

MARKET ANNOUNCEMENT

ARN MEDIA 2024 HALF YEAR RESULTS

Strong operational result in a challenging market

- Delivered a competitive operational performance despite ongoing challenging market conditions.
- Group revenues up +4% on a pro forma basis, EBITDA up +10% on a proforma basis.
- Advertising revenues resilient as audiences to radio continue to grow.
- Strong growth of national regional revenues and digital audio revenues highlight future growth opportunities.
- Metropolitan network ranks #1 in Sydney, achieving a 21.7% share and an average weekly cumulative audience of 2.2 million across Surveys 1-4 in 2024.
- Two Melbourne stations combined have secured the #1 network position, capturing a 19.7% share and an average weekly cumulative audience of 2.2 million for Surveys 1-4 in 2024.
- ARN Regional's 46 stations across 26 markets prove power of radio in regional markets delivering strong ratings growth.
- The Kyle & Jackie O Show broadcast into Melbourne from April 2024 – positive early signs are in line with expectations.
- ARN digital audio advertising revenues up 26% to \$11.0 million.
- Low capex digital audio model delivered EBITDA and cashflow positive result in June 24; Forecasting EBITDA and cashflow positive for Q4.
- On track to limit total cost growth to between 2-4% and deliver \$6.5 million permanent cost out in 2024 and \$10 million over 2 years.
- Sound balance sheet with net debt of \$86.8 million and leverage on a pre-AASB 16 basis of 1.58 times EBITDA, before significant items.
- Fully franked dividend of 1.2cps representing ~70% of NPAT after significant cash items.
- Indicative Proposal to acquire SCA through a scheme of arrangement withdrawn, revised proposal subsequently rejected by SCA on 20 May 2024.
- Cody Outdoor returns to being a key player in Hong Kong after securing two pivotal advertising contracts on an annualised basis worth in excess of A\$65 million revenue when fully operational.
- Group EBIT down -5% on a pro forma basis, impacted by lease depreciation on new Hong Kong Tramways contract which commenced May 2024; forecasting to be break even in Q4 2024.
- Working capital rebuild of A\$12 – 15 million required in H2 2024 to support these two Hong Kong contracts with timing of agency collections at ~90-120 days with lease payments monthly and upfront.



HY Financial Performance

A\$ million ¹	2024	2023
Revenue	168.1	165.9
Other income	1.2	0.9
Share of associate profits	2.2	2.3
Costs	(135.9)	(133.5)
Underlying EBITDA²	35.5	35.5
Depreciation and amortisation	(4.1)	(4.2)
Depreciation – Leases	(9.1)	(6.0)
Underlying EBIT²	22.3	25.3
Net interest	(3.1)	(2.1)
Finance cost – Leases	(2.9)	(0.9)
Net profit before tax²	16.3	22.4
Taxation on net profit	(4.8)	(6.6)
Net profit after tax (NPAT)²	11.5	15.8
Less non-controlling interest	(1.2)	(1.1)
NPAT attributable to ARN Media shareholders²	10.4	14.6
Significant items, net of tax	(5.0)	37.8
NPAT attributable to ARN Media shareholders	5.4	52.5
Underlying EPS (cps) ²	3.4	4.8
Dividend per share (cps)	1.2	3.5

(1) Totals may not add due to rounding

(2) Before significant items

SYDNEY, 22 August 2024 – ARN Media Limited [ASX: A1N] today released its results for the half-year ending 30 June 2024.

The Company delivered a competitive operational performance in H1 2024 despite ongoing challenging economic conditions.

On a statutory basis, ARN Media revenues from ordinary activities of \$168.1 million are in line with the prior period. Advertising revenues have remained resilient, supported by audience growth in digital streaming and podcasting and the continued realisation of national regional revenue synergies.

Underlying depreciation and amortisation expense before significant items of \$13.2 million increased by 30% in the period following the commencement of a significant new advertising contract for Cody Outdoor in May 2024.

The signing of two new significant contracts will see Cody return to being a key player in the Hong Kong advertising market and require an upfront working capital rebuild of A\$12 – 15 million in H224 to support their long-term growth.

This resulted in EBIT before significant items of \$22.3 million compared with \$25.3 million in the prior period. Net profit after tax (NPAT) attributable to shareholders before significant items was \$10.4 million.

Total underlying group costs before significant items were up 2% on prior year to \$135.9 million owing primarily to increased investment in marketing to support the launch of The Kyle and Jackie O Show in Melbourne.

Underlying group earnings before significant items, interest, tax, depreciation and amortisation (EBITDA) was flat on prior period at \$35.5 million.

ARN Media Chairman, Hamish McLennan, said,

“ARN Media has delivered a competitive operational performance in 2024 despite the economic challenges faced by the Australian media sector. Critical to our performance were a number of key programs delivering increased and sustainable operating efficiencies, which are part of our \$10 million annualised cost out program, ensuring we limit cost growth.

“These cuts reflect the tough environment facing Australian media. The industry needs market restructure and consolidation given the increasing pressures from global technology and media platforms and a government regulatory environment that has not kept pace. We have made no secret of the fact that we want to be part of industry consolidation and are very disappointed that our Indicative Proposal to acquire SCA was unsuccessful as it represented a compelling proposition for both ARN Media and SCA shareholders.

“ARN continued its ratings dominance in Australia with market leading results from our metropolitan and regional radio networks and the iHeartPodcast Network which celebrated a record milestone in June as the #1 publisher for the 50th consecutive time. We are also pleased that our digital audio activities are forecast in Q4 to be EBITDA and cash flow positive.

“The securing of two significant new contracts in Hong Kong was a significant milestone for Cody and are key pillars to re-building market share and improving the valuation of the business. These contracts mean we are returning to being a key player in the Hong Kong market with a premium offering for advertisers. We are working at pace to get them fully operational.”

The balance sheet of the Group remains sound with net debt of \$86.8 million and leverage on a pre-AASB 16 basis of 1.58 times EBITDA, before significant items. This was impacted by necessary capex investment in the Sydney studio upgrade and head office relocation and one-off costs associated with the proposed SCA transaction. Subject to trading conditions, the Group expects to maintain debt levels of around one and a half times EBITDA (before significant items).

The Group considers this an appropriate level of gearing that provides flexibility for ARN Media to continue to pursue its strategy and capitalise on future growth opportunities as they arise.

The Company declared a fully franked dividend of 1.2 cents per share. Considering the current market conditions and the one-off cash costs in relation to ARN's proposal to acquire SCA, this dividend payout of ~70% of NPAT after significant cash items is considered prudent. Details on

the nature of significant items, totalling \$5.0 million (net of tax) in the current period are included in note 1.3 to the interim financial statement.

The Board is committed to maintaining strong dividends for shareholders. ARN's dividend policy remains at a payout ratio of between 65% and 85% with a commitment to pay at the higher end if net debt leverage is under 0.5 times. The dividend policy is subject to Board discretion having regard to factors such as market conditions and future capital requirements.

ARN Media CEO & Managing Director, Ciaran Davis, said,

"At ARN, we have an ongoing critical lens on costs particularly given difficult market conditions, and our cost out program is on track to limit total people and operating cost growth to between 2-4%, that will deliver \$6.5 million permanent cost out in 2024. We have also commenced an additional efficiency review, targeting \$5-10 million over two years.

"Our focus has been on operational performance as we navigate current economic conditions, and the investments we've historically made in long term talent contracts, the long-standing partnership for iHeartRadio and nationalising core enabling operations, means we have been able to deliver our core product more efficiently.

"With Kyle and Jackie O recognised globally as one of the best breakfast shows in the world, we launched their program into the Melbourne market in the first half. We know it will take time to build a loyal audience, but brand tracking results are promising.

"Our investment in digital audio is buoyed by the ongoing growth in the industry at a time when other parts of the media sector are struggling. It is a dynamic, strong, and evolving landscape with radio reaching 81% of the population, Australian podcast listenership one of the highest globally, and streaming radio listening in cars has risen by 75% in two years.

"Looking ahead we are investing in new digital audio formats and technologies for commercialisation as we continue to build an integrated audio business. We believe there is potential for further efficiencies for the remainder of this year and into 2025 and are continuing to evaluate our operating model including exploring how the business can benefit from using AI."

Australian Radio Network (ARN)

ARN Metropolitan advertising revenues were back 1% across the period, demonstrating a resilient channel despite ongoing challenging market conditions.

Our network ranks #1 in Sydney, achieving a 21.7% share and an average weekly cumulative audience of 2.2 million across Surveys 1-4 in 2024. KIIS1065 remains the most revered station in Sydney, maintaining its position as the #1 FM station for the highly sought-after audience of People 25-54 for the 40th consecutive time. WSFM provides ARN with an FM Breakfast show duopoly and ensures extended reach across key demographics.

Our two stations in Melbourne combined have secured the #1 network position, capturing a 19.7% share and an average weekly cumulative audience of 2.2 million for Surveys 1-4 in 2024.

Following the finalisation of long-term on-air talent contract extensions in late 2023, a key focus for the business in the first half has been preparing for the launch of The Kyle & Jackie O Show broadcast into Melbourne from April 2024.

We are very confident in the strategy and ability of our team to make this move a success although like all new shows it will take time to build a loyal audience. Brand tracking results demonstrate a steady increase in conversion from awareness through to trial which we expect will translate to cumulative audience in the coming months.

Brisbane, Adelaide and Perth are also delivering good results. In the most recent survey Brisbane's KIIS97.3 reached a cumulative audience of 161,000, the stations best result in over a year, while Mix 102.3 is the most listened to station in Adelaide with 371,000 people tuning in each week across Surveys 1-4 in 2024. 96FM remains Perth's #2 station overall with 13.6% share.

ARN Regional

ARN Regional's 46 stations across 26 markets have hit their commercial and content strides. We believe our commitment to delivering live and local content that connects deeply with the communities we serve is paying dividends.

After a solid 2023, regional advertising revenues totalled \$52.8 million in the period, up 1% on the prior period. The 2-year integration of ARN Regional was finalised on-time at the end of 2023 and we continue to deliver revenue synergies against the original investment case.

Regional revenues from National agencies and clients were up \$2.9 million or 21% for the half and we are targeting a similar level of synergy growth for the remainder of the year. Local regional revenues, comprising close to 70% of total regional revenues were back \$0.5 million or 1% on the prior period, a sound result in a highly competitive advertising market.

To date in 2024, ARN stations have featured in five regional surveys, achieving market leading results across the board. Hobart's 7HO (#1), Ballarat's Power FM (#1), Ipswich's River 94.9 (#1) and Darwin's Hot100 (#1) and Mix 104.9 (#2) dominated, ensuring their 'must buy' status in their respective markets.

Hot Tomato, the Gold Coast's undisputed #1 station celebrated its 21st birthday and in the second survey of the year achieved a clean sweep across all day parts.

ARN Digital Audio Investments

We continue to evolve our digital audio strategy as audiences' consumption habits change and in the first half of this year scaled back original digital content production to focus on delivering organic audience growth in digital formats, to maximise the commercial opportunity from our extensive content library.

For the March 2024 quarter, online audio advertising revenue increased by 26.2%. This raises the value of the digital audio market in Australia to \$65.5 million with podcast revenue sitting at

\$22.9 million or 35% of total online audio spending, and streaming revenue at \$42.6 million or 65% of total online audio.

ARN digital audio advertising revenues reached \$11.0 million, up 26% on the prior period, and the EBITDA loss in the period narrowed significantly to \$1.9 million, from a loss of \$3.6 million in the second half of 2023.

Prioritising owned content and improved monetisation of third-party content arrangements drove a material reset of revenue related costs which we expect to now maintain. We are also accelerating our efforts to fully monetise radio digital streaming audiences and unlock premiums enabled by addressable audiences.

Balancing necessary investment for future growth with profitability is a key priority, and we remain on-track to deliver a cashflow break even run-rate in our digital audio operations in the final quarter of 2024.

A key pillar to our digital ecosystem, is our partnership with iHeartMedia, including our long-term licence agreement over the iHeartRadio platform app and broader ecosystem. Usage of the iHeartRadio platform continues to grow, to now have over 2.76 million registrations (up 10% YOY).

ARN's iHeartPodcast Network is a clear market leader, with podcast shows delivering over 1 million monthly downloads, more than anyone else in the Australian Podcast Ranker and reaching over 72% of Australian Podcast Listeners.

Cody (HK Outdoor)

Cody Outdoor advertising revenues were up 1% to \$9.7 million, and the business recorded an EBIT loss of \$1.3 million impacted by the commencement of the HK Tramways Tram Body contract in May 2024. During the period Cody Outdoor (Cody) successfully tendered for and secured two pivotal advertising contracts which will see the business return to being a key player in the Hong Kong market.

Announced in February 2024, the HK Tramways Tram Body Contract was secured on a 5-year term with multi-year extension options. In July 2024, Cody secured and commenced operating the bus body advertising contract with The Kowloon Motor Bus Company which operates the largest public bus franchise in Hong Kong

On a combined annualised basis, we expect to write in excess of A\$65 million of revenue across the two contracts (subject to market conditions). Securing these two contracts represents a significant milestone for Cody and are key pillars to re-building market share and improving the valuation of the business.

A working capital rebuild of A\$12-15 million will be required in H224 to support these contracts, with timing of agency collections between 90 and 120 days but lease payments made monthly and upfront.

Trading Update

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- Q3 revenues forecasted to perform slightly above prior year with Digital growth offset by Radio results.
- Revenues for the half are estimated to be ~2-3% ahead of prior year with Radio growth of ~1% and Digital ~25%.
- People and operating costs remain in line with previous guidance of between ~2-4%.

Hong Kong

- Hong Kong Trams revenues for balance of the year reforecast down to adjust for early trading conditions.
- Costs contained in line with budget.
- Trams and bus contracts result in increased right of use lease balances that translate into higher D&A over the term of the leases.

ENDS

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

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