



SEVEN WEST MEDIA

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## 1H FY19 RESULTS

*Presentation on 19 February 2019.*

*Results for the half year ended  
29 December 2018.*



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# Agenda

- Group Performance
- Financials
- Business Units
- Outlook
- Q&A



SEVEN  
STUDIOS

The West  
Australian



SEVEN WEST VENTURES

# 1HFY19 Performance

## FOCUS ON THE CORE

- #1 network, main channel and multi channel in 2018
  - #1 network for all key demos
  - 3% pts increase in 1H ratings
- #1 metro revenue share of 39.2% in CY18; 38.4% in 1H FY19, up 2% pts YoY
- 7plus secured #1 2Q OzTAM VPM share

## TRANSFORM THE OPERATING MODEL

- Raised FY19 group cost out target from \$10-20m to \$30-40m
- 1H group costs flat, including impact of the cricket, with savings skewed to 2H
- WAN organisational restructure accelerated under new leadership

## GROW NEW REVENUE STREAMS

- BVOD revenue market grew 43% YoY to \$61m in 1H FY19
- Studios revenue grew 20% YoY in 1H
- Early stage investment portfolio grew 10% YoY

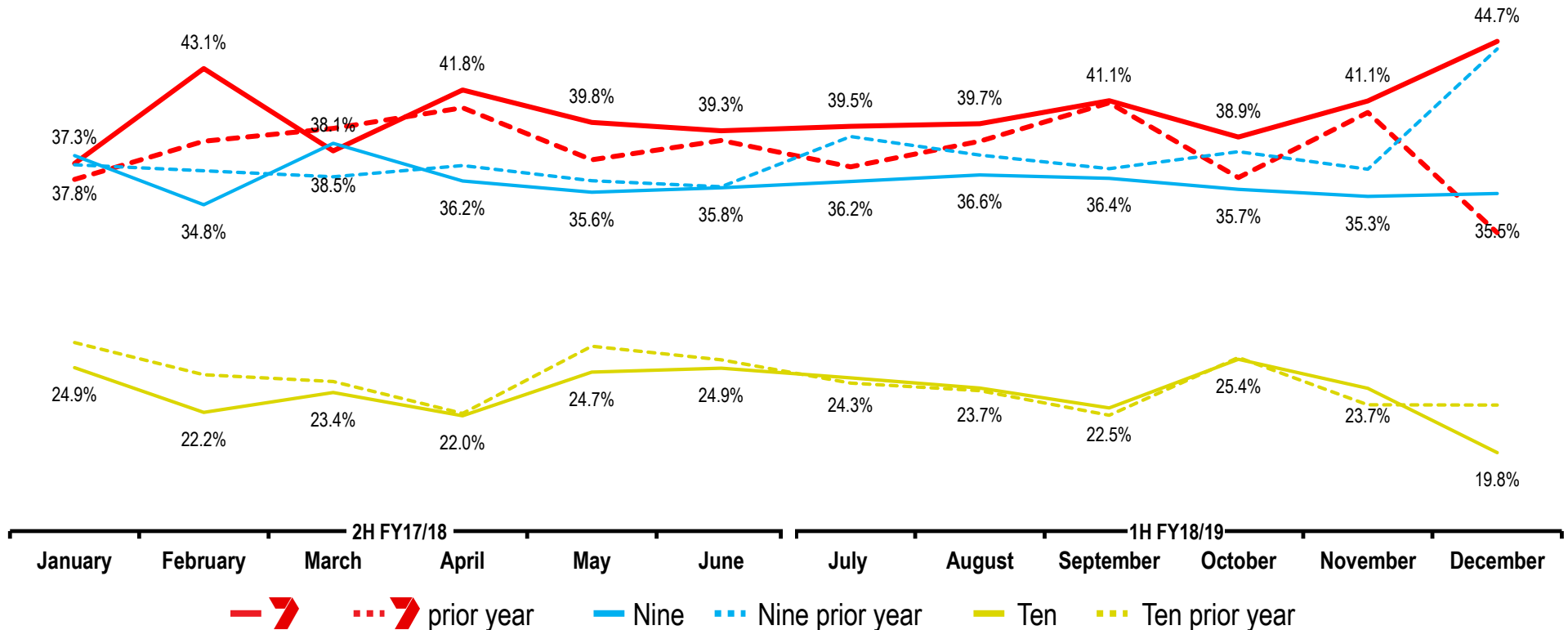
## FINANCIAL PERFORMANCE

- Softer 2Q metro TV ad market but strong share growth
- Underlying EBIT of \$147m, down 4% excl. FY18's 53<sup>rd</sup> week
- Underlying net profit after tax of \$91.8m
- Group net debt reduced below \$590m, down \$121m YoY
- Refinanced debt through 2021/2022, no change in covenants and beneficial price outcome
- Dividend remains temporarily suspended

# Strategy Broadcast ratings

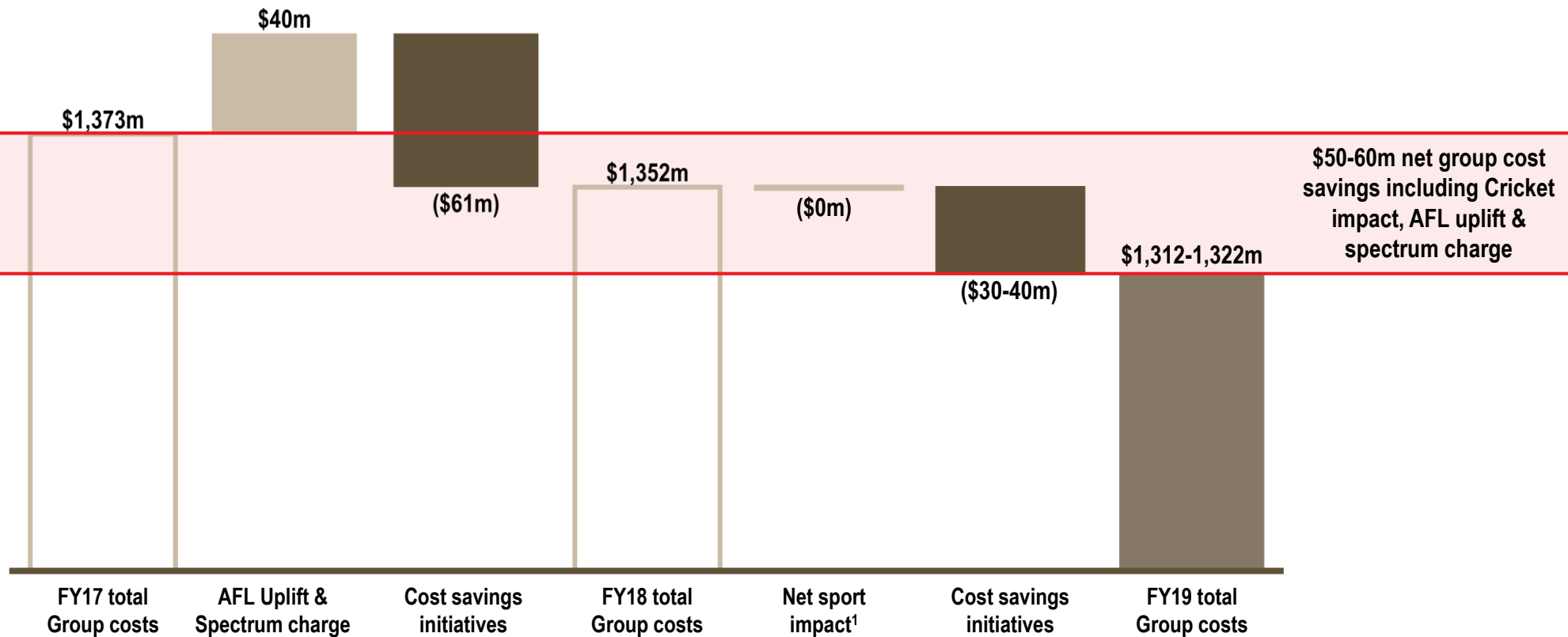
2018 RATINGS DOMINANCE PROVIDES 2H REVENUE OPPORTUNITY

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



# Strategy Transformation

COST SAVINGS INITIATIVES TO DELIVER \$50-60M NET REDUCTION FROM FY17 COST BASE





# Financials



# Consolidated SWM Income Statement

	1HFY19 \$m	1HFY18 <sup>1</sup> \$m	Inc/(Dec) %
Revenue and other income	798.0	810.1	(1.5%)
Share of net profit of equity accounted investees	0.9	1.2	(25.0%)
Expenses (including depreciation)	(652.1)	(652.0)	(0.0%)
<b>Profit before significant items, net finance costs and tax</b>	<b>146.8</b>	<b>159.3</b>	<b>(7.9%)</b>
Net finance costs	(18.0)	(18.0)	0.0%
<b>Profit before significant items and tax</b>	<b>128.8</b>	<b>141.3</b>	<b>(8.8%)</b>
Significant items before tax <sup>2</sup>	(8.6)	-	nm
<b>Profit before tax</b>	<b>120.2</b>	<b>141.3</b>	<b>(14.9%)</b>
Tax expense	(34.4)	(41.7)	(17.4%)
<b>Profit after tax</b>	<b>85.8</b>	<b>99.6</b>	<b>(13.9%)</b>
<b>Underlying net profit after tax excluding significant items</b>	<b>91.8</b>	<b>99.6</b>	<b>(7.8%)</b>

Note 1: Prior year figures have been restated for AASB 9 Financial Instruments standard.

Note 2: Capitalised refinancing costs written off following debt refinance including \$2.8m in unamortised refinancing costs and a \$5.8m gain capitalised as a result of adopting AASB 9



# Key Group Results

## Statutory results

	1HFY19 \$m	1HFY18 <sup>1</sup> \$m	Inc/(Dec) %
Profit before tax	120.2	141.3	(14.9%)
Profit after tax	85.8	99.6	(13.9%)
Basic EPS	5.7 cents	6.6 cents	
Diluted EPS	5.7 cents	6.6 cents	
Final dividend	-	-	

## Additional information

Earnings per share based on net profit excluding significant items (net of tax)	1HFY19 \$m	1HFY18 <sup>1</sup> \$m	Inc/(Dec) %
Underlying group EBIT	146.8	159.3	(7.9%)
Profit after tax excluding significant items	91.8	99.6	(7.8%)
Significant items (net of tax)	(6.0)	-	nm
Profit after tax	85.8	99.6	(13.9%)
Basic EPS	6.1 cents	6.6 cents	
Diluted EPS	6.1 cents	6.6 cents	

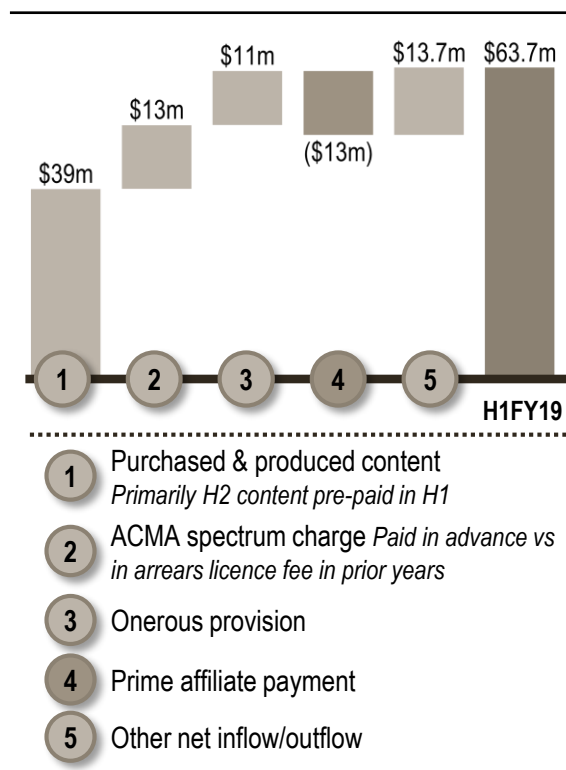
Note 1: Prior year figures have been restated for AASB 9 Financial Instruments standard.

# Consolidated SWM Cash Flow

	1H FY19 \$m	1H FY18 <sup>1</sup> \$m	Inc/(Dec) %
<b>EBITDA</b>	161.5	176.8	(8.8%)
Working capital and other movements	(63.7)	(63.7)	0.0%
Redundancy and employee entitlements	(12.6)	(8.8)	43.2%
Dividends received net of share of associates profit / (loss)	(0.4)	(0.7)	(47.3%)
<b>Operating cash flow before interest and tax</b>	<b>84.8</b>	<b>103.6</b>	<b>(17.6%)</b>
Tax paid, net of refund	(4.3)	(27.5)	(84.4%)
Net finance costs paid	(14.8)	(11.2)	32.5%
Net payment for property, plant & equipment and software	(15.5)	(12.8)	11.0%
Dividends paid	-	(30.2)	nm
Loans issued, proceeds and payments for investments	(2.8)	(6.3)	(54.7%)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>47.4</b>	<b>15.6</b>	<b>nm</b>
Opening net (debt) cash	(627.7)	(715.9)	(12.3%)
Change in unamortised refinancing costs	(8.7)	(2.2)	nm
<b>Closing net (debt) cash</b>	<b>(589.0)</b>	<b>(702.5)</b>	<b>(16.2%)</b>

Note 1: Prior year figures have been restated for AASB 9 Financial Instruments standard. Net debt of \$710.8 for 1H FY18 prior to restatement

## Working Capital Movements



# Consolidated SWM Net Debt

	1H FY19 \$m	FY18 <sup>1</sup> \$m	Inc/(Dec) %
<b>Total borrowings<sup>2</sup></b>	<b>688.6</b>	<b>769.9</b>	(10.6%)
Cash	(99.6)	(142.2)	(30.0%)
<b>SWM total net debt</b>	<b>589.0</b>	<b>627.7</b>	(6.2%)
SWM LTM EBITDA	255.6	270.9	(5.6%)
SWM total leverage ratio	2.3x	2.3x	
SWM interest cover ratio	7.1x	8.1x	

Note 1: Prior year figures have been restated for AASB 9 Financial Instruments standard.

Note 2: In FY19, borrowings are net of unamortised refinancing costs of \$1.4 million. In FY18, the unsecured bank loans were net of \$10.1 million unamortised refinancing costs, made up of \$3.3m relating to the original unamortised refinancing cost and \$6.8m of gain capitalised as a result of transition to AASB 9.



# Divisional Performance Seven

	1HFY19 \$m	1HFY18 \$m	Inc/(Dec) %
<b>Revenue</b>			
Broadcast and digital advertising, affiliate fees and other revenue	582.8	586.7	(0.7%)
Seven Studios (production and distribution)	45.7	38.1	20.1%
<b>Total revenue</b>	<b>628.5</b>	<b>624.8</b>	<b>0.6%</b>
<b>Total costs (including depreciation and amortisation)</b>	<b>(486.8)</b>	<b>(477.4)</b>	<b>2.0%</b>
<b>EBIT</b>	<b>141.7</b>	<b>147.4</b>	<b>(3.9%)</b>

# Divisional Performance WAN

	1HFY19 \$m	1HFY18 \$m	Inc/(Dec) %
<b>Revenue</b>			
Print and digital advertising	52.8	59.7	(11.6%)
Print and digital circulation	28.7	30.4	(5.6%)
Other	14.1	15.8	(10.8%)
<b>Total revenue</b>	<b>95.6</b>	<b>105.9</b>	<b>(9.8%)</b>
<b>Total costs (including depreciation and amortisation)</b>	<b>(86.6)</b>	<b>(95.2)</b>	<b>(9.0%)</b>
<b>EBIT</b>	<b>9.0</b>	<b>10.7</b>	<b>(16.6%)</b>

# Divisional Performance Pacific, Other Business and New Ventures

## Pacific

	1HFY19 \$m	1HFY18 \$m	Inc/(Dec) %
<b>Revenue</b>			
Print and digital advertising	18.9	21.7	(12.9%)
Print and digital circulation and other	47.2	51.0	(7.5%)
<b>Total revenue</b>	<b>66.1</b>	<b>72.7</b>	<b>(9.1%)</b>
<b>Total costs (including depreciation and amortisation)</b>	<b>(62.1)</b>	<b>(66.5)</b>	<b>(6.7%)</b>
<b>EBIT</b>	<b>4.0</b>	<b>6.2</b>	<b>(35.0%)</b>

## Other Business and New Ventures

	1HFY19 \$m	1HFY18 \$m	Inc/(Dec) %
<b>Total revenue</b>	<b>8.7</b>	<b>7.9</b>	<b>10.0%</b>
<b>Total costs (including depreciation and amortisation)</b>	<b>(9.1)</b>	<b>(5.2)</b>	<b>(74.7%)</b>
<b>EBIT</b>	<b>(0.4)</b>	<b>2.7</b>	<b>nm</b>





# Operating Performance





# Seven

## CONTENT SCHEDULE DELIVERING RATINGS RESULTS

- #1 Network for total people and all key demos<sup>1</sup>
  - #1 destination for men under 40, with our highest ever share of Men 16-39
  - #1 network for women, including key demos W16-39, W25-54 and W18+
- 35 of 40 survey ratings week wins in the calendar year, 19 of 22 from July - December<sup>1</sup>
- 38.4% metro revenue share in 1H, up from 36.4% in 1H FY18<sup>2</sup>
- Launch of 7Food in core content and advertiser vertical
- Step up in regional affiliate revenue with further upside in FY20

**No.1 network<sup>1</sup>**  
12<sup>th</sup> consecutive year

**No.1 network**  
all day 6am-midnight

**No.1 network**  
primetime 1800-2400

**No.1 non-sport one-off event**  
Royal Wedding: Prince Harry & Meghan

**No.1 channel**  
12<sup>th</sup> consecutive year

**No.1 multichannel**  
#1 total people  
#1 P25-54 / #1 men

**No.1 news**

**No.1 breakfast**

**No.1 morning**

**No.1 winter sport**

**No.1 lifestyle program**

**No.1 drama**

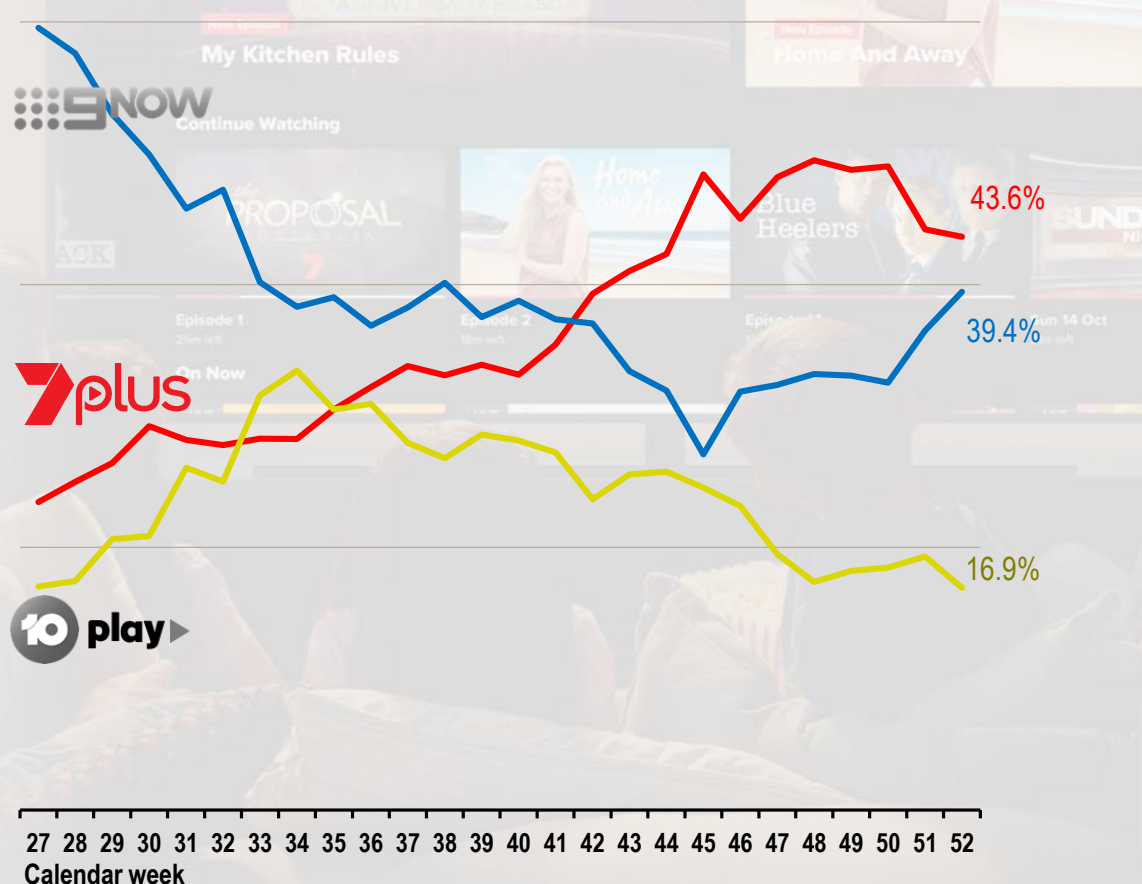
**No.1 new Aussie show**

# Seven Digital

## DEPTH OF 7PLUS LIBRARY DELIVERING #1 BVOD VPM SHARE

- 1H BVOD market revenue grew 43% YoY to \$61m<sup>1</sup>
  - Delivering significant revenue premium per hour to broadcast television
- #1 quarterly OzTAM VPM share within 12 months of 7plus launch<sup>2</sup>
- One quarter of VOD viewing from deep catalogue providing year-round audience engagement<sup>3</sup>
- 7NEWS.com.au to launch in March 2019

### Weekly Commercial FTA BVOD VPM Share<sup>1</sup>





REAL MURDER INVESTIGATION  
**UNDERCURRENT**



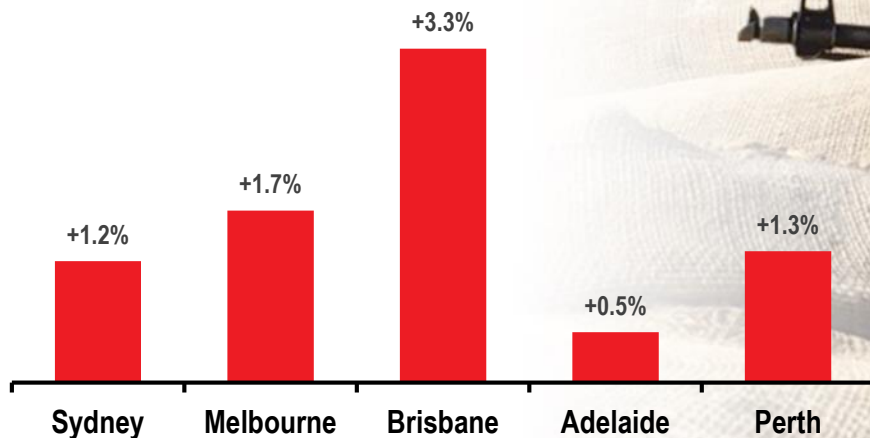




## AUSTRALIA'S MOST WATCHED NEWS SERVICE

- Trusted by more than 1.5 million Australians every weekday for their nightly news
- Grew commercial viewing share in every metro market in 2018
- Building audience as viewers transition from day tests to the BBL on cricket mega-days
- 7NEWS.com.au to further grow television audience and engagement with launch in March 2019

### 7NEWS Metro ratings share growth<sup>1</sup>

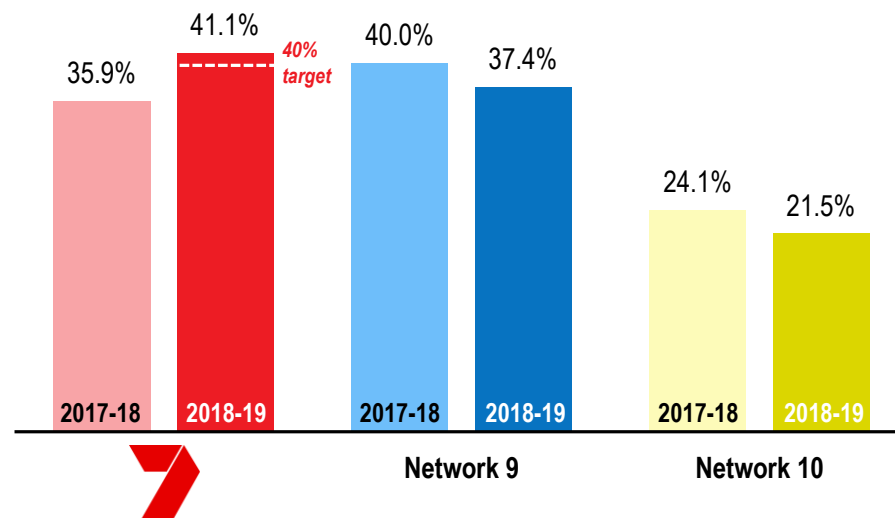




## STRONG CRICKET PERFORMANCE

- Seven's cricket coverage resonated with Australian audiences with 74% of viewing on FTA
- 5.2 percentage point increase in summer share vs prior period, exceeding audience expectations<sup>1</sup>
  - Growth in key demos incl. M25-54 up 23.3 share pts YoY
  - 54.4% avg. daytime share on Test broadcast days<sup>2</sup>
  - 39 days with >40% commercial share<sup>1</sup>
- 42% December 2018 – January 2019 metro revenue share up 5% points YoY<sup>3</sup>
- Alignment of cricket and AFL schedules to provide premium sport on the screens of Seven every week through 2022

### Summer Ratings Comparison<sup>1</sup> (Ratings weeks 49–6)







## HIT SHOWS BUILDING GLOBAL BUSINESS

- EBIT on target for seventh consecutive year of growth
- Expanded UK presence with local production office
- Over 1,000 hours of new programming in production
  - 14 new original titles commissioned across the group
  - More than 20 hit series returning or in production
- Titles including The Casketeers and Instant Hotel achieving critical reviews and global audience on global SVOD
- Slim in early production of significant international big-budget drama co-production
- 7Beyond moving into 8<sup>th</sup> season of hit program My Lottery Dream Home



NETFLIX ORIGINAL

## THE CASKETEERS



# WAN

## TRANSFORMATION ACCELERATING

- Refreshed leadership team accelerating transformation across the business
- \$10m cost out program tracking above expectations, further efficiencies to be achieved in FY20
- Re-aligned sales structure delivered YoY growth in national advertising
- Editorial leadership focused on content creation across print and digital formats
- Digital subscription offering to launch by end of FY19
- Improvement in mining sector expected to flow through to local advertising markets in FY20

**The West  
Australian**

**The  
Sunday  
Times**

**perth  
now**

# Pacific

## DIGITAL TRANSFORMATION EXTENDING REACH ACROSS NEW PLATFORMS

- Australia's best performing publisher with c26% share from just 12 titles; BHG remains Australia's #1 magazine<sup>1</sup>
- Continued print focus driving improved YoY circulation and advertising trend; New Idea circulation increased YoY<sup>2</sup>
- Transformation initiatives reduced operating expenses \$4.4m in 1H, targeting further cost reductions in 2H
- Accelerated digital strategy delivering rapid audience and revenue growth
  - Monthly unique audience grew 33% YoY<sup>3</sup>
  - Digital revenue now approximately 30% of total advertising revenue

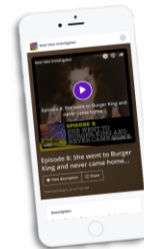
# New Idea

## >5M TOUCHPOINTS MONTHLY

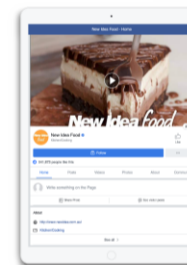
Circulation **UP**  
**1.6% YOY<sup>2</sup>**



**Print brand  
Extensions**



**PODCASTS**



**SOCIAL**












**ONLINE**

**Monthly digital audience  
increased **78% YOY****

**Daily video stream  
increased **>150% YOY****

# SWM Ventures

AUDIENCE ALIGNMENT AND MEDIA ASSETS DELIVER 10% PORTFOLIO GROWTH YOY

			
TARGET VERTICAL	 HOME	 HEALTH	 WEALTH
BRAND ALIGNMENT	 	 	 
BUSINESS UPDATE	<ul style="list-style-type: none"> <li>Launched in the UK, exceeding expectations</li> <li>Gross Tasker Earnings reached \$140 million p.a.</li> </ul>	<ul style="list-style-type: none"> <li>2m unique monthly audience, up 83% YoY</li> <li>Launch of prescription request telehealth product</li> </ul>	<ul style="list-style-type: none"> <li>&gt;\$590m in customer loans funded</li> <li>c50% YoY audience growth</li> <li>New record in monthly loans written, trend accelerating</li> </ul>



# Outlook

## DELIVERING ON OUR STRATEGIC PRIORITIES

- Targeting underlying FY19 Group EBIT growth of 0-5%
- Increased cost out to deliver \$30-40m net group savings in FY19
- Leverage ratio to reduce below 2x at end of FY19
- Improved second half trend, but expect low single digit decline in metro TV ad market for the financial year
- 2H performance to secure #1 ratings and revenue share
- BVOD viewing share to grow Seven's digital revenue by 50%
- Seven Studios to deliver seventh consecutive year of EBIT growth





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# Appendix



# 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