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Company Announcements Office  
Australian Securities Exchange Limited  
20 Bridge Street  
SYDNEY NSW 2000

***By electronic lodgment***

**Total Pages: 14 (including cover letter)**

Dear Sir / Madam

**HALF-YEAR RESULTS PRESENTERS' NOTES**

Please find attached Presenters' Notes for the financial half-year ended 28 December 2013.

Yours faithfully



**Warren Coatsworth**  
Company Secretary



## **Half Year 2014 Results Presentation**

### **Slide 1**

#### **Opening slide – Tim Worner**

Ladies and gentlemen, welcome to the Seven West Media 2014 half year results, thanks for joining us.

I'm Tim Worner,

Joining me today for the presentation are:

- a. Dave Boorman – our Chief Financial Officer
- b. Kurt Burnette – Chief Revenue Officer
- c. Nick Chan – Chief Operating Officer
- d. Chris Wharton – Chief Executive Officer of SWM WA

We will be happy to take questions at the end of the presentation.

Let's get under way.

### **Slide 2**

#### **Disclaimer – Tim Worner**

On page 2 is our disclaimer, of course customary for presentations of financial results.

### **Slide 3**

#### **Agenda - Tim Worner**

On slide 3 is the agenda for today. I will run through the performance in the first half of our 2014 financial year. I will also give you an update on our outlook and update progress on key cost initiatives.

Dave will then take you through the financial results in more detail before I review the business performance in TV, Digital, Newspapers and Magazines. We will then discuss our progress in some of the key areas of our strategy, which revolve around content at the core of our business. We are a content company, dedicated to massing the biggest audiences possible. We

have great brands, and we use those brands across our media assets anywhere, anytime. But more on that later.

## **Slide 4**

### **Half Year Overview**

Now to the financial highlights on slide 4, in the first half of fiscal 2014, Seven West Media delivered net profit after tax of \$150m, up 5.5% on the same period last year.

I'm pleased to report group revenue trends are improving and we've seen the TV market return to growth this half. Despite operating in what is widely acknowledged as a challenging market the rate of decline in our Newspaper and Magazine businesses is lessening and we are outperforming peers. This is a testament to our brands and our people in those businesses. Online is also delivering significant growth in video.

Our cost initiatives are on track with total group costs reduced by 0.2% compared to last year.

Group EBIT of \$250m was down 3.5% on the first half of 2013, primarily due to ongoing pressures in our print businesses, however our businesses remain strong, demonstrated by the group's 28% EBITDA margin in the half.

EBITDA margins in our Television business remained very strong at 30%, demonstrating our ability to deliver market leading operating results, without sacrificing profitability.

Print advertising conditions remain challenging and we have not been immune to softer economic conditions in WA, despite this we've performed well growing advertising share and maintaining market leading margins in those businesses.

Seven West Media continues to generate strong operating cashflow with \$256m this half and we have maintained our approach to using this cashflow to pay down debt and pay dividends to our shareholders.

Our leverage has continued to reduce and last week we completed the refinancing of new long term debt facilities.

Our board has declared an interim dividend of 6 cents per share which is in line with the corresponding period last year.

## **Slide 5**

### **EBITDA Margin Graphs - Tim Worner**

On slide 5 we show our current and historic margin performance. All of our businesses are profitable and importantly show a healthy margin compared to our peers, especially in television. As a result of the cost initiatives, year-on-year margins of the combined group have remained relatively stable.

Moving on to slide 6.

## **Slide 6**

### **Performance and Outlook - Tim Worner**

The advertising market improved in the half, up 4.8% with a stronger performance from the FTA television market, which grew by 5%. Print conditions remain challenging although the rate of decline has lessened.

In terms of our outlook for the market for financial year 2014, we have upgraded our advertising market growth expectations for television from the low single digit growth, we issued at year end, to low-to-mid single digit growth. We have maintained our outlook on the Newspaper and Magazine markets for a continuation of current trend and the rate of decline expected to lessen respectively.

There is no doubt we are operating in intensely competitive markets, but Seven has continued to deliver leadership with a 39.7% share in a half that included two series of Ashes cricket. For the 2013 calendar year, we therefore delivered a 40.1% share of the metro advertising market.

Newspapers increased metro advertising market share to 16% from 14% and magazines increased share to 28% from 25%.

In terms of the outlook for Seven West Media, for the 2014 financial year we expect to deliver low single digit growth in group net profit after tax on the prior year excluding significant items.

## **Slide 7**

### **Costs Focus – Tim Worner**

Slide 7 details our progress on costs.

Our costs initiatives are on track to deliver the benefits in 2014 that we outlined in our previous financial year and we maintain our guidance for full year costs to be similar in absolute terms.

As part of these cost initiatives we have reduced headcount in the business, renegotiated supplier agreements and found new ways to share resources across our group.

We've worked hard to instill in everyone across the group a different way to look at costs. A significant component of our cost base is in content. So when it comes to content you've got to become more creative in the way you produce it. You also have to be prepared to walk away when 3<sup>rd</sup> party content deals simply don't make sense financially. It's never an easy walk but there are times when it has to be done.

I will now ask our CFO, Dave Boorman to take you through the financials in more detail.

## **Slide 8**

### **Financials – Dave Boorman**

Thanks Tim.

## **Slide 9**

### **Group Key Financial Numbers – Dave Boorman**

Turning to slide 9 and the Group Financial Results. As highlighted by Tim, Seven West Media reported a net profit in the half of \$150m. The prior period was impacted by significant items, therefore on an underlying basis, net profit grew 5.5%. Our Basic EPS grew 1% to fifteen cents per share excluding significant items, while our diluted EPS grew 6.5%. The diluted Earnings Per Share adjusts the number of shares for the CPS assuming it was converted at a 5 day average price to the 28 December.

## **Slide 10**

### **Income Statement – Dave Boorman**

Slide 10 shows the income statement for the half.

Total group revenue was 1.1% lower than last year, at just under \$976m, with a Television revenue increase of 2.6% being offset by publishing revenue declines.

Operating costs decreased by 0.2% leaving EBIT at \$250m down 3.5%, representing 26% of revenue.

Finance costs reduced 27% compared to last year. This follows the debt repayment resulting from the capital raising in the prior half, lower interest rates and a one off amortization of upfront payments relating to the cancellation of one of our debt facilities in the first half of last year.

Tax expenses of \$60m were 14% higher due to improved profitability in the period, which was clearly impacted by significant items in the prior year.

## **Slide 11**

### **Net Debt / Cash Flow – Dave Boorman**

Slide 11 demonstrates our strong operating cashflow performance at over \$250m for the half year, and I would like to highlight a few things.

Working capital shows a small cash outflow for the period, most of which relates to timing differences on major contracts.

Net finance costs have reduced due to lower interest rates, and lower debt levels as mentioned previously.

Capex is in line with the previous year although we expect this to be higher in the second half as we continue the implementation of our strategic initiatives and incur spend related to the 2.5GHz spectrum migration which is of course fully Government funded.

## **Slide 12**

### **Net Debt – Dave Boorman**

Turning to net debt on slide 12.

Group net debt declined 9.6% to just over \$1.1 billion compared to the prior first half and has declined 8.0% since June 2013. We have continued to use our strong operating cashflows to pay down debt. The group's debt leverage ratio at 28 December stood at 2.4 times EBITDA.

On 13 February 2014 we finalised new revolving bilateral credit facilities totalling \$1.4 billion and used funds drawn from these facilities together with available cash reserves to repay all amounts outstanding under the existing facilities. We have also made a permanent repayment of our debt facilities of over \$100 million.

Our new facilities lock in more favorable pricing and provide us with the financial flexibility to meet the groups funding requirements for our strategic initiatives. We are very pleased to have completed the refinancing of the facilities, which demonstrates the strong support of our banking partners.

These long standing debt facilities have an initial maturity date of October 2017 at which time they can be extended.

Turning to performance levels.

## **Slide 13**

### **Group Revenue Performance – Dave Boorman**

Slide 13 shows the performance of each business in terms of our year-on-year revenue growth. Television has delivered a strong result in competitive markets, reflecting our leading ratings and market share performance in the half with a 39.7% share of the metro television advertising market, based on FreeTV data. Television continues to increase in terms of revenue contribution for the Group, reaching 70% for the half year 2014.

Revenue from the publishing businesses contributed over \$260m for the period, but revenue trends remained challenging.

## **Slide 14**

### **Group Costs and EBIT – Dave Boorman**

Slide 14 shows the breakdown of costs and EBIT by division. Total costs declined 0.2%, or \$1.5m year-on-year, reflecting the cost initiatives put in place and executed throughout the period. Television costs increased 2.8%, however this was due to the timing of programming costs and we would expect TV costs for the full financial year to grow at around CPI levels. EBIT for television was \$190m, and grew 2.2% on the prior period, although we expect a stronger growth in the second half given timing of costs in this period.

Newspaper and Magazine costs reduced by 7.9% and 5.6% respectively while EBIT for the divisions was impacted by revenue pressures.

Other comprises of Quokka, regional newspaper publishing and regional radio in Western Australia as well as our earnings from associates, including our JV, Yahoo!7. 'Other' costs were broadly flat up 0.7%, while EBIT grew 2.0%. Growth from Yahoo!7 was offset by declines predominantly related to the performance of print classifieds in Quokka and the Community Newspapers

## **Slide 15**

### **Television Divisional Performance – Dave Boorman**

Slide 15 covers the specific performance of the Television division and the disclosure is consistent with previous presentations.

Advertising revenue includes all metro and regional advertising revenues, delivering growth of 2.9% for the first half.

Other revenue includes affiliation fees and program sales, which grew 0.8% year-on-year.

As mentioned previously, Television costs grew 2.8% year on year due to the timing of programming costs. Notwithstanding the slight increase in costs, EBIT increased 2.2% year on year, maintaining margin levels at 28% of revenue.

## **Slide 16**

### **Newspapers Divisional Performance – Dave Boorman**

Moving onto Newspapers on slide 16. The weakness in the newspaper sector is evident in the decline in advertising revenue of 14% in the period. This compares to a relative market decline of 16.3%.

A weaker employment market and property market conditions impacted classifieds, while softer retail conditions weighed on local display advertising.

Classified advertising revenue trends remained the weakest segment in the West's advertising revenue. Circulation revenue declined 5% in the period with circulation volume declines partially offset by the cover price increase in September 2012.

Cost performance at the Newspaper division showed an absolute reduction of 9.1% excluding depreciation and amortization, driven by the cost initiatives we outlined earlier, which included the restructuring announced in June 2013.

The cost performance ensured the newspaper business once again delivered strong EBITDA margins in the half, reporting 35% for the six months to December.

## **Slide 17**

### **Magazines Divisional Performance – Dave Boorman**

On slide 17, we show the financial performance of the magazines division.

The rate of decline in advertising revenue has lessened in line with our expectations, declining 7% in the half. This was a significant improvement on the 21% decline reported at the last results presentation.

Financial performance was also impacted by weakness in circulation revenue showing an 8.3% decline year on year.

Costs are down 5.6% reflecting savings in almost all operating areas of the business, which incorporates a reduction in amortization costs following the write down of licenses last year.

I will now hand back to Tim to talk through the operating highlights.



## **Slide 18**

### **Operating Highlights – Tim Worner**

Thanks Dave

## **Slide 19**

### **Television – Tim Worner**

Let's start with our television business on slide 19. The Television advertising market returned to growth after four consecutive halves of weaker performance. Seven again has the number one share of the metro TV advertising market. This marks our 15<sup>th</sup> consecutive half of delivering the highest metro television advertising revenue share and the fourteenth half of ratings leadership. The scoreboard tells us we are doing a lot of things right.

In 2013 we grew share in every demographic. Our content strategy continues to deliver results, 13 of the top 20 programs on FTA television were on the Seven Network.

In television, no one else has that record. No one can launch programs the way we do and in the last couple of weeks we have seen very clear evidence of a content and promotional strategy that is simply overwhelming our opposition.

We continue to invest in, and grow our own content with the number of hours produced increasing over 15% in the period. A lot of that is due to wider news and sports coverage, but you should also be aware we are creating more of our own series than ever before.

## **Slide 20**

### **Television – Tim Worner**

On slide 20, you can see the three pillars of our Television strategy which you are all familiar with by now. Our focus is still on Australian programs, live news and live sport. As I said previously we continue to invest in content and we take a strategic approach to our programming investment ensuring that it makes sense financially and that we can deliver results, which we feel we have proven with our strong revenue, ratings and margin performance.

We are seeing strong demand for our content internationally. Our programs and formats are now sold into over 160 countries. One example is MKR. We will soon see a New Zealand version, adding to the European versions already in existence.

We have also been expanding our production capabilities with new overseas ventures. In October we announced our JV with Beyond, which is focused on developing content for the US

market and we are working on more initiatives that increase our content offering, this time in Europe, so watch this space.

We have just launched our one hour news format on the east coast where we believe we can improve our share in what is a critical hour. The appetite for news is growing across all platforms. We are in an environment where everyone with a phone is a potential news gatherer. We are now seeing more news coverage and news pictures than ever before. Seven West Media's multiple platforms ensure we are well placed to take advantage of the opportunity this presents. Today Tonight in Perth and Adelaide have been maintained. They are very important local windows in those markets and will help us to continue our leadership in these markets.

The Australian Open continues to prove its value as a launch platform for Seven's schedule. 2014 is already setting records. It started with a record launch for My Kitchen Rules – Over the past 3 weeks, over 2.5 million Australians have watched Australia's favourite show every night. So far this season, over 7 million have tuned in to at least one episode on TV and there have been over 1 million streams of the show since launch. This is unprecedented for a franchise in its fifth season. Sunday Night has delivered its highest ratings ever. The INXS mini-series dominated, with the first episode being watched or downloaded by over 3.4 million people. Combined with strong numbers for Home & Away, Revenge and Winners & Losers - Seven is already sitting at record levels for 25-54s and 18-49s, and we are miles in front in the currently undervalued 'power' demographic of 40-64, amazing when you consider we are up against an Olympic Games. With a number of key shows still to launch over the coming weeks we are very confident in the outlook for 2014.

We have the strongest line up in terms of sports content with the AFL, Tennis, Golf and Horse Racing to build on our leadership in sport. We have long standing relationships with our partners and we have grown these sports together. We have announced an important expansion in our Golf coverage, securing the US Masters with a multi-platform, multi-year deal. This is THE most iconic contest in the sport of golf. It joins other iconic sport events – The Melbourne Cup, Wimbledon, the Sydney to Hobart yacht race, the AFL Grand Final, the Australian Open finals. They are all on Seven.

## **Slide 21**

### **Digital – Tim Wornor**

Moving to slide 21. Our digital strategy is focused on growing our footprint, using our content smarter and, getting it to an even bigger audience and getting it to them anywhere, anytime.

A great example, the launch of Hybrid Broadband Broadcast Television (Hbbtv) is on track for May this year. Hbbtv combines the power of broadcast television and the internet. This opens up new opportunities for us in video on demand, targeted advertising and e-commerce.

Essentially it provides us with a way to communicate with our audiences like never before. It offers us the chance to start having a 1 on 1 conversation with them.

The costs for us to deliver this service are not significant but we believe the revenue opportunity could be.

Now I want to be clear this will take time to come through as it will rely on the growth in the penetration of Hbbtv compatible televisions.

For those that were unable to attend our upfronts presentation we have uploaded a short clip on Hbbtv onto our website for you to get a better insight into what opportunities this platform offers.

The performance of Yahoo!7 has been positive. We have seen a real turning point in terms of strong demand for online video. We have upgraded our video serving platform to better deal with that strong demand, particularly for long form video. Video streams grew 13%. Video revenue delivered even stronger growth at 40% in the period.

In January Yahoo!7 TV (which includes the PLUS7 catchup service) secured triple the audience of other free to air offerings. Video streams grew 58% year on year. So far in February alone, we have delivered over 3 million streams, 1.8 million of which were full episodes. INXS added to it's already impressive TV audience with over 170,000 full length downloads of episode 1 within a week of going on air.

Downloads for My Kitchen Rules were almost 400,000 in the same week. In addition, Sunrise has streamed more than 800,000 videos so far in February alone. Quite simply we have never seen numbers like this. Plus7 clearly continues to be the #1 commercial catchup service in the country by some distance.

Display advertising is growing but at a slower rate with yields under pressure from ad exchange networks. However, we are working on extracting higher yields, given the premium nature of our sites by integrating rich data into our offering. We've run several Big data integrated campaigns on Yahoo!7 delivering positive results for our advertising partners.

## **Slide 22**

### **Publishing – Tim Worner**

On slide 22 we cover the publishing part of the Group.

The West Australian newspaper continues to outperform metro peers in advertising revenue share and circulation trends. The West has significant community engagement. 80% of Western Australians read The West Australian or visit thewest.com.au every month. We are building on this community engagement with the launch of a number of new West events.

We have been able to execute cost initiatives while maintaining the quality of our product. We have also maintained market leading margins, despite challenging revenue trends. As Dave touched on, as well as some structural pressures the West is also leveraged to economic conditions in WA, some of which have been under pressure over the last six months.

Print classifieds remain weak, but we note that the rate of decline in national display advertising is slowing. Circulation revenue declined 5% compared to last year, but we are exploring new distribution channels to improve circulation trends.

The West is heavily integrated with TVW7 Perth our most dominant station in any market. We continue to build on the level of integration and will be co-locating the businesses later this year to drive even greater collaboration, including an integrated newsroom to further improve our product and our efficiency.

We are on track for the rollout of the Newsgate platform, providing the catalyst to launch new digital offerings. This platform will allow us to publish once and distribute to multiple platforms.

The focus of our magazine business is to deliver and leverage leadership positions in key market segments. These segments are centered around peoples' passions.

The Magazines division continues to strengthen its competitive position in both readership and circulation.

Advertising market share for Pacific Magazines grew to 28% in the first half, up from 25% last year based on the latest SMI data.

The magazine brands continue to expand their footprint. In addition to circulation and readership, there is strong growth in the coverage and sales of digital editions, growth in our website metrics; and our social media network has more than doubled in the past six months. This is driving greater engagement with our brands and we are looking at new ways to monetize this opportunity.

## **Slide 23**

### **Strategy Update – Tim Worner**

Turning now to our progress on Strategy

## **Slide 24**

### **Content at the Core – Tim Worner**

Seven West Media is the leading content company in Australia with some of the most successful brands and franchises in the country. We are focused on producing the best content and the delivery of that content anywhere, anytime to the biggest audiences possible.

Some years ago, we made a strategic decision to produce more of our own content and that strategy has continued to pay off in terms of our profitability.

Every day we are adding to what is now a vast bank of content. We are now touching and engaging with 18m Australians every month. This provides a phenomenal and a unique platform for our advertising partners to reach their audience.

## **Slide 25**

### **Management Structure – Tim Worner – Redefining the operating model**

On Slide 25 we have outlined our new management structure which I put in place in September last year. Two of the major changes to the management structure have been the appointment of Nick Chan as the Chief Operating Officer. Kurt Burnette is in a new position as Chief Revenue Officer, responsible for growing the company's current revenue streams and establishing new revenue opportunities. This structure better suits where we are going as a company.

## **Slide 26**

### **Strategic Framework – Tim Worner**

In slide 26 we outline our strategic framework that we introduced at our investor day in May last year, which focuses on three key initiatives.

- Maintain Leadership
- Redefining the operating model
- Fuel New Growth

## **Slide 27**

### **Strategic Update – Tim Worner**

Turning to slide 27.

We've already outlined our progress in terms of maintaining leadership. In terms of redefining the operating model and fueling new growth we have, over the last six months, worked hard at

laying the foundations of our strategy. Apart from new management structure, we have made a number of new appointments, bolstering our digital capabilities within the group.

Ed Harrison has been appointed the new CEO of Yahoo!7. Ed was previously commercial director of metro media at Fairfax but more than that he was a key architect of their digital business.

We're also in the midst of employing a new executive to drive Seven West Media's digital future.

Our big data project will reach a key milestone in the second half of this year with the completion of our data warehousing. This paves the way for us to start using this data to improve the monetization of our audiences, better connecting our advertisers with our audience to deliver extensive benefits.

To redefine the operating model, the management team has been tasked with finding new ways to bring our businesses closer together to drive great synergies across the group.

We're an integrated media company, when our businesses work together, we excel. Our team RED is a great example. They focus on providing customers premium business solutions and they do it by coming up with great ideas we execute across the group.

Now this is something we've been doing for several years. Initially it took a real push from Seven West Media to convince our advertisers on its merits, but I'm pleased to say that we're seeing our advertising partners now come looking for those campaigns.

It is the largest integrated sales team in the country. The team are supported by Seven's in house production capability, Seven's talent and a data intelligence team. Every 1 of our top 10 advertisers has enjoyed the benefits of this unique proposition. Red related revenue now accounts for approximately 20% of group revenue and that number has doubled over the last three years and is showing no signs of pulling up.

It's an important reason but it is not the only reason why we are delivering leadership in broadcast television. Our publishing businesses continue to demonstrate market-leading margins and performance. We are one company, we are a content company, we have market-leading brands and we are focused on extending that leadership.

And that focus has delivered this strong and positive result.

That's it. Now we open up for questions.