



## **2019 SCHEME MEETING**

### **CHAIRMAN'S ADDRESS TO SHAREHOLDERS**

**Sydney 19 December 2019: Prime Media Group (ASX:PRT)**

Good Morning Ladies and Gentleman and welcome to the Prime Media Group scheme meeting to consider the proposed merger between Prime and Seven by way of scheme of arrangement.

It is now 10:00am and a quorum being clearly present, I declare the Scheme Meeting open. Could I ask that you please turn off your mobile phones and any recording devices.

All directors are present this morning, including Chief Executive Officer Ian Audsley. We also have with us Prime's Chief Financial Officer John Palisi and General Manager Sales & Marketing Dave Walker.

As I am sure you are all aware, on 18 October 2019 Prime announced that it had entered into a binding scheme implementation deed under which it is proposed that Seven will acquire all of Prime's issued shares by way of a scheme of arrangement.

If the Scheme is approved by Prime Shareholders and by the Court, and all other conditions precedent are satisfied or waived (if applicable), Prime will become a wholly owned subsidiary of Seven and it is expected that Seven will apply for Prime to be delisted from the ASX. Your directors unanimously recommended that you vote in favour of the Scheme, in the absence of a superior proposal and subject to the independent expert continuing to conclude that the scheme is in the best interests of shareholders.

Prime engaged Lonergan Edwards as the independent expert. Lonergan Edwards concluded that while the offer from Seven was not fair, it was reasonable and, on that basis, in the best interests of Prime shareholders.

At Prime's Annual General Meeting, held on 21 November 2019, Prime's directors set out their reasons why they unanimously supported the proposed merger with Seven. While I don't propose to go through the reasons in detail today, suffice it to say that Prime's future as a regional television broadcaster will continue to be challenged as streaming services accelerate the decline of regional television audiences and regional advertising revenues.

Since Prime's Annual General Meeting, the Seven Network has agreed to allow Prime to pay a fully franked special dividend to shareholders of 3 cents per share in the event that the scheme is approved by shareholders and becomes effective.

The Australian Competition and Consumer Commission has also announced on 18 December 2019 that it had reviewed the impact on advertisers and news consumers across a number of different markets, and concluded that the proposed merger between Prime and Seven was unlikely to substantially lessen competition or choice for advertisers and consumers. The Australian Competition and Consumer Commission did not oppose the deal.



Your Prime Board confirms today that no superior proposal has been received by Prime since announcement of the Scheme Implementation Deed on 18 October 2019. And as at the date of this Scheme Meeting, the Independent Expert, Lonergan Edwards, has not changed its conclusion that the Scheme is not fair but reasonable and, on that basis, in the best interests of Prime shareholders.

As I am sure you have followed in the press, Prime's two major shareholders have publicly stated that they do not support the merger with Seven, and as we confirmed in our ASX announcement yesterday, they have voted against the Scheme. Based on the proxy results received to date, the Prime Board expects that the scheme will not proceed. This is a disappointing outcome for the majority of Prime shareholders and for the regional television industry in general.

The majority of shareholder feedback since the announcement of the special dividend has been positive and indeed supportive of the proposed merger with Seven. Had interests associated with Mr Gordon and Mr Catalano not voted, then based on proxies received to date the scheme would have been approved by shareholders.

Your Board will now review its priorities in the new year. Through the course of this transaction we have received a lot of feedback from shareholders regarding the re-introduction of the dividend program.

This topic is one that the Board continues to think about very carefully. As the shareholders have voted that the company remain independent the Board's primary obligations is to ensure we have the balance sheet strength to deal with the continuing weak advertising market and the continued encroachment of new players into our market. As we highlighted in our profit guidance in November 2019, regional advertising markets had declined 5.4% to October 2019 and there are no signs of improvement as we near the end of the December quarter.

Our first priority is to pay off the company's debt and then to build a cash reserve which can give us the financial ability to have strategic options. So I want to be very clear on how the board sees the options for cash flow and right now we can not see a path to reinstating dividends in the foreseeable future. We believe that it is our obligation to understand and face reality and whilst we know this call will be unpopular it is our judgement that it is in the company's best interests.

Lastly, before we move to the formal agenda of the meeting, I would like to outline my intentions as Chairman of Prime on the assumption that the scheme resolution will not be approved at today's meeting.

I announced my intention to step down as Chairman of Prime at the 2018 Annual General Meeting. When negotiations with Seven began earlier this year, I was asked by my fellow directors to remain as Chairman in order to provide stability as we progressed the proposed merger. However, today marks the end of that process and I intend to step down as Chairman of Prime at the conclusion of this meeting.

The Board has deliberated and appointed Peter Macourt as interim Chairman until such time that a permanent successor is found. Peter has served as a director of Prime since 2014 and is exceedingly well-credentialed.

I would like to take this opportunity to thank shareholders for their support during my tenure as Chairman. I would also like to thank the management and Board of Prime with whom I have enjoyed working very much.



End.

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