



9 November 2016

Company Announcements Office  
ASX Limited  
Level 6  
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Sydney NSW 2000

***By electronic lodgment***

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Dear Sir/Madam

**Annual General Meeting Addresses**

Attached is a copy of the Chairman's Address and Managing Director & Chief Executive Officer's Address to be made at the Annual General Meeting commencing at 10:30am today.

Yours faithfully

**Warren Coatsworth**  
Company Secretary

## **Seven West Media**

### **Annual General Meeting**

#### **Chairman's Address**

There is no doubt that it has been a challenging twelve months for all media companies. These challenges also deliver us some significant opportunities.

Under Tim Worner's leadership, his team has maintained our market-leading presence across our media businesses in broadcast television, publishing and online and new forms of content delivery. These new forms of content delivery are now the cornerstones of our future.

And it is changing our business. We are focused on how we create content, and deliver that content. And do so, more efficiently. Much has been undertaken over the past twelve months in changing how we do business: in particular building our creative content, managing our costs and driving greater synergies across our media businesses.

Over the past twelve months, we have led in the delivery of our television content beyond the television screen. Our objective is simple: we will engage with all Australians and connect our audiences with our advertising and marketing partners across all screens.

The success of our Olympic Games coverage – which set new benchmarks – underlines this approach and provides a clear indication of our company's future.

Our Olympic Games partnership, our forthcoming coverage of the Rugby League World Cup and the Commonwealth Games, and our new agreement with the Australian Football League, will play clear and defining roles in our future development.

We are also making significant progress in taking our leadership in the creation and production of television programmes for international markets with the formation of 7 Wonder and 7 Beyond and our new strategic shareholding in Slim Film and Television in the United Kingdom.

My Kitchen Rules – a Seven creation – has secured significant international agreements with Seven producing local versions in many markets, including the United Kingdom and the United States.

The success of these international developments will see us continuing to expand our presence in the production of new television content in international markets over the coming twelve months.

It is interesting to note that the UK Government acted in 2011 to dramatically reduce television licence fees to almost zero. They also adjusted local production incentives. As a result the television industry and production industry are thriving and growing. In fact, they are one of the best-performing sectors in the UK economy. And this is one of the reasons why Seven is investing in production in the UK.

Australian commercial television licence fees are holding back our company and the industry from the opportunity for achieving growth as has been experienced in the UK. Our licence fees are 15 times higher than those levied in the UK and more than 100 times higher than both the UK and the US. In both the US and the UK spectrum available is of a similar size but the licence fees are so much less.

We urgently need the issue of licence fees and production incentives to be addressed as the most important of media changes.

Much has been made about the entry in the Australian market of Netflix. One of the programmes they have just made in the UK is reportedly the most expensive television drama ever produced.

No question they commission ultra-expensive blockbusters in the UK and the US but those blockbusters do not create a whole industry. The industry is created by the total demand primarily of the major free-to-air broadcasters. In Australia, 6 out of every 10 dollars spent on film and television production comes from commercial television.

Netflix is reported to have spent around \$5 billion on content in the last year. Not much of that money is being spent in Australia.

Australian taxpayer dollars are now contributing to the Netflix business model by way of the ABC. The Government will need to test whether that is an appropriate expenditure of public funds.

Perhaps we should not be too surprised, since neither the ABC nor Netflix are likely to pay Australian taxes. Their model will certainly ensure less tax paid in Australia by traditional companies, as we compete against those who have advantages not available to us.

Our Government has highlighted jobs and growth as a key focus for our economy. The UK example shows that commercial television has a key role to play in contributing to that goal. But the Government needs to play its part by getting the regulatory settings right to encourage growth and innovation.

If we do not do this, the free television services that Australians love are at risk. And even worse, our Australian economy is missing out on the jobs and growth that this industry can deliver.

The recent acquisition of the Sunday Times and Perth Now online site together with the integration of Channel 7 Perth establishes a framework for these businesses in Western Australia to help meet the challenge of a fragmenting market.

Pacific Magazines is also redefining its business model and continues to innovate and deliver a strong performance in a competitive and tough market, creating its future into new digital applications for its market-leading brands.

We are focused on leadership. We are focused on financial performance and achieving this through continued control of costs while developing entertaining and creative content. Your board and management are committed to building shareholder value and ensuring the future growth of the company. On behalf of the board and our people, I thank you, our shareholders, for your commitment to the company.

## **Seven West Media**

### **Annual General Meeting**

#### **CEO and Managing Director Presentation**

Thank you, Chairman. And thank you all for being here today.

It has been a productive year for your company and we've passed some key transformational milestones. At the same time, we continue to lead the free-to-air television industry. We have achieved our tenth consecutive year of market leadership and we are strongly positioned to record our eleventh consecutive year of writing more advertising revenue than any other television network.

In the 2016 financial year, we secured a 37.4% share of 25-54s and a 37.1% share of 18-49s, well ahead of the commercial shares we held in the previous five years. This big change in the composition of our audience underlines our clear leadership. We are also proud to say Seven News has recaptured the number one position in the 6 o'clock timeslot this calendar year to date.

This has all been done at a time when the company is going through significant change. The media landscape is evolving, driven by many more viewing options and the increasing globalization of content. The advances we have made in content delivery, and our continued progress as Australia's largest production company, position us strongly to meet these changes.

The brands of Seven West Media are now more widely available. Across a growing range of platforms, we are talking to and engaging with more Australians than ever before – the number one television network and, for the last two months, the number one Australian media company on-line.

Our coverage of the Olympic Games was unprecedented and set new benchmarks in audience delivery across all screens. Our innovations provide a clear indication of our future –connecting with our audiences on their terms and on any device. And in turn, connecting our advertising partners with those audiences. Our coverage reached 18 million Australians on television and recorded more than 100 million video views across all digital platforms including social.

Last week's Melbourne Cup was another example of our content everywhere strategy. In addition to the linear broadcast, we delivered over 575,000 live streams across our digital platforms, which is up 18% on last year.

These huge events that attract mass audiences are pivotal in driving the transformation of our business.

We move into 2017 with a new long-term partnership with the Australian Football League and a portfolio of major sports across the next 20 months.

It is a virtual wall of big, live events starting with the AFL Finals Series and the Grand Final, moving to the Spring Racing Carnival and the Melbourne Cup, and rounding out the year with the Rugby League World Cup in Australia and New Zealand. 2018 begins with the Australian Open followed quickly by the time zone friendly Olympic Winter Games in PyeongChang and then the Commonwealth Games on the Gold Coast in April. Eight months of premium, live sport. Seven is also the network of the Olympic Games in Tokyo in 2020. These tentpole events will be the framework of our audience over the coming years.

Our production business is growing in scale and expanding internationally both organically and through new investments. This footprint now covers the UK, US and New Zealand with further expansion planned over the next twelve months.

Over the financial year we grew our program sales and 3<sup>rd</sup> party commissions revenue by 92% with EBITDA for this business unit also up substantially to approximately \$50 million.

We have recently secured a major shareholding in Slim Film + Television – a company with a highly regarded pedigree in successful British drama series.

These companies are securing a wide range of commissions, including the breakthrough productions of My Kitchen Rules in the United Kingdom and the United States.

Here in Australia, MKR was the number one show in the country for the fifth consecutive year.

Seven launched new hit shows First Dates and Seven Year Switch and in another display of the power of television, The Secret Daughter was not just a ratings success but is also now the number one album in the country.

Our publishing assets continue to lead in the markets in which they compete. While we are cognisant of the structural challenges in these businesses, we believe the moves we are making can reposition them for future growth.

Pacific is deepening its engagement with its audiences, building its digital content offering as well as establishing new products that allow us to better monetise these audiences.

I am very pleased to report that since the beginning of this year, Pacific's digital audience has increased by a factor of 6x, significantly increasing its share relative to its nearest competitor.

The West has undertaken several new initiatives including the launch of a new digital Travel platform, an expansion of its live event capabilities and a greater focus on the delivery of short form video.

This has all been achieved while taking significant costs out.

Another fundamental milestone in the transformation of this business has been the acquisition of PerthNow and The Sunday Times. This will be a pivotal transaction in how we re-shape WA Newspapers for the future. We will quickly benefit from printing synergies and the immediately increased audience for our offering in Western Australia.

Perth Now attracts a different demographic to thewest.com.au and we are intent on preserving and enriching the brand of The Sunday Times. It is a great paper with a long history and we respect that. Our first edition of The Sunday Times will publish on 20 November.

Elsewhere, the investments in early stage businesses including Airtasker, Health Engine, Society One, Draftstars and StartsAtSixty are all performing strongly and are growing with the help of the engagement and reach of our audiences. We expect the value of this portfolio to grow materially over the next few years.

While it has been a positive year and we have got runs on the board, there is much more to be done.

## **Outlook**

While the advertising market has remained soft, we have undertaken further cost out initiatives. We previously guided cost growth at CPI but we now expect group costs to be flat year on year including the uplift cost of the AFL rights but excluding Olympics and 3rd party commissions.

As I say, the television advertising market remains exceptionally short and there is limited visibility, but I am confident that we will again deliver a strong market share performance driven by the power of our content.

We issued underlying EBIT guidance at our 2016 financial year results. At this stage we expect to be at the lower end of that range. The first half will be lower than the guided full year underlying EBIT trend given the impact of the Olympics rights falling in the first half.

Since our financial results we have also extended the duration of our debt facilities to 2020 with no change to debt covenants.

## **Conclusion**

We recently presented our plans for 2017 and beyond to our customers. We spoke then about the power of great story-telling and the opportunities that are now available across multiple screens.

Our strategy is clear and we are delivering on our objectives.

We are focused on maintaining leadership across the various media where we compete. We are continuing to transform the operating model within our businesses, working smarter and more cost efficiently. We are expanding our content production capability, both in Australia and internationally. We now deliver our content to our audiences wherever they want it, and we will continue to strive for an even better user experience, and we are using the reach of those audiences to grow new opportunities to build new business initiatives.

All of these moves will define us in a market that is undergoing rapid transformation.

I thank you for your continuing support of our company as shareholders and I appreciate speaking to you today.