

Seven West Media releases interim financial results for half year ended 24 December 2016

- Seven delivers 21st consecutive half of market leadership in television: in audience delivery, advertising revenue and profitability.
- Seven delivers market leading advertising revenue share of 40.8% in television across the first half of the financial year and the 3rd highest Olympic Games revenue share ever and highest since the Beijing and Sydney Olympic Games.
- Seven West Media, including Yahoo7, is the #1 Australian digital content publisher by audience.
- Seven West Media delivers an underlying EBIT of \$148 million, down 27.7%, on total revenues of \$905 million across first six months of the current financial year. Profit before significant items, net finance costs, tax, depreciation and amortisation (EBITDA) is \$170.8 million.
- Seven West Media maintains disciplined cost management -- with underlying total costs down 3.8 per cent in the period (excluding Olympics and 3rd party commissions).
- Seven West Media maintains full year guidance for underlying EBIT based on current visibility.

15 February 2017 --- Australia's leading multi-platform media business, Seven West Media, today reported the company's interim financial results for the first half of the 2016-2017 financial year.

Overview

Commenting, CEO and Managing Director of Seven West Media, Tim Wornor, said: "We are delivering leadership across our media platforms. We are delivering on a successful strategy that provides us with a clear, continuous and sustainable plan for growth to 2020 and beyond. We will continue to build our businesses, manage our costs, grow our content production capacity, and deliver that content wherever the audience wants to consume it and wherever we can monetise it. Much has been done on driving greater efficiencies across all aspects of our business and we will continue to focus on further enhancing our operating margins."

In television, the company delivers the market leading television business in ratings, revenue and profitability, and also the market-leading live streaming service and catch up TV app. Seven Productions, Australia's largest production company, delivered its 6th consecutive year of double digit growth and expanded its global presence with investments in UK and New Zealand.

The West Australian completed the acquisition of The Sunday Times and Perth Now. This is a pivotal transaction in the company's transformation with material synergies to be realised in the coming period. Pacific implemented the first phase of a transformation plan with the realignment of its portfolio and is now the leading mobile publisher in the country, growing digital audiences by 177%. Revenue in digital across Seven West Media's 100 per cent owned assets was up 200 per cent driven by growth in its #1 live streaming service and #1 catchup TV app as well as strong growth in The West and Pacific.

Statutory Results

After significant items, the company reports a statutory net profit of \$12.4 million and underlying NPAT of \$95.7 million for the six months to 24 December 2016. The company reported significant items of \$83.3 million net of tax. This reflects the sale of investments (Presto and Australian News Channel), the sale of Pacific Magazine's youth titles and the impairment of investment in Yahoo7. The adjustment in the investment value of Yahoo7 relates to an acceleration in the shift from premium display to programmatic advertising and the loss of a service contract in the period. Management is undertaking measures to improve profitability.

Results

Seven West Media reports a profit after income tax, excluding significant items net of tax of \$95.7 million on total revenues of \$905.1 million*. EBITDA of \$170.8 million is down from \$229.3 million in the prior corresponding period with EBIT of \$148.5 million down from \$205.4 million in the prior corresponding period. This is in line with guidance outlined at our annual general meeting for Group EBIT decline to be greater in the first half than our full year EBIT guidance. An interim dividend of 2 cents per share (fully franked) has been declared.

Interim Results	Half Year Ended 24 December 2016	Half Year Ended 26 December 2015
Total Revenue*	\$905.1m	\$892.9m
EBITDA	\$170.8m	\$229.3m
EBIT	\$148.5m	\$205.4m
Underlying NPAT	\$95.7m	\$140.3m
Underlying EPS	6.4 cents	9.3 cents
Interim Dividend per Ordinary Share	2 cents	4 cents
Profit before tax (including significant items)	\$46.8m	\$178.6m
Profit after tax (including significant items)	\$12.4m	\$135.2m
Basic EPS	0.8 cents	9.0 cents
Diluted EPS	0.8 cents	8.9 cents
Reconciliation to statutory results:		
Profit before significant items, net finance costs and tax	\$148.5m	\$205.4m
Net finance costs	\$19.1m	\$19.5m
Profit before tax excluding significant items	\$129.4m	\$185.9m
Significant Items	\$82.6m	\$7.3m
Profit before income tax	\$46.8m	\$178.6m
<i>* Revenue includes share of equity-accounted investees and other income</i>		

Cost Management

Group operating costs (including depreciation and amortisation) increased 10.1 per cent in the period to \$756.6 million as a result of the Olympics. Group operating costs decreased 3.8 per cent in the period excluding major events and third party commissions. Newspapers delivered cost reductions of 3.9 per cent. Pacific has undertaken a major restructure with the realignment of its portfolio, sale and closure of certain titles and greater than 20 per cent headcount reduction with material cost savings to flow into the second half. Television had a 16.4 per cent increase in costs versus the corresponding half year due to the Olympics.

Balance Sheet

Seven West Media has maintained its efforts towards managing its balance sheet, reducing net debt by \$35.0 million over the last 6 months and reducing its facility limits to \$900 million as part of an extension of facilities through to October 2020. At 24 December 2016, the group's debt leverage ratio was 2.2x, comfortably within agreed covenants of 4x leverage ratio and 3x interest cover ratio.

Outlook

Management earnings guidance for the 2017 financial year remains in line with the company's annual general meeting commentary subject to current visibility. While the advertising market has remained soft, the company has undertaken further cost out initiatives. The company now expects group costs to be lower year on year including the uplift cost of the AFL rights but excluding Olympics and 3rd party commissions. The company retains its guidance for the television advertising market to be down low single digits, however management has been encouraged to see growth in February and March for the first time since 2014 and the market beginning to trade longer. Pacific and The West are expected to deliver significant earnings growth in the second half of the coming financial year. As outlined at the company's annual general meeting, Seven West Media expects underlying EBIT to be down approximately 20 per cent.

For further information please refer to our Appendix 4D and the half year financial statements.