



Monday, 16 August 2021

Seven West Media releases financial results for the financial year ended 26 June 2021

Summary

- Underlying Group EBIT of \$229 million, up 141% year-on-year
- Net debt reduced 40% to \$240 million, now at a leverage ratio of 0.95x
- The metropolitan free-to-air TV advertising market rebounded strongly, up 25.8% in 2H21 and up 11.5% in FY21
- Seven's digital revenue grew 78% year-on-year, driven by BVOD market growth of 55% and five percentage points in share gains during the year
- \$200 million gross cost and cash savings actioned
- Operating expenses declined 7.5% to \$1.02 billion (excluding depreciation and amortisation)

Overview

Seven West Media Limited (ASX: SWM) has reported a statutory net profit after income tax of \$318 million on group revenue of \$1,276 million. Underlying net profit after tax (excluding significant items) was \$125.5 million, an increase of 240% on the previous year. Underlying EBITDA of \$253.9 million and EBIT of \$229.1 million increased 105% and 141% respectively versus the prior corresponding period.

Seven West Media has made significant progress in its transformation strategy, repairing the balance sheet, making the necessary changes for the business to capitalise on a market recovery, and positioning the business strongly for the future.

Seven West Media Managing Director and Chief Executive Officer, James Warburton, said: "Our result today reflects the material progress of the changes made over the past two years.

"Since 2019, we have increased EBIT and grown our digital business to over 25% of earnings. We have a new entertainment schedule that is increasing ratings across all key demographics. We were the only network to grow commercial audience share across the key demographics in the financial year, which has set us up strongly to monetise this in FY22. At the same time, we have slashed our net debt position by 57% since FY19, giving us a balance sheet to pursue future growth opportunities."

The results from the Olympic Games Tokyo 2020 clearly demonstrated the reach and scale of the Seven West Media platform across TV, publishing and digital. During the 17 days of the Olympics, television and digital coverage reached 20.2 million Australians, with a record-breaking 4.74 billion minutes streamed on 7plus.

Mr Warburton said: "The evolution of the digital and data side of our business has been a core element of our transformation strategy and the results are clear. 7plus revenue grew 78% in the financial year, outstripping the BVOD advertising market growth of 55%, and 7plus now has 9.2 million registered users. Seven's digital earnings in FY21 were \$60 million, up 131% on the previous year.

"A landmark milestone achieved this year was our commercial agreement secured with Google and Facebook, which was first in market and reflects the quality and value of our news content.

"WAN has grown its audience across print readership and digital, increasing circulation and subscription revenue while also transforming the cost base," he said.

"We have reignited the Seven West Ventures strategy, with several new investments underway, and the portfolio increasing in value by 11% to \$56 million."

Results

The group reported revenue of \$1,270 million (excluding share of associates), up 3.5% 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.

The \$200 million operating cost and cash savings have been actioned, driving a 7.5% reduction in operating costs to \$1,022 million.

Net debt was reduced by \$158.0 million to \$240 million, with the net debt/EBITDA leverage ratio now 0.95.

The improved TV advertising market outlook has led to a \$208.5 million reversal in the TV license impairment and the better than forecast performance of the Olympic Games Tokyo 2020 has resulted in a \$20.6 million reversal in the Olympics onerous provision. These adjustments are included in the significant items of \$277.2 million before tax.

Financial year results from continuing operations	Financial year ended 26 June 2021	Financial year ended 27 June 2020 ¹
EBITDA	\$253.9m	\$123.4m
EBIT	\$229.1m	\$95.0m
Underlying NPAT	\$125.5m	\$36.9m
Underlying EPS	8.2 cents	2.5 cents
Final Dividend per Ordinary Share	-	-
Profit (loss) before tax (including significant items)	\$445.6m	(\$295.5m)
Profit (loss) after tax (including significant items)	\$318.1m	(\$201.2m)
Basic EPS	20.7 cents	(13.2 cents)
Diluted EPS	20.7 cents	(13.2 cents)
Reconciliation to statutory results:		
Profit before significant items, net finance costs and tax	\$229.1m	\$95.0m
Net finance costs	\$60.7m	\$40.6m
Profit before tax excluding significant items	\$168.4m	\$54.4m
Significant Items	\$277.2m	(\$349.9m)
Profit/(loss) before income tax	\$445.6m	(\$295.5m)

Comparative financial information has been restated for the following:

1. Prior year figures have been restated for adoption of IFRIC agenda decisions

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

Outlook and priorities

Trading update and strategic priorities:

- Positive market momentum has continued into 1H22
 - Targeting 40% broadcast share in the first half
 - 1Q revenue bookings up 60% (compared to 1Q21 market down 12%). Up 50% when normalised for AFL timing
 - 2Q bookings (excl AFL) currently tracking low to mid-single digits ahead of 2Q21 (2Q21 market up 19%)
- Digital earnings expected to double to more than \$120 million in FY22
- WAN revenue tracking 7% ahead on July last year
- Operating expenses in FY22 are expected to be between \$1.08 billion to \$1.1 billion on a normalised basis, plus \$94 million of one-off costs

Mr Warburton said: "Our company has seen many changes over the past 12 months and the results have been very encouraging. The improved performance has been driven by the relentless pursuit of the three strategic priorities we introduced in the second half of calendar 2019.

"Those priorities – content-led growth, transformation, and capital structure and M&A – sit at the core of our three-year plan and they remain our focus.

“Seven West Media is unashamedly a content company. Our content-led growth strategic pillar underpins our plan to return to market leadership across linear and digital television, with a focus on younger demographics,” he said.

“The content changes are delivering audience share gains, with growth in revenue share to follow. Returning to our historic average share is a \$90 million incremental revenue opportunity.

“7plus is also a key focus. We will continue to expand our BVOD offering and examine SVOD options that are viable and make financial sense.

“Cost discipline and addressing onerous content contracts are an ongoing focus for us. This year we will also renegotiate our debt facilities to secure an improved financial position,” Mr Warburton said.

“All of this, particularly the improvement in our balance sheet, puts us in an excellent position to work with new partners and/or towards consolidating the media sector. We are pursuing several options in these areas.”

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

The Seven West Media Annual General Meeting will be held at 10.30am (AEDT) on 9 November 2021. The closing date for the receipt of nominations from persons wishing to be considered for election as a director is 20 September 2021.

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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 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** and **Better Homes and Gardens**, Seven West Media is also the broadcast partner of the AFL, Cricket Australia, Supercars and the Olympics.