



Tuesday, 15 February 2022

Seven West Media releases financial results for the half year ended 25 December 2021

Summary

- Group EBIT of \$204 million, up 34% year-on-year
- Seven Network #1 in broadcast television, 7plus #1 in BVOD
- Total TV advertising market robust: metropolitan TV +13%, regional TV +7.2%, BVOD +58%
- #1 in metropolitan broadcast with 40.3% revenue share (+3.7 points); 41.4% national total TV share, including 46.3% regional¹ and 43.1% BVOD
- Digital growth underpins positive WAN result
- Seven Digital EBITDA up 144% to \$76 million, now 35% of group earnings
- Upgrade of full-year group EBITDA guidance to \$315 million to \$325 million (including \$10 million second half contribution from Prime)
- SWM Board to review capital management options in the second half to further enhance shareholder value

Overview

Seven West Media Limited (ASX: SWM) today reported a statutory net profit after income tax of \$120.5 million on group revenue of \$819.5 million. Underlying net profit after tax (excluding significant items) was \$128.7 million, an increase of 48% on the previous year. Earnings before interest, tax, depreciation and amortisation (EBITDA) of \$215.3 million and earnings before interest and tax of \$203.5 million increased 31% and 34% respectively versus the prior corresponding period.

Seven West Media Managing Director and Chief Executive Officer, James Warburton, said: "This result reflects the successful execution of our strategy over the past 30 months. We have a television network that has returned to the #1 position in a robust advertising market; a fast-growing digital business that now makes up 35% of earnings; a turnaround at WAN; and a team focused on growth.

"We have completed the acquisition of the assets of Prime Media Group, which unlocks an unrivalled opportunity for the business to capture a greater share of the \$3.8 billion total television market.

1. Pro-forma - Regional includes Prime's markets including GWN7 and 7Queensland

“The balance sheet has been significantly strengthened over the past 18 months, with leverage now at 0.9x net debt/EBITDA on a pro-forma basis after the acquisition of Prime. The Board will assess capital management options during the second half to further enhance shareholder value.

“We had an amazing start to the financial year with the Olympic Games Tokyo 2020, which was the biggest television and streaming event in Australian history. The Voice exceeded our expectations, becoming the #1 regular series of 2021, while the AFL Grand Final was the #1 program of the year. Our new entertainment schedule is driving television ratings gains and significant growth for 7plus. Over 11 million users are now registered on 7plus and we expect this to grow further with the Winter Olympics in Beijing.

“Seven returned to the #1 position in ratings leadership for the fiscal half and the 2021 calendar year, which was a significant achievement. The TV advertising market was very strong throughout the year. For the six months to 31 December, the markets were up 13% in metropolitan, 7.2% in regional and 58% in BVOD. SWM outperformed the market growth in every segment. In the metropolitan market, our 40.3% share was in line with our forecast.

“After growing 144% this half to \$76 million, Seven Digital is on track to deliver EBITDA of more than \$130 million for the full year, or approximately 40% of group EBITDA. The transformation of the digital side of our business has been dramatic, with a step change in the sophistication of our platforms, our data and how we monetise these audiences. This half also marked the first contribution from the digital platforms payments for our news content.

“WAN continues to execute its strategy of holding the line on print, reducing costs and turbo-charging the digital and subscription side of its business. Revenue growth in digital more than offset print decline in the period. Underlying EBITDA grew 65% in the period after excluding one-off benefits for JobKeeper and PING grants in the prior period.

“Seven West Ventures has strong momentum, completing six investments in the period, including four new companies with large addressable markets. The investments are predominantly via media for equity which can be supercharged by SWM's assets. The portfolio value increased 56% to \$87 million in the period.”

Results

The group reported revenue of \$819.5 million (excluding share of associates), up 27.2% on the prior corresponding period on a continuing operation basis, driven by a recovery in the metropolitan TV advertising market and the growth of 7plus.

Net debt was reduced by \$212.4 million to \$116.7 million, which includes the consolidation of cash from Prime. However, adjusting for the timing of the Prime acquisition and some cash movements, pro-forma net debt for the group is \$295 million, or approximately 0.9x pro-forma leverage. SWM's aim is to operate within the 1.0-1.5x leverage band.

Financial year results from continuing operations	Half year ended 25 December 2021	Half year ended 25 December 2020¹
EBITDA	\$215.3m	\$164.9m
EBIT	\$203.5m	\$152.5m
Underlying NPAT	\$128.7m	\$87.1m
Underlying EPS	8.4 cents	5.7 cents
Final Dividend per Ordinary Share	-	-
Profit (loss) before tax (including significant items)	\$173.6m	\$163.1m
Profit (loss) after tax (including significant items)	\$120.5m	\$116.9m
Basic EPS	7.8 cents	7.6 cents
Diluted EPS	7.8 cents	7.6 cents
Reconciliation to statutory results:		
Profit before significant items, net finance costs and tax	\$203.5m	\$152.5m
Net finance costs	\$20.3m	\$30.8m
Profit before tax excluding significant items	\$183.2m	\$121.6m
Significant Items (cost) income	(\$9.6m)	\$41.5m
Profit/(loss) before income tax	\$173.6m	\$163.1m
<i>Comparative financial information has been restated for the following:</i>		
<i>1. Prior year figures have been restated for adoption of IFRIC agenda decisions. See Appendix 4D for further details</i>		

Further details are contained in Seven West Media's investor presentation lodged with the ASX today.

Outlook and priorities

Trading update and strategic priorities:

- The strength of the television and BVOD advertising markets has continued in the second half:
 - Q3 metropolitan TV bookings are tracking 13% ahead of a year ago, including the Ashes Test series and the Winter Olympics
 - Targeting a two-percentage point increase in revenue share in the second half of FY22
- WAN revenue to grow low single digits in FY22
- Seven Digital EBITDA forecast increased to more than \$130 million
- Group costs at mid-range of previous guidance, before Prime
- Group EBITDA target has been upgraded to \$315 million to \$325 million, including \$10 million Prime second half contribution²
- SWM Board will assess capital management options during 2H22 to further enhance shareholder value.

². Prime FY21 pro-forma EBITDA of \$27m excluding JobKeeper and PING grants

Mr Warburton said: “We are now in the final phase of our three-year strategy, with key milestones achieved, and we see significantly more potential for the business. The Prime acquisition is the first step in unlocking our unrivalled ability to target the national total television market. Momentum is strong and the outlook for the markets we operate in remains robust. We will provide an investor update later in the year on the next phase of our strategy.”

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

For further information, please contact:

Investors / Analysts:

Alan Stuart
astuart@seven.com.au
02 8777 7211

Media:

Rob Sharpe
rsharpe@seven.com.au
0437 928 884

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 is home to some of Australia’s most renowned media businesses, including the Seven Network and its affiliate channels 7two, 7mate, 7flix; broadcast video on demand platform 7plus; 7NEWS.com.au; The West Australian; and The Sunday Times. With iconic brands such as Australia’s leading news and breakfast programs **7NEWS** and **Sunrise, Big Brother, SAS Australia, Farmer Wants A Wife, The Voice, Dancing With The Stars: All Stars, Home and Away, The Chase Australia** and **Better Homes and Gardens**, Seven West Media is also the broadcast partner of the AFL, Cricket Australia, Supercars, the Commonwealth Games and the Olympics.