	(5.0)
Receivables	72.5	65.7	6.9
Tax asset	8.0	–	8.0
Assets held for sale	–	23.8	(23.8)
Other current assets	3.0	4.1	(1.0)
Property, plant & equipment	63.5	49.1	14.3
Right-of-use assets	62.9	35.8	27.1
Intangible assets	332.5	437.3	(104.8)
Other non-current assets	75.1	34.9	40.3
<b>Total assets</b>	<b>636.3</b>	<b>674.5</b>	<b>(38.1)</b>
Payables	32.5	30.9	1.6
Income tax payable	–	4.1	(4.1)
Other current liabilities	16.4	20.0	(3.6)
Bank loans	93.6	84.4	9.2
Lease liabilities	69.6	38.4	31.2
Deferred tax liabilities	97.4	129.1	(31.7)
Other non-current liabilities	10.5	8.3	2.3
<b>Total liabilities</b>	<b>320.0</b>	<b>315.1</b>	<b>4.9</b>
<b>Net assets</b>	<b>316.4</b>	<b>359.4</b>	<b>(43.0)</b>

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



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# Investor Proposition 2024



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# ARN is an audio centric entertainment business

Building the foundations for future value creation.

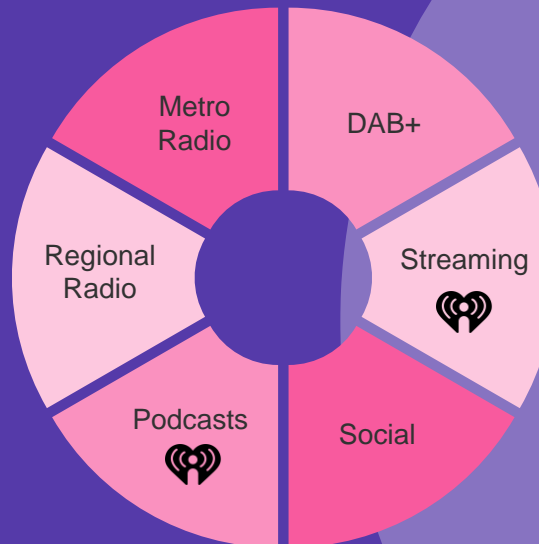
## Attracting audiences

Creating & curating Australia's most magnetic content



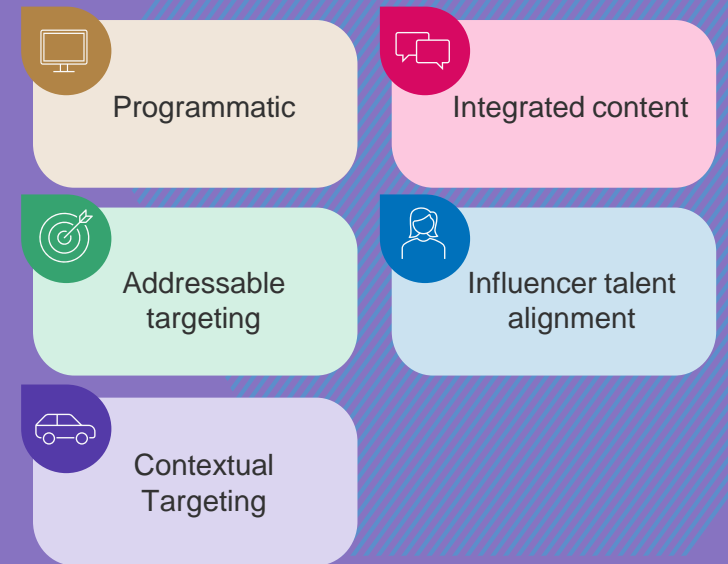
## Ensuring scale

Distributing content everywhere across all locations, platforms and devices



## Meeting the market on its terms

Specialist skills plus technical capability to unlock revenue through all buying channels



- Long term investment in Australia's most sought-after talent
- Personalities rank third in primary reason for listening
- Gen Z & Millennials are the most likely generations to listen, based on talent

- Accessibility (easiest to listen to & free) is the primary reason for station selection.
- On & off platform distribution drives accessibility & leverages reach beyond the ARN ecosystem.

- 60% of ARN digital audio inventory is addressable via first party data and Enhanced data targeting through partnerships
- 100% of inventory enables contextual targeting (capitalising of a cookie less future)

# Investor **headwinds** and **tailwinds** into 2024



## HEADWINDS

### Macro environment

Continued negative impact on consumer sentiment

### Cost inflation

Retention of key people and pressure to manage costs

### Advertising market

Remains short and limited visibility



## TAILWINDS

### Kyle & Jackie O broadcasting into Melbourne

Audience and commercial upside

### Digital audio audience and revenue growth

New revenue opportunity; Cash flow breakeven H2 2024

### Realisation of regional revenue synergies

+\$8m revenue synergy in 2023; Gaining national revenue share

### Hong Kong Trams network contract

Key pillar to re-build market share and business valuation

### SCA proposed transaction

Compelling value creation for SCA and ARN shareholders



# SCA Update



# Update on proposed transaction with SCA

## Indicative Proposal to acquire SCA

- On 18 October 2023, ARN and Anchorage Capital Partners Limited<sup>1</sup> (“ACP”, and together with ARN the “**Consortium**”) made a non-binding indicative proposal to acquire 100% of the fully diluted share capital of Southern Cross Media Group Limited (“**SCA**”) (the “**Indicative Proposal**”) subject to regulatory approvals.
- Consideration under the Indicative Proposal is comprised of 0.753 ARN shares and 29.6 cents cash per fully diluted SCA share, with the potential for eligible SCA shareholders to access additional value from franking credits<sup>2</sup>
- At the time of the approach, the Indicative Proposal represented a premium of 29% to SCA’s undisturbed share price (46% including franking credits)<sup>3</sup>

## Status of engagement

- The Consortium has proactively sought to engage constructively with SCA to progress the Indicative Proposal in the ~4 months since it was first made
- On 19 December 2023, ARN announced that the Consortium had reconfirmed the Indicative Proposal and was undertaking further due diligence subject to the receipt of necessary information from SCA
- The Consortium again reconfirmed the Indicative Proposal on 5 February 2024, based on partial access to necessary due diligence information from SCA
- As part of its most recent reconfirmation, the Consortium also provided SCA with an update on its detailed work, confirmed the commercial rationale for the proposed transaction, its practical executability, and the value creation opportunity it represents for ARN and SCA shareholders

## Actions required to deliver a binding transaction

- Subject to the timely receipt of complete information required to finalise due diligence, the Consortium would be in a position to execute a binding transaction by late March 2024
- This includes immediately commencing work to finalise mutual due diligence, including customary confirmatory financial, legal and tax review.
- It also includes further engagement with SCA to agree the necessary transaction documentation set out in the Indicative Proposal<sup>4</sup>

***The Consortium remains committed to delivering a clear, compelling and certain transaction for SCA shareholders in a timely and efficient manner, unlocking material value for both ARN and SCA shareholders***

Note: Subject to ongoing due diligence.

(1) Funds managed by the ACP group will establish a new nominee entity for the purposes of the Proposed Transaction (as defined in the Indicative Proposal).

(2) As set out in the Indicative Proposal, the Consortium is open to working with SCA to structure part of the cash component of consideration as a pre-completion fully franked special dividend, providing access to an additional 12.7 cents per fully diluted SCA share from franking credits for eligible existing SCA shareholders.

(3) Based on SCA’s closing share price of A\$0.730 per share on 17 October 2023 and ARN’s closing share price of A\$0.855 per share on 17 October 2023.

(4) Including the scheme implementation agreement with SCA, the necessary legal documentation for the Separation (as defined in the Indicative Proposal), and the applications for the relevant regulatory approvals detailed in the Indicative Proposal.

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# Commercial rationale for the proposed transaction

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(pre-transaction)

## Enhance ARN's audio business

- 8 metro radio stations + 47 regional radio stations<sup>1</sup>
- 50% share in 2 Canberra stations (with SCA)
- iHeartRadio digital platform via licensing agreement

Proposed transaction  
with SCA

arn

(post-transaction)

- 10 metro radio stations + 88 regional stations<sup>2</sup>
- 50% interest in **digital audio joint venture** consisting of substantially all existing SCA and ARN digital audio assets

## Focused national metro network

- Enhanced metro radio network across Sydney, Melbourne, Brisbane, Adelaide and Perth
- Anchored by KIIS and Triple M brands delivering a complementary offering in each location

Examples of differentiated, nationally relevant brands and talent



## Significantly enhanced regional offering

- Larger, growing and profitable regional radio footprint across Australia
- More compelling regional network for advertisers and communities
- Proven strategy for growing local revenues

A compelling regional network offering, connected with local communities



## Accelerated and more profitable growth in digital audio

- Independent and well-capitalised digital audio joint venture
- Enhanced sustainable growth profile with accelerated path to profitability
- Supports and enables “all of audio” strategy driven by key brand and talent engagement
- Better equipped to compete with local and international media businesses

Comprehensive, enhanced digital audio capabilities

Live radio	Podcasts	Music
<p>200+ FM / AM / DAB+ live radio streams, alongside other broadcasters</p>	<p>Catchup, original &amp; local podcasts from local and international networks</p>	<p>Personalised music playlists, on-demand partner music streamers</p>

Note: Subject to ongoing due diligence.

(1) Includes 50/50 joint venture with Nova in KIIS 97.3 (Brisbane). Excludes joint venture with Nova in Nova 93.7 (Perth). Excludes Canberra.

(2) Regional network of 86 stations plus 100% ownership of 2 Canberra stations. Includes a limited number of changes to the originally proposed transaction perimeter based on operational and practical considerations identified in consultation with SCA. The cumulative financial impact of these changes is not expected to be significant in the context of the overall transaction, nor as it relates to ARN's pro forma ongoing financial profile.

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# Trading Outlook



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# Trading Outlook – positive start to the year

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.

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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	334.3	344.9	–	–	334.3	344.9
Other income	2.5	3.4	39.4	5.3	41.9	8.7
Share of associate profits	5.1	9.7	–	–	5.1	9.7
Costs	(270.3)	(266.2)	(112.0)	(261.5)	(382.3)	(527.7)
<b>Underlying EBITDA</b>	<b>71.6</b>	<b>91.8</b>	<b>(72.6)</b>	<b>(256.2)</b>	<b>(1.0)</b>	<b>(164.4)</b>
Depreciation and amortisation	(19.6)	(20.2)	–	–	(19.6)	(20.2)
<b>Underlying EBIT</b>	<b>52.0</b>	<b>71.6</b>	<b>(72.6)</b>	<b>(256.2)</b>	<b>(20.6)</b>	<b>(184.6)</b>
Net interest expense	(6.7)	(5.6)	1.2	–	(5.6)	(5.6)
<b>Net profit before tax</b>	<b>45.2</b>	<b>66.0</b>	<b>(71.4)</b>	<b>(256.2)</b>	<b>(26.2)</b>	<b>(190.2)</b>
Taxation on net profit	(12.9)	(17.5)	32.2	34.8	19.3	17.2
<b>Net profit after tax (NPAT)</b>	<b>32.3</b>	<b>48.5</b>	<b>(39.3)</b>	<b>(221.5)</b>	<b>(6.9)</b>	<b>(173.0)</b>
Less non-controlling interest	(2.9)	(3.4)	–	–	(2.9)	(3.4)
<b>NPAT attributable to ARN Media shareholders</b>	<b>29.5</b>	<b>45.1</b>	<b>(39.3)</b>	<b>(221.5)</b>	<b>(9.8)</b>	<b>(176.3)</b>

# Significant items

Current year includes:

- Gain on sale of Soprano net of transaction costs
- Interest and other income received from ATO \$1.4m
- Integration costs of FY22 acquisition of ARN Regional business from Grant Broadcasters
- Implementation costs associated with new software applications
- Impairment of ARN intangible assets \$103.7m
- Cash sign on talent fees \$2.5m
- Regulatory fees and transaction costs \$1.2m
- Tax credit on significant items, primarily the reversal of DTL on impairment of intangibles

A\$ million	2023	2022
Gain on sale of Soprano	39.1	–
ATO interest and other income	1.4	–
Fair value adjustment on Lux Group shares	–	5.3
Integration costs – ARN Regional (includes \$5.3m acquisition costs in FY22)	(2.1)	(8.7)
Software implementation costs	(2.6)	(0.5)
Impairment – ARN intangibles	(103.7)	(249.9)
Cash sign on fees for talent	(2.5)	–
Regulatory fees and costs associated with proposed SCA acquisition	(1.2)	–
Impairment loss (\$1.9m) and costs on disposal of business (\$0.9m) (4KQ)	–	(2.8)
Reversal of provision for exit from NZME	–	0.3
<b>Significant items, gross of tax</b>	<b>(71.4)</b>	<b>(256.2)</b>
Income tax expense on exceptional items	32.9	29.5
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
Historical income tax true up – non-trading	(0.8)	(0.9)
<b>Significant items, net of tax</b>	<b>(39.3)</b>	<b>(221.5)</b>

# ARN Media Corporate

- 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	Dec 2023	Dec 2022
EBITDA	71.6	91.8
Deduct share of associates' NPAT	(5.1)	(9.7)
Change in working capital	(8.2)	(1.6)
Other non-cash items	0.0	0.9
Significant cash items	(8.0)	(8.7)
<b>Net cash flow from operations</b>	<b>50.4</b>	<b>72.7</b>

A\$ million	2023	2022	% change
Salary and wages	3.9	3.7	6%
Incentives provided for	0.6	1.1	(49%)
Board costs	1.0	1.1	(5%)
Compliance and advisor costs	2.6	1.9	34%
Overheads (rent, office, other)	1.7	1.6	5%
<b>Total Corporate costs</b>	<b>9.8</b>	<b>9.5</b>	<b>4%</b>

## Currency rates

	AUD / HKD	
	2023	2022
June half year average	5.298	5.630
December full year average	5.202	5.440
Period end rate – June	5.223	5.416
Period end rate – Dec	5.319	5.321



# 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	72.2	(6.2)	–	–	66.0
Hong Kong	6.6	–	(5.6) <sup>2</sup>	–	1.0
Investments	2.5	–	–	(0.3)	2.2
Corporate	(9.8)	–	–	–	(9.8)
<b>Underlying EBITDA<sup>1</sup></b>	<b>71.6</b>	<b>(6.2)</b>	<b>(5.6)</b>	<b>(0.3)</b>	<b>59.4</b>
Depreciation and amortisation	(19.6)	5.9	5.2	0.3	(8.2)
<b>Underlying EBIT<sup>1</sup></b>	<b>52.0</b>	<b>(0.3)</b>	<b>(0.4)</b>	<b>(0.0)</b>	<b>51.2</b>
Net interest expense	(6.7)	1.8	0.2	0.1	(4.6)
<b>Net profit before tax<sup>1</sup></b>	<b>45.2</b>	<b>1.5</b>	<b>(0.2)</b>	<b>0.1</b>	<b>46.6</b>

1) Before significant items  
2) Inclusive of onerous contract release

# 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	86.5	(5.7)	–	–	80.8
Hong Kong	8.8	–	(7.6) <sup>2</sup>	–	1.1
Investments	5.9	–	–	(0.2)	5.7
Corporate	(9.5)	–	–	–	(9.5)
<b>Underlying EBITDA<sup>1</sup></b>	<b>91.8</b>	<b>(5.7)</b>	<b>(7.6)</b>	<b>(0.2)</b>	<b>78.2</b>
Depreciation and amortisation	(20.2)	5.0	6.4	0.2	(8.6)
<b>Underlying EBIT<sup>1</sup></b>	<b>71.6</b>	<b>(0.7)</b>	<b>(1.2)</b>	<b>(0.0)</b>	<b>69.6</b>
Net interest expense	(5.6)	1.5	0.3	0.1	(3.7)
<b>Net profit before tax<sup>1</sup></b>	<b>66.0</b>	<b>0.8</b>	<b>(0.9)</b>	<b>0.1</b>	<b>65.9</b>

1) Before significant items

2) Inclusive of onerous contract release