

Tuesday August 21, 2018

Seven West Media releases financial results for year ended 30 June 2018

HIGHLIGHTS

- Underlying EBIT of \$236 million, at upper end of \$220-240 million guidance
- Over-delivered on cost out target with group costs down \$21 million
- Underlying net Profit after tax of \$142.5 million
- Group net debt reduced to below \$635 million
- Strong resurgence in ratings performance with ongoing momentum
- Forecasting 5-10% underlying EBIT growth in FY19
- Cost reduction program on target to deliver net group cost savings of \$10-20 million in FY19
- New Prime affiliate agreement delivers material step up in revenue share, effective 1 July 2018, with further step up in FY20
- Net debt to reduce leverage below 2x in FY19

Overview

Seven West Media's Managing Director and Chief Executive Officer Tim Worner, said:

"Throughout the financial year we have maintained a single-minded focus on improving our core business with ratings, revenue and our costs savings initiatives the priority.

"I'm pleased to report that we have delivered underlying EBIT at the upper end of our guidance, we have over-delivered on our cost out targets and significantly reduced our debt.

"Our transformation accelerated in the second half of the financial year and delivered \$61 million of cost savings on our initial \$40 million target. These savings, which included a 7% reduction in FTEs, more than offset the anticipated AFL uplift and spectrum charge. The transformation will continue in FY19, targeting further cost reductions in each of the three operating businesses and will deliver a \$10-20 million net group cost reduction, including Cricket.

"At the same time we have delivered a record-breaking ratings performance in the 2018 calendar year to date, and grown our share across every key demo at the expense of our competitors, resulting in a 12th consecutive financial year at number one.

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“The momentum will be driven further by our historic six year agreement with Cricket Australia that, together with AFL, locks in premium sport all year round. Our Cricket deal provides us 400 hours of premium sport across the summer which we will carry live and free across the screens of 7. We are the first FTA network to have both the BBL and Tests, meaning we can cross-promote and monetise the two most popular forms of the sport like never before.

“Having the number one network, channel and multichannel is particularly advantageous as we are now operating in a growing market. The FTA metro market has delivered its second consecutive half of growth, with the sector benefiting from industry initiatives to promote the effectiveness and ROI that only TV delivers. We expect growth to continue in the 2019 financial year.

“Our production business Seven Studios is a key differentiator between us and our competitors. It delivered another year of strong earnings growth, grew our international market presence and is set to capitalize on the exponential global demand for content and formats.

“The recent successful launch of 7plus was a key milestone in our strategy to take full control of our direct to consumer products. It gives us a fully owned and operated platform to evolve our distribution model and drive greater monetization of our content. Strategic new content deals are reshaping the acquisition and monetisation of rights and our 2.6 million monthly viewers now have more than 6,000 on-demand episodes to choose from.

“The newly signed five year extension of our affiliation agreement with Prime Media Group achieves an effective revenue share at least equivalent to recent market benchmarks. The terms of this new agreement reflect the significant investment we have made in sports rights and other content and is effective 1 July 2018.

“Our publishing assets are outperforming in their respective categories, while undertaking significant restructuring. The results are clear, with Pacific’s EBIT up 170% on last year and The West driving improved trends with a refreshed sales strategy.

“We are executing our strategy at great pace, maintaining our focus on the core to continue to drive a stronger performance in ratings and revenue, while transforming the business to be more lean and agile. Growing our studios business, digital assets and investment portfolio underpins growth across the business.

“We very well placed to meet the challenges, and capitalise on the opportunities, ahead of us, and forecast 2019 EBIT growth of 5 to 10 percent.”

Results

Seven West Media reports a profit after income tax of \$142.5 million on total revenue of \$1,622.8 million*. EBITDA of \$270.9 million is down from \$306.7 million in the prior financial year with EBIT of \$235.6 million after \$261.4 million in FY18.

\$8.5 million in significant items were recorded in the period including write down of assets held for sale, restructuring costs, net gain on other assets and net gain on disposal of investments and controlled entities.

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Financial Year Results	Year Ended 30 June 2018	Year Ended 24 June 2017
Total Revenue*	\$1,622.8m	\$1,679.4m
EBITDA	\$270.9m	\$306.7m
EBIT	\$235.6m	\$261.4m
Underlying NPAT	\$142.5m	\$166.8m
Underlying EPS	9.4 cents	11.0 cents
Final Dividend per Ordinary Share	-	2 cents
Profit before tax (including significant items)	\$191.8m	(\$766.0m)
Profit after tax (including significant items)	\$134.9m	(\$745.0m)
Basic EPS	8.9 cents	(49.5 cents)
Diluted EPS	8.9 cents	(49.5 cents)
Reconciliation to statutory results:		
Profit before significant items, net finance costs and tax	\$235.6	\$261.4m
Net finance costs	\$35.3m	\$38.6m
Profit before tax excluding significant items	\$200.3m	\$222.8m
Significant Items	\$8.5m	\$988.8m
Profit (loss) before income tax	\$191.8m	(\$766.0m)
<i>* Revenue includes share of equity accounted investees and other income</i>		

Cost Management

Group operating costs (including depreciating and amortisation) decreased 1.6 per cent year over year to \$1,387.2 million. This was a net reduction of \$21 million (excluding depreciation and amortisation) to offset the increase in AFL rights and the spectrum charge. Pacific recorded material cost reductions, down \$32.2 million, 20% year over year.

Outlook

Looking forward, the groups' strategic goals for the 2019 financial year include:

- Underlying 5-10% Group EBIT growth
- Continued efforts to deliver and identify new cost savings
- Maintain focus on the core: revenue and ratings
- Targeting >40% summer share in growing market
- Ongoing investment in produced content and digital platforms
 - Maximise value from owned content through every window
 - Drive greater adoption of 7plus to be clear BVOD market leader
- Strengthen balance sheet to provide flexibility
- Invest in verticals where we can leverage our audience and platform of brands

End.

Further information:

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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 and The Sunday Times, and the biggest content brands including My Kitchen Rules, House Rules, Home and Away, Sunrise, Cricket, the Australian Football League, the Olympic Games, Better Homes and Gardens, marie claire, Who, PerthNow, racing.com and 7plus.