



Tuesday, 13 February 2024

Executing plan in a challenging market

Summary of 1H FY24

- #1 national total TV network: audience and revenue share
- Audience growth underpinning revenue share gain of 1.7 points to 41%
- Total TV market declined 9% in the period. Q2 market softer than expected
- Costs in line with expectations; expect 2H24 costs 4% lower (\$20-25m) than 2H23
- Positive industry progress on regulatory reform and measurement
- Monitoring industry consolidation after ARN Media investment
- Group revenue of \$775 million, down 5% year-on-year
- EBITDA of \$124 million, down 40% year-on-year
- Net cash flow before temporary and capital items of \$69 million, down 61%
- Debt facilities refinanced (four years)

Overview

Seven West Media Limited (ASX: SWM) today reported group revenue of \$775 million, a decline of 5% on the previous corresponding period. Earnings before interest, tax, depreciation, and amortisation (EBITDA) were \$124 million, which was down 40% versus the previous corresponding period. Statutory net profit after tax was \$54 million, while underlying net profit after tax (excluding significant items) of \$63 million represented a decline of 49% on the previous corresponding period.

SWM Managing Director and Chief Executive Officer, James Warburton, said: “SWM successfully executed on our strategy during the period to deliver consistent and engaging content to drive audience growth and revenue share across the total TV market. Despite this progress and our disciplined management of costs, our financial performance reflects the weakness in advertising markets, particularly as the second quarter progressed.

“We continue to believe in the power of television and firmly believe that the total TV industry is set to regain market share. Total TV is now growing, and Seven is leading that growth. Our view that audiences will be attracted to quality and consistent content across news, entertainment and sport is evidenced by the growth in our linear and BVOD audiences for the half year, including a linear increase of 2.2% and a 35% increase in minutes on 7plus.

“We have grown audience in total people and have grown in four of the seven months so far in FY24. Our linear audience growth has been underpinned by the calendar year-on-year growth in our key tentpole programs **SAS Australia, Farmer Wants A Wife, Dancing With The Stars** and **My Kitchen Rules**. Our major sports have also delivered, with the AFL Grand Final growing audience a remarkable 22%, and both Test cricket and BBL growing audiences on the 2022-23 summer.

“Our BVOD audience growth has been driven by both live and library content. The **FIFA Women’s World Cup 2023™** delivered extraordinary numbers on 7plus and our tentpole programs saw a 36% increase in live minutes watched year-on-year. We are also seeing good growth in our news, with an 18% increase in live viewership on 7plus year-on-year. Our NBCUniversal content now accounts for 16% of our total BVOD minutes and is attracting new younger female audiences as expected when we made this investment.

“Thanks to our audience growth, we were able to record a total TV revenue share of 41%, achieving the number one position in the market, an increase of 1.7 points on the previous corresponding period. Our share growth was achieved across each month of the half and partially offset the 9.1% decline in the total TV advertising market during the period. We gained share in metropolitan and BVOD markets and remained in line in our regional markets.

“We see a significant opportunity to grow our digital earnings with the recent launch of VOZ finally pushing TV audience measurement into a comparable position versus other media channels. We are also excited by the game changing addition of digital rights for the AFL and cricket later this calendar year; together, they will add an estimated four billion minutes of content a year to 7plus and allow us to capture an estimated 45% revenue share.

“West Australian Newspapers once again delivered a solid result, with strong growth in digital audiences and the launch of new digital products resulting in 4.4 million unique monthly audience, up 18.5% in the past year. Revenue increased, largely attributable to new commercial print opportunities, albeit with higher costs.

“We continue to be disciplined on our cost outlook. Costs for the half were in line with our expectation, with the majority of our FY24 content investment weighted to the first half. We are well progressed on implementing our \$60 million cost initiative program and are on track to deliver \$25 million this year. We expect FY24 cost growth to be limited to 1-2%. We will, however, revisit the current cost initiatives program if advertising markets remain weak for the remainder of the year and will act decisively to meet such challenges.

“Our investment in ARN Media Limited in November 2023 was a meaningful step to position our business to deliver commercial partnership and collaboration with the market leading radio business in Australia and we continue to monitor industry consolidation.”

Results

The group reported revenue of \$775 million, down 5% on the previous corresponding period. The revenue decline primarily reflects a weaker advertising market, with a year-on-year

decline of 9.1% in the total TV market (metropolitan, regional and BVOD). However, this was partially offset by the 1.7 share point growth in total TV market share to 41%.

Net debt of \$257 million was up slightly from \$249 million as of 30 June 2023. Reported net leverage (net debt/EBITDA) is 1.3x; however, when adjusting for the \$67 million invested in the purchase of ARN Media Limited securities, the underlying leverage is 1.0x.

During the half year, the group repurchased \$4 million of shares under its on-market buy-back program. The Board has determined that the dividend will remain on hold given prevailing market conditions.

Financial year results	Half year ended 31 December 2023	Half year ended 31 December 2022
EBITDA	\$124m	\$205m
EBIT	\$106m	\$185m
Underlying NPAT	\$63m	\$123m
EPS excluding significant items	4.1 cents	8.0 cents
Statutory Profit before tax	\$79m	\$156m
Statutory Profit after tax	\$54m	\$115m
Basic EPS	3.5 cents	7.4 cents
Diluted EPS	3.5 cents	7.3 cents
Reconciliation to statutory results:		
EBIT	\$106m	\$185m
Net finance costs	(\$19m)	(\$17m)
Profit before tax excluding significant items	\$87m	\$168m
Significant Items	(\$8m)	(\$12m)
Statutory Profit before income tax	\$79m	\$156m

Further details are contained in SWM's investor presentation lodged with the ASX today. The company will be hosting a webcast for a presentation of the results at 9:00am AEDT, Tuesday, 13 February.

Link: <https://sevenwestmedia.com.au/investors/livestream/>

Outlook and priorities

Trading update:

Second half total TV market and share expectations:

- Q3 market decline rate moderating: currently pacing better than 1H FY24 (Q3 FY23 market down 11%). BVOD market expected to maintain double-digit growth
- Limited visibility into Q4; expecting further moderation in decline vs Q3 FY24
- Seven growing total TV share; full year forecast maintained at > 40%

Second half costs are expected to be 4% (\$20-25m) lower than 2H23.

Mr Warburton said: “We have delivered on the commitments we have made, driving our content strategy to deliver strong operational results across the metrics that we can control, delivering audience growth and total TV market share growth.

“We have also demonstrated financial discipline as we closely manage our costs while investing for the future. Our investment in 7plus and the new Phoenix trading platform will drive user experience, converged audience trading and drive yield.

“We are well capitalised, have growing audiences and revenue share, and have significant upside for growth as we pursue our digital future.”

This release has been authorised to be given to ASX by the Board of Seven West Media Limited.

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About Seven West Media

Seven West Media (ASX: SWM) is one of Australia’s most prominent media companies, reaching more than 19 million people a month with a market-leading presence in content production across broadcast television, publishing and digital.

The company owns some of Australia’s most renowned media businesses, including the Seven Network and its affiliate channels 7two, 7mate, 7flix and 7Bravo; the digital platform [7plus](http://7plus.7NEWS.com.au); 7NEWS.com.au; *The West Australian*; and *The Sunday Times*. The Seven Network is home to Australia’s most loved news, sport and entertainment programming, including **7NEWS, 7NEWS Spotlight, Sunrise, The Morning Show, The Voice, Home and Away, Australian Idol, My Kitchen Rules, SAS Australia, Farmer Wants A Wife, The Chase Australia, Better Homes and Gardens, RFDS, The 1% Club** and the **TV WEEK Logie Awards**. Seven Network is also the broadcast partner of the AFL, Cricket Australia and Supercars.