



SEVEN WEST MEDIA

13 November 2019

Company Announcements Office
Australian Securities Exchange Limited
Level 6, 20 Bridge Street
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 10.00am today.

Yours Sincerely

Warren Coatsworth
Company Secretary

Wednesday 13 November 2019

Seven West Media Limited

2019 Annual General Meeting

Chairman's Address

CEO & Managing Director's Address

Chairman: Mr Kerry Stokes AC

Seven West Media experienced a tough 2019 financial year and as a result we have had to make tough decisions, especially as the market is becoming increasingly crowded with largely unregulated foreign digital players.

Two months ago, we appointed James Warburton as Managing Director & Chief Executive Officer, with a brief to transform the business and execute a content led growth strategy.

In that time James and Seven's leaner senior management team have started that transformation, consolidating our TV operations with the proposed Prime Media acquisition, divested our magazine division and radio stations and right-sizing our business operations.

In addition, James and his team have recently announced a refreshed programming line-up for 2020, while executing a plan to further leverage our leading sports assets, with AFL, cricket and horse racing to reach wider and younger audiences.

The combination of refreshed evening programming and the best sports programming in Australia, topped off by the 2020 Tokyo Olympics, will make Seven the most watched network next year.

We are also enhancing our leading news offering in both city and regional areas, and following approval of the Prime acquisition, we will reach close to 90 per cent of Australia's population.

I will let James provide details of the strategy, but can I say we are delighted with his progress so far as we meet the challenge from multi-national digital players, which continue to grow their share of audiences and advertising budgets.

These new players are not constrained by rigorous content rules and other regulations or pay a reasonable level of tax.

Meanwhile, Seven and other free to air players spend more than \$1.6 billion on local content screened for 25,000 hours over the last year, including 432 hours of first run Australian drama.

The foreign owned companies operate in Australia with a fraction of this level of investment – a fact that has not been lost on the Australian Competition and Consumer Commission, which recently concluded its Digital Platforms Inquiry.

The ACCC's report to the Federal Government has recommended that the foreign companies be subject to the same rules as local broadcasters, including content quotas, advertising classifications and privacy laws.

We urge the Federal Government to adopt all of these recommendations, otherwise the digital platforms' disruption in the broadcast media industry will accelerate, to the detriment of consumers, advertisers and thousands of Australian workers.

We are not seeking special favours from the government but a chance to continue delivering first class local content and news to Australians in both city and regional areas.

I now turn to the retirement of two directors of Seven West Media, Peter Gammell and The Honourable Jeff Kennett, from your Board at this meeting.

Mr Gammell has been a director of Seven West Media since 2008, and prior to the formation of the Group, Peter was a director of Seven Network for 14 years.

Peter has been an integral part of Seven for 26 years and has played a critical role in a range of transformative corporate transactions and rights acquisitions for us.

I have been very close to Peter for many years and I thank him for his friendship and valuable contribution he has made to Seven.

After four years of sterling service as a director, Jeff Kennett has retired, and we will miss his forthright and constructive contributions.

He will not be lost to Seven as he will continue to be a commentator on the Network's news and current affairs programs.

I thank both of them for their magnificent contributions to Seven and wish them well in their future endeavours.

One of the highlights of the past year was the broadcast of Seven's first summer of cricket. This season is already underway, and anticipation is building ahead of the first Test when Australia will take on Pakistan at the GABBA from November 21. Before I welcome James Warburton to speak with you, let's take a look at the promo created to launch our second season of Cricket.

James Warburton Presentation

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

I am delighted to be back in the media industry that I love and enjoy and I would like to thank the Seven West Media Board for the opportunity for me to return to lead the next phase of the company's transformation.

Since I returned just under three months ago, we have been hard at work and focussed on delivering on the strategy that we outlined at our results in August.

This strategy entailed three key pillars, content led growth, transformation and addressing our capital structure and balance sheet. Areas of focus include:

- Simplifying our organisation to be a content led company focussed on growth.
- Revitalising and refreshing our entertainment programming, creating momentum to engage heartland Australia and enriching the demographic mix.

Our second pillar is Transformation and we will run our business with some more entrepreneurial thinking, some hunger for possible deals and run it less as a traditional media business.

Whilst we have a responsibility to run our cost base as efficiently as possible, we can't cost cut our way to success.

Thirdly, we need to consider our capital structure and balance sheet and focus on working down our debt. We will be a hunter and explore M&A opportunities in both traditional media and non-traditional adjacencies that are positive for our shareholders.

To that end, we have moved rapidly at executing this strategy, announcing four major initiatives.

Last month we announced the proposed merger with Prime Media Group.

The merger, which is subject to Prime shareholder approval and regulatory approvals, will establish Seven as the number one premium broadcast, video and news network in Australia, with the potential to reach over 90 per cent of Australia's population each month.

Regional Australia represents an untapped opportunity, with 36 per cent of the population residing in regional areas, but it only represents 10 per cent of national ad spend.

This combination of Seven and Prime is a game changer for SWM and most importantly a superior and unmistakable offer for our clients. One call will connect them with up to 90 per cent of Australia, halving their workload while delivering better results.

We bring capabilities and rights to the Prime group that they have been unable to invest in or leverage in regional markets which we believe could present a material revenue opportunity to the combined group.

Following the merger, SWM shareholders will own 90 per cent of the merged group and Prime shareholders 10 per cent.

The merger is expected to be EPS accretive to both sets of shareholders on a pro forma basis following realisation of cost synergies, which are expected to be \$11 million on an annualised basis and fully realised within 12-18 months of completion.

At the same time as announcing the proposed merger of SWM and Prime, we announced the sale of our Redwave radio assets to SCA for \$28m.

This sale enables the merger with Prime and should assist in a smooth transaction from a regulatory perspective. The proceeds will be used to pay down debt.

We've also just announced the proposed sale of Pacific Magazines to Bauer Media.

The proposed sale is for cash consideration of \$40 million with the proceeds from the sale to be used to pay down debt.

The cumulative effect of these transactions is a SWM that is laser-focused on our content led growth strategy.

Our balance sheet flexibility is considerably improved as we continue to target our stated leverage ratio goal of 2x.

At the start of October, we simplified our organisational structure into eight divisions.

This new structure established a clear position and purpose for each division, aligning every part of the company with our content led growth strategy.

As we have transformed our organisational structure, we have continued our commitment to gender equality, diversity and inclusion with an overall gender balance achieved across the company and 50% gender balance achieved across management positions.

On top of this we remain at the forefront of supporting diversity and inclusion in the media industry.

At our Upfronts last month, we unveiled our content led growth strategy for 2020 which was well received by media buyers and clients.

We are the market leader from Sunrise to sundown, having the no. 1 news brand in the country with 7NEWS, the fastest growing VOD service and the no. 1 sporting rights across summer and winter seasons.

But we're the first to admit that this year, we have not lived up to our own standards in the 7.30 pm timeslot, particularly Sunday to Tuesday.

Our strategy for 2020 addresses this, we are investing in content targeting our primetime tentpoles at 7:30pm Sunday to Thursday, with BHG and Sport continuing to dominate Friday and Saturday nights.

The sport offering is unmatched, with 265 days of live sport every year. Cricket and AFL – the number one summer and winter sports, and of course the Tokyo 2020 Olympics and Paralympics Games, the single biggest television event in Australian history, will deliver in 2020.

FY19 was a challenging financial year from an advertising markets perspective driven by political uncertainty, the impact of the royal commission on financial services advertising spend and generally subdued economic conditions.

Underlying EBIT for the SWM group in this period declined 7.5% to \$212 million.

We also reported \$574 million of significant items net of tax, predominantly related to the impairment of Television licences and Newspaper mastheads, after incorporating recent trends into our impairment testing.

Despite this, the group delivered on \$38 million cost savings in the financial year and reduced net debt to \$564 million.

We grew to a 39% revenue share in the first quarter of FY20, but in a down market. The market remains short and difficult to predict but we expect further softness in the second quarter. We are now forecasting the metropolitan television market to be down mid single digits for the financial year. We have guided to FY20 underlying EBIT of between \$190 million to \$200 million including the impact of AASB 16. We now expect this to be at the lower end of the range. This excludes the Prime, Pacific and Redwave transactions which all remain subject to regulatory approval.

We are making bold changes and we are moving at pace, all with a focus of strengthening our business and growing value for you our shareholders.

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

End.

For further information please contact:

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