



18 February 2020

Company Announcements Office
Australian Securities Exchange Limited
Level 6, 20 Bridge Street
Sydney NSW 2000

By electronic lodgment

Total Pages: 21 (including covering letter)

Dear Sir / Madam

PRESENTATION OF HALF YEAR RESULTS

Following is the Presentation of Results for the half year ended 28 December 2019.

Yours faithfully

For and on behalf of Seven West Media

A handwritten signature in black ink, appearing to read 'Warren Coatsworth', written over a faint, illegible background.

Warren Coatsworth
Company Secretary

Seven West Media

1HFY20 Results Presentation 18 February 2020

Results for the Half Year ended 28 December 2019



Disclaimer

Basis of preparation of slides.

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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.

1H20 Summary

2.

Financial
statements

3.

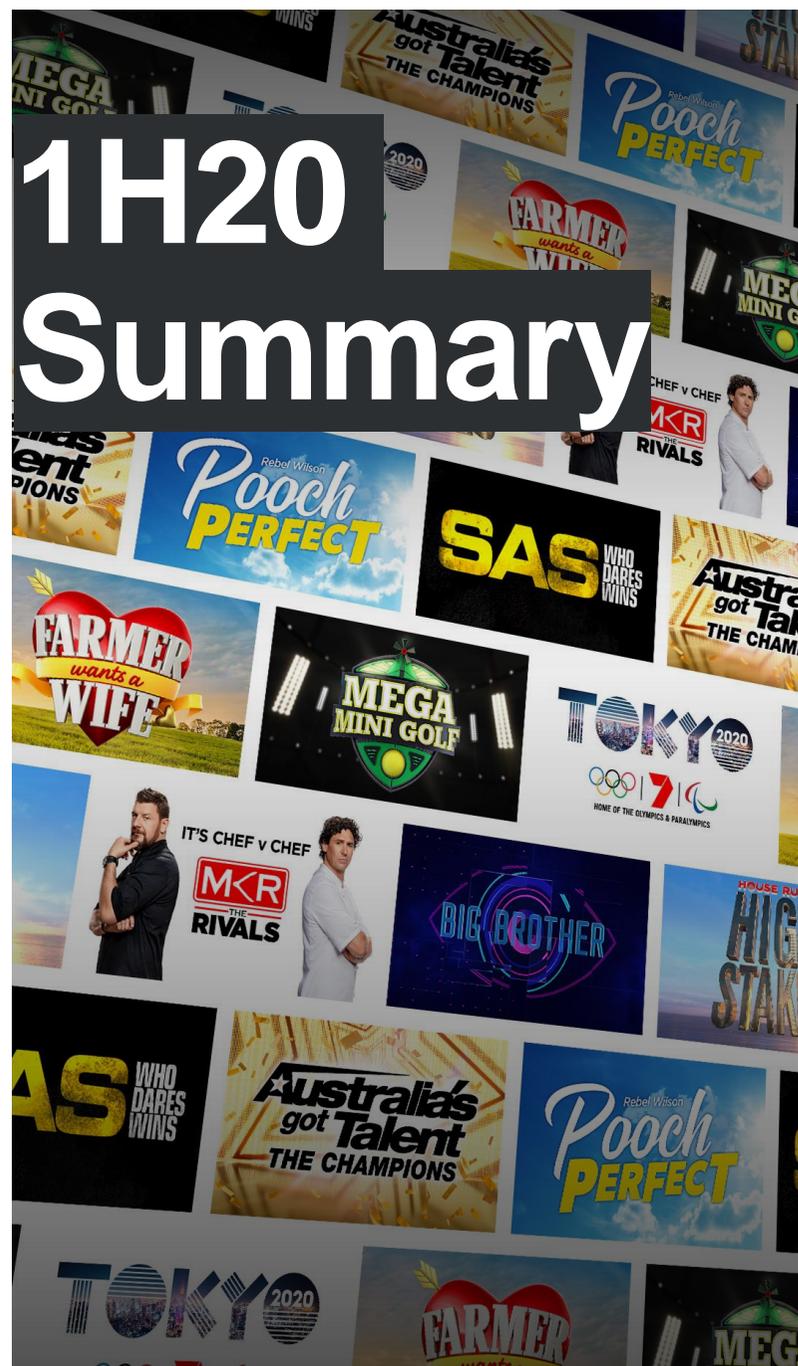
Business unit
performance

4.

Trading update

5.

Strategic Priorities



Results overview

- Challenging advertising market conditions, 1H20 Advertising market -8.5%¹; Metro FTA advertising market -7.0%²; BVOD market +42%²
- #1 FTA metro revenue share in 1H20, up to 38.8% share (38.4% incl. BVOD)
- Group revenue declined 3.2% to \$772.4m, predominantly due to the weaker advertising market
- Underlying EBIT of \$119.7m, a decrease of 20.8%
- Net debt of \$541.5m including cash proceeds from Redwave divestment
- Significant items of \$165.6m before tax, relating to impairments and onerous contracts

Accelerating transformation

- New content strategy focused on tentpole investment to launch in Q4, targeting 25-54
- New executive team appointments and organizational restructure
- \$45m of gross cost out implemented in 1H20, new cost program targeting \$20m in 2H20 for benefit in FY21
- Redwave radio sale completed for \$28m on 31 December 2019
- Sale of Pacific Magazines for \$40m (pre-adjustments), subject to ACCC approval
- Secured 14.9% strategic stake in Prime providing long-term optionality

Note 1: SMI data July-December 2019.

Note 2: Think TV market revenue data July-December 2019.

Financials

Income statement

\$772.4m

Revenue

\$69.3m

Underlying Group
net profit after tax

4.6cps

Basic EPS excl.
significant items

\$165.6m

Significant items
before tax

\$119.7m

Underlying
Group EBIT

	1H20 \$m	1H19 ¹ \$m	Inc/(Dec) %
Revenue and other income	772.4	798.0	(3.2%)
Share of net profit of equity accounted investees	0.9	0.9	6.6%
Expenses (including depreciation and amortisation)	(653.6)	(647.7)	0.9%
Profit before significant items, net finance costs and tax	119.7	151.2	(20.8%)
Net finance costs	(21.5)	(25.8)	(16.3%)
Profit before significant items and tax	98.2	125.4	(21.7%)
Significant items before tax	(165.6)	(8.6)	nm
Profit / (loss) before tax	(67.4)	116.8	nm
Tax (expense) benefit	0.4	(33.4)	nm
Profit / (loss) after tax	(67.0)	83.4	nm
Underlying net profit after tax excluding significant items	69.3	89.4	(22.5%)



Financials

Statutory results

Statutory results

	1H20 \$m	1H19 ¹ \$m	Inc/(Dec) %
Profit / (loss) before tax	(67.4)	116.8	nm
Profit / (loss) after tax	(67.0)	83.4	nm
Basic EPS	(4.4 cents)	5.6 cents	nm
Diluted EPS	(4.4 cents)	5.6 cents	nm

Additional information -

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

	1H20 \$m	1H19 ¹ \$m	Inc/(Dec) %
Underlying group EBIT	119.7	151.2	(20.8%)
Profit after tax excluding significant items	69.3	89.4	(22.5%)
Significant items (net of tax)	(136.3)	(6.0)	nm
Profit / (loss) after tax	(67.0)	83.4	nm
Underlying Basic EPS	4.6 cents	6.0 cents	(23.3%)
Underlying Diluted EPS	4.6 cents	6.0 cents	(23.3%)



Financials

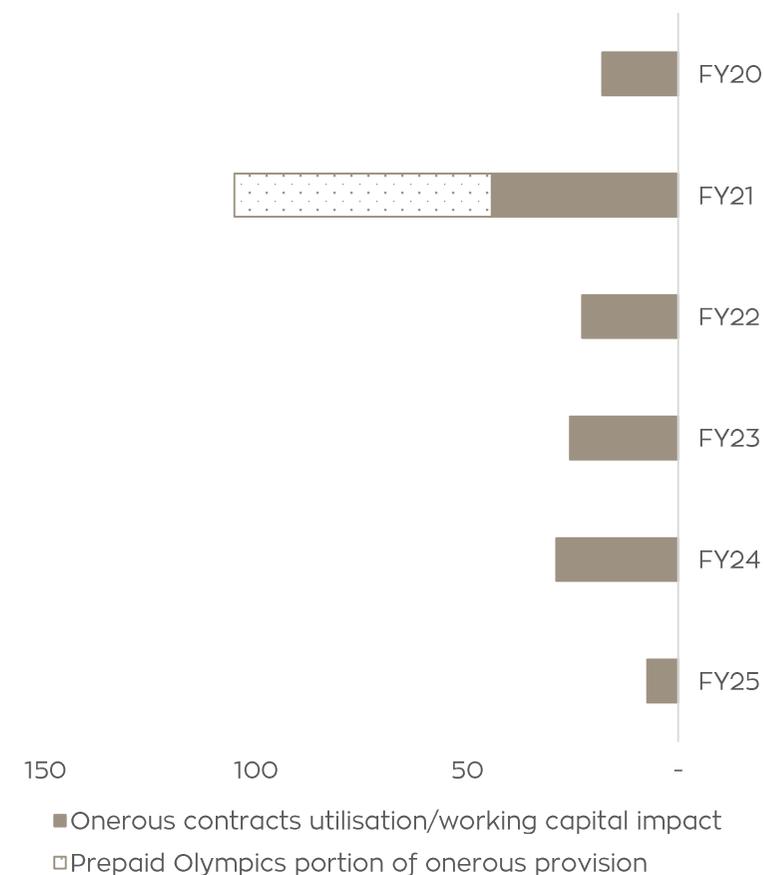
Significant items

Significant items

	1H20 \$m	1H19 \$m
Impairment of television licence	(61.6)	-
Impairment of other assets	(44.8)	-
Onerous contracts	(51.8)	-
Transaction costs	(3.1)	-
Other	(4.3)	-
Write-off of unamortised refinancing costs	-	(8.6)
Total significant items before tax	(165.6)	(8.6)
Tax benefit	29.3	2.6
Net significant items after income tax	(136.3)	(6.0)

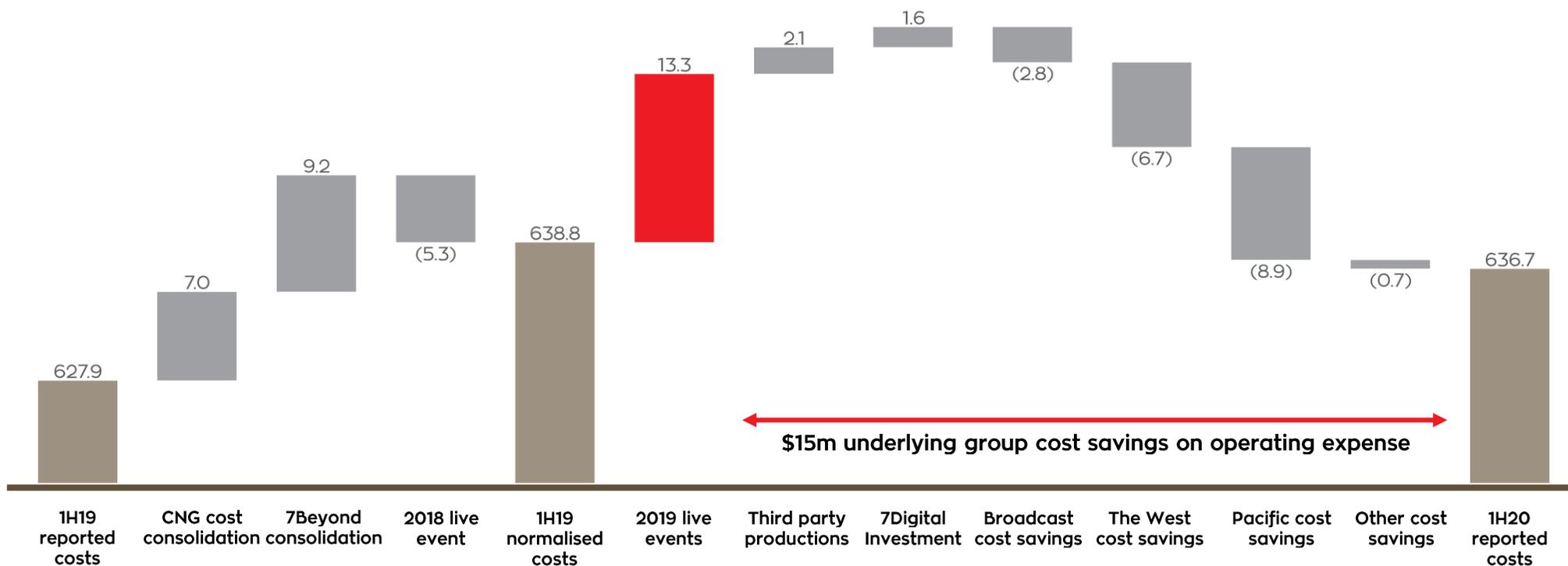
- Carrying value of Television license now \$462 million
- Other assets impaired included previously produced content and prepaid cricket costs.
- Onerous contracts predominantly relates to cricket rights payments from FY21 to FY24

Onerous contracts utilisation by year \$m



Financials

1H20 costs



- Underlying net cost savings of \$15m in 1H20
- Seven Studios paid a production margin (cost-plus basis) on 3rd party productions commissioned
- Community News Group acquired May 2019 by The West, cost base incremental to underlying BAU (+\$5.5m impact in 2H20)
- 7Beyond consolidated mid 2H19 (+\$12m impact in 2H20)
- Target additional cost saving initiatives of \$20m for execution in 2H20 to benefit FY21
- Corporate costs held steady at \$7.5m



Note 1: Prior year figures have been restated for AASB 16 Leases standard. Costs exclude depreciation and amortisation

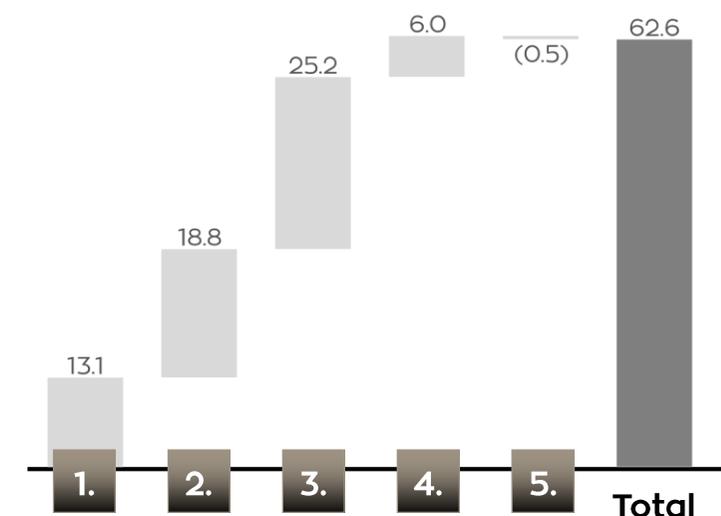
Financials

Cash flow

	1H20 \$m	1H19 ¹ \$m	Inc/(Dec) %
EBITDA	136.6	171.0	(20.1%)
Working capital and other movements	(62.6)	(70.5)	(11.2%)
Redundancy payments	(24.1)	(12.6)	91.3%
Dividends received net of share of associates profit / (loss)	1.9	(0.4)	nm
Operating cash flow before interest and tax	51.8	87.5	(40.8%)
Tax paid, net of refund	(12.5)	(4.3)	190.7%
Net finance costs paid	(19.9)	(22.0)	(9.5%)
Payment for property, plant & equipment and software	(15.8)	(15.5)	1.9%
Payments for investments	(5.1)	(2.8)	82.1%
Lease payments	(3.3)	(2.7)	22.2%
Net increase / (decrease) in cash and cash equivalents	(4.8)	40.2	nm
Opening net (debt) / cash	(564.4)	(627.7)	(10.1%)
Change in unamortised refinancing costs	(0.2)	(8.7)	(97.7%)
Closing net (debt) / cash	(569.5)	(596.2)	(4.5%)

- RedWave payment of \$28m received 31-Dec (post SWM 1H20 close) and Pacific sale subject to ACCC
- Working down debt an ongoing priority with undervalued assets under review

Working capital outflow (1H20)



- Olympics related payment
- Cricket prepayment
- Purchased programs
- Onerous provisions
- Other

\$541.5m
Net debt (inc Red Wave cash receipts)

2.4x
Net Debt to EBITDA (inc RedWave cash receipts)



Seven

Highlights

- Challenging market conditions, total advertising market -8.5%¹, metro FTA market -7.0%²
- #1 FTA revenue share of 38.8%, increased +0.4% pts
- Gross cost savings of \$45m offsetting content investment
- Two of our three content pillars in News & Current Affairs and Sports increased their leadership
 - Primetime News leadership, +1.3% pts in all metro markets
 - Leading summer and winter sports

#1

FTA revenue share in 1H20 with 38.8%

+12.5%

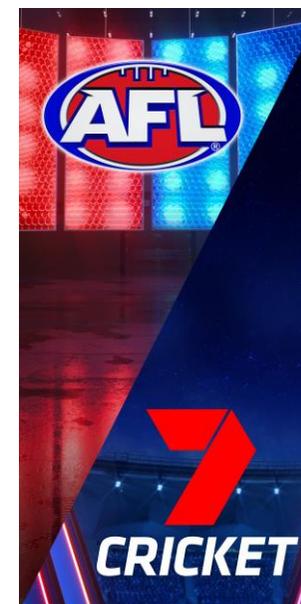
Test Cricket Audience growth and 3% AFL audience growth³

\$45m

Gross cost savings, offsetting content investment

Financial Performance

Seven Network includes Seven Digital and Seven Studios	1H20 \$m	1H19 \$m	Inc/(Dec) %
Revenue	603.3	628.5	(4.0%)
Costs	(480.0)	(469.8)	2.2%
EBITDA	123.3	158.7	(22.3%)
EBIT	108.9	145.3	(25.1%)



Note 1: SMI data July-December 2019.

Note 2: Think TV market revenue data July-December 2019

Note 3: OZTAM, Metro, Avg Aud comparison for Seven Network. AFL Season & Test Cricket. Data Cons 7

Seven Digital

Highlights

- BVOD market growth of 42% accelerated in 1HFY20 (27.5% growth in 2H19)
- 32% share of BVOD market in 1H20, focus on delivering a material increase in FY21 share²
- Tokyo Olympics to drive increased awareness and adoption of 7Plus through digital coverage
- 7NEWS.com.au, the #4 most viewed news site in Australia within nine months of launch³
- Virtual Oz (VOZ) BVOD + FTA cross platform measurement system to launch in 2020 which will highlight the incremental reach of BVOD and ability to engage younger demographics

+42%

BVOD market
1HFY20 revenue
growth

+205%

EBIT Growth

9.3m

UA views of
7NEWS.com.au in
January³

Financial Performance

	1H20	2H19 ¹	1H19 ¹	1H20/1H19 Inc/(Dec)
	\$m	\$m	\$m	%
Revenue	27.5	22.3	17.4	58.1%
Costs	(13.8)	(11.0)	(12.2)	13.0%
EBITDA	13.6	11.4	5.1	166.0%
EBIT	11.9	9.6	3.9	204.6%

Digital earnings form part of Seven Network (slide 10)

Note 1: Prior period restated to reflect costs of 7NEWS.com.au

Note 2: Source - OZTAM VPM, total minutes Jul-Dec 2019 (CFTA)

Note 3: Source - Nielsen DCR, monthly tag, Jan 2020 UA digital combined



Seven Studios

Highlights

- EBIT decline in 1H attributable to expected timing impacts from high margin programs sales, profit to be 2H weighted
- Commissioned for a number of productions by video streaming service providers including Amazon & Facebook
- Pipeline of commissions ensures strong momentum to continue in FY21
- Revenue growth during the half attributable to consolidation of 7Beyond into Studios earnings for 1H20
- Undertaking strategic review of studios and appointed advisors following inbound partnership enquiries

Financial Performance

	1H20 \$m	1H19 ¹ \$m	Inc/(Dec) %
Revenue	53.2	45.1	18.0%
Costs	(28.5)	(16.1)	77.0%
EBITDA	24.7	29.0	(14.8%)
EBIT	24.7	28.9	(14.5%)

Studios earnings form part of Seven Network (slide 10)

Note 1: Prior period does not include consolidation of earnings for 7Beyond

1st

Major Australian
commission from
Amazon

50

Programs &
Series produced
in 2019

>9,000

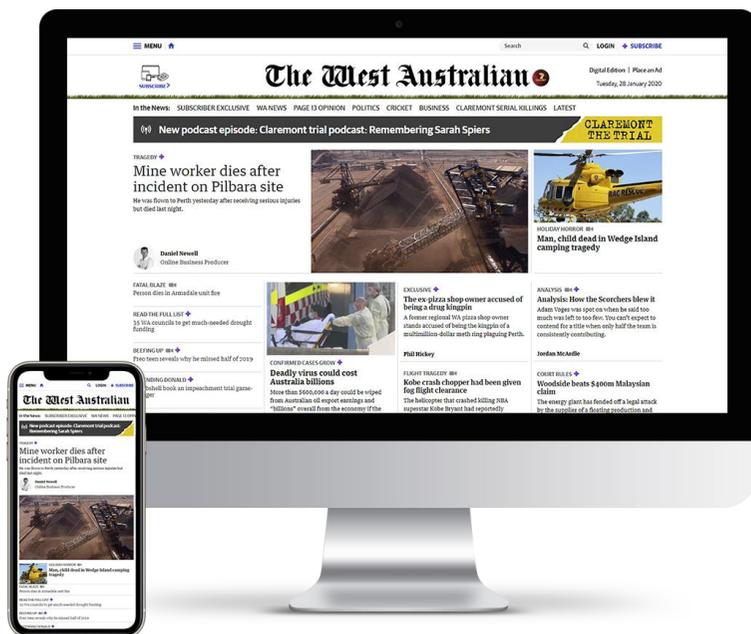
Library hours



Publishing News & lifestyle media

WAN

- Soft advertising market conditions in WA unchanged
- The West readership increased 2% Monday-Friday
- Community News Group (CNG) successfully integrated, contributing \$7m revenue in 1H20
- Cost saving program delivered \$7m of savings, offset by the inclusion of CNG in the period
- Digital subscriptions tracking ahead of target, subscriptions to be rolled out in Regional markets



Pacific Magazines

- Market trends remain consistent with recent periods
- Digital audiences continue to grow, with digital now making up nearly 40% of advertising revenue
- Working with the ACCC on the Statement of Issues with ruling due in early April

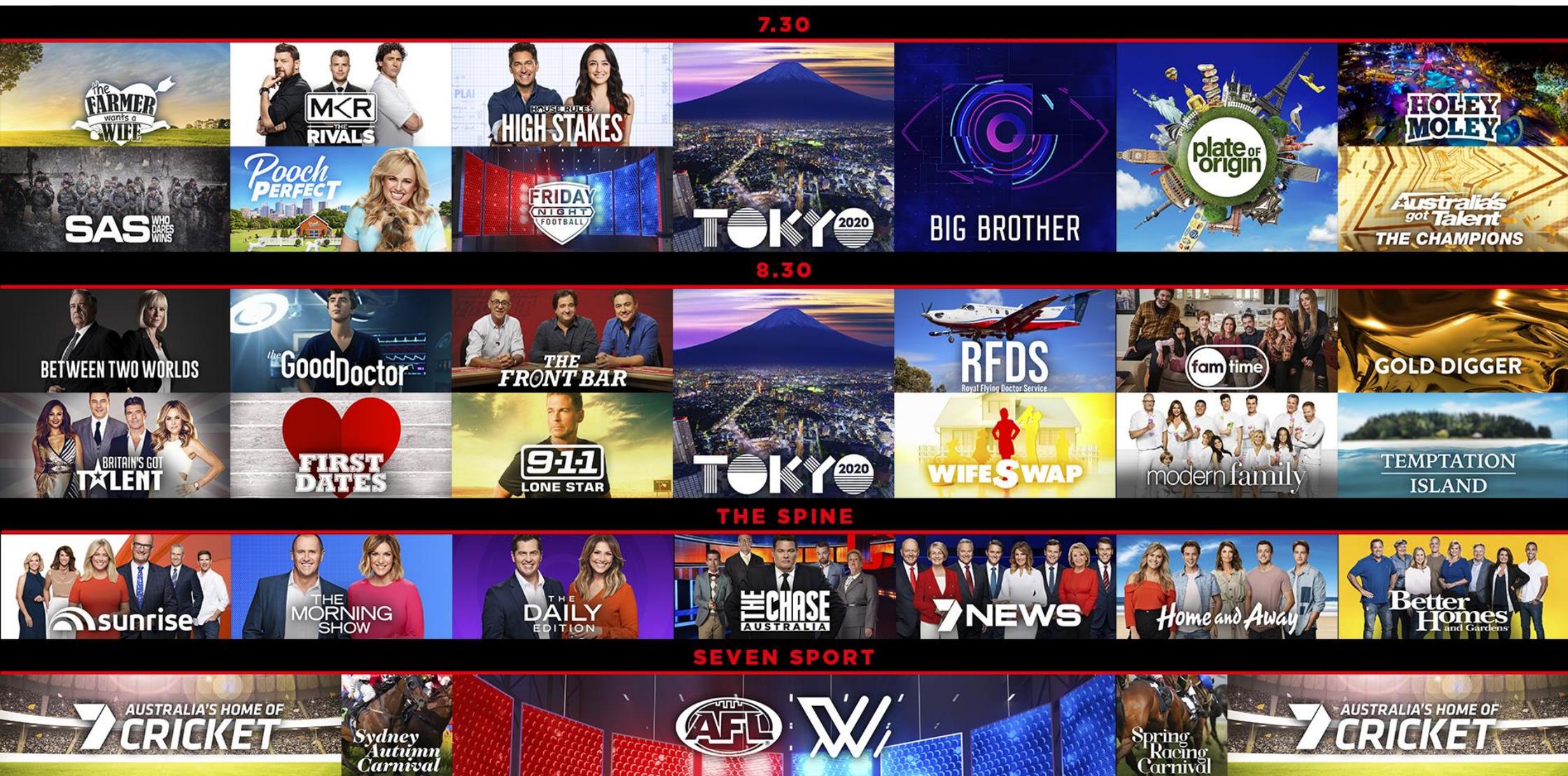
Financial Performance

	1H20 \$m	1H19 \$m	Inc/(Dec) %
Revenue			
WAN revenue	94.3	95.6	(1.4%)
Pacific revenue	57.3	66.1	(13.3%)
Total revenue	151.6	161.7	(6.2%)
Costs			
WAN costs	(81.3)	(81.1)	0.2%
Pacific costs	(53.8)	(60.5)	(11.1%)
Total costs	(135.1)	(141.6)	(4.6%)
EBITDA	16.5	19.9	(17.1%)
EBIT	14.3	13.8	4.4%



Note 1: Roy Morgan Readership Survey data for 12-months to September 2019

Content led growth



Seven dominates P25-54, 6am to midnight

38.5%

P25-54 Commercial Share (excl. 1930 tentpoles)
Nine: 37.0% | Ten: 24.5%

Unrivalled strength across the full schedule delivers dominance in P25-54 across the day

53.2%

Breakfast (0600-0900) Commercial Share (P25-54)
Nine: 41.9% | Ten: 4.9%

38.6%

Daytime (0900-1800) Commercial Share (P25-54)
Nine: 33.2% | Ten: 28.3%

40.1%

1800-1900 NEWS block Commercial Share (P25-54)
Nine: 39.6% | Ten: 20.3%

64%

Total timeslots won (P25-54, 0600-2400)
Nine: 30% | Ten: 6%

41.0%

Total People Commercial Share (ex. 1930 tentpoles)
Nine: 36.6% | Ten: 22.4%



Group Trading Update

- Trading conditions have remained consistent with the first half
- Subject to market conditions and improved ratings, underlying EBIT is expected to be between \$165m to \$175m.
- Expect BVOD market to grow over 30% in FY20
- Value of the ventures portfolio has increased to \$103m, +27% on 1H19¹

Note 1: Based on latest funding rounds



2020 strategic priorities

Comprehensive plan to accelerate
group strategy



Immediate actions

0 - 6 months

Content led growth

- New content strategy targeting primetime entertainment and 25-54 (launch Q4)
- Accelerate BVOD growth through Olympics, targeted content, scale WAN paywall

Transformation

- New cost program targeting \$20m in 2H20 for benefit in FY21

Working down debt & transformation

- Closure on Pacific sale
- Strategic reviews of undervalued/surplus assets following inbound enquiries

Medium-term actions

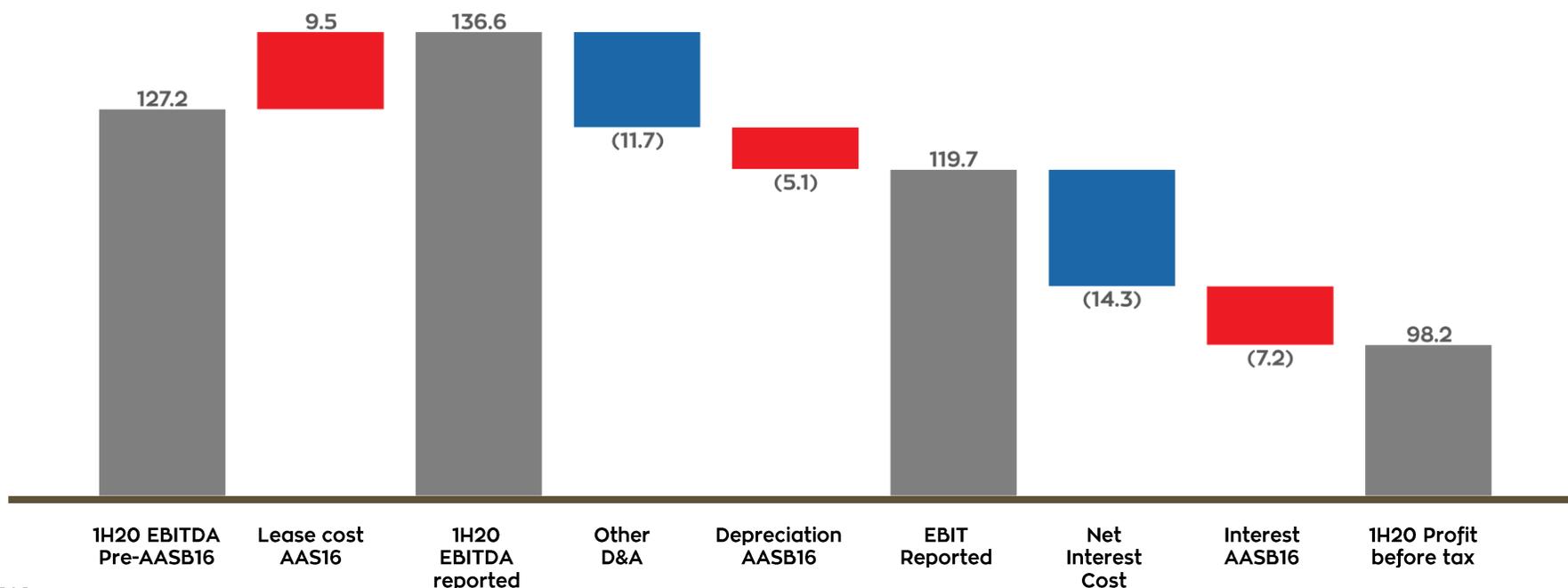
6+ months

- Transform and align operating model to deliver content led strategy
- SVOD opportunities under review
- Explore transformative M&A opportunities

Questions

Appendix

Reconciliation of AASB 16 Leases 1H20 - Group



Overview

- Leasing standard AASB 16 effective 1 July 2019, prior years have been restated on adoption of this new accounting standard
- Recognition of a right-of-use asset (\$114.3m) and lease liability (1H20: \$175.1m) on the group's balance sheet
- Operating leases are no longer expensed in EBITDA and are instead expensed through depreciation and interest expense in the statement of profit and loss
- FY20 EBIT will be positively impacted by the adoption of AASB 16 by approximately \$10m. There will be a minor negative impact to NPAT
- Refer to Note 20 of the 4D statutory accounts (half year ended 28 December 2019) for further detail

Appendix

Reconciliation of AASB 16 Leases - Segments

1H20

	1H20 Total \$m	Seven \$m	The West \$m	Pacific \$m	Other \$m	Corporate \$m
EBITDA (pre-AASB16)	126.2	114.2	13.0	2.3	4.2	(7.5)
Lease expense - AASB 16	10.5	9.1	0.0	1.3	0.1	-
EBITDA Reported	136.6	123.3	13.0	3.5	4.3	(7.5)
Other D&A	(11.3)	(9.4)	(1.2)	(0.5)	(0.2)	(0.0)
Depreciation - AASB 16	(5.5)	(5.0)	(0.0)	(0.4)	(0.1)	-
EBIT Reported	119.7	108.9	11.8	2.5	4.1	(7.5)

1H19

	1H19 Total \$m	Seven \$m	The West \$m	Pacific \$m	Other \$m	Corporate \$m
EBITDA (pre-AASB16)	161.5	150.5	14.4	4.4	(0.2)	(7.5)
Lease expense - AASB 16	9.5	8.3	0.0	1.1	0.1	-
EBITDA Reported	171.0	158.7	14.4	5.5	(0.1)	(7.5)
Other D&A	(14.7)	(8.8)	(5.4)	(0.4)	(0.2)	(0.0)
Depreciation - AASB 16	(5.1)	(4.6)	(0.0)	(0.4)	(0.0)	-
EBIT Reported	151.2	145.4	9.0	4.7	(0.3)	(7.5)