



SEVEN WEST MEDIA

ABN 91 053 480 845

# Seven West Media

## FY18 Results Presentation

Presentation on 21 August 2018 | Results for the Year ended 30 June 2018

# 2018

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# Agenda

- Performance & Outlook
- Financials
- Operating Performance
- Strategic Outlook
- Q&A

# Strategy Accomplishments

## FOCUS ON THE CORE

- Strong broadcast ratings recovery after soft H1
  - Record breaking 41.6% Jan-Jun commercial FTA share
  - Schedule designed to carry audience momentum into FY19
- Secured #1 winter and #1 summer sport, AFL and Cricket, until 2022 and 2024
- Increased investment in produced content and digital platforms

## TRANSFORM THE OPERATING MODEL

- Cost out exceeded target leading to more than \$20m net cost reduction, including 7% headcount reduction
- Ongoing cost savings initiatives implemented for FY19 realisation
- Took control of digital content monetisation with Yahoo7 JV exit
- Entered playout JV with Nine and commenced Sydney office consolidation

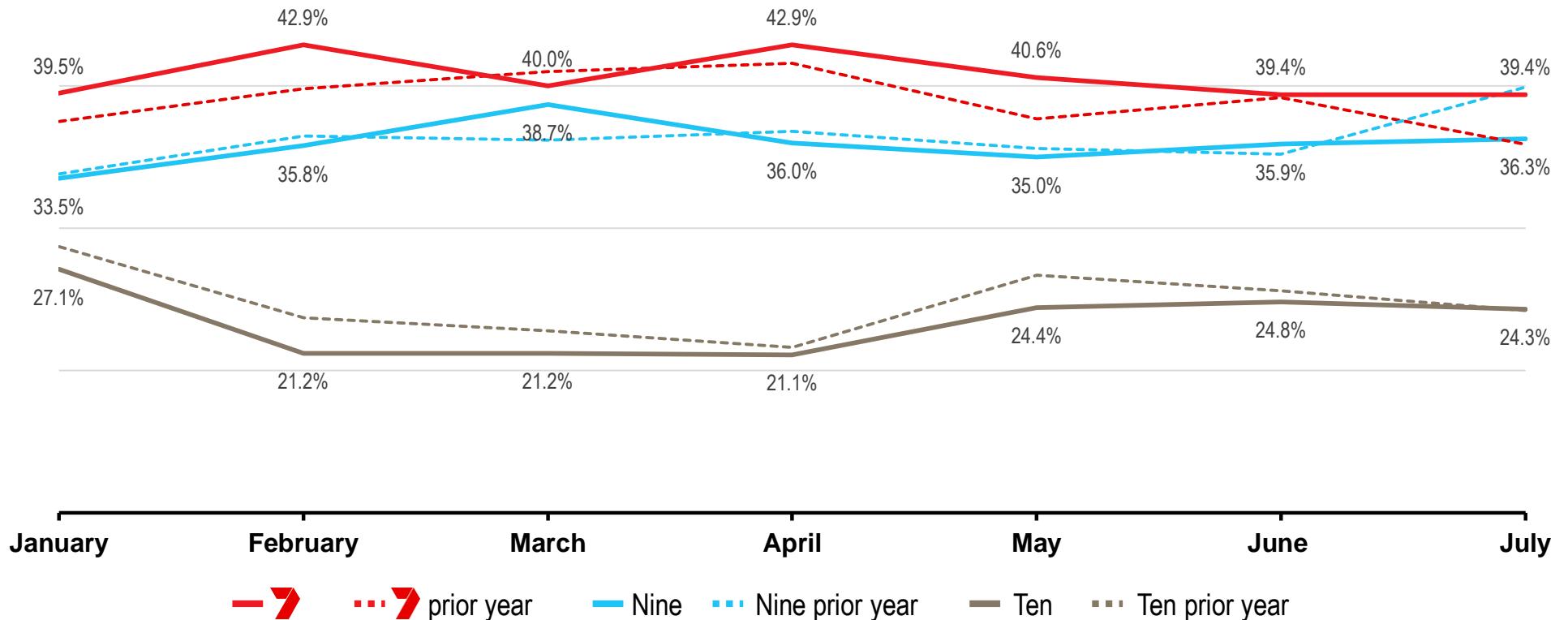
## GROW NEW REVENUE STREAMS

- Scaled 7plus to 2.6m monthly avg. unique audience in just six months
- Seven's digital advertising revenue up 100% YoY
- Seven Studios division EBIT grew 8% to \$56m
- Early stage investment portfolio grew 22% YoY

# Strategy Broadcast ratings dominance

SCHEDULE DELIVERING MONTHLY WINS VS COMPETITORS AND PRIOR YEAR

## COMMERCIAL BROADCAST RATINGS SHARE (Excl. Commonwealth Games)





# FY18 Performance & Outlook

## Performance:

- Delivered underlying EBIT of \$236m, at upper end of \$220-240m guidance
- Group costs down \$21m, delivered \$61m savings to more than offset AFL uplift and spectrum charge
- 38.1% metro revenue share in the financial year and a record 41.6% ratings share in the second half
- Underlying net Profit after tax of \$142.5m
- Group net debt reduced below \$635m versus \$650m target; leverage ratio 2.3x
- Dividend remains temporarily suspended with focus on balance sheet flexibility

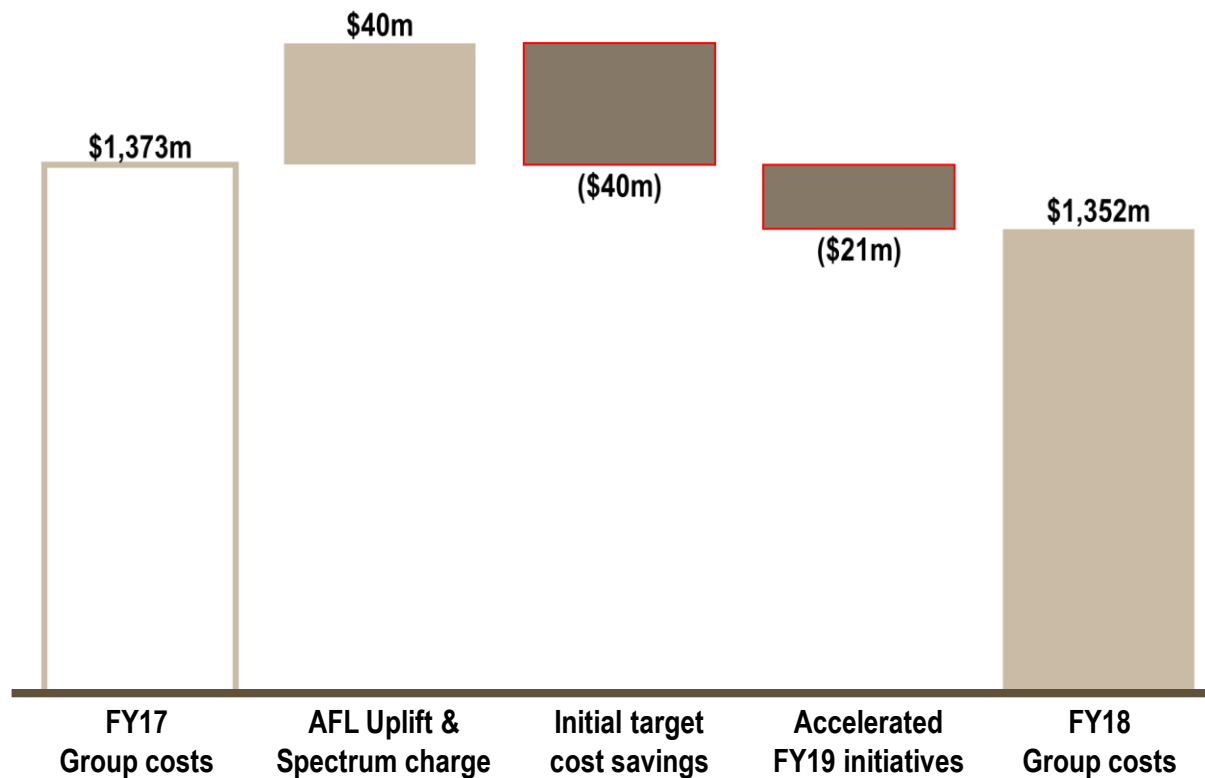
## Outlook:

- Forecasting 5-10% FY19 underlying Group EBIT growth
- Cost reduction in each of the operating businesses, targeting \$10-20m net group savings in FY19
- Reduce leverage ratio below 2x
- Expect TV advertising market to grow
- Revitalised schedule and year-round premium sport to deliver #1 ratings and revenue share
- New Prime agreement delivers material step up in revenue share
- Digital revenue to grow 50% in FY19
- Seven Studios to deliver seventh consecutive year of EBIT growth



# Strategy Transformation

COST REDUCTION PROGRAM ON TARGET TO DELIVER \$125M SAVINGS



## FY19 transformation update:

- Forecasting \$10-20m net group cost savings in FY19 incl. Cricket<sup>2</sup>
- Initiatives on target to achieve announced efficiency savings including 7% FTE reduction in FY18
- Targeting YoY cost reduction in each of the three operating businesses
- New initiatives underway
  - Further FTE reduction in FY19
  - Outsourced services

# Financials





# Consolidated SWM Income Statement

	FY18 \$m	FY17 \$m	Inc/(Dec) %
Revenue and other income	1,621.1	1,679.0	(3.4%)
Share of net profit of equity accounted investees	1.7	0.4	nm
Expenses (including depreciation)	(1,387.2)	(1,418.0)	(2.2%)
<b>Profit before significant items, net finance costs and tax</b>	<b>235.6</b>	<b>261.4</b>	<b>(9.9%)</b>
Net finance costs	(35.3)	(38.6)	(8.4%)
<b>Profit before significant items and tax</b>	<b>200.3</b>	<b>222.8</b>	<b>(10.1%)</b>
Significant items before tax	(8.5)	(988.8)	nm
<b>Profit / (loss) before tax</b>	<b>191.8</b>	<b>(766.0)</b>	<b>nm</b>
Tax (expense) benefit	(56.9)	21.0	nm
<b>Profit / (loss) after tax</b>	<b>134.9</b>	<b>(745.0)</b>	<b>nm</b>
<b>Underlying net profit after tax excluding significant items</b>	<b>142.5</b>	<b>166.8</b>	<b>(14.6%)</b>

Note 1: "nm" means 'not meaningful'

# Key Group Results

## Statutory results

	FY18 \$m	FY17 \$m	Inc/(Dec) %
Profit / (loss) before tax	191.8	(766.0)	nm
Profit / (loss) after tax	134.9	(745.0)	nm
Basic EPS	8.9 cents	(49.5 cents)	
Diluted EPS	8.9 cents	(49.5 cents)	
Final dividend	-	2 cents	

## Additional information

Earnings per share based on net profit excluding significant items (net of tax)	FY18 \$m	FY17 \$m	Inc/(Dec) %
Underlying group EBIT	235.6	261.4	(9.9%)
Profit after tax excluding significant items	142.5	166.8	(14.6%)
Significant items (net of tax)	(7.6)	(911.8)	nm
Profit / (loss) after tax	134.9	(745.0)	nm
Basic EPS	9.4 cents	11.0 cents	
Diluted EPS	9.4 cents	11.0 cents	

# Consolidated SWM Cash Flow

	FY18 \$m	FY17 \$m	Inc/(Dec) %
<b>EBITDA</b>	270.9	306.7	(11.7%)
Working capital and other movements	(29.0)	(64.8)	(55.3%)
Redundancy and employee entitlements	(13.3)	(20.8)	(36.1%)
Dividends received net of share of associates profit / (loss)	(0.7)	5.8	nm
<b>Operating cash flow before interest and tax</b>	<b>227.9</b>	<b>226.9</b>	<b>0.5%</b>
Tax paid, net of refund	(43.4)	(56.4)	(23.1%)
Net finance costs paid	(32.4)	(36.6)	(11.5%)
Net payment for property, plant & equipment and software	(28.8)	(30.1)	(4.2%)
Dividends paid	(30.2)	(90.4)	(66.6%)
Loans issued, proceeds and payments for investments	(0.4)	(22.1)	(98.2%)
Share issues	-	0.6	nm
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>92.7</b>	<b>(8.1)</b>	<b>nm</b>
Opening net (debt) cash	(725.7)	(716.0)	1.4%
Change in unamortised refinancing costs	(1.5)	(1.6)	(6.3%)
<b>Closing net (debt) cash</b>	<b>(634.5)</b>	<b>(725.7)</b>	<b>(12.6%)</b>



# Consolidated SWM Net Debt

	FY18 \$m	FY17 \$m	Inc/(Dec) %
<b>Total borrowings<sup>1</sup></b>	<b>776.7</b>	<b>795.2</b>	(2.3%)
Cash	(142.2)	(69.5)	104.6%
<b>SWM total net debt</b>	<b>634.5</b>	<b>725.7</b>	(12.6%)
SWM LTM EBITDA	270.9	306.7	
SWM total leverage ratio	2.3x	2.4x	
SWM interest cover ratio	8.1x	8.9x	

Note 1: Total borrowings of \$776.7m are net of unamortised refinancing costs of \$3.3m

# Divisional Performance Seven

	FY18 \$m	FY17 \$m	Inc/(Dec) %
<b>Revenue</b>			
Broadcast and digital advertising, affiliate fees and other revenue	1,175.4	1,183.7	(0.7%)
Seven Studios (production and distribution)	89.6	97.3	(8.0%)
<b>Total revenue</b>	<b>1,265.0</b>	<b>1,281.0</b>	<b>(1.2%)</b>
<b>Total costs (including depreciation and amortisation)</b>	<b>1,049.0</b>	<b>1,031.3</b>	<b>1.7%</b>
<b>EBIT</b>	<b>216.0</b>	<b>249.7</b>	<b>(13.5%)</b>

# Divisional Performance WAN

	FY18 \$m	FY17 \$m	Inc/(Dec) %
<b>Revenue</b>			
Print and digital advertising	114.6	126.7	(9.6%)
Print and digital circulation	61.3	59.9	2.3%
Other	28.2	30.9	(8.7%)
<b>Total revenue</b>	<b>204.1</b>	<b>217.5</b>	<b>(6.1%)</b>
<b>Total costs (including depreciation and amortisation)</b>	<b>(183.0)</b>	<b>(191.5)</b>	<b>(4.4%)</b>
<b>EBIT</b>	<b>21.1</b>	<b>26.0</b>	<b>(19.0%)</b>



# Divisional Performance Pacific, Other Business and New Ventures

## Pacific

	FY18 \$m	FY17 \$m	Inc/(Dec) %
<b>Revenue</b>			
Print and digital advertising	37.3	50.8	(26.6%)
Print and digital circulation	98.1	111.0	(11.6%)
Other	4.1	6.2	(33.9%)
<b>Total revenue</b>	<b>139.5</b>	<b>168.0</b>	<b>(17.0%)</b>
<b>Total costs (including depreciation and amortisation)</b>	<b>(129.9)</b>	<b>(164.5)</b>	<b>(21.0%)</b>
<b>EBIT</b>	<b>9.6</b>	<b>3.5</b>	<b>174.8%</b>

## Other Business and New Ventures

	FY18 \$m	FY17 \$m	Inc/(Dec) %
<b>Total revenue</b>	<b>14.2</b>	<b>12.9</b>	<b>10.0%</b>
<b>Total costs (including depreciation and amortisation)</b>	<b>(9.9)</b>	<b>(14.3)</b>	<b>(31.0%)</b>
<b>EBIT</b>	<b>4.3</b>	<b>(1.4)</b>	<b>nm</b>

# Operating Performance

# ALL TOGETHER NOW



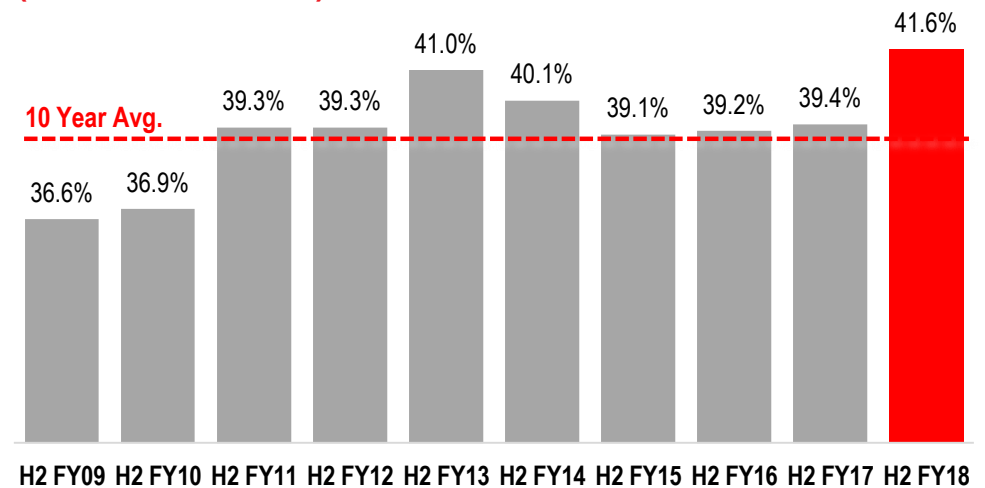


# Seven

## RECORD BREAKING SECOND HALF RATINGS

- 2.5% Market growth driven by effectiveness of FTA TV<sup>1</sup>
- #1 Network, Channel, and Multi-Channel for total people in the financial year<sup>2</sup>
- Reenergised schedule delivered record breaking ratings in the second half<sup>3</sup>
  - 16 of 18 survey ratings week wins in second half<sup>3</sup>
  - New schedule to improve ratings performance in first half FY19
- Premium sport secured through 2022 and 2024, provides year-round ratings certainty
- Soft regional market conditions negatively impacted affiliate revenue
- New Prime agreement delivers material step up in revenue share, effective 1 July 2018, with further step up in FY20

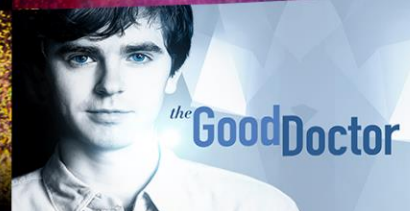
### COMMERCIAL NETWORK RATINGS SHARE<sup>3</sup> (FINANCIAL YEARS)





JULY 2018

DECEMBER 2018



**7plus**



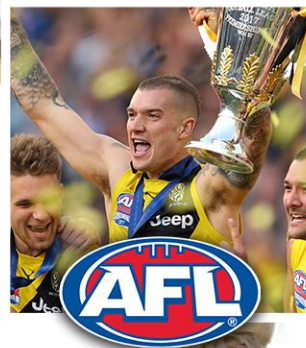
**7plus** SEVEN WEST MEDIA



# Seven Sport

## CRICKET AND AFL RIGHTS PROVIDE YEAR ROUND PREMIUM SPORT

- Secured the dominant Winter and Summer sports with AFL to 2022 and Cricket to 2024 providing long term audience certainty
- Profitable sale of FY19 Tennis rights paves way to focus on Cricket
- New Cricket deal secures more than double the hours of premium summer sports content and strengthens H1 schedule
  - Australian Test matches
  - Big Bash League
  - Women's Big Bash League
- Strengthens audience position in Eastern states and improves audience demographic profile
- Increases premium revenue and ratings in off-peak viewing periods
- Cost per hour of Cricket significantly lower than Tennis
- 13 mega-days will start with test cricket in the morning, lead to 7 News, and continue with BBL into the night



# Seven Digital

## 7PLUS RAPIDLY SCALING UNIQUE AUDIENCE IN HIGH GROWTH BVOD MARKET

- 100% growth in digital advertising revenue
- Launch of 7plus for OTT live and on demand with 6,000 episode library from the world's largest studios and exclusive originals
- BVOD market growth to \$93m up 32% YoY, with growth accelerating in H2 to 40.5%<sup>1</sup>
- 42.1% commercial BVOD revenue share since launch of 7plus<sup>1</sup>
- New content deals reshaping the acquisition and monetisation of multi-platform rights
- Delivering addressable TV advertising with >50% of streamed minutes via connected TVs
- Signed data partnerships with Quantum and TEG Analytics
- 7News and 7Sport to relaunch in 2019

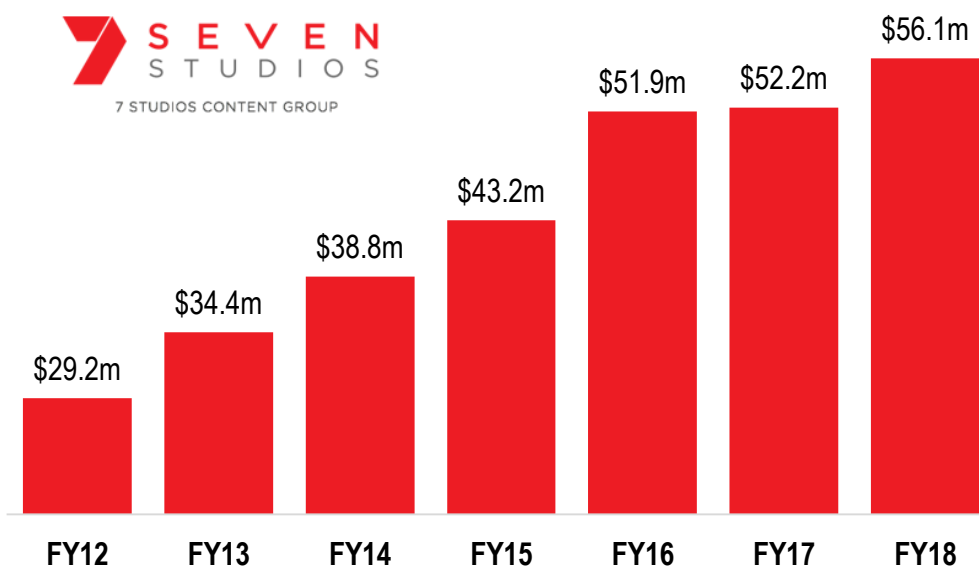




## INTERNATIONAL EARNINGS GROWTH DELIVERED RECORD EBIT

- Earnings up 8% YoY, delivered \$56.1m EBIT
- More than 1,000 hours of scripted, factual, kids and reality programing produced across the content group in FY18
  - Israel & Georgia commissioned local versions of MKR
  - Signed new co-production and library deal with Netflix
  - *Jonah, The Untold Story* mini-series commissioned to explore the life of All Black legend Jonah Lomu
  - Six additional new series commissioned for distribution outside of Australia
- Consolidated NZ production and distribution with investment in Great Southern Television

### SEVEN STUDIOS EBIT





# WAN

## PROVIDING UNPARALLELED REACH TO WEST AUSTRALIANS

- Clear market leader reaching 76% of West Australians<sup>1</sup>
- WA economy showing signs of improvement, yet to benefit print advertising
- EBIT declined 19% to \$21m, FY19 EBIT trend to improve
- The Sunday Times and PerthNow exceeding expectations
- New sales structure delivering improvement on trend
- Rate of revenue decline halved in H2 vs H1, trend continues to improve in first month of trading
- On target to deliver \$10m cost savings in FY19
- Grew digital audience by 51% YoY<sup>2</sup>
- Focus on creating high-quality, sought after digital content





# Pacific
















## OPTIMISING PRINT AND ACCELERATING DIGITAL

- EBIT grew 175% YoY to \$9.6m, highest level since FY15
- Transformation initiatives reduced operating expenses by \$32.2m, 20% YoY
- Targeting further cost base reduction in FY19
- Improved circulation trend in H2 vs. H1
- Australia's best performing publisher with 26% share from just 12 titles; BHG remains Australia's #1 magazine
- Increased digital audience by 39% YoY<sup>2</sup>, digital now represents c30% of total advertising revenue



# SWM Ventures

AUDIENCE ALIGNMENT AND MEDIA ASSETS DELIVER PARTNER GROWTH

	 Airtasker	 HealthEngine .com.au	 SocietyOne
VERTICAL	 HOME	 HEALTH	 WEALTH
ALIGNMENT	 	 	 
OUTCOME	<b>+1100%</b> web traffic increase	<b>+100%</b> app download uplift	<b>+900k</b> site visitors
REVENUE	 <b>115% YoY</b>	 <b>88% YoY*</b>	 <b>94% YoY</b>
BUSINESS UPDATE	Launched in the UK; #todotada TVC	8.7m bookings; ceasing referrals	\$475m in customer loans funded

# Strategic Outlook

## REFRESHED PROGRAMMING SCHEDULE AND CRICKET TO MAINTAIN RATINGS PERFORMANCE

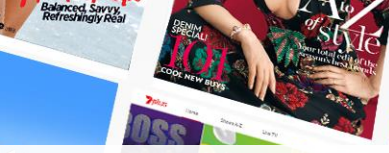
- Underlying 5-10% Group EBIT growth
- Maintain focus on the core: revenue and ratings
- Targeting >40% summer share in growing market
- Continued efforts to deliver and identify new cost savings
- Ongoing investment in produced content and digital platforms
  - Maximise value from owned content through every window
  - Drive greater adoption of 7plus to be clear BVOD market leader
  - Leverage data, insights and technology to drive yield across all screens
- Strengthen balance sheet to provide flexibility
- Expand and create new partnerships with competitors on non-competitive business operations
- Invest in verticals where we can leverage our audience and platform of brands





Q&A

Dance BOSS





# Appendix

**TAKE  
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# Strategy

## FOCUS ON THE CORE

- Improve ratings & revenue performance
- Grow returns on content investment
  - Create, secure and curate the best local and international content
  - Maximise the return on our content investment through every window and overseas sale

## TRANSFORM THE OPERATING MODEL



- Deliver on operating cost saving targets
- Drive efficiencies in existing assets
- Partner with competitors in non-competitive areas to improve profitability
- Evolve to a leaner & more agile operating model while protecting content quality

## GROW NEW REVENUE STREAMS

- Drive greater digital adoption and yield
- Introduce new content monetisation formats
- Invest in data, automation and targeted advertising to maximise inventory yield
- Invest in adjacent verticals where we can leverage the power of our assets

# Digital 7plus Driving Our Digital Future

GROWING UNIQUE AUDIENCE IN A RAPIDLY GROWING MARKET

	PLUS 	7plus 	
	FY17	FY18*	FY19E
BVOD Market (KPMG)	\$69m	\$93m	20% - 25% Market Growth Forecast
Seven Market Revenue Share	45% (incl. Rio Olympics)	38%	38% - 42% Forecast Share
Monthly OTT Unique Audience	2.1m	2.6m	3.5m+

Source: OzTAM VPM (April 2017 - June 2018); Nielsen Digital Ratings Monthly. Advertising networks custom rollups are not represented here; KPMG Quarterly ThinkTV Reporting (commercial FTA market excl. MCN); SWM Analysis

Note: Half of FY18 in Yahoo7 Joint Venture