

MARKET ANNOUNCEMENT

Update on Non-Binding Indicative Proposal to Acquire SCA

SYDNEY, Monday 13 May 2024 – ARN Media Limited (ASX: A1N) (“ARN”) refers to its non-binding indicative offer made in partnership with Anchorage Capital Partners Pty Limited (“ACP”, and together with ARN, the “Consortium”) to acquire 100% of the fully diluted share capital of Southern Cross Media Group Limited (ASX: SXL) (“SCA”) (the “Consortium Proposal”) dated 18 October 2023. A copy of the Consortium Proposal was provided by ARN to the ASX on 18 October 2023.

Under the Consortium Proposal, ARN would acquire certain radio stations currently owned by SCA and ACP would acquire the remaining SCA radio stations in addition to certain ARN radio stations. ARN would have ultimately owned an expanded national radio network and 50% of an independently managed joint venture holding ARN and SCA’s digital audio assets and operations (“Digital Joint Venture”). ACP would have acquired a national radio network complementary to the SCA television network it was to acquire across Queensland, New South Wales, Victoria, South Australia, Tasmania and Western Australia (“Regional TV”), as well as a 50% interest in the Digital Joint Venture.

As consideration, SCA shareholders would have received 0.753 ARN shares (the “ARN Exchange Ratio”) and 29.6 cents cash per SCA share (the “Consortium Proposal Consideration”). Based on the last closing price of ARN shares prior to the Consortium Proposal being made (A\$0.855 on 17 October 2023), the Consortium Proposal Consideration implied a total value of A\$0.940 per SCA share before the benefit of any franking credits distributed in connection with the proposed transaction. This represented an attractive 29% premium to the undisturbed SCA share price of A\$0.730 on 17 October 2023 (46% including franking credits).

On 15 March 2024, the Consortium indicated that it was willing to adjust the ARN Exchange Ratio to up to 0.870 ARN shares per fully diluted SCA share (“Revised ARN Exchange Ratio”) subject to the satisfactory completion of due diligence. Based on the last closing price of ARN shares prior to the Consortium Proposal being made, the Revised ARN Exchange Ratio implied up to an additional 10 cents of value per fully diluted SCA share.

Withdrawal of ACP from the Consortium and the Consortium Proposal

Following a period of due diligence engagement with SCA, ACP has notified ARN of its withdrawal from the Consortium. As part of its due diligence, ACP and its advisers completed an extensive review of Regional TV. In light of a continued decline in the trading performance of Regional TV since the Consortium Proposal was made in October 2023, the further deteriorating outlook for Regional TV, and the existing long-term contractual obligation of SCA for outsourced TV broadcast transmission, it does not support ACP’s Regional TV investment thesis. As a result, the Consortium must withdraw the Consortium Proposal. ARN thanks ACP for its constructive engagement as a Consortium partner and recognises the considerable investment of time and resources that ACP has made over the last seven months.

ARN Indicative Proposal

Notwithstanding ACP’s decision, ARN continues to consider the acquisition of certain SCA radio assets and the combination of ARN and SCA digital audio assets as a unique opportunity to unlock both immediate and long-term value creation. ARN and SCA shareholders were both expected to benefit from the creation of a focused metro radio network of 10 stations across Sydney, Melbourne, Brisbane, Adelaide and Perth, anchored by the KIIS and Triple M brands in each location, an expanded and

growing regional radio network, and a scaled, fast-growing digital audio platform with enhanced profitability and cash flow potential. Post-transaction, ARN was expected to have FY24PF revenues of over A\$440 million, FY24PF EBITDA (pre-AASB16) of over A\$105 million before combination benefits, and leverage of less than 1.5x. This excludes material expected future upside from the Digital Joint Venture, which was expected to contribute meaningfully to profit and cashflow in the near term.

To preserve this compelling opportunity for ARN and SCA shareholders, ARN intends to engage with SCA on a revised non-binding indicative proposal (the “**ARN Indicative Proposal**”).¹

Under the ARN Indicative Proposal, ARN would acquire the same radio assets as under the Consortium Proposal plus assume 100% ownership of the combined digital audio assets of ARN and SCA (the “**ARN Transaction Perimeter**”). SCA shareholders would receive up to 0.870 ARN ordinary shares for each fully diluted SCA share subject to the satisfactory completion of due diligence, consistent with the Revised ARN Exchange Ratio pursuant to the Consortium Proposal. SCA shareholders would also retain their shareholding in SCA or receive their equivalent shareholding in a newly listed demerged entity that would hold the radio and television assets previously expected to be acquired by ACP under the Consortium Proposal (“**New SCA**”).

New SCA would own a national network of 44 radio stations, comprised of 5 HIT and 3 Gold-branded metro stations and 36 regional radio stations. It would be listed on the ASX with an independent Board and management, and is expected to have approximately A\$350 million of FY24PF revenue and A\$40 million of combined FY24PF radio and television EBITDA (pre-AASB16) on a stand-alone basis before adjusting for expected margin expansion from identified material cost efficiency initiatives. New SCA would operate with a conservative capital structure of approximately 1.0x FY24PF EBITDA² and have sufficient flexibility to pursue standalone growth opportunities. New SCA would also enter into a long-term content supply agreement with the ARN-owned digital audio platform, unlocking an additional revenue stream for New SCA and enabling both parties to benefit from combined scale and efficiency of investment in digital audio.

ARN believes that the ARN Indicative Proposal is expected to deliver total value per fully diluted SCA share of approximately A\$1.20 in total share consideration.³ This is in excess of the A\$1.04 implied by the Consortium Proposal with the Revised ARN Exchange Ratio (which was a mix of share and cash consideration and had the potential for access to an additional value of 12.7 cents per SCA share from franking credits distributed to eligible SCA shareholders in connection with the proposed transaction).

ARN is supportive of working with SCA to explore any alternative proposals it may receive with respect to New SCA that provide either greater value or cash certainty for SCA shareholders, including alternative proposals that relate to a third party acquiring New SCA’s radio or Regional TV assets on a combined or separated basis. Further, ARN is prepared to work with SCA to review the ARN and New SCA transaction perimeters to optimise the strategic and value outcome for both sets of shareholders, to ensure a strong competitive outcome for each business.

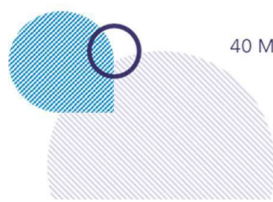
Next steps relating to the ARN Indicative Proposal

ARN and SCA have been working collaboratively, are now substantially complete on mutual due diligence, and are progressed on transaction documentation. ARN remains committed to delivering an

¹ The ARN Indicative Proposal is preliminary, indicative, incomplete and non-binding and is intended to represent an expression of interest. Paragraph 8 (“Nature of Indicative Proposal”) of the Consortium Proposal dated 18 October 2023 applies to the ARN Indicative Proposal with references to “this letter” and “Indicative Proposal” meaning “this announcement” and the “ARN Indicative Proposal” respectively. The ARN Indicative Proposal is also subject to receipt of applicable regulatory approvals.

² Based on SCA net debt at completion being no more than the A\$104m (excluding leases) reported at 30 June 2023.

³ Based on ARN’s undisturbed share price of A\$0.855 on 17 October 2023 and illustratively valuing New SCA at 3.5x FY24PF EBITDA (pre-AASB16).



attractive and certain outcome to SCA shareholders at the earliest possible date, and to the extent the ARN Indicative Proposal is supported by the SCA Board, considers that a binding transaction could be entered into in coming weeks.

ARN looks forward to constructively engaging with SCA on the ARN Indicative Proposal. At this time, ARN shareholders do not need to take any action in relation to the ARN Indicative Proposal. ARN will keep the market informed in the event of any material developments.

Trading Update

ARN provides the following trading update.

April YTD total advertising revenues finished 1% ahead of the prior comparative period, delivering a consistent metro radio share, improved digital audio share, with revenues +40%, and regional revenues in-line with the prior comparative period.

May and June total bookings are pacing in-line with the prior comparative period.

Full year people and operating cost guidance of between 2%-4% provided in February is unchanged, and we remain on track to deliver ~A\$6.5m of the A\$10m two year cost out program in the year.

Cody Outdoor commenced operation of the HK Trams advertising contract at the start of May, and bookings for May and June are tracking in-line with internal expectations.

ARN Media Chairman, Hamish McLennan said: “The requirement to withdraw the Consortium Proposal should not deflect from the significant achievements ARN has delivered this year in a challenging market. We grew total revenue to the end of April, have accelerated our digital audio revenues, regional markets continue to perform strongly, and we are on track to deliver the permanent cost-out reduction target we set ourselves for 2024.

I firmly believe ARN is the most well-run audio business in Australia, and we are in a position of strength to progress the ARN Indicative Proposal for the benefit of both ARN and SCA shareholders. It would deliver a business of the scale necessary to compete against global platforms. Market restructuring has been talked about for a long time, but the fact remains that today's regulatory environment is not reflective of the market in which Australian media operates and urgently needs government action”.

This announcement has been authorised for release by the Board of ARN Media Limited.

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