Monday, 15 February 2021

Seven West Media releases financial results for the half year ended 26 December 2020

Summary

- Underlying Group EBIT of $152 million, up 29% year-on-year
- ~$170 million gross cost out on track with a further $30 million cash savings identified
- Operating expenses declined 18% to $480 million (excluding D&A)
- Net debt reduced 42% to $329 million, a decrease of $241 million vs 1H20; $150 million of debt retired post half year end
- The metropolitan free-to-air TV advertising market increased 0.6% during the half with a strong recovery in the December quarter (up 17%)
- Secured #1 position in broadcast and BVOD audience share with revenue share gains to follow
- Seven's digital revenue grew 73% year-on-year, driven by BVOD market growth of 44% and eight percentage points in share gains during the half

Overview

Seven West Media Limited (ASX: SWM) has reported a statutory net profit after income tax of $116.4 million on group revenue of $644.2 million. Underlying net profit after tax (excluding significant items) was $86.6 million, an increase of 26.5 per cent on the previous year. Underlying EBITDA of $165.7 million and EBIT of $151.7 million increased 24.4 per cent and 29.4 per cent respectively versus the prior corresponding period.

Seven West Media delivered a strong performance improvement in the December half and significant progress in its transformation strategy.

Seven West Media Managing Director and Chief Executive Officer, James Warburton, said: "This has been a very big year for Seven, with several major milestones achieved as we continue to re-position the business.

"Our new content strategy is firing, with a significantly improved ratings share and a more attractive demographic profile. We secured the leading share of audiences in broadcast and BVOD in the half. Our new tent poles are delivering on average 75 per cent more audience than the old content strategy. This will translate to higher revenue share in the coming 12 months.

"The market is showing positive signs of recovery with strong growth in the second quarter and forward bookings are looking positive for the third quarter.

"Our digital transformation can be seen in the success of 7plus, which has had a phenomenal year. Its revenue was up 79 per cent in the period versus market growth of 44 per cent. Seven's total digital EBIT grew 168 per cent to $32 million in the period.

"These strong operating performances have been delivered after a radical transformation of the cost base. The c$170 million gross cost out remains on track and we have identified another $30 million of cash savings.

"At WAN, the team has undertaken a significant transformation, accelerating digital growth, cutting operating costs and executing a strategy to stabilise earnings and generate cash.

"Improving Seven West Media's balance sheet has been one of our company's key objectives over the past 12 months.

"We have made significant progress in addressing this, with a 42 per cent reduction in net debt year on year – ahead of our plan at the beginning of the financial year. We have also retired $150 million of debt since the end of the half year.

"This significantly improved financial position has provided us greater optionality in our asset sale processes to ensure we maximise value for our shareholders," he said.

Results

The group reported revenue of $644.2 million (excluding share of associates), down 9.9 per cent on the prior corresponding period on a continuing operation basis, predominantly driven by lower revenue share in broadcast TV and a decline in third party product productions and program sales.

Excluding significant items, total group costs (including depreciation and amortisation) for the six months to 26 December 2020 decreased 17.5 per cent to $493.7 million, driven by major transformation initiatives across the group and temporary net cost savings related to the impact of COVID-19.

Significant items of $41.5 million before tax primarily relate to the reversal of onerous contracts.

Financial year results from continuing operations	**Half year ended 26 December 2020**	**Half year ended 28 December 2019**[1]
EBITDA	$165.7m	$133.1m
EBIT	$151.7m	$117.2m
Underlying NPAT	$86.6m	$68.5m
Underlying EPS	5.6 cents	4.5 cents
Final Dividend per Ordinary Share	-	-
Profit (loss) before tax (including significant items)	$162.4m	($68.8m)
Profit (loss) after tax (including significant items)	$116.4m	($49.4m)
Basic EPS	7.6 cents	(3.2 cents)

Diluted EPS	7.6 cents	(3.2 cents)
Reconciliation to statutory results:		
Profit before significant items, net finance costs and tax	$151.7m	$117.2m
Net finance costs	$30.8m	$20.4m
Profit before tax excluding significant items	$120.9m	$96.8m
Significant Items	$41.5m	($165.6m)
Profit/(loss) before income tax	$162.4m	($68.8m)
Comparative financial information has been restated for the following: *1. Information has been restated and presented on continuing operation basis and to reflect amendments to AASB112 income taxes*		

Further details are contained in SWM's investor presentation and Appendix 4D and half year financial statements, lodged with the ASX today.

Outlook and priorities

Trading update and strategic priorities:

- Television advertising markets remain buoyant after a solid Q2
  - Early bookings indicate Seven's Q3 revenue could be 7 per cent to 10 per cent ahead of prior year
  - Q4 too early to call, albeit against a soft COVID-19 impacted comparative period
- Targeting improved revenue share in FY22 on the back of stronger audience share in 1H21 and CY21
- Annual operating expenses in FY21 to be at the bottom end of analyst range of $1.03 billion to $1.05 billion (excluding net one-off temporary benefit of $17 million)
- Net debt to be sustainably under 2x by end of CY21, excluding one-off events
- One-off events costs in FY22 relating to Summer and Winter Olympics expected to be offset by associated revenue

Mr Warburton said: "Seven is set up to benefit from the recovery underway in the advertising market. Our new content line-up is drawing larger audiences and, importantly, improving our demographic mix in prime time. We are determined to monetise those results in 2021 and are targeting a material increase in revenue share.

"7plus was the #1 commercial free to air TV platform in 2020 and we're targeting the #1 revenue share spot as well.

"The digital platforms enquiry is well underway, and we are pleased to see progress being made to ensure a fair return on our investment in news content.

“FY21 will see an incremental $30 million cash saving, further lowering our cash expenses and increasing leverage to the market recovery. We will continue to maintain a sharp focus on operating costs, including onerous sports contracts.

“We have addressed our content strategy and cost base to provide a path to debt reduction. While this continues, we believe that media consolidation and a focus on building a bigger and better business is still our major priority.

“We are positioning Seven West Media to win. This will ensure that we have the ability to lead market consolidation,” he said.

For further information please contact:

Investors / Analysts:
Alan Stuart
astuart@seven.com.au
02 8777 7211

Media:
Jack McLintock
jmclintock@seven.com.au
0450 608 022

About Seven West Media
Seven West Media (ASX: SWM) is one of Australia’s most prominent media companies, with a market-leading presence in content production across broadcast television, publishing and digital.

The company is home to some of Australia’s most renowned media businesses, including the Seven Network and its affiliate channels 7two, 7mate, 7flix; broadcast video on demand platform 7plus; 7NEWS.com.au; The West Australian; and The Sunday Times. With iconic brands such as Australia’s leading news and breakfast programs **7NEWS** and **Sunrise, Holey Moley, Big Brother**, **SAS Australia**, **Farmer Wants A Wife**, **The Voice**, **Ultimate Tag**, **Dancing With The Stars: All Stars**, **Home and Away** and **Better Homes and Gardens**, Seven West Media is also the broadcast partner of the AFL, Cricket Australia, Supercars and the Olympics.