Tuesday, 11 February 2025

Solid performance in a challenging market

Summary of H1 FY25:

- Seven's total TV audiences are up 1.5%[1] with strong growth in BVOD (+43%) offsetting a modest decline in linear (-1.8%)
- Digital sports rights (AFL and cricket) driving step change in high value audience and revenue on 7plus
- Group revenue of $727 million, down 6% on H1 FY24
- Total TV advertising revenue down 6% due to ongoing soft market (-5.4%) and major sporting events (in line with AGM outlook)
- Seven increased total TV revenue share to 41.5% (+0.5 points), a record share for a non-Olympic broadcaster
- Costs down 2%. Full year costs tracking to guidance of ~$20-$30m down YoY
- EBITDA of $92 million, down 26% on H1 FY24
- Net cash flow before temporary and capital items of $52 million, down 25%
- Net debt decreased $41 million to $260 million; leverage of 1.7x

Overview

Seven West Media Limited (ASX: SWM) today released its results for the six months ended 31 December 2024. The results reflect the challenging advertising market and impact from major one-off sporting events, in line with the AGM outlook. Seven's leading content, including 7plus Sport and 7plus First, however, are driving audience and revenue momentum into the second half of FY25.

Group revenue of $727 million was down $48 million (-6%) on H1 FY24.

Seven's total TV advertising revenue was down 6%. The decline is attributable to the ongoing soft market, which was down 5.4% in the half, and the impact of major one-off sporting events, FIFA Women's World Cup on Seven in H1 FY24 and the Olympic Games on Nine this half.

During the period Seven increased its total TV revenue share to 41.5% (up 0.5 points), which is a record share for a non-Olympic broadcaster.

[1] Excluding FIFA WWC (Seven pcp) and Olympic Games (Nine)

In line with the revised operating model and announced efficiency program, operating costs were tightly managed to $635 million, a decline of $16 million (-2%) on H1 FY24 despite ongoing cost headwinds. Full year operating costs are tracking to guidance of ~$20 million to $30 million down year-on-year.

Group earnings before interest, tax, depreciation and amortisation (EBITDA) before significant items of $92 million was down $32 million (-26%) on H1 FY24. Statutory net profit after tax of $18 million was down 67% on H1 FY24, while underlying net profit after tax after excluding significant items was $37 million, down 41%.

SWM Managing Director and Chief Executive Officer, Jeff Howard, said: “Seven West Media’s H1 FY25 results reflect the ongoing soft total TV advertising market and the impact of major one-off sporting events. Mitigating the full impact of these revenue headwinds was an increase in our total TV revenue share to 41.5% (up 0.5 points) and the benefits of our year-on-year operating cost savings initiates.

“Seven’s total TV audiences are up 1.5% year on year, excluding these one-off sporting events. Our content strategy successfully mitigated the Olympic Games impact in the first quarter and the launch of 7plus Sport commencing with the AFL Grand Final drove a step change in audiences as the first half progressed. Total TV remains strong and more relevant than ever with 43% audience growth on 7plus more than offsetting the modest decline in linear audiences of 1.8%.

“Audiences continue to be attracted to Seven’s sport, news, tentpole programs and library content on 7plus. We grew audiences' year-on-year for AFL, cricket (Tests and Big Bash League), **My Kitchen Rules**, **Home and Away**, **The Front Bar** and the **TV WEEK Logie Awards** year-on-year.

“7plus Sport is delivering new high value audiences in addition to our growing broadcast viewership. The AFL Grand Final attracted more than 4 million viewers, the largest audience since 2016, including a 44% increase in audience on 7plus to 654,000. Audiences for the India Test Series were up 39% year on year, and the BBL was the highest rating in five years with total audiences up 21% year on year.

“We remain disciplined on reducing operating costs without compromising Seven’s content or editorial quality. We delivered $16 million of net cost reductions in the half, down 2%, including the cost of our cricket rights and production, which in prior years were partly offset by the utilisation of the onerous contract provision ($16 million in 1H FY24). Full year costs are on track to be down $20 million to $30 million year-on-year, to $1.2 billion to $1.21 billion.

“We are making solid progress under our new operating structure to reshape Seven West Media into a better, more agile and returns focused business that can adapt to the challenges and opportunities in the changing media landscape. Our clear objective is to stabilise and grow earnings and cash flow irrespective of advertising market conditions. A key pillar is to deliver ongoing cost efficiencies, with our ambition to maintain FY26 costs flat year-on-year including AFL committed increases and inflation.

“We are carrying momentum into the second half with 7plus growth accelerating, underpinned by a step change in the monetisation of our new AFL rights. This includes new ancillary ‘footy’ programs across the week on Seven and 7plus, which we expect to attract high value audiences and new opportunities for advertisers. We also anticipate a positive impact from the yet to be announced Federal Election.

“Based on bookings to date we are seeing an improving advertising market with Q3 tracking low single digits above last year. With our cost guidance reaffirmed, we therefore expect to see earnings in the current half to modestly exceed those in the same period last year.”

Total Television

Every month, Seven reaches more than 17 million people nationally across television and digital. Seven’s content continues to resonate with audiences. Seven’s total TV audiences (excluding FIFA Women’s World Cup and Olympics) for the half were up 1.5% with strong growth in BVOD (+43%) offsetting a modest decline in linear (-1.8%).

Revenue declined by 7% during the period to $641 million. Total TV advertising revenue fell 6% to $590 million driven by a weak market (-5.4%) and major one-off sporting events. TV advertising revenue declined 9% to $505 million, whil3 7plus advertising revenue increased 15% to $85 million in the half.

Other TV revenue of $51 million declined 9% during the period including the impact of the non-renewal of the Meta agreement.

The decline in total TV advertising market was made up by declines in metropolitan markets of 10.1% and 5.3% in regional markets, offset by an increase in the BVOD market, which grew 19.7%.

Total TV revenue share of 41.5% improved 0.5 points on the prior year and included a revenue share of 43.8% in Q2 (+4.0 points) which rebounded significantly from 39.4% (-2.8 points) in Q1. In line with this improvement in share, Q2 revenue decline was down 4% versus down 8% in Q1.

Costs of $558 million were $12 million or 2% lower than H1 FY24 driven by initiatives delivered along with the revised operating model announced in June 2024. Media content costs declined 1%, notwithstanding higher contracted sports costs (and the prior year benefit of $16 million from the onerous cricket provision). Personnel costs reduced by 5% and other costs by 3%.

Total TV EBITDA declined by 28% to $83 million. EBIT of $64 million declined 35%.

The West

The West performed solidly, with an EBITDA decline of $1 million made up of revenue declines of 3% offset by cost savings of 3%.

The West continues to transform its business with a focus on driving a greater share of its revenue from digital subscriptions and circulations. Digital audiences continue to grow strongly with The West's digital platforms achieving 62.5 million page views, an increase of 6.0 million or 10.6% year on year. The Nightly grew to 8.3 million page views in just its ninth month post launch, including strong growth in total unique audiences.

Revenue of $86 million reflected advertising revenue declines of 8.0%, while circulation revenue increased by 1.3%. Advertising revenue was impacted by economic conditions, with the supermarkets sector advertising notably lower.

Costs of $71 million were down 3% in the half, driven by a reduction in labour and paper costs. The labour costs reduction was achieved despite a 3.5% year-on-year growth in wages in the WA market.

Balance Sheet, Cash and Capital Management

Net debt of $260 million decreased from $301 million as of 30 June 2024. Cash flow before temporary and capital items was $52 million. Temporary items relate to cash outflows of $10 million in relation to Project Phoenix and onerous contracts.

Net leverage (net debt/EBITDA) increased to 1.7x from 1.6x as at 30 June 2024.

The Board declared no dividend will be paid in respect of the HY25 half year.

Financial year results	**Half year ended 31 December 2024**	**Half year ended 31 December 2023**
Underlying Results		
Revenue	$727m	$775m
EBITDA	$92m	$124m
EBIT	$71m	$106m
NPAT	$37m	$63m
Basic EPS	2.4 cents	4.1 cents
Statutory profit before tax	$30m	$79m
Statutory profit after tax	$18m	$55m
Basic EPS	1.1 cents	3.5 cents
Diluted EPS	1.1 cents	3.5 cents

Reconciliation to statutory results:		
EBITDA	$92m	$124m
Depreciation and amortisation	($21m)	($18m)
EBIT	$71m	$106m
Net finance costs	($20m)	($19m)
Profit before tax excluding significant items	$51m	$87m
Significant Items	($21m)	($8m)
Statutory profit before income tax	$30m	$79m

Further details are contained in SWM's investor presentation lodged with the ASX today. The company will be hosting a teleconference at 9:00am AEDT, Tuesday, 11 February 2025.

Link: https://sevenwestmedia.com.au/investors/livestream/

Outlook and Priorities

Trading update:

- Market improving: Q3 bookings tracking up low single digits
- H2 to benefit from AFL growth and Federal Election
- Cost guidance ($1.2 billion to $1.21 billion) maintained for FY25
- Based on current expectations and market conditions, H2 earnings expected to see modest growth on H2 FY24

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

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About Seven West Media

Seven West Media (ASX: SWM) is one of Australia's most prominent media companies, reaching more than 19 million people a month with a market-leading presence in content production across broadcast television, publishing and digital.

The company owns some of Australia's most renowned media businesses, including the Seven Network and its affiliate channels 7two, 7mate, 7flix and 7Bravo; the digital platform 7plus; 7NEWS.com.au; *The West Australian*; *The Sunday Times*; PerthNow; The Nightly; and Streamer. The Seven Network is home to Australia's most loved news, sport and entertainment programming, including **7NEWS**, **7NEWS Spotlight**, **Sunrise**, **The Morning Show**, **The Voice**, **Home and Away**, **Australian Idol**, **My Kitchen Rules**, **SAS Australia**, **Farmer Wants A Wife**, **The Chase Australia**, **Better Homes and Gardens**, **RFDS**, **The 1% Club** and the ***TV WEEK*** **Logie Awards**. Seven Network is also the broadcast partner of the AFL, Cricket Australia and Supercars.