

Tuesday February 20, 2018

Seven West Media releases interim financial results for half year ended 30 December 2017

HIGHLIGHTS

- Underlying EBIT of \$159.3m, up 7.2% YoY
- Cost out progress with \$25m headcount reduction in TV in FY18
- Operating expenses down 13.8% in the half (including the Rio Olympics in 1H17)
- Group net debt reduced to \$711m; 2.3x leverage vs 4x covenant
- SWM maintains full year underlying EBIT guidance of \$220-240m
- Increased cost out target from \$105m to \$125m across FY18 and FY19
- Dividend temporarily suspended with focus on prudent capital management and balance sheet flexibility in post media reform environment

Overview

The Managing Director and Chief Executive Officer of Seven West Media, Tim Worner, said: “We have intensified our focus on the core with ratings, revenue and costs the priority.

“The return to growth in the FTA advertising market has been encouraging. With this momentum continuing in the second half, we now expect the TV market to grow in the 2018 financial year.

“We are confident in our new 2018 content schedule, which has already delivered a strong start to the ratings season. 2018 will see us capitalise on our proven ability to grow and deliver strong FTA and online audiences, featuring the 2018 Winter Olympics, the Commonwealth Games in April and AFL. The recent successful launch of 7plus provides us the platform to greater monetise audiences for our content whenever and wherever they want to consume it.

“We have reaffirmed our FY18 financial year guidance issued at the AGM for underlying EBIT to be between \$220 million and \$240 million.

“We have also announced the temporary suspension of our dividend as a prudent capital management step to retain flexibility post relaxation in media ownership legislation.

“The pace of our transformation is accelerating, as we adapt our model to a leaner, more agile company. We have today announced an increase to our cost reduction target to \$125m over the 2018 and 2019 financial years.

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“In FY18, we will deliver \$40 million of cost savings, offsetting the AFL uplift and the spectrum charge, which will result in an overall small reduction in group operating costs. In FY19, we are targeting an incremental \$70 million in net reductions to group operating expenses.

“The transformation of the group will also be marked by our headquarters moving to our existing premises, Media City, in Eveleigh in Sydney this year. We are all looking forward to bringing our Sydney teams together in our new modern workspace, that will foster even greater collaboration,” said Mr Worner.

Results

Seven West Media reports a profit after income tax of \$100.7 million on total revenue of \$811.3 million*. EBITDA of \$176.8 million is up from \$170.8 million in the prior corresponding period with EBIT of \$159.3 million up from \$148.5 million in the prior corresponding period. No significant items were recorded in the period.

Interim Results	Half Year Ended 30 December 2017	Half Year Ended 24 December 2016
Total Revenue*	\$811.3m	\$905.1m
EBITDA	\$176.8m	\$170.8m
EBIT	\$159.3m	\$148.5m
Underlying NPAT	\$100.7m	\$95.7m
Underlying EPS	6.7 cents	6.4 cents
Interim Dividend per Ordinary Share	-	2 cents
Profit before tax (including significant items)	\$142.8m	\$46.8m
Profit after tax (including significant items)	\$100.7m	\$12.4m
Basic EPS	6.7 cents	0.8 cents
Diluted EPS	6.7 cents	0.8 cents
Reconciliation to statutory results:		
Profit before significant items, net finance costs and tax	\$159.3m	\$148.5m
Net finance costs	\$16.5m	\$19.1m
Profit before tax excluding significant items	\$142.8m	\$129.4m
Significant Items	-	\$82.6m
Profit before income tax	\$142.8m	\$46.8m

* Revenue includes share of equity accounted investees and other income

Cost Management

Group operating costs (including depreciation and amortisation) decreased 13.8 per cent in the period to \$652.0 million. This includes the Rio Olympics in the previous half, uplift in AFL rights and RLWC in the current half and an ongoing focus on cost control. Pacific recorded material cost reductions, down 26.6 per cent versus the prior half.

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Outlook

Looking forward, the strategic goals for the group are clear and include:

1. Focusing on the core and delivering stronger ratings and revenue driven by our major events and new programming schedule;
2. Transforming the business model to be leaner and more agile, maintaining our focus on cost reduction, delivering and exceeding the cost savings we promised.
3. Creating, owning and controlling more exceptional content and ensuring we are maximising the return on this investment with the most effective windowing strategy.
4. Driving greater adoption of 7plus and delivering on the product roadmap rollout.
5. Investing in adjacent verticals where we can leverage our audience and brands.

End.

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About Seven West Media

Seven West Media (ASX: SWM) is one of Australia's leading integrated media companies, with a market-leading presence in broadcast television, magazine and newspaper publishing and online.

The company is the home to many of Australia's leading media businesses – Seven, 7TWO and 7mate, 7flix, Pacific Magazines, The West Australian, The Sunday Times and Yahoo7, and the biggest content brands including My Kitchen Rules, House Rules, Home and Away, Sunrise, the Australian Football League, the Olympic Games, Better Homes and Gardens, marie claire, Who, The West Australian, The Sunday Times, PerthNow, racing.com and 7plus.