

## Merger of Seven West Media and Prime Media, and Divestment of WA Radio Assets

18 October 2019: Seven West Media Limited (**SWM**) (ASX:SWM) has today announced two strategic initiatives that will transform the company and position the network as the leading wholly-owned commercial premium broadcast, video and news network across Australia, reaching over 18 million people each month. This includes:

- Merging SWM with Prime Media Group Limited (**Prime**) (ASX:PRT) through a 100% scrip-based Prime scheme of arrangement; and
- Divestment of SWM's Western Australian radio assets (**Redwave**) to Southern Cross Media for cash consideration of \$28 million, representing an FY19 Enterprise Value/EBITDA multiple of 8x.

The announced strategic initiatives will also strengthen SWM's balance sheet and improve key debt metrics.

### Merger of Seven West Media and Prime Media

#### The recommended transaction:

- Establishes the network as the leading wholly-owned commercial premium broadcast, video and news network in the country through the potential to reach over 90 per cent of Australia's population each month and provide seamless access for advertisers
- Is expected to generate significant synergies and be EPS accretive for all SWM and Prime shareholders on a pro forma basis following the realisation of expected cost synergies of \$11 million on an annualised basis and excluding any one-off transaction and integration costs
- Provides Prime shareholders with the opportunity to maintain industry exposure while benefiting from being part of a larger and more relevant national platform and sharing in the upside from the synergies gained

SWM and Prime have entered into a Scheme Implementation Deed under which it is proposed that SWM will acquire all Prime's issued shares through a Scheme of Arrangement (**Scheme**) under which Prime shareholders will receive 0.4582 SWM shares for each Prime share that they hold (**Proposed Transaction**). Following completion of the Proposed Transaction, existing SWM shareholders will own 90% of the combined entity, with Prime shareholders holding the remaining 10%.

The combined business will be led by James Warburton, SWM Managing Director and Chief Executive Officer, and will be chaired by Kerry Stokes AC, Chairman of SWM.

The merger of SWM and Prime will deliver significant value creation by:

- providing advertisers with a single platform that will deliver superior audience reach across metropolitan and regional markets;
- unlocking the revenue potential of regional audiences;
- enhancing the audience proposition through re-investment in content and expanding the digital delivery of SWM's offering in regional markets; and
- generating expected cost synergies of \$11 million on an annualised basis and potential revenue upside. The costs savings are expected to be fully realised within 12-18 months from completion of the Proposed Transaction.

The directors of Prime have unanimously recommended that Prime shareholders vote in favour of the Scheme, in the absence of a superior proposal and subject to an independent expert concluding that the Scheme is in the best interest of Prime shareholders. Subject to those same qualifications, each Prime director has indicated that he or she intends to vote all Prime shares held or controlled by them in favour of the Scheme.

Commenting on the Proposed Transaction, SWM's Chairman Kerry Stokes AC said: "SWM and Prime have had a longstanding relationship and are key partners in the industry. The combined group will cement our position as Australia's leading content provider and presents excellent value to shareholders."

Prime's Chairman John Hartigan commented: "The Prime Board has carefully considered the Proposed Transaction and believes it is in the best interests of Prime shareholders. It represents an exciting opportunity for Prime shareholders to maintain their exposure to the broadcast television industry in a stronger and larger combined group that is more relevant and resilient."

SWM's Managing Director and Chief Executive Officer James Warburton said: "The Proposed Transaction is a game changer for advertisers and media buyers and cements SWM's position as the superior advertising offering. Overnight, SWM will be the leading wholly-owned commercial premium network that amasses a monthly Australian audience reach of 18 million people."

The Scheme Implementation Deed contains customary terms and conditions on which SWM and Prime propose to implement the Scheme. Implementation of the Scheme is subject to conditions including:

- the independent expert concluding that the Scheme is in the best interest of Prime shareholders;
- Prime shareholder approval;
- Court approval; and
- regulatory approvals (including ACMA and ACCC).

The Scheme Implementation Deed contains customary exclusivity provisions including no-shop and no-talk restrictions as well as a notification obligation, with the no-talk obligation subject to the Prime directors' fiduciary obligations. The Scheme Implementation Deed also details the circumstances in which Prime may be required to pay a reimbursement fee to SWM, and in which SWM may be required to pay a reimbursement fee to Prime.

Full details of the conditions to the Scheme and other agreed terms are set out in the Scheme Implementation Deed, a copy of which is attached to this announcement.

It is anticipated that Prime shareholders will have the opportunity to vote on the Scheme at a shareholder meeting to be held in mid December 2019 (with final Court approval for the Scheme to be sought in December 2019). Subject to the conditions being satisfied, the Scheme is targeted to be implemented in early 2020.

SWM is being advised by Stanton Road Partners as financial adviser and Herbert Smith Freehills as legal counsel.

## **Divestment of Non-Core WA Radio Assets**

SWM has agreed to divest its Western Australian radio assets (**Redwave**) to Southern Cross Media for cash consideration of \$28 million, representing an FY19 Enterprise Value/EBITDA multiple of 8x.

## **Concluding Remarks**

The divestment of Redwave together with the merger with Prime will strengthen SWM's balance sheet as the company targets leverage below 2.0x.

"Through these actions, SWM will have a strengthened balance sheet, lower debt levels and improved efficiency in the delivery of content across a range of metropolitan and regional platforms," concluded Mr Warburton.

## **Analyst / Investor Call**

### **Time:**

10:00am AEST, Friday, 18 October 2019

### **Dial-In Details:**

#### 1. Dial your access number:

|                           |                 |
|---------------------------|-----------------|
| Local Connect:            | +61 2 8373 3507 |
| Australia Toll Free:      | 1800 175 864    |
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#### 2. Enter passcode followed by #:

Passcode: 8498580

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