



Tuesday August 25, 2020

Seven West Media releases financial results for full year ended 27 June 2020

Summary

- Advertising market conditions severely impacted by COVID-19:
 - FTA TV market -14.1%¹ in the financial year (-33.7% 4Q¹) vs a total advertising market decline of -15.2%²
- Group revenue from continuing operations down 14.0% due to weaker ad markets
- Underlying Group EBIT of \$98.7m, down 54% YoY
- Digital EBIT growth of 92% YoY
- Significant items of \$352.0m before tax, relating to impairments and onerous contracts
- Net debt of \$398m, debt facilities amended
- Transformation strategy execution gaining momentum despite challenging markets
 - Content led growth strategy launched with strong results
 - \$170m gross cost savings initiatives actioned
 - \$150m proceeds from asset sales

Overview

Seven West Media Limited (ASX:SWM) has reported an underlying EBITDA of \$129.6 million and EBIT of \$98.7 million, down 48.8 per cent and 53.6 per cent respectively versus the prior corresponding period. Net profit after tax for continuing operations and excluding significant items was \$40.8 million down 66.1 per cent.

Seven West Media has achieved major milestones this financial year, accelerating the transformation of the company despite very challenging market conditions.

Seven West Media Managing Director and Chief Executive Officer said: *"It's been twelve months since I returned to Seven West Media and laid out our new strategy to transform the company.*

We have made material progress on our transformation plan despite the challenges that COVID-19 has thrown at us. It has not changed our plan, but assisted us to accelerate the transformation.

Our content led growth strategy which launched in June with Big Brother and was followed by Farmer Wants a Wife is delivering dramatically improved results for Seven. Combined with

1. Free TV; 2. SMI

our daily content spine which is a dominant number 1 in Sunrise, The Morning Show, 7NEWS, The Chase, Home and Away, Better Homes and Gardens and Sport with the AFL and Horse Racing, our tentpole focus at 7.30pm Sunday to Tuesday is working, helping us win the content battle. Seven has won 10 of the last 11 weeks of ratings. Our seamless Digital strategy with 7plus has also seen us transition from a distant number 2 to a dominant number 1 in the growing BVOD market.

Real structural change is underway at The West. Generational change across regional and community mastheads is in motion, with a digital-first editorial focus. Digital subscribers have almost doubled to 60,000 over the last 12 months.

We have actioned \$170 million of gross cost out initiatives across the group including the renegotiation of our AFL agreement at a lower level and for an extended term. In addition, we benefited from an incremental \$51 million of temporary savings to respond to the sudden impact of COVID-19.

Net cost savings in the financial year were weighted to the second half with \$92 million saved in the period, more than offsetting the \$15 million increase in the first half.

To support our goal of working down debt to improve balance sheet flexibility, we have realized \$150 million of gross proceeds from asset sales and amended our debt facilities to secure flexibility, liquidity and certainty to execute our transformation strategy.”

The Seven Network secured a 37.4 per cent free to air revenue share in the financial year, which was impacted by limited sport and an underperforming entertainment line-up. However, we launched our new tentpole strategy in early June with the premiere of Big Brother. This delivered a substantial improvement in our ratings performance, particularly in the key demographics explicitly targeted.

Intense focus on our broadcast video on demand BVOD platform has seen 7plus dominate its competitors to become the top service in the commercial free-to-air television landscape in the final months of the reporting period.

7plus has delivered an average monthly commercial free-to-air BVOD share of 46 per cent from April to July, growing faster than any competitor BVOD service and at double the rate of market growth.

The new content strategy will continue to be executed throughout 2020 with two more tentpoles before the end the year - Plate of Origin and SAS Australia, which follow on from the successful launches of Big Brother and Farmer Wants a Wife. Each of these has been scheduled to continue the delivery of refreshed and exciting primetime content that attracts bigger audiences to the Seven Network across all platforms.

The West continues to transform its business model to adapt to ongoing structural challenges in print media. Digital subscriptions launched in June 2019 for thewest.com.au with subscriptions in the first twelve months running ahead of plan. Following the successful launch of the paywall for the metro masthead, subscriptions were rolled out for regional masthead websites from February 2020 with promising early adoption.

Results

The group delivered revenue from continuing operations of \$1,227.1 million (excluding share of associates), down 14.0 per cent on the prior period, driven by ongoing weakness in the broader advertising market which accelerated with COVID enforced lockdowns.

Excluding significant items, total group costs from continuing operations (including depreciation and amortisation) for the 12 months to 27 June 2020 decreased 7.1 per cent to \$1,129.6 million, driven by major transformation initiatives across the group.

Significant items of \$352.0 million before tax related to the impairment of assets, onerous provisions, asset sales and other item. Net profit after tax for continuing operation including significant items was a loss of \$200.1 million, including discontinued operations the statutory net loss was \$162.1 million.

Financial Year Results from continuing operations	Full Year Ended 27 June 2020	Full Year Ended 29 June 2019¹²³
Total Revenue*	\$1,228.3m	\$1,428.1m
EBITDA	\$129.6m	\$252.9m
EBIT	\$98.7m	\$212.8m
Underlying NPAT	\$40.8m	\$120.3m
Underlying EPS	2.7 cents	8.0 cents
No dividend was declared for the period.	-	-
Profit (loss) before tax (including significant items)	(\$293.9m)	(\$444.5m)
Profit (loss) after tax (including significant items)	(\$200.1m)	(\$327.6m)
Basic EPS	(13.1 cents)	(21.7 cents)
Diluted EPS	(13.1 cents)	(21.7 cents)
Reconciliation to statutory results from continuing operations:		
Profit before significant items, net finance costs and tax	\$98.7m	\$212.8m
Net finance costs	(\$40.6m)	(\$48.1m)
Profit before tax excluding significant items	\$58.1m	\$164.7m
Significant Items	(\$352.0m)	(\$609.1m)
Profit/(loss) before income tax	(\$293.9m)	(\$444.5m)
<i>* Revenue includes share of equity accounted investees and other income Comparative financial information has been restated for the following: 1. The Group has adopted AASB16 2. The Group has adopted amendments to AASB12 3. Information has been restated and presented on continuing operation basis</i>		

Further details are contained in SWM's investor presentation and 2020 annual report, lodged with the ASX today.

Outlook and priorities

Trading update and strategic priorities:

- Advertising market conditions remain volatile and unpredictable in 1QFY21, but the rate of decline has moderated since 4QFY20
- July FTA market declined 15.8% YoY. Seven delivered strong revenue share at 39%
- Due to the uncertainty in advertising markets, SWM is unable to guide to FY21 earnings
- Refreshed content line-up in FY21 presents opportunity to capture stronger audience/revenue share
- Divestment processes ongoing for TXA, Ventures and Studios

Seven West Media Managing Director and Chief Executive James Warburton said: *“We continue to focus on transforming our business. Our objective is to establish a lean, efficient operating cost base to deliver further savings in the 2021 financial year and I am confident we will deliver our strategy and ambitions for the future. We have significant operating leverage with our lower cost base to provide greater upside on market recovery and drive significant value for our shareholders.”*

This release has been authorised to be given to ASX by the Board of Seven West Media Limited.

The Company’s Annual General Meeting will be held at 11.00am on 12 November 2020. The closing date for the receipt of nominations from persons wishing to be considered for election as a director is 23 September 2020.

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About Seven West Media

Seven West Media (ASX: SWM) is one of Australia’s most prominent media companies, with a market leading presence in content production across broadcast television, publishing and digital.

The company comprises of some of Australia’s most renowned media businesses, including the Seven Network and its affiliate channels 7TWO, 7mate, 7flix and BVOD offering 7plus, as well as, The West Australian and The Sunday Times and production company, Seven Studios. Home to iconic brands such as Home and Away, Better Homes and Gardens, Australia’s leading news and breakfast programs 7NEWS and Sunrise, Seven West Media is also the broadcast partner of the AFL, Cricket Australia and the Olympics.