



SEVEN WEST MEDIA

14 November 2018

Company Announcements Office
Australian Securities Exchange Limited
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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 10.00am today.

Yours Sincerely

Warren Coatsworth
Company Secretary

Wednesday November 14, 2018

Seven West Media AGM 2018

Chairman's Address CEO & Managing Director's Address

Mr. Kerry Stokes AC, Chairman

At last year's AGM I spoke about the challenging and rapidly changing market conditions in the Australian media sector and our Group's need to address them.

One year on, I can report to you we have responded positively with a renewed focus on improving our core business with stronger TV ratings, revenue and cost savings.

This program also demanded that we reduce debt, unfortunately requiring us to suspend our dividends throughout the course of the year.

However, all of the initiatives have delivered tangible results for you our shareholders, with the group's net debt reduced by \$90 million from \$725 million to \$635 million. Meanwhile our cost savings program delivered a net reduction in costs of \$21 million, which offset increased AFL rights fees and spectrum charges during the period.

Despite these necessary cost measures, Seven continues to dominate the television sector, achieving our 12th consecutive year as Australia's number one TV network, lifting our share of every key demographic segment of the market.

The year also saw Seven produce a record production run of high quality, top rating TV events, including the Rugby League World Cup, Australian Open Tennis, Winter Olympics and Gold Coast Commonwealth Games, as well as our ongoing AFL coverage – combining to reach more than 20 million people across the country.

As a result of these initiatives, Seven's profit reached the upper end of our guidance to market of underlying Earnings Before Interest and Tax of \$236 million for the year, with expectations we will again beat that figure in the current financial year, despite continuing market challenges.

It is a testament to our people that we have improved our performance and the Board thank them all for their dedication and professionalism amid these challenges.

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We continue to leverage the mass audiences we deliver from our TV network, magazines and newspapers to drive revenue and new forms of content, and with this in mind we launched our wholly-owned digital platform – 7Plus – during the year.

With the strength of our traditional media businesses and 7Plus, we are responding positively to the challenges posed by the world's biggest, foreign owned, digital platforms.

These platforms do not pay legitimate media companies for quality content and are not subject to the controls and rules Seven must adhere to, creating an uneven playing field and causing real concerns for average Australians – especially in regard to their privacy.

The current regulatory regime in the television industry is unsustainable in an environment where we are competing for advertising dollars with foreign digital platforms that are almost entirely unregulated, with evidence mounting every day about their misbehaviour and their lack of accurate advertising measurement.

However, Seven continues to move ahead with the creation of record levels of local content and have locked in year round premium sports, with the addition of cricket this year, while maintaining the high quality standards of a regular, staple programs.

On behalf of your directors, I wish to thank all of our shareholders for your commitment to the group as we continue to right-size our businesses for future growth.

Traditional media groups like Seven have a great future in Australia but we need to be agile and mindful of operating at the right size to deliver returns to our shareholders.

As we indicated at last year's annual general meeting, the Board reviewed its composition and two Independent Directors, Teresa Dyson and Michael Ziegelaar were subsequently appointed to our Board.

Ms Dyson is an experienced company Director, with a broad range of expertise across public and private sectors. Her proposed election also provides fresh perspectives on the Board as well as orderly succession on the Audit & Risk Committee through Ms Dyson's appointment as Chairman of that Committee.

Thank you Teresa for taking on that important role. We also wish to recognise David Evans' distinguished service as the previous Chairman of that Committee.

Our other new appointment, Mr. Ziegelaar, is a highly credentialed corporate lawyer with deep legal and commercial experience gained through advising on many of Australia's largest corporate transactions. He contributes broad skills in law, mergers and acquisitions, governance, finance and business development to the Board.

I am delighted to welcome Teresa and Michael to our board.

I know that since their appointments they have each spent considerable time getting to know our operations and our people. We look forward to their continuing contributions to the Company.

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Mr. Tim Worner, CEO and Managing Director

Thank you, Chairman.

And thank you all for being here today.

As the Chairman has said, the 2018 financial year saw us deliver significant cost savings and reduce our debt while at the same time maintaining our position at the forefront of Australia's media industry and as the leader in television.

We delivered underlying EBIT of \$236m, which was at the upper end of our guidance, and an underlying net profit after tax of \$142.5m. We set ourselves a target of \$650m Group debt. We over-delivered on that, ending the year at \$635m.

Content, Audience and Connection remain at the heart of our company. That is, we create powerful stories that attract mass audiences across multiple platforms, and then connect our advertisers with these in a more engaged and effective way than ever before.

Transformation

And we do this while forging ahead with our whole-of-company transformation program.

Throughout the year we maintained that firm focus on our costs, driving operational efficiencies, and reducing headcount by 7%. We have outsourced some activities not crucial to our competitive advantage and achieved \$61m in savings. When you factor in the AFL uplift and spectrum charge, we delivered a net reduction of \$21 million.

With the mantra of 'collaborate on technology, compete on content' we also partnered with our counterparts to launch a joint venture for our respective playout operations. Not only does this deliver savings, it will now provide a new revenue stream.

And we are currently completing the move of our Sydney teams in Jones Bay to Media City. As this falls within our existing tenancy, it will further reduce costs, as well as foster greater collaboration.

The West and Pacific also continue to work hard to deliver savings.

Our new SWM WA CEO Maryna Fewster and her team in Perth are pushing further forward with a cost-out program that reduced costs by 4.4% last year and will achieve at least another \$10m in savings in the current financial year.

Gereurd Roberts continues to drive Pacific's transformation at pace, rationalising its portfolio of titles and completely restructuring its work processes.

The successful execution of this strategy delivered \$9.6 million in EBIT, an increase of 175% on the prior year and the highest since the 2015 financial year.

All together, Pacific's transformation reduced costs by \$32 million.

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TV

Our television business has had a stellar run.

Following a soft first half to the financial year, we revitalised our schedule, which resulted in a record-breaking second half.

This means Channel 7 will be Australia's most-watched channel for a 12th consecutive year, and 7mate will be the most watched multi-channel of the year.

All told, in the 2018 financial period Seven delivered a 39.6% commercial share of audience and 38.1% metro revenue share.

We have locked in a new five year affiliation agreement with Prime, commencing at the start of the 2019 financial year with a further step up in FY20, which is at least equivalent to market benchmarks for recent deals.

Sport

In April we signed an historic six year deal with Cricket Australia.

The deal ensures we have more than doubled the hours of premium summer sports content.

We now have additional strength in our December half schedule and we've improved our audience position in the Eastern states.

We have a better audience demographic profile, and will increase premium revenue and ratings in off-peak viewing periods. I can tell you that the advertiser response has been extremely encouraging.

And we will achieve all this at a significantly lower cost per hour than the Tennis.

On our very first broadcast, the women's T20 against New Zealand, we delivered the biggest television audience in history for a women's cricket match.

With the AFL locked up until 2022, this means we have the number one summer and winter sports, and the ratings certainty they bring across the 12 months of the year, for years to come.

Subsequently, we made a very profitable sale of the FY19 Tennis rights, enabling us to focus on Cricket.

Digital

Having taken control of the majority of our key 'direct to consumer' digital assets, we launched our new over-the-top platform 7plus, which now has a library of over 6000 episodes from the world's largest studios, alongside our own exclusive originals.

In 10 months, 7plus has gone from launch to number one, having won the last four weeks of broadcast video on demand viewing shares.

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Over the course of the financial year Seven's digital advertising revenue grew 100%.

Having successfully executed this part of our strategy, we have announced our intention to exit the Yahoo7 joint venture, securing the last of our content from our 7 News and Public Affairs brands.

Seven Studios

Seven Studios, our production business, is an increasingly important part of our company.

Last year we created and produced over 1000 hours of world-class television, making us Australia's largest producer of premium long-form entertainment.

Seven Studios is now delivering sustained earnings growth, underpinned with annuity income streams from life of series deals.

Over the financial year earnings were up 8% year on year, delivering \$56.1m in EBIT, which represents almost a quarter of the Group's earnings.

At the end of 2017 we acquired a majority stake of Great Southern Television in New Zealand, to expand our international presence, which also includes bases in London and Los Angeles.

Publishing

Our publishing assets, performed well in the context of challenging conditions.

Our assets in WA reach 91% of the local population.

We relaunched PerthNow during the financial year, which helped WAN grow its overall digital audience by 51% YoY.

While EBIT declined 19% to \$21m, the rate of revenue decline halved in the second half, and the trend has continued in the first quarter of the current financial year.

At Pacific, Gereurd and his team continue to focus on creating and distributing content in targeted verticals to scale audiences across every platform.

Their strategy is working with an improved print circulation and advertising trend in the second half, and further strong growth in digital audiences. It is the same story with digital revenue, which now represents almost a third of all advertising revenue at Pacific.

Strategy

At Group level, our strategy is unchanged - we remain focused on the core: delivering even stronger ratings and revenue. Delivering greater experience for our customers – both consumers and advertisers – is our major aim.

Our investment in creating, owning and controlling more exceptional content is also paramount.

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We will continue the transformation of our business model to be leaner and more agile, maintaining our focus on cost reduction, delivering at the very least the cost savings we've promised.

And we will continue to invest in key partnerships and investments beyond our core media businesses in companies such as Airtasker, Society One and Health Engine, where we see opportunity to leverage our enormous audience reach to create value.

Outlook

Last year we said we were not happy with our ratings performance, despite winning. We said that we would address that and we have.

I'm very proud to report we will deliver the biggest share of any network in the history of Australian TV ratings.

Our competitors do their best to dismiss our achievements by saying our audience is old.

In fact, there are more young people watching Seven than any other network by some margin, and this year we will not only win all the key demographics that are so important to our commercial partners, we will have our highest ever share of the key 16-39 and 25-54 demos.

At our annual sales Allfronts we announced a brand new channel, 7food network. Launching in December, it will feature the biggest international shows from Discovery's Food Network alongside our own hit food programming. We have seen a strong response from the market and have already signed a number of commercial partnerships.

We are also very excited by the response to the cricket. As Kurt said at our recent Allfronts, he's never seen as fast an uptake in his 28 years in Television. December is looking very strong.

To our outlook in a little more detail, and if we take the market as a whole, the first quarter was flat with a softer September and October partly due to a pullback in spend from banking and insurance given the royal commission as well as government spend. Off the back of that successful Cricket take up we expect Seven's metro FTA revenue share to grow in the second quarter and first half. The market performance in the second half is expected to be stronger driven by increased ad spend from a number of sectors including election money.

Overall we expect the metro TV ad market to be broadly flat in the financial year, but for Seven to increase share.

As we've covered, the launch of 7Plus and the rapid scaling of audience, revenue and EBIT on this platform in just 10 months has been outstanding.

The BVOD revenue market continues to grow strongly up 25% year on year for the first quarter with growth on 7Plus outpacing the market.

In the third quarter of this financial year, we will launch 7news.com.au, a new online home for Australia's Number One and most trusted News and Public Affairs brand 7 News.

Seven Studios has also had a very strong start to the year with continued strong earnings growth and some new major commissions.

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We upgrade our net cost saving targets for the 2019 financial year from \$10-20 million to \$20-30 million, which is being delivered across the board as we continue to identify new efficiencies.

We reiterate our guidance issued at our FY18 financial year result for underlying EBIT in FY19 to grow by 5-10% on the prior period.

We continue to forecast the reduction in our net debt to bring leverage below 2x in the 2019 financial year.

We have also just completed the refinancing of our debt, reducing the overall facilities to \$750m, improving our lending margin and extending the expiry split between the end of 2021 and 2022. There have been no other notable changes to the facilities, including no changes to financial covenants.

Conclusion

There's been a lot of work undertaken at every level of the company to set ourselves up for the coming year and beyond.

Our momentum is growing and our people are aligned. It's not been easy, and we'd like to thank our teams of people across Australia for their efforts. It's their work that allows us to be confident in our outlook and our return to earnings growth.

I also thank you, our shareholders, for your continuing support of our company.

End.

For more details:

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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, The Sunday Times and Yahoo7, and the biggest content brands including My Kitchen Rules, House Rules, Home and Away, Sunrise, the Australian Football League, the Olympic Games, Better Homes and Gardens, marie claire, Who, PerthNow, racing.com and 7plus.