Tuesday February 19, 2019

Seven West Media releases interim financial results for half year ended 29 December 2018

HIGHLIGHTS

- Strong Metro TV revenue share growth; 38.4% in 1H (36.4% in 1H18), despite softer 2Q ad market
- Group operating expenses flat including cricket costs
- Underlying EBIT of $146.8m, down 4% YoY excluding 53rd week in FY18
- Increased cost out reduction target from $20-30m to $30-40m across FY19
- FY19 underlying EBIT growth target of 0-5%
- Group net debt reduced $121m YoY to $589m at 1H
- Targeting leverage ratio to reduce below 2x at FY19

Overview

The Managing Director and Chief Executive Officer of Seven West Media, Tim Worner, said:

"We promised to improve our ratings and revenue share this half as we focused on the core and we have delivered, despite a softer second quarter advertising market.

"We continue to transform our operating model at pace, driving greater cost efficiencies and increasing our group cost out targets. We absorbed the new cricket costs, maintaining a flat cost base in the half.

"At the same time growth in new revenue streams is outstripping our expectations with 7plus, 7Studios and our investment portfolio all delivering strong growth.

"2018 was a truly outstanding year for our TV business. Seven was Australia's most-watched Network, and Channel 7 was Australia's most-watched channel, both for the 12th year in succession. Even more remarkably, Network Seven achieved the highest commercial viewing share in ratings history, and led all the key demographics with our own highest ever shares of each.

"We also performed strongly in the battle for revenue, ending 2018 with the highest share of metro TV advertising, 39.2%. We expect to be number one in both ratings and revenue in the current Jan-Jun half.

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"Our acquisition of the Cricket rights, at a lower cost per hour than the Tennis, has paid off with ratings exceeding our projections. Across summer, Seven grew its share of every key demographic throughout the day and in primetime and we scored a 40%+ share of viewing on 39 days – more than any network has ever achieved. We are now broadcasting premium sport every week of the year, and will be for years to come.

"Just over a year after launch, 7plus is surpassing our expectations and had the number one share of commercial FTA BVOD viewing in the final quarter of 2018.

"Seven Studios continues its strong upward trajectory, with EBIT on target for a seventh consecutive year of growth. Our shows are now engaging audiences around the world, with a slew of shows debuting on Netflix in the half to global acclaim."

Results

Seven West Media reports a profit after income tax of $85.8 million on total revenue of $798.9 million. Underlying net profit after tax was $91.8 million, down 7.8 per cent on the previous half year

EBITDA of $161.5 million and EBIT of $146.8 million were down 8.8 per cent and 7.9 per cent respectively versus the prior corresponding period.

Financial Year Results	**Half Year Ended 29 Dec 2018**	**Half Year Ended 30 Dec 2017**
Total Revenue*	$798.9m	$811.3m
EBITDA	$161.5m	$176.8m
EBIT	$146.8m	$159.3m
Underlying NPAT	$91.8m	$99.6m
Underlying EPS	6.1 cents	6.6 cents
Final Dividend per Ordinary Share	-	-
Profit before tax (including significant items)	$120.2m	$141.3m
Profit after tax (including significant items)	$85.8m	$99.6m
Basic EPS	5.7 cents	6.6 cents
Diluted EPS	5.7 cents	6.6 cents
Reconciliation to statutory results:		
Profit before significant items, net finance costs and tax	$146.8m	$159.3m
Net finance costs	$18.0m	$18.0m
Profit before tax excluding significant items	$128.8m	$141.3m
Significant Items	$8.6m	-
Profit before income tax	$120.2m	$141.3m

** Revenue includes share of equity accounted investees and other income*

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Cost Management

Group operating costs (including depreciation and amortisation) of $652.1 million were effectively flat. The company has undertaken a cost out program of $135 million to $145 million across the 2017-2019 financial years with a targeted net reduction in costs of $50-60 million after factoring in the new cricket costs, content investment, AFL uplift and spectrum charge. In the period, Seven's costs increased 2.0 per cent reflecting cricket costs with savings skewed to the second half. The West and Pacific recorded cost reductions of 9.0 per cent and 6.7 per cent respectively.

Outlook

Seven's strategic priorities remain unchanged:

1. Focusing on the core, driving greater ratings and revenue share performance;
2. Transforming the operating model and continuing to identify and extract operational efficiencies and cost savings; and
3. Growing new revenue streams.

Financial targets for FY19 include:

- Targeting underlying FY19 Group EBIT growth of 0-5%
- Increased cost out to deliver $30-40m net group savings in FY19
- Leverage ratio to reduce below 2x at end of FY19
- Improved second half trend, but expect low single digit decline in metro TV ad market for the financial year
- 2H performance to secure #1 ratings and revenue share
- BVOD viewing share to grow Seven's digital revenue by 50%
- Seven Studios to deliver seventh consecutive year of EBIT growth

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