

MARKET ANNOUNCEMENT

Update on Non-Binding Indicative Proposal to Acquire SCA

SYDNEY, Friday 15 March 2024 – ARN Media Limited (ASX: A1N) (“**ARN**”) and Anchorage Capital Partners Pty Limited¹ (“**ACP**”, and together with ARN, the “**Consortium**”) refer to their non-binding indicative offer to acquire 100% of the fully diluted share capital of Southern Cross Media Group Limited (ASX: SXL) (“**SCA**”) (the “**Indicative Proposal**”) dated 18 October 2023. A copy of the Indicative Proposal was provided by ARN to the ASX on 18 October 2023.

Under the Indicative Proposal, SCA shareholders would receive 0.753 ARN shares and 29.6 cents cash per SCA share (the “**Indicative Proposal Consideration**”). Based on the last closing price of ARN shares prior to the Indicative Proposal being made (A\$0.855 on 17 October 2023), the Indicative Proposal Consideration implied a total value of A\$0.940 per SCA share before accounting for the benefit of any franking credits distributed in connection with the Proposed Transaction (as defined in the Indicative Proposal). This represented an attractive 29% premium to the undisturbed SCA share price of A\$0.730 on 17 October 2023 (46% including franking credits).

Response to SCA announcement

The Consortium notes SCA’s announcement on 7 March 2024, where the Indicative Proposal was described as not being in the best interests of SCA shareholders. The Consortium disagrees with this assessment and continues to see the Proposed Transaction as a unique opportunity for SCA and ARN shareholders to unlock immediate and long-term value creation in broadcast radio and digital audio, with SCA shareholders also realising significant cash proceeds and gaining potential access to franking credits.

Since the Indicative Proposal was made, the quality and composition of SCA earnings has changed. Revenue has declined in SCA’s broadcast radio and television operations, and there has been a reduction in 1H FY24 reported EBITDA relative to 1H FY23A and broker consensus estimates. This is being offset by a significant cost-out program that is yet to be independently reviewed by the Consortium’s due diligence advisers.

Next steps relating to the Indicative Proposal

The Consortium has reconfirmed the Indicative Proposal multiple times since 18 October 2023. In each case, this has been based on partial access to necessary due diligence information from SCA. Importantly, and notwithstanding the underlying operational performance set out in SCA’s most recent half yearly results, each of these reconfirmations have reiterated the Indicative Proposal Consideration of 0.753 ARN shares (“**ARN Exchange Ratio**”) and 29.6 cents cash per SCA share.

Notwithstanding the above, given the Consortium remains open to engaging with SCA in a constructive manner, it is willing to adjust the ARN Exchange Ratio to up to 0.870 ARN shares per fully diluted SCA share, subject to the satisfactory completion of outstanding due diligence (the “**Revised Indicative Proposal**”). Based on the last closing price of ARN shares prior to the Indicative Proposal being made, the Revised Indicative Proposal would imply up to an additional 10 cents of value per fully diluted SCA share.

¹ Funds managed by the ACP group will establish a new nominee entity for the purposes of the Proposed Transaction.



In order to be in a position to confirm the final terms of the Revised Indicative Proposal, the Consortium requires:

- Sufficient access to SCA management to be able to validate SCA's 2H FY24 financial forecasts;
- Related commercial and operational due diligence on the SCA stations being acquired by ARN, and the SCA assets and operations being acquired by ACP;
- Full responses to PwC's outstanding requests for information relating to their financial due diligence on SCA, on behalf of the Consortium; and
- Customary access and information to undertake confirmatory accounting, legal, and tax due diligence.

If the relevant information and access to SCA management is provided promptly, the Consortium considers that a binding transaction can be entered into quickly to provide certainty to both ARN and SCA shareholders. The Consortium is willing to engage constructively with SCA and its advisers to complete the necessary work and agree relevant transaction documentation in a prompt and efficient manner.

Response to notice of intention to move resolutions of shareholders

On 13 March 2024, SCA announced it had received a letter and notice under section 203D of the Corporations Act from Spheria Asset Management Pty Ltd ("**Spheria**") (which is the investment manager for investors holding more than 5% of the votes that may be cast at a meeting of SCA). SCA announced that Spheria's letter states their intention to move the following resolutions at a general meeting of SCA:

- (a) That Mr Robert Murray be removed as a director of SCA, with immediate effect.
- (b) That any other person who is appointed as a director of SCA between the date of the section 203D notice and the date of a general meeting of SCA be removed as a director of SCA, with immediate effect.

SCA also announced that Spheria's letter states that it will also request that SCA call and arrange to hold a meeting of members of SCA pursuant to section 249D of the Corporations Act. SCA announced that it has not yet received this request.

Irrespective of the Proposed Transaction, it is ARN's current intention to vote approximately 8%² of the 14.8% of issued share capital in SCA that it holds in favour of the proposed resolutions if they are put to a general meeting of SCA.³

This announcement should be read in conjunction with the Indicative Proposal. The Revised Indicative Proposal is subject to a number of conditions, including due diligence and regulatory approvals. No binding agreement to implement the Revised Indicative Proposal has been reached with SCA at this time and there is no certainty that a transaction will eventuate. The Revised Indicative Proposal (and this announcement) is preliminary, incomplete and non-binding and does not constitute a commitment or undertaking by the Consortium to proceed with the Proposed Transaction.

² 19,128,300 SCA shares and not including 16,376,774 SCA shares subject to the Takeovers Panel's orders dated 17 January 2024.

³ ARN reserves its rights to change its voting intention at any time.



At this time, ARN shareholders do not need to take any action in relation to the Revised Indicative Proposal. ARN will keep the market informed in the event of any material developments.

ENDS

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

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