

# Seven West Media

FY19 Results Presentation 20 August 2019

Results for the year ended 29 June 2019



Create. Engage. Grow.

# Disclaimer

## Basis of preparation of slides.

---

Data included in this presentation is prepared for the management of Seven West Media Limited and its associated entities (together, 'SWM'). This data is included for information purposes only and has not been audited or reviewed or subject to the same level of review by SWM as the statutory accounts and so is merely provided for indicative purposes. SWM and its employees do not warrant the accuracy or reliability of this data and disclaim any liability flowing from the use of this data by any party.

SWM does not accept any liability to any person, organisation or entity for any loss or damage suffered as a result of reliance on this document. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements, and are subject to variation.

All forward-looking statements in this document reflect the current expectations concerning future results and events. Any forward-looking statements contained or implied, either within this document or verbally, involve known and unknown risks, uncertainties and other factors (including economic and market conditions, changes in operating conditions, currency fluctuations, political events, labour relations, availability and cost of labour, materials and equipment) that may cause actual results, performance or achievements to differ materially from the anticipated results, performance or achievements, expressed, projected or implied by any forward-looking statements.

Unless otherwise indicated, all references to estimates, targets and forecasts and derivations of the same in this document are references to estimates, targets and forecasts by SWM. Estimates, targets and forecasts are based on views held only at the date of this document, and actual events and results may be materially different from them. SWM does not undertake to revise this document to reflect any future events or circumstances.

Amounts, totals and change percentages calculated on whole numbers and not the rounded amounts presented. The information contained in these pages may not necessarily be in statutory format.



# Agenda

**1.**

FY19  
highlights

**2.**

Financial  
statements

**3.**

Business unit  
performance

**4.**

Focus and  
objectives

**5.**

Group  
outlook

# FY19 Highlights

## Financial performance

- Underlying EBIT of \$212.1, down 7.5% excl. FY18's 53rd week
- Significant items totaling \$573.7m net of tax, predominantly from the impairment of TV licences and print mastheads
- Cost discipline achieving \$38m savings at upper end of guidance
- Group net debt reduced to \$564.4m, \$72.2m cash generation in FY19
- Debt facility refinanced to 2021/2022



# Financials

## Income statement

**\$1.56b**

Revenue

**\$129.3m**

Underlying Group  
net profit after tax

**8.6cps**

Basic EPS excl.  
significant items

**\$611.0m**

Significant items  
before tax

**\$212.1m**

Underlying  
Group EBIT

	FY19 \$m	FY18 <sup>1</sup> \$m	Inc/(Dec) %
Revenue and other income	1,556.5	1,621.1	(4.0%)
Share of net profit of equity accounted investees	1.1	1.7	(33.1%)
Expenses (including depreciation)	(1,345.5)	(1,387.2)	(3.0%)
<b>Profit before significant items, net finance costs and tax</b>	<b>212.1</b>	<b>235.6</b>	<b>(10.0%)</b>
Net finance costs	(34.7)	(38.3)	(9.3%)
<b>Profit before significant items and tax</b>	<b>177.4</b>	<b>197.3</b>	<b>(10.1%)</b>
Significant items before tax	(611.0)	(8.5)	nm
<b>Profit / (loss) before tax</b>	<b>(433.6)</b>	<b>188.8</b>	<b>nm</b>
Tax (expense) benefit	(10.8)	(56.0)	(80.7%)
<b>Profit / (loss) after tax</b>	<b>(444.4)</b>	<b>132.8</b>	<b>nm</b>
<b>Underlying net profit after tax excluding significant items</b>	<b>129.3</b>	<b>140.4</b>	<b>(7.9%)</b>

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

# Financials

## Statutory results

### Statutory results

	FY19 \$m	FY18 <sup>1</sup> \$m	Inc/(Dec) %
Profit / (loss) before tax	(433.6)	188.8	nm
Profit / (loss) after tax	(444.4)	132.8	nm
Basic EPS	(29.5 cents)	8.8 cents	nm
Diluted EPS	(29.5 cents)	8.8 cents	nm

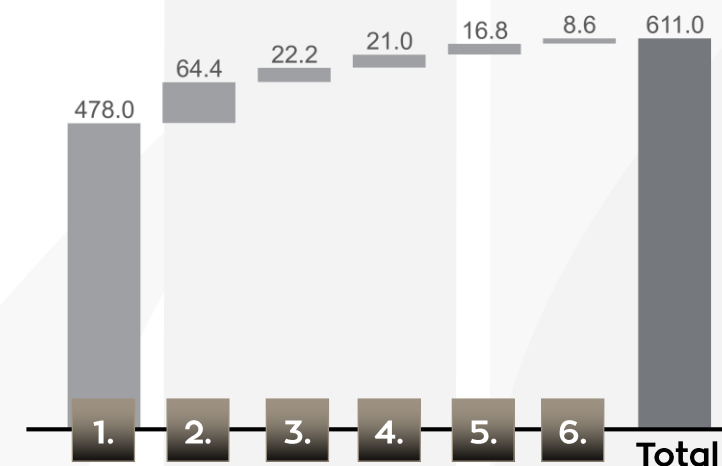
### Additional information -

Earnings per share based on net profit excluding significant items (net of tax)

	FY19 \$m	FY18 <sup>1</sup> \$m	Inc/(Dec) %
Underlying group EBIT	212.1	235.6	(10.0%)
Profit after tax excluding significant items	129.3	140.4	(7.9%)
Significant items (net of tax)	(573.7)	(7.6)	nm
Profit / (loss) after tax	(444.4)	132.8	nm
Underlying Basic EPS	8.6 cents	9.3 cents	(7.9%)
Underlying Diluted EPS	8.6 cents	9.3 cents	(7.9%)

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

### Significant items before tax (FY19)



1. Impairment of licences, mastheads, goodwill and other intangibles
2. Impairment of fixed & other assets
3. Redundancy
4. Onerous contracts
5. Yahoo7 net loss on sale
6. Refinance release of borrowing costs (AASB9)

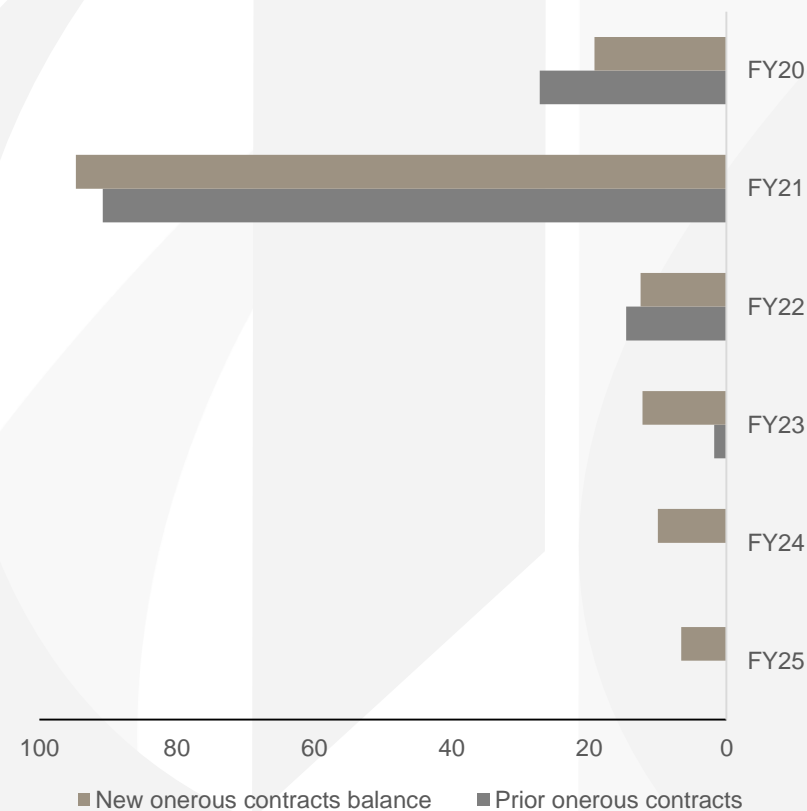
# Financials

## Significant items

### Significant items

	FY19 \$m	FY18 \$m
Impairment of licences, mastheads, goodwill and other intangibles	478.0	-
Impairments of fixed and other assets	64.4	1.2
Net loss on sale of Yahoo7	16.8	-
Write down of Yahoo7	-	11.9
Write-off of unamortised refinancing costs	8.6	-
<b>Total impairments and write-offs</b>	<b>567.8</b>	<b>13.1</b>
Redundancy and restructure costs	22.2	11.3
Onerous contracts	21.0	-
Net gain on sale of other assets	-	(8.2)
Net gain on disposal of investments and controlled entities	-	(7.7)
<b>Total significant items before tax</b>	<b>611.0</b>	<b>8.5</b>
Tax benefit	(37.3)	(0.9)
<b>Net significant items after income tax</b>	<b>573.7</b>	<b>7.6</b>

### Onerous contracts by year \$m



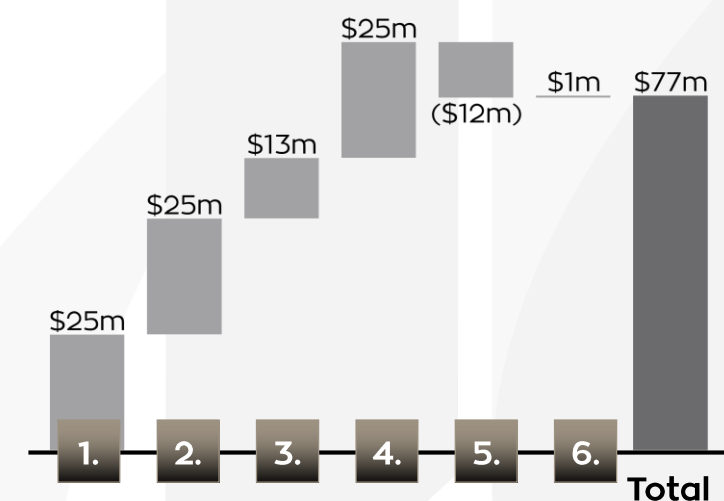


# Financials

## Cash flow

	FY19 \$m	FY18 <sup>1</sup> \$m	Inc/(Dec) %
<b>EBITDA</b>	243.6	270.9	(10.0%)
Working capital and other movements	(76.5)	(29.0)	nm
Redundancy and employee entitlements	(15.3)	(13.3)	15.0%
Dividends received net of share of associates profit / (loss)	(0.3)	(0.7)	(57.0%)
<b>Operating cash flow before interest and tax</b>	<b>151.5</b>	<b>227.9</b>	<b>(34.0%)</b>
Tax paid, net of refund	(15.2)	(43.4)	(64.0%)
Net finance costs paid	(28.7)	(32.4)	(11.0%)
Net payment for property, plant & equipment and software	(40.6)	(28.8)	(40.0%)
Dividends paid	-	(30.2)	nm
Loans issued, proceeds and payments for investments	5.2	(0.4)	nm
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>72.2</b>	<b>92.7</b>	<b>(22.0%)</b>
Opening net (debt) cash	(627.7)	(715.9)	(12.0%)
Change in unamortised refinancing costs	(8.9)	(4.5)	nm
<b>Closing net (debt) cash</b>	<b>(564.4)</b>	<b>(627.7)</b>	<b>(10.0%)</b>

### Working capital outflow (FY19)



1. Olympic rights payment
2. Purchased & produced content
3. ACMA spectrum charge
4. Onerous provision
5. Prime affiliate payment
6. Other

**\$72.2m**  
Cash generation

**2.3x**  
Total leverage ratio

**8.5x**  
Interest cover ratio

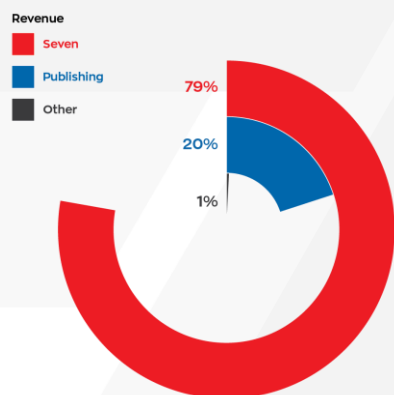
Note 1: Prior year figures have been restated for AASB 9 Financial Instruments standard. Net debt of \$634.5 for FY18 prior to restatement.



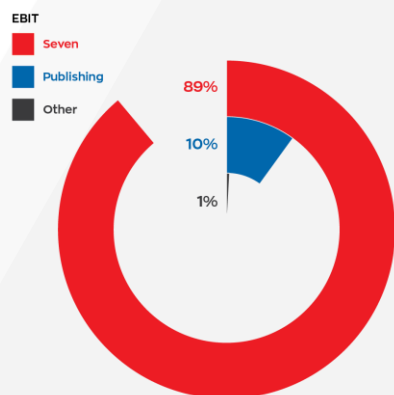
# Financials

## Divisional performance

### FY19 revenue contribution



### FY19 EBIT contribution



	FY19 \$m	FY18 \$m	Inc/(Dec) %
<b>Revenue</b>			
Seven	1,227.9	1,265.0	(2.9%)
Publishing	315.2	343.6	(8.3%)
Other Business and New Ventures	14.5	14.2	(1.9%)
<b>Total Revenue</b>	<b>1,557.6</b>	<b>1,622.8</b>	<b>(4.0%)</b>
<b>Costs</b>			
Seven	(1,025.5)	(1,049.0)	(2.2%)
Publishing	(292.2)	(312.9)	(6.6%)
Other Business and New Ventures	(13.3)	(9.9)	34.7%
Corporate	(14.5)	(15.4)	(6.0%)
<b>Total costs</b>	<b>(1,345.5)</b>	<b>(1,387.2)</b>	<b>(3.0%)</b>
<b>EBIT</b>			
Seven	202.4	216.0	(6.3%)
Publishing	23.0	30.7	(25.1%)
Other Business and New Ventures	1.2	4.3	(72.8%)
Corporate	(14.5)	(15.4)	6.0%
<b>Total EBIT</b>	<b>212.1</b>	<b>235.6</b>	<b>(10.0%)</b>

Note: Does not include significant items and charts exclude the impact of corporate costs

# Seven



## Live content schedule driving ratings

- Revenue share increased to 38.8% in FY19 (+0.7% pts) in a soft market
- Most watched Network, Channel, and Multi-Channel in the financial year reaching 19m Australians monthly
- Primetime news leadership increases with +1.5% pts share in metro markets
- AFL audience grew 10% YoY & cricket outperformed expectations
- Schedule aligned to deliver premium sport 52 weeks of the year

## #1

Network, channel  
& multi-channel

## 39.2%

FTA revenue  
market share  
2H19

## 10%

AFL audience  
increase YoY

### Seven Network including 7Digital and Seven Studios

	FY19 \$m	FY18 \$m	Inc/(Dec) %
Revenue	1,227.9	1,265.0	(2.9%)
Costs	(1,006.5)	(1,024.6)	(1.8%)
<b>EBITDA</b>	<b>221.4</b>	<b>240.4</b>	<b>(7.9%)</b>
<b>EBIT</b>	<b>202.4</b>	<b>216.0</b>	<b>(6.3%)</b>

# Seven Digital

Rapidly scaling and increasing share in high growth BVOD market

- 37% commercial BVOD revenue share in 2H19 (35% FY19) in a high growth market (+32% to \$124m in FY19)
- Future revenue upside with 7plus BVOD consumption (up 72% in FY19) leading agency adoption
- SWM achieved a record number of monthly unique audience of 6.1m.
- Launched 7NEWS.com.au in March, achieving a top 5 position vs Australian publishers in only 90 days since launch

	1H FY19 \$m	2H FY19 \$m	FY19* \$m	FY18 \$m	Inc/(Dec) %
Revenue	17.3	22.4	39.7	23.8	67%
Costs	(12.1)	(9.5)	(21.6)	(18.1)	19%
<b>EBITDA</b>	<b>5.2</b>	<b>12.9</b>	<b>18.1</b>	<b>5.7</b>	<b>219%</b>
<b>EBIT</b>	<b>4.0</b>	<b>11.1</b>	<b>15.1</b>	<b>3.3</b>	<b>356%</b>

Digital earnings form part of Seven Network (slide 9)

2.8x

EBIT uplift from the first to second half FY19

72%

BVOD viewing growth in FY19

6.1m

Record monthly unique audience





# Seven Studios

Global production delivering continued record earnings

- EBIT grew 5.3% YoY to \$59.1m; 7<sup>th</sup> year of EBIT growth
- At scale global production capability well positioned to meet increased demand for quality content (Seven Studios UK opened, with first program commissioned)
- Major global production of 'Around The World In 80 Days' as well as Netflix and Facebook commissions
- Created over 900 hours of scripted, factual, kids and reality programming content, growing catalogue to >9,000 hours

**7 years**  
Consecutive  
EBIT growth

**5.3%**  
FY19 EBIT  
growth

**>9,000**  
Total content  
library hours

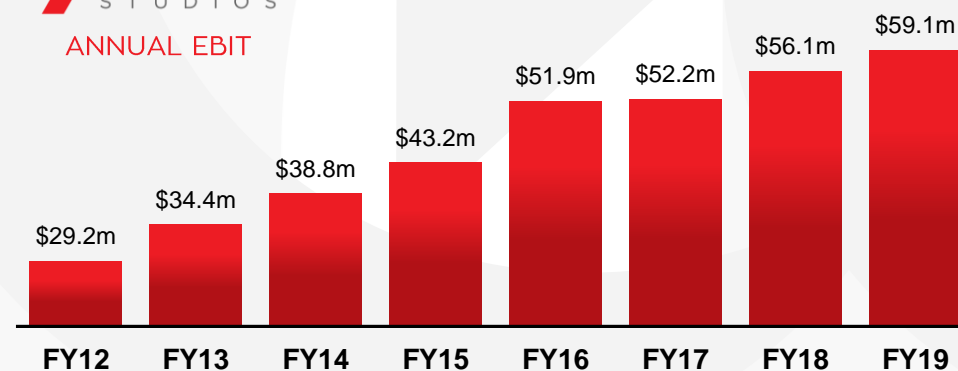
	FY19 \$m	FY18 \$m	Inc/(Dec) %
Revenue	90.4	89.6	0.9%
Costs	(31.3)	(33.5)	(6.6%)
<b>EBITDA</b>	<b>59.1</b>	<b>56.1</b>	<b>5.4%</b>
<b>EBIT</b>	<b>59.1</b>	<b>56.1</b>	<b>5.3%</b>

Studios earnings form part of Seven Network (slide 9)



*Secret Bridesmaid's Business* Katie McGrath, Abbie Cornish and Georgina Haig

**SEVEN**  
STUDIOS  
ANNUAL EBIT



# Publishing

## News & lifestyle media

### WAN: Driving readership growth

- Launched digital subscriptions in June 2019
- M-F readership increased 6% in the year
- Exceeded \$10m transformation target, reducing costs \$13.9m
- Property assets valued at greater than \$65m

### Pacific: SWM's lifestyle content engine

- Australia's leading performing publisher with 26% readership share from just 12 titles; BHG remains Australia's #1 magazine
- Increased digital audience 42% YoY, digital now represents c30% of total advertising revenue
- Transformation initiatives achieved cost savings of \$8.3m, 6% YoY



**\$22m**  
Total YoY cost  
base reduction

**5x**   
Pacific's YoY  
growth in digital  
video views

**6%**   
WAN's 12 mo.  
total readership  
increase

	FY19 \$m	FY18 \$m	Inc/(Dec) %
<b>Revenue</b>			
WAN revenue	185.8	204.1	(9.0%)
Pacific revenue	129.4	139.5	(7.2%)
<b>Total revenue</b>	<b>315.2</b>	<b>343.6</b>	<b>(8.2%)</b>
<b>Costs</b>			
WAN costs	(158.9)	(172.8)	(8.0%)
Pacific costs	(121.2)	(129.5)	(6.4%)
<b>Total costs</b>	<b>(280.1)</b>	<b>(302.3)</b>	<b>(7.3%)</b>
<b>EBITDA</b>	<b>35.1</b>	<b>41.3</b>	<b>(15.1%)</b>
<b>EBIT</b>	<b>23.0</b>	<b>30.7</b>	<b>(25.1%)</b>

## Other business New ventures

### Audience alignment delivering partner growth

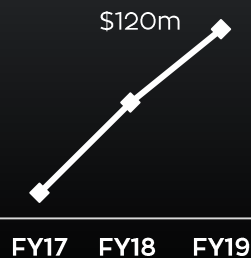
- Portfolio value increased 24% to \$95m
- Focus on businesses with alignment to SWM key verticals; home, health, wealth and lifestyle
- At scale audience and brand platform helping drive partner engagement and growth
- Strong YoY revenue growth from key investments within the venture portfolio

**Airtasker**

**\$120m**

Gross tasker earnings

Customer sales

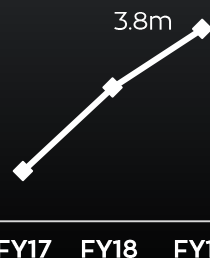


**HealthEngine**

**3.8m**

Active patients in FY19

Active patients

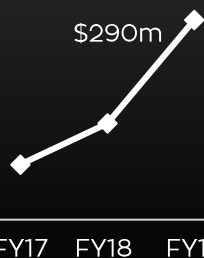


**SocietyOne**

**\$620m**

Customer loans originated

Loan book





>\$1.5bn revenue | 13 years as #1 Network | >18.6m monthly audience

MOST  
WATCHED TV  
NETWORK



#1 NEWS



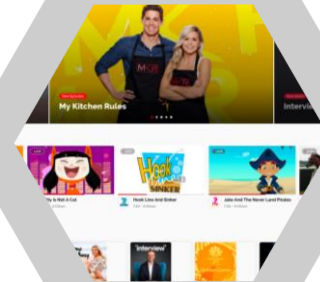
7 NEWS

SEVEN  
SPORT

THE HOME  
OF SPORT



Pacific



BVOD ACCELERATION  
ADDRESSABLE & CONNECTED TV

7plus

marie claire  
Men'sHealth  
Women'sHealth  
InStyle

perth now  
The West Australian  
The Sunday Times  
RED FM  
SPIRIT



DRIVING THE DAILY  
NEWS AGENDA &  
TELLING THE  
BIGGER STORY





# Group Focus and objectives



## 1. Content Led Growth

- Revitalise our entertainment programming, creating momentum to engage heartland Australia
- Be the most relevant and exciting offer to advertisers
- Explore a meaningful streaming partnership play

## 2. Transformation

- Sharpen our focus on being an audience and sales led organisation
- Redefine our working practices, becoming more efficient and effective
- Explore traditional adjacencies
- Explore non-traditional adjacencies

## 3. Capital Structure & Balance Sheet

- Maintain focus to work down debt and improve balance sheet flexibility
- Explore M&A opportunities

# Group Outlook

---

- Expect EBIT to be between \$190m to \$200m (including impact of AASB16)
- Maintain cost discipline across the group, targeting operating savings where prudent
- Metro TV advertising market expected to decline low single digits
- Expect BVOD market growth of >25%
- Targeting growth in ratings & revenue share in both broadcast and BVOD
- Seven Studios to deliver eighth consecutive year of EBIT growth
- Ongoing focus on improving balance sheet and working down our debt



# Questions