



2018 ANNUAL GENERAL MEETING

CHAIRMAN'S ADDRESS TO SHAREHOLDERS

Sydney 20 November 2018: Prime Media Group (ASX: PRT)

Good morning Ladies and Gentlemen and welcome to the Prime Media Group Annual General Meeting.

All directors are present this morning, including Chief Executive and Executive Director Ian Audsley.

We also have with us our Chief Financial Officer John Palisi and General Manager Sales and Marketing Dave Walker.

Your Directors are pleased to report that core net profit after tax for the 2018 financial year of \$25.3m was at the higher end of market guidance. The Gold Coast Commonwealth Games in the second half of the year made a strong contribution to the result, which reflects the absence of the prior year's Olympic Games revenue.

We are also pleased to report that the company extended its relationship with Australia's number-one-rating-TV-network – the Seven Network.

The new program supply agreement was reached in August this year and will provide continuity for the company its audiences and its advertisers through until the end of June 2023.

And although we will pay more for the supply of content into the future we will also receive more content with the inclusion of the Big-Bash-League, test-cricket and women's-cricket-matches.

Significantly, the new deal is fixed for 5 years, and replaces what had been a rolling three-year arrangement.

This means we have much greater certainty about our content supply and the pricing of that content, in a market that we expect to remain volatile. A very good outcome.

I mentioned in my address to shareholders last year that we welcomed the long-anticipated media reforms and that there was no doubt that scaled media companies are the future.

Though the industry has been slow out of the blocks it is encouraging to now see that deals are being made and that the benefits of scale through mergers has become evident

And Prime shareholders can be assured that we are engaging in discussions and working to identify opportunities where prime can participate. Prime is the no.1 performing regional network and has held a lead audience share in its key markets for the past 7 years

In tandem Prime is also exploring opportunities to diversify its revenue no matter how big or small provided those opportunities align with Prime's core business, this includes looking at digital assets that have a regional focus.



In the interim Prime's operating environment will continue to be characterised by challenging regional advertising markets and increasing content costs.

We have high expectations for the summer of cricket, state elections in Victoria and New South Wales as well as the federal election next year all of which auger well for regional advertising markets.

Nevertheless, your Directors' have taken a conservative view that it is more prudent to repay interest-bearing debt than to distribute dividends at this time so we can ensure that the company's balance sheet is strong.

This has been a difficult decision but we believe it is in the best interests of shareholders in the current environment.

Your Board acknowledges that the decision to suspend dividend payments has received a mixed reception from shareholders. In keeping with normal practice, we review our dividend policy when we are finalising our accounts every six months and this will continue.

It has been a privilege to chair Prime during a period of significant challenge and change.

While regional advertising markets have and continue to be very tough, prime has maintained the highest share of ad revenue and audience share, with both above 40%.

Significantly, the new deal with Seven gives the business a strong platform from which to maintain our very high shares of audiences and revenue.

As well as cricket, it locks in our broadcast rights to AFL, which is a marquee sport in most of Australia's regional markets.

So after almost 5 years as chair and with the program supply agreement locked in, I believe it is the right time to deliver a smooth transition to new leadership.

This morning I informed the Board of my intention to retire in the New Year.

Over the coming months, the Nomination & Remuneration Committee will lead the renewal process to ensure the best candidates are available to lead Prime through the challenges being faced by regional free-to-air television.

That ends the formal part of my remarks.

I would now like to introduce you to our chief executive Ian Audsley.

In what is an intensely competitive industry, Prime is very fortunate to retain Ian's services as CEO because he is one of this country's finest broadcasting executives.

Thank you Ian.



CHIEF EXECUTIVE OFFICER'S ADDRESS TO SHAREHOLDERS

Thank you for that John, very good of you. Good morning Ladies and Gentlemen.

The 2018 financial year was once again a year in which Prime delivered the best performances in regional television winning both the ratings and the revenue race despite a strong challenge by our competitors.

On the east coast Prime delivered over 40 percent of the audience and took almost 42 percent of advertising revenue while on the west coast Prime's subsidiary GWN delivered over 53 percent of the audience and took almost 67 percent of advertising revenue – the result of strong incumbency in what has only recently become a 3-commercial station market.

Local regional news continues to be key to Prime's engagement with regional viewers. Both Prime and GWN local news bulletins continued to dominate news ratings in every market in which they are broadcast.

And as we demonstrated with our third public affairs special with Ray Martin which delivered 55-percent of the available TV audience and every key audience demographic young and old male and female regional audiences rely on their local TV station for local news and local stories.

Continuing the winning theme, the April 2018 Commonwealth Games delivered a 56.7 audience share on the east coast and a 60 audience share on the west coast advertiser support was strong.

But with fewer days of competition and fewer events each day, the Commonwealth Games could not generate the revenue opportunity of the Rio Olympics.

The recent renewal of Prime's program supply arrangement with the Seven Network was pivotal to the company's future.

A market precedent was set in 2016 at 50 percent of gross advertising revenue for content/channel supply in the market.

While the terms of our agreement prevent me from divulging just what Prime is paying we believe we achieved a good result securing Prime's access to the no1 rating programming in Australia that includes two of the key national sporting codes AFL & cricket.

Regional advertising spends declined again in the 2018 financial year as free-to-air television is disrupted by digital platforms at both national and local advertiser level.

The disruption is evident from Prime's past & present results and competition for regional audiences has never been greater.

Accordingly, Australia's media laws must continue to be reformed in-step with the rapidly evolving Australian media environment.



In particular, the rules that preclude free-to-air commercial television from participating in certain forms of advertising or from showing some categories of advertising at certain times of the day, the beneficiary of these out-of-date rules are the international tech giants who continue to operate unregulated and unrestricted. Australian media jobs and the growth of Australian media companies is dependent upon equitable participation in the advertising market legacy. Rules can no longer be supported in a world where ubiquitous digital platforms are unencumbered by regulations.

Despite the ongoing regulatory challenges faced by free-to-air commercial television, it remains the most powerful medium to engage and motivate large audiences.

And, although regional markets are yet to see the light at the end of the tunnel across Prime's viewing areas, populations are growing, government investment is increasing and housing markets are outperforming those in the capital cities.

We believe this growth story is a compelling backdrop for regional media, as we have said over the past number of years, traditional media companies will require scale to compete.

And with a long-term program supply deal in place – one that has a history delivering year-in and year-out and a winning culture that has delivered the best results in audience delivery, ad sales and local news programming, Prime should be a cornerstone regional asset for advertisers and, frankly, for any large scale traditional media platform.

Turning to the outlook for the remainder of this year, Prime's performance is without peer in regional television broadcasting but as I have stated Prime is operating in an increasingly challenging environment.

Prime's advertising revenue has not improved since our last trading update. Total advertising revenue to October 2018 has declined 9.5% on the prior period. National agency revenue is back 8.4% for the 4 months to October 2018 and local direct revenue has declined 12.3%.

Forward bookings for the cricket schedule over the summer have been encouraging with December bookings up 9% on the same time last year.

Leading into the half-year, we expect earnings before interest tax depreciation and amortisation (EBITDA) to be in the range of \$15.5 million and \$17.5 million.

Interest bearing debt is forecast to remain between \$28 million and \$30 million.

With this back drop in mind, the Board will continue to prioritise the reduction of interest bearing debt.

We must act prudently to ensure that the company is best placed in this changing environment and importantly to ensure the company's ability to take advantage of opportunities as they present themselves – whether that is a market rebound or transformational media transaction.



In accommodating an increased program supply fee we had to identify cost savings in a business that already runs lean. As a result, we reduced key management personnel by fifty percent. So I'd like to thank Emma McDonald, Shane Wood and Tony Hogarth for the tremendous contribution they made individually and as part of the executive team over the course of their employment with Prime and I also thank John Palisi and Dave Walker for stepping up to increased responsibility and workload as a result of the KMP reduction.

In closing, I thank the board for its ongoing support & guidance.

I also extend my thanks to Prime's dedicated staff who work tirelessly to keep us at the top of the charts they are as committed a bunch as I've ever had the pleasure to lead.

Thank you and good morning.