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FY26 Trading Update, Cost Reduction Program, and Accounting Matters

Southern Cross Media Group Limited (ASX: SXL) ("SCA" or "the Company" or "the Group") provides an update on FY26 trading and announces a major cost reduction program. It also provides an update on proposed non-cash onerous contract provisions for FY26.

Key messages

- The Group's businesses are performing well in market conditions that have deteriorated materially more than anticipated through 4Q26, particularly within the TV segment. Group revenue[1] for FY26 is now expected to be $1,860 to $1,870 million versus previous guidance of $1,910 to $1,920 million. Proactive cost management has partly mitigated the revenue shortfall. However, underlying FY26 EBITDA[2] is now expected to be $185 to $190 million versus previous guidance of $200 to $220 million. Reported EBITDA[3] is expected to be $190 to $195 million.
- The Group has today commenced a significant cost reduction program, building on its merger synergy activities which have delivered run-rate savings of $30 million, in line with target and earlier than expected. Including those merger synergies, the expanded cost reduction program is expected to deliver annual run-rate benefits of $145 to $150 million upon its conclusion, offsetting future cost inflation and funding targeted growth investments. Subject to finalising consultation and other processes, the program will lead to 250 to 300 FTE leaving the Group before 30 June 2026, which will result in a FY26 restructuring charge of around $20 million.
- Reflecting the subdued economic outlook, and ongoing market changes, the Group has reviewed the outcomes expected from its legacy TV content contracts. Subject to finalising year-end audit procedures, the Group expects to raise an onerous contract provision of $65 to $70 million. This will be recognised as part of the purchase price accounting (PPA) process arising from the merger of Seven West Media ("SWM") with SCA[4]. This will lift reported EBITDA by about $5 million in FY26 and around $30 million in FY27. These items do not impact cashflows.

Rohan Lund, SCA's Managing Director and Chief Executive Officer, said: *"We must reset our cost base to meet current market conditions and capture the full benefits of scale across our trusted platforms for our audiences and advertisers, now and into the future. Unfortunately, this means saying goodbye to some talented colleagues who have helped build our business. We are deeply grateful for their contributions, and we are committed to supporting them through this transition."*

FY26 business performance

Our businesses continue to deliver strong audience outcomes, and we are also seeing positive momentum arising from combining content, sales and operations activities across the Group:

- Total TV audience share is up by 1.1 ppts in the financial year to date through to the end of May 2026.

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[1] All numbers are quoted on a pro forma basis as if the merger of Southern Cross Media Group Limited (SCA) and Seven West Media Limited (SWM) occurred on 1 July 2025, noting that the actual merger occurred on 7 January 2026 pursuant to the scheme of arrangement approved in December 2025.
[2] Excluding the favourable impact of accounting adjustments relating to onerous contract provisions.
[3] This is subject to concluding year-end audit processes and includes the expected effect of utilising during 2H26 the onerous contract noted below.
[4] As required by AASB 3 *Business Combinations* and other relevant accounting standards.

- In audio HIT is the number one network for people 25-54 (19% share) and women 25-54 (21% share), and Triple M is the leading network for men 25-54 (22% share).
- Newspapers in the West Australian brand group are achieving average unique monthly audiences of 3.36 million. Our national online publication, The Nightly, is achieving an average monthly audience of 3 million.

However, reflecting broader macroeconomic pressures, advertising market conditions are challenging and have softened materially more than anticipated in 4Q26, particularly in the TV segment. Overall, revenues are expected to be $1,860 to $1,870 million, around 2.5% below the guidance range of $1,910 to $1,920 million. This reflects weaker market conditions, partly offset by revenue share gains in both TV and Audio, supported in part by revenue synergies resulting from the merger of SCA and SWM.

Operating costs continue to be well controlled and are benefiting from realising synergies arising from the SCA/SWM merger. To date, we have delivered cost synergies with an annualised benefit of $30 million, in line with the upwardly revised target announced in February, and earlier than the previously estimated delivery date of FY27. Notwithstanding estimated cost inflation of up to 4%, underlying total cost performance will be $1,670 to $1,680 million, around 1.5% lower than the previous guidance range provided and down 3% from $1,728 million in FY25.

Taking account of these changes, we now expect FY26 underlying EBITDA of $185 to $190 million, relative to the previously advised range of $200 to $220 million. This excludes the impact of the onerous contract accounting adjustment noted below; including that adjustment will lift the expected range for reported FY26 EBITDA to $190 to $195 million.

Cost reduction program

Building on the momentum created by its merger synergy activities, SCA has today announced a significant Group-wide cost reduction program.

Structural changes in the markets in which we operate are increasingly favouring premium, trusted and local content of the kind the Group delivers. The cost reduction program will create the leaner, more flexible, cost base required for the Group to be competitive in pursuing that opportunity.

The program aims to remove duplication, streamline and automate our processes, further focus our content acquisition, and better leverage the Group's management infrastructure and procurement scale. Its immediate impact is that 250 to 300 FTE will leave the Group prior to 30 June 2026, subject to concluding employee consultation processes.

Implementation, which primarily impacts mid and back office and corporate staff, as well as non-labour costs, is being carefully managed to limit disruption to clients, audiences and continuing employees. Communications with affected employees, unions and other stakeholders will be undertaken in accordance with the Company's industrial and legal obligations.

Overall, the program is expected to achieve annual run rate benefits of $145 to $150 million upon its conclusion, which will improve earnings through offsetting on-going cost inflation, and funding targeted, limited, investment in building capacity for growth.

These changes will result in a FY26 restructuring charge of around $20 million, which will be treated as a significant item alongside other restructuring charges incurred during the period.

TV content contracts

The Group reassesses the expected profitability of its content contracts each reporting period. Where the unavoidable costs of meeting a contract's obligations exceed the economic benefits expected from it, an onerous contract provision is required under the relevant accounting standards.

While that assessment remains on-going, taking account of subdued trading conditions and structural changes in the TV advertising market, the Group has revised downwards the direct and indirect benefits likely to be derived from a range of its legacy content contracts.

This will result in a FY26 onerous contract provision of $65 to $70 million with effect from the date of the SCA/SWM merger. The provision, which will be recognised through the PPA work currently underway, will be non-cash in nature. It is subject to confirmation through the year-end audit process. Its utilisation is expected to reduce reported non-revenue related costs by around $5 million in FY26, and approximately $30 million in FY27.

Southern Cross Media Group will provide a further update on FY26 results and FY27 guidance during the presentation of its full-year results, which is scheduled for 11 August 2026.

Approved for release by the Board of Directors.

For more information, please contact:

Investors:

Scott Butterworth
Chief Financial Officer
sbutterworth@seven.com.au
Tel: 0432 185 090

Media:

Neil Shoebridge
neil@skmediagroup.com.au
Tel: 0417 511 012

About Southern Cross Media Group

Southern Cross Media Group (ASX:SXL) is one of Australia's most prominent media companies, with a market-leading presence across broadcast television, audio, publishing and digital.

The company owns some of Australia's most renowned media businesses and platforms, including the Seven Network and its channels 7two, 7mate, 7flix and 7Bravo; 7plus; 7NEWS.com.au; LiSTNR; the Hit and Triple M radio networks; *The Nightly*; *The West Australian*; *The Sunday Times*; and *PerthNow*.

Forward-looking statements

This announcement contains forward-looking statements, including the FY26 earnings outlook, proposed accounting provisions, and the expected benefits and costs of the Group's cost reduction program. These statements are based on current expectations and assumptions and are subject to risks and uncertainties. Actual outcomes may differ materially. The proposed provisions are subject to finalisation of the FY26 accounts and external audit. SCA does not undertake to update any forward-looking statement, except as required by law.