



19 November 2020

2020 Annual General Meeting

Chairman's Address

Chief Executive Officer Address

Chairman: Peter Macourt

To say it has been a turbulent year for the company, its staff and shareholders, would be an understatement. For all of us, the 2020 financial year will be remembered for its major drought, devastating bushfires and the rapid onset of the global COVID-19 pandemic.

The significance of the pandemic and the speed with which it impacted Prime, its employees, advertisers and our regional audiences, has been unprecedented in the company's 50 year history.

Prior to the pandemic, regional advertising markets had already experienced year on year declines due to the ongoing structural change in the media broadcasting industry and, in particular, the introduction of streamed entertainment services.

As was reported in our interim results, advertising revenues had already declined 7.4% for the half-year to 31 December 2019.

The impact of the COVID-19 pandemic on Prime's business and operations was immediate. As reported to the market in March 2020, government measures to slow the rate of infection by closing borders, reducing business operation hours and restricting gatherings - while all appropriate and necessary - accelerated the decline in regional advertising markets.

In May 2020 the impact of the pandemic on Prime's advertising revenue was acute with the company announcing that total revenue for the financial year to April 2020 had fallen \$20.2 million, or 12.7% on the prior year, while revenue for the month of April 2020 had fallen \$6 million or 38.1% on the prior year.

During this period Prime registered for, and received financial assistance under the Federal Government JobKeeper program and the Public Interest News Gathering funding, to maintain staff employment and local TV news services.



We acknowledge and thank the Federal Government for the financial relief made available during the pandemic. The funding provided certainty for regional businesses and audiences desperate for local news at a time of great disruption.

However, we will continue to urge the Federal Government to act on the structural decline in regional media. Since the 2013 Joint Select Committee Hearings on Broadcasting Legislation, successive governments have acknowledged the disruption and decline of regional media and the outdated television licencing system.

More recent amendments to media ownership laws to allow metropolitan broadcasters to merge with regional broadcasters have not significantly changed the structure of media ownership in regional Australia.

Today regional broadcasters remain under-sized and without the financial capacity to compete with the likes of Google, Facebook, Youtube, Netflix and Disney and the streaming offerings from the metropolitan TV broadcasters – from whom we purchase our programming.

The dramatic reverse in fortunes for regional television broadcasters over the past five years continues to highlight that the Federal Government's regional television licencing framework is out of date, and acts as a barrier to investment and growth in this important regional news, information and entertainment sector.

As demonstrated during the bushfires and the pandemic, regional broadcasters are an essential service for 9.5 million regional Australians. Our news services are highly valued by the audiences that we serve.

The evidence is clear. The options are clear. It is time the Minister for Communications, the Honourable Paul Fletcher to demonstrate his support for regional commercial television audiences and operators by advocating changes to media ownership laws that are relevant to regional television's circumstances and provide for a vibrant and financially sustainable industry.

Lastly but certainly not least, I would like to acknowledge the tremendous contribution of Prime's staff throughout the COVID-19 pandemic and particularly in periods of lock-down.

Our staff endured through the changes brought about by the COVID-19 pandemic. A significant number of staff had their working hours and incomes reduced as Prime sought to



comply with government restrictions to limit the spread of the pandemic while maintaining business continuity. Against this backdrop Prime delivered a statutory profit of \$6.6 million, which is a resilient result.

I am pleased to report that we are now seeing the benefits of our long held strategy to pay off interest bearing debt, which resulted in a net cash position of \$17.1 million at 30 June 2020. With the assistance of government funding Prime will have in excess of \$29.0 million as we come into the interim reporting for the 6 month period to 31 December 2020.

It is important to recognise that since 30 June 2020 Prime has received \$4.2 million of Public Interest News Gathering grant funding from the Federal Government, \$4.4 million of JobKeeper payments also from the Federal Government and salary amounts sacrificed by Prime staff, executives and Directors continued up until 30 September 2020.

The Board appreciates that shareholders have not received dividends in recent times. However, if we are to deliver future shareholder value, we must diversify our income stream. Our industry is shrinking and audiences and advertisers will not return to historic levels. The cash reserve is critically important to Prime's ability to diversify without taking on interest bearing debt in its core business. So, in keeping with normal practice, the dividend policy will be reviewed at each financial reporting period as our accounts are finalised.

To assist the company in the development and guidance of a diversification strategy, the Board has commenced a search for additional directors with the necessary skills and experience for this future, and is in the process of appointing a strategy executive to identify value creating opportunities.

As I have previously indicated, I propose to retire as Chairman of the Board following the appointment of new directors.

In closing I'd like to assure Prime's shareholders that the company is in good shape. 2020 will be the company's 8th year as ratings and revenue leader in regional Australian television. Prime is free of interest bearing debt and is generating amounts of cash to put toward its future development and growth. With patience – the rewards will come.

I'd also like to acknowledge the tremendous and tireless work and efforts of Prime's senior executives in guiding the business through the worst effects and impacts of the pandemic.



Chief Executive Officer: Ian Audsley

Good morning and I too extend my welcome to shareholders to Prime's first ever virtual online Annual General Meeting.

The first half of the 2020 financial year was disappointing with the regional 3AGG advertising market falling 7.2% while Prime fell 7.8%, or \$6.9 million. We did however maintain our market-leading 41.2% revenue share.

Apart from the advertising market experiencing a dramatic decline, Prime's programming costs with the Seven Network included a final step up under the current program supply agreement and fees associated with the failed scheme of arrangement with Seven West Media were major influences on the decline in the company's profit in the half.

Total revenue for the half finished just short of \$91.0 million, back 7.2% on the prior corresponding period. Core net profit after tax fell to \$5.5 million, which was within market guidance.

But it was the second half that was to provide Prime with its biggest ever challenge. We could not have imagined a pandemic, or the magnitude of change it would force upon the company.

As States went into lock-down, advertising cancellations were both swift and dramatic in volume. There was no insight into when, or if, the advertising market would stabilize in the short to near term. The company responded by dramatically scaling back expenditure as a strategy to ride through the storm, but more was to come.

In late March 2020, the AFL postponed the home and away season - a business disruption that wreaked havoc with programming schedules, audience behaviours and an increase in the rate of advertising cancellations.

Significantly for Prime and its advertising partners, the AFL found a way, and the season was reinstated on 11 June providing a timely and important boost to revenue. We congratulate the AFL, the Seven Network and the various State governments involved, on the manner in which they responded to the threat the pandemic posed to the game.

But the weeks and months in between called for disciplined belt tightening. Directors and executives volunteered 20% pay cuts to September 2020. Executives voluntarily surrendered short-term and long-term incentives for the 2020 financial year.

We also acknowledge the strains and pressures our staff have endured. The health and wellbeing of our staff, was, and continues to be, paramount. To their credit, productivity has remained high throughout the pandemic and I say to all the staff at Prime, thank you and well done.

Prime's local news reporters and camera operators were at the forefront of the pandemic – on the beat every day; talking to their local community leaders; health experts; and police to keep audiences up to date with the latest information necessary to living safely under COVID-19.



The financial impact of COVID-19 upon Prime in the second-half was a total revenue decline of just over \$21.0 million on the prior year and on a full year basis declined \$28.2 million.

Full-year EBITDA of \$20.3 million fell by 47.3% on the prior year. Prime's core net profit after tax of \$6.0 million fell by almost 65% on the prior year. Statutory net profit after tax of \$6.6 million was down 10% on the prior period.

We reported in our recent trading update that national agency revenue in the first 4 months of this financial year was back 3.6%. However we were encouraged by good advertiser and audience support for the compressed AFL home and away season and finals series, including the Grand Final.

Local revenue however is back 14.8% compared to the prior period due to border closures, travel restrictions and a general economic downturn in regional markets associated with COVID-19.

Total advertising revenue was down 6.6% over the four-month period compared to the same time last year.

Turning to the outlook.

Forward bookings to the end of this calendar year are encouraging with growth in the retail category as well as package goods, fast food advertisers and government and communication categories.

There is growing interest from national advertisers to support the Big Bash League with 17 matches throughout December and a further 28 matches throughout January, including the finals series providing us with good opportunity. However the Indian test cricket series is only 4 test matches compared to 6 test fixtures last year, with 2 being played in December 2020 and 2 in January 2021.

We expect local direct advertising to remain subdued as regional Australia recovers from the financial impact of the pandemic.

Prime's earnings before interest tax depreciation and amortisation for the half year to 31 December 2020 are expected to be between \$16.0 million and \$18.0 million inclusive of government assistance programs.

Statutory net profit after tax and before audit adjustment is expected to be between \$7.5 million and \$9.5 million. This result includes revenue recognised from government assistance programs of \$5.2 million.

At 31 December 2020 we expect to have an accumulated net cash position of between \$29.0 million and \$32.0 million.

Since 30 June Prime received JobKeeper payments of \$4.4 million and a prepayment of \$4.2 million for the Public Interest News Gathering grant. Prime was not eligible for financial support under the JobKeeper program from 28 September 2020.



The Seven Network has built a strong broadcast schedule for 2021, boasting a field that includes the aforementioned cricket schedules; the Supercars Championship series; the AFL home and away season and finals series; and the 2021 Tokyo Olympic Games. The sports slate will be a key revenue driver for Prime.

While we are encouraged by the short term outlook, the structural decline in regional advertising markets will continue unabated. As Peter highlighted, we compete for audiences with some of the richest but least regulated entertainment platforms available, such as Netflix, Disney Plus, YouTube, Facebook, Amazon Prime as well as Nine, Seven and Ten streaming and catch up services.

The list of streamed services in Prime's television licence markets continues to grow and our audience and revenue opportunities continue to erode.

Prime, along with other traditional regional media companies, has watched its revenue and earnings decline at mid-single digit rates since 2015, the year the government owned NBN was introduced, which enabled international tech-media giants and metropolitan media and entertainment platforms to penetrate our licenced markets.

However, no attention was paid to the likely impacts on regional Australia's heavily regulated traditional media companies. All bar none are under increasing financial pressure while the government remains seemingly unsure of which way to move.

The regional television industry has made the arguments for urgent reform of regional commercial television broadcasting regulations. However, the government has declined to meet with the industry, preferring to trim around the edges rather than to work collaboratively to deliver true reforms that would deliver investment and growth opportunities.

This is concerning when it is accepted across the spectrum of political parties that without significant reform, our sector faces an existential threat.

The industry has united to launch a new Save Our Voices campaign, following on from the 2015 campaign that ultimately delivered reforms to the audience-reach-rule and two-to-a-market rule.

I urge all shareholders to participate in this fight by firstly going to the Save Our Voices website, where you will find a number of video interviews conducted by Ray Martin dealing with the issues.

If you are a shareholder living in regional Australia, please contact your local Federal Member of Parliament and tell them you are a shareholder in a regional media company and ask them what they and their party are doing to secure a vibrant and sustainable future for regional Australian media.

Thank you and good morning.



Authorised for release by the Board of Prime Media Group Limited.

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