

Thursday, 9 November 2023

# Seven West Media Limited

## 2023 Annual General Meeting

### Chairman's Address

### Managing Director and Chief Executive Officer's Address

Seven West Media acknowledges the Gadigal people of the Eora Nation as the Traditional Custodians of the Country we are meeting on today.

We pay our respects to Elders past and present, and extend that respect to all First Nations people present today.

### Chairman: Mr Kerry Stokes AC

Seven West Media performed well during the year despite a softening of the overall TV and wider advertising market, while our transformation to a broadcast, print and digital business has accelerated.

The Seven Network continues to be the most watched free to air network and digital platform in Australia, reaching and engaging 91% of the population, with a broadcast audience of more than 17 million people a month and more than 13.5 million registered [7plus](#) users.

Our free to air programs continue to attract strong audience numbers from dawn with **Sunrise** to late at night, with our general entertainment programs, including **The Voice**, **Dancing With The Stars**, **SAS Australia** and **Farmer Wants A Wife**, backed up by news programs that are building their audiences.

Importantly our digital earnings contributed over 49% of our overall earnings in the 2022-23 the year, with highlights of the year including a new agreement between Seven Network and NBCUniversal to bring NBCUniversal's extraordinary content portfolio to all Australians, live and free.

The deal sees Seven acquiring and broadcasting NBCU's scripted network and cable dramas and comedies on Seven and 7plus. Our new broadcast and digital channel 7Bravo is the recipient of unique content and is experiencing a very strong take-up by viewers.

Our award-winning coverage of AFL, cricket and horse racing again dominated the ratings during the year and we expect they will continue to dominate the audiences in the current financial year.

A key development in the 2022-23 financial year was the signing of new media rights agreements with the Australian Football League and Cricket Australia, ensuring the most popular winter and summer sports will remain on Seven – live and free – for many years to come. Importantly, the new agreements give us digital rights to both sports for the first time.

The combination of AFL and cricket will give 7plus four billion minutes of new content and change the way sport is watched online.

We are delighted that the new OzTAM Virtual Australia ratings system, known as VOZ, is already supplying more accurate data about our unparalleled broadcast and digital audience.

The VOZ system more accurately measures the number of viewers across traditional TV and free-to-air apps and digital channels, which are broadcasting unique content that can be accessed any time of the day on a wide range of devices.

The total pool of revenue from this more accurate measurement of audiences is estimated to be worth \$6.5 billion and we are confident we will pick up a major share of the incremental revenue in coming years.

Following the Government's election commitment to legislate a prominence framework, we have worked with the industry and proposed a solution to Government that retains free and prominent carriage of our trusted local TV services on connected TV. We call on the Government to legislate the prominence framework as soon as possible.

The acquisition of Prime Media Group gave us direct access to Australia's largest regional audience and provided an expected fillip to our audience and resultant expenditure by both large and small advertisers on our broadcast and digital platforms.

Meanwhile The West's print operations, with 21 titles across city and regional areas in Western Australia, continue to be enhanced by a compelling digital offering, with exclusive podcasts and other content tailored to largely younger audiences.

A highlight for The West and Seven in 2022 was the record \$71.3 million raised through Telethon, with the 103 beneficiaries creating life-changing opportunities for the children of Western Australia. This year's Telethon was even more successful, raising a remarkable \$77.5 million.

The Board and Management continued to maintain a conservative approach to our balance sheet and managing investment in our digital future and content in a disciplined way. We understand the desire from our shareholders to see a resumption of dividends and we have been consistent in our communication that we are constantly monitoring our capital management options and will act in the best interests of the company and all shareholders on this topic. Above all, our objective around any dividend decision is that it will be sustainable.

Our strategy to focus on content-led growth and market-leading digital assets, balanced by further cost efficiencies across the board, have set up the group for another very strong year.

On behalf of the Directors, I would like to thank David Evans for his valuable contribution to the Company as a Director since his appointment in August 2012, including his outstanding service as a prior chairman and a current member of the Audit & Risk Committee and as a member of the Remuneration & Nomination Committee.

On behalf of the Board, I thank you, our shareholders, and our staff for your ongoing support of Seven as we chart an exciting new course in Australia's media sector.

### **Managing Director and Chief Executive Officer: Mr James Warburton**

Thank you Chairman and good morning everyone.

Our key financial results for FY23 represented a solid performance in a challenging environment.

While we are unrelenting in our ambition to grow our audiences and revenues, we are absolutely disciplined in our approach to our operating costs and our investment for the future.

Seven retained its position as the most watched, #1 network for the third year in a row, a feat we've achieved for 15 of the past 17 years.

We were #1 in the major demographics nationally and we converted those ratings into a bigger slice of the advertising market in FY23.

We are extremely pleased with our landmark sports and content deals that will drive our digital future, but we have also demonstrated real discipline in our decision making when the economics on certain major events have not stacked up.

Since FY20, Seven West Media's cost base has grown for the Prime acquisition and through a combination of investment in content and efficiency at less than 1.5% a year for everything else.

During FY23, revenue declined 3% to approximately \$1.49 billion.

Operating costs were well managed within the context of our continued investment in programming and the ongoing inflationary pressures across our business.

Excluding depreciation and amortisation, our costs increased by 0.9% over the prior year to \$1.2 billion.

EBITDA declined 18% to \$280 million, and underlying net profit was \$146 million.

Net cash flow before temporary and capital items was \$155 million.

Net debt of \$249 million was down slightly from \$256 million in the prior period with prudent leverage of 0.9 times maintained. While we accelerate our digital future in FY24 and run off the last of our onerous contracts, we have been very deliberate in maintaining a conservative balance sheet, given the uncertain economic outlook.

The total television market declined 7.9% in FY23. The metro market declined 10.6%, regional was down 4.0% and BVOD was up 6.1%.

While the total television market declined by 4.5% in the first half of FY23, the decline accelerated during the second half as consumers started to feel the pain of increasing interest rates. Against some tough comps, the total TV market declined nearly 12% in the second half. Pleasingly, the BVOD market maintained its positive momentum.

Having set ourselves an ambitious target to retain our FY22, two-Olympics 39% full year total television revenue share, Seven outperformed in both H1 and in Q4.

In the West, management remained focused on its strategy of holding the line on print, reducing costs and turbo-charging digital opportunities. From a digital perspective, growth in audiences to record levels and new products saw digital subscriber revenue up 17 percent year on year.

Our strategy is to be Australia's most connected news, sport and entertainment brand.

The TV industry is rapidly changing and at Seven we are redefining total TV.

We will execute on our strategy through delivering against our four strategic pillars.

The first is to accelerate our digital future.

With 7plus, we are building Australia's most watched streaming service to drive maximum audience, revenue and profitability. Technology is the enabler to optimise our user experience – providing the right content to the right audience through a personalisation engine built with Amazon Web Services which delivers highly customised recommendations and enhanced content discovery.

Our second pillar is to enhance and elevate our brand.

We are redefining our brand to reflect Seven as the destination for mass cultural moments that engage, inspire and define the nation.

Our third pillar is to optimise the business.

We will double down on our goal of leading the market in audience and revenue shares while maintaining discipline in cost and investment. A 42.2% revenue share in the first quarter of FY24 is proof that our strategy is working.

We have a proven track record of managing costs and this continues through a more difficult economic environment. Crucially, we have our major content locked down. In particular, all our major sports deals are secured through until 2031.

Our balance sheet is strong and conservative, and we are driven by economics not ego when acquiring content.

I'm pleased to announce that we have refinanced our debt facilities for four more years. I'm grateful to our banking partners for their ongoing support of Seven West Media.

Our fourth and final pillar is to partner for growth.

We are always open to way to improve the economics of our business through technology – NBCUniversal, Databricks and AWS are recent examples.

Turning to our trading update.

The first quarter of FY24 was in line with our previous update given at our full year results in August. Seven was slightly ahead of the market, which was down 8% during the period.

Our audience performance is driving our revenue share growth. For the first quarter Seven had a 42.2% share of the total TV market, which was a record for a non-Olympics quarter. We continue to target a 40% plus revenue share for FY24.

For the second quarter, advertising market conditions are similar to the first quarter, although our forward bookings for October-December indicate a slight moderation in the market decline.

In keeping with our commitment to operate our business prudently, Seven has identified \$60 million in cost initiatives that will be executed over the remainder of FY24 and into FY25.

We are targeting \$25 million in FY24, which will reduce our cost base to \$1.23-1.24 billion. This means that our cost growth from FY20 to FY24 (excluding Prime) has been held to 1.5% per annum.

Seven remains the undisputed national total television leader.

Every month, our television and digital business alone reaches 17.5 million Australians.

Our 7plus platform now has 13.5 million verified users, and more than 10 million were active during FY23.

No one can match our audience reach of 91% across television and premium long-form digital video and our other digital assets.

Our new digital sports rights for both the AFL and Cricket are coming next year and will be the biggest change in sports rights streaming this country has ever seen. They will generate meaningful growth in our digital earnings.

Cost discipline continues to be an absolute focus across our business.

In closing I would like to thank our shareholders for your continued support, and to all our people at Seven West Media for your dedication and hard work over the past year.



Seven West Media  
2023 AGM  
9 November 2023



FY23: Key Financial Metrics

# Solid Financial Performance in a Challenging Environment

Revenue

↓ 3%

\$1,488m

Expenses

↑ 1%

\$1,208m

EBITDA

↓ 18%

\$280m

Underlying NPAT<sup>1</sup>

↓ 27%

\$146m

Net cashflow before temporary  
and capital items

↓ 19%

\$155m

Net Debt ↓ 3%

0.9x Net Debt/EBITDA LTM

\$249m

# Financials: SWM

<b>SEVEN*</b>	<b>FY23 (\$m)</b>	<b>FY22 (\$m)</b>	<b>Inc/(Dec)</b>
<b>Revenue</b>	<b>1,137</b>	<b>1,190</b>	<b>(4%)</b>
<b>Costs</b>	<b>(1,011)</b>	<b>(1,001)</b>	<b>1%</b>
<b>EBITDA</b>	<b>126</b>	<b>189</b>	<b>(33%)</b>
<b>EBIT</b>	<b>91</b>	<b>161</b>	<b>(43%)</b>

## DIGITAL

<b>Revenue</b>	<b>179</b>	<b>178</b>	<b>1%</b>
<b>Costs</b>	<b>(40)</b>	<b>(39)</b>	<b>3%</b>
<b>EBITDA</b>	<b>139</b>	<b>139</b>	<b>0%</b>
<b>EBIT</b>	<b>134</b>	<b>135</b>	<b>(1%)</b>



# Financials: SWM

<b>THE WEST</b>	<b>FY23 (\$m)</b>	<b>FY22 (\$m)</b>	<b>Inc/(Dec)</b>
<b>Revenue</b>	<b>171</b>	<b>169</b>	<b>1%</b>
<b>Costs</b>	<b>(140)</b>	<b>(136)</b>	<b>3%</b>
<b>EBITDA</b>	<b>31</b>	<b>34</b>	<b>(9%)</b>
<b>EBIT</b>	<b>29</b>	<b>33</b>	<b>(12%)</b>

## Our Strategic Objective

# Australia's Most Connected News, Sport and Entertainment Brand

## Our Strategic Pillars and Priorities

Accelerate our digital future

Enhance and elevate  
the Seven brand

Optimise the business

Partner for growth

## Summary

# Trading Update

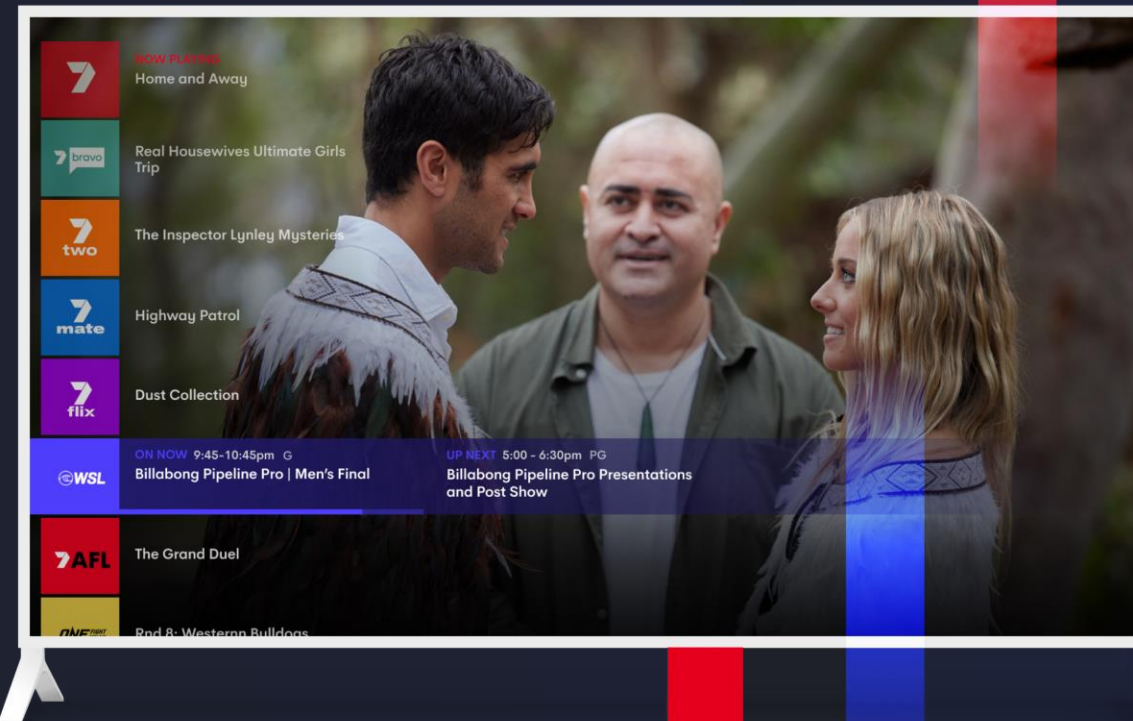
- 1Q24 trading in line with previous update:  
Seven slightly ahead of market (down 8%)
- Share gains driving outcome: 42.2% Total Television revenue share was the strongest ever non-Olympics quarter for Seven.  
Continue to target 40%+ FY24
- Early 2Q24 advertising market similar to 1Q; Seven's forward bookings for Oct-Dec indicating slight moderation in decline
- Seven has identified \$60m in initiatives for execution over FY24-25.  
Targeting \$25m in FY24 will reduce SWM FY24 cost base from \$1.26-1.27b to \$1.23-1.24b. Cost growth FY20-24 (ex Prime) therefore held at ~1.5% p.a.



## Summary

# Conclusion

- Undisputed national Total Television leader
- Unmatched audience reach of 91%: 17.5m Australians every month
- Sports streaming from Sept-24 changes the game – 4bn minutes to drive revenue and earnings
- Cost discipline remains an absolute focus



## Basis of Preparation

# Financials: Seven

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