Opening slide – Tim Worner

Welcome to our 2016 full year results presentation and thank you for joining us.

I'm Tim Worner, CEO of Seven West Media.

With me today:

a. Warwick Lynch – Chief Financial Officer;
b. Kurt Burnette – Chief Revenue Officer;
c. Clive Dickens – Chief Digital Officer;
d. Chris Wharton – CEO of SWM WA; and
e. Peter Zavecz – CEO of Pacific.

We will be happy to take questions at the end of the presentation.

Let's get started.

Slide 2

Disclaimer – Tim Worner

On page 2 is our disclaimer, which is customary for presentations of financial results.

Slide 3

Agenda - Tim Worner

On slide 3 is the agenda for today. I will run through the performance in the 2016 financial year and then we will do our best, given the limited visibility that we have beyond this current Olympics market, to give you an update on our outlook for 2017.

Warwick will then take you through the financial results in more detail before I review the operating performance of Seven, our digital assets, The West, and Pacific. We will then discuss how we are tracking in each of the key areas of our strategy.

Slide 4

FY16 Full Year Overview

Now to the highlights on slide 4 for the 2016 fiscal year. And right off the top can I apologise for the number of times we will mention the Olympics but please appreciate that these Games represent a true milestone for our company. Every time we mention them, we want you to think not of the Games themselves, but of what is the new operating model for Seven West Media.

I'm pleased to announce that Seven can now claim a decade of dominance, having maintained its leadership position for a 10^{th} consecutive year in television for both revenue and ratings share. And our momentum is growing. Ratings continue to improve this calendar year in both share and demographic profile and it's only going to get better with the most unprecedented coverage and distribution of the Olympics that Australia has ever seen.

Seven's coverage will provide an unparalleled launch platform for our broadcast line up for the second half of the year featuring a raft of new shows, many of which were created and are being produced by Seven.

That is a key part of our strategy and over the next few weeks you will see all of the various elements of our strategy in action. Audiences will be able to watch the Olympic Games, anytime, anywhere and on any screen as we live stream 3,250 hours of video content, complementing our 900 hours of television coverage. And this is just the beginning.

We set out to acquire the very best programming. This now means that all the way through to April 2018, we have the greatest line-up of huge, live sporting events that we, or indeed any network, have had in history. This will culminate in a six month period across 2017 and 2018. It starts with the AFL Grand Final and finals series, the Melbourne Cup carnival, the Rugby League World Cup in Australia and New Zealand. We are then onto the Australian Open followed by the Winter Olympics in Pyeong Chang South Korea, so a great time zone and then the best time zone of all, the Commonwealth Games right here on the Gold Coast. We have secured the rights to monetise these events across all platforms.

We continue to invest in, and see very strong demand for, our own productions as well as those we produce for third parties. When we stood before you both a year ago and two years ago, we highlighted this as a long term strategic focus. Our third party production revenue and program sales almost doubled in the 2016 financial year. Our global footprint continues to expand with our recent investment in a British drama producer backed by highly regarded talent. We are also progressing with the establishment of a NZ production company which is supported by new commissions already secured in that market.

We are repositioning the company to reflect recent market trends and invest in future growth opportunities that will deliver over time.

We continue to evolve both operationally and culturally, and the momentum in our transformation is building. We are constantly challenging the way we do things and looking for innovative ways to further exploit our market leading portfolio. In many ways, we are in the midst of the transformation that we had to have.

Now to the financial highlights for the year.

We have delivered on our full year guidance.

Underlying net profit after tax of $207 million, excluding significant items, was within one percent of the prior year's result. Reported profit after tax was $184 million after one-off restructuring costs of $23 million.

This result was achieved by a very real focus on cost control. We continue to work hard at it, with the company delivering a 1.6% reduction year on year.

Group EBIT declined 10.7% to $318 million. Excluding our early stage investments which are obviously important to our transformation in the longer term, EBIT declined 7.3%.

Our company continues to generate strong operating cash flow, recording $275 million for the year. Leverage at 2.0 times net debt includes the impact of rights payments for major sporting events which will be broadcast in the coming financial year. Reducing net debt to improve our financial flexibility continues to be a focus for management.

The Board has declared a final dividend of 4 cents per share fully franked.

Slide 5

EBITDA Margin - Tim Worner

On slide 5 we have outlined the trends in group net debt, operating costs, margin and the percentage breakdown of earnings by division. I have covered off a number of these points already, but I take the chance to underline that operating costs have reduced for a fourth consecutive year and we will continue to review our cost base. It is also worth pointing out that Seven, which includes content production and program sales, now contributes more than 80% of Group EBITDA.

Moving on to slide 6.

Slide 6

Performance and Outlook - Tim Worner

The metro television market declined two percent for the financial year while Newspaper and Magazines advertising revenue remained under pressure. Digital revenue across the group significantly outpaced the broader market, driven by new initiatives including the launch of live streaming.

In terms of outlook for this financial year, the Rio Olympics will drive robust growth in television and digital market share, both through advertiser support and as a platform from which to launch not just programs but also digital products.

The value of these Olympic rights extends well beyond the 17 days of the Games. We need to recognise the long term value generated from the launch of shows, many of which we have originated, produced and will sell internationally. The very best example of this is Border Security, now in its 14th season after having been launched out of the Athens Games in 2004. It is sold into more than 170 countries and there are US and Canadian versions in production.

The television market has been going through a rebasing of its share of total advertising spend. This is in line with international trends, which the Australian market typically lags. However, just as we have seen overseas, we expect this trend to slow in the coming 12 months and believe we will see this stabilize and return to growth. That's what's happened in the UK and the US. The power, reach and effectiveness of television is unmatched. As a colleague at ITV observed recently – it is a weapon of mass consumption. We are now seeing the advertising industry conceding that they have overdone the swing away from traditional media, especially television. As an industry we've failed to promote ourselves effectively, focusing instead on competing intensely amongst ourselves. We recognise this and we recognise the need to do something about it. The new industry body ThinkTV is now promoting television very aggressively and you will see those efforts stepped up even further in the next few months.

The current Olympics market makes any confident prediction very difficult right now. In the coming financial year we forecast the metro television advertising market to be flat to down low single digits, while we expect advertising trends in our publishing assets to continue in the coming year.

As we've said, third party productions and program sales remain a strong area of growth for our company and we forecast this revenue to grow by 25% in FY17. This division will increasingly become a growth driver for our earnings in television.

We expect the Group's 100% owned digital revenue to grow more than 150% in the year ahead as we continue to build our digital future.

For the coming year, we forecast operating costs, including our new AFL contract but excluding the Olympics and third party commissions, to grow in line with CPI as we continue to drive greater efficiencies from our operating model.

Impacted by the combination of softer market conditions and increased content costs from the Olympics and the AFL, we expect Group EBIT to be down approximately 15 to 20% year on year.

I will now ask Warwick to take you through the financials in more detail.

Slide 7

Financials – Warwick Lynch

Thanks Tim.

Slide 8

Key Group Results – Warwick Lynch

Slide 8 covers the key highlights from our group results for 2016 financial year. Seven West Media is reporting an underlying profit after tax of $207.3 million, down 1% on prior year. This becomes a statutory profit of $184.3 million including significant items relating to costs of organisational restructure.

A fully franked final dividend of 4 cents per share has been declared and will be paid in October 2016. Our underlying earnings per share is 13.7 cents, and 12.2 cents per share on a statutory basis.

Slide 9

Income Statement – Warwick Lynch

Slide 9 covers consolidated income statement.

Total group revenue was 2.5% lower than last year, at $1.73 billion.

Cost management remains an ongoing focus across the group. This year we have delivered a 1.6% reduction in operating costs, our fourth consecutive year of cost reductions. This is in an environment where the business continues to make strong and considered investments in premium content, enhancing our production and distribution capabilities.

Finance costs reduced significantly in the financial year, showing the full 12 month benefit of lower debt levels following our capital raising in June 2015. We are also committed to reducing our debt levels from operating cash flows.

Significant items of $23.1 million (net of tax) were incurred during the 12 month period and relate to redundancy costs for each of our businesses as we make a number of organisational changes.

On a normalised basis, the effective rate of tax on underlying profit was 26%, compared to 29% in the prior financial year, primarily relating to the timing of tax offsets connected to our production activities.

In the coming year we expect our effective rate of tax to return to 29%.

Slide 10

Cash Flow – Warwick Lynch

Moving onto slide 10, the business generated operating cash flows of $275 million for the year. The larger investment in working capital in this period primarily reflects an increased level of investment in rights including the Rio Olympics. This will reverse in the coming financial year where we expect positive working capital inflow.

Tax payments for the year are $40 million as compared to $6.8 million in the prior year, which was affected by a significant tax refund related to content deals completed at the time.

Capex was lower this period following the completion of several major projects in the prior year. We expect capex to be in the range of $30-40 million in the coming year subject to the timing of key projects.

Slide 11

Net Debt – Warwick Lynch

Turning to net debt on slide 11.

Group net debt has reduced to $716 million for the period and leverage is at 1.97 times EBITDA. We remain committed to managing our debt levels downward, ensuring a strong balance sheet for the future.

Our current debt arrangements are secured until October 2018 and provide the group with significant headroom in terms of our covenants.

Turning to performance levels.

Slide 12

Group Revenue Performance – Warwick Lynch

Slide 12 details Group revenue which was $1.71 billion, a 3.4% decrease on the prior year – including associates. The decline resulted from soft conditions in our advertising markets.

Revenue from other business showed strong growth for the year, most pleasing being the performance of our Live Events business off the back of a very successful Royal Edinburgh Tattoo tour in February this year.

Slide 13

Group Costs and EBIT – Warwick Lynch

Slide 13 covers the breakdown of costs and EBIT by division. Total costs declined 1.6%, or $23 million year-on-year. This is a positive result as the company balances cost management and future growth investment.

Seven's costs also reduced by 1.6%, while the business continued to invest in its production and digital capabilities. EBIT for television was $292 million, declining 1.4% on the prior period.

The West's costs reduced 9.5% or $20 million with EBIT at $39.2 million for the year.

Pacific EBIT of $9m was impacted by continued weakness in advertising and circulation and ongoing investment in new growth initiatives. We have been undertaking a review of our portfolio to ensure that this business is appropriately positioned to deliver material growth in the coming year.

Slide 14

Seven Divisional Performance – Warwick Lynch

Slide 14 covers the performance of Seven which incorporates our broadcast, digital distribution and production businesses.

Advertising revenue, which includes all metro and regional advertising revenues, declined 5.8% for the full year.

Most pleasing has been the growth we have seen in program sales and third party productions, increasing by over 90% year on year. This is our fourth straight year of double digit growth and the profit now makes up close to 20% of Seven's EBIT.

You can see again our story with regard to cost management. I would note that our full year results include the favourable impact of the adjustment to license fees announced by the Federal Government in May's budget. Other costs include third party content production activities.

Our EBITDA margin for the period stood at approximately 25%.

Slide 15

The West Divisional Performance – Warwick Lynch

Moving to the performance of The West on slide 15.

The West advertising revenue declined 16.5% during the period which continued to be impacted by a combination of a soft economy and structural change impacting classifieds as well as display revenues.

The West's digital circulation grew significantly during the year so that despite average daily print circulation volumes being down 7% and weekend volumes down 6%, overall circulation was down by approximately 3%. Circulation revenue declined by 9%.

Total revenue for the business declined 12.4% to $228.5 million. Further cost initiatives achieved a 10% cost reduction.

EBIT was $39.2 million for the year with an EBITDA margin of 26.5%.

Slide 16

Pacific Divisional Performance – Warwick Lynch

On slide 16, we run through the financial performance of Pacific, our magazine print, publishing and digital business.

Financially, Pacific underperformed in the period as circulation and advertising trends deteriorated further. Circulation declined by 7% while advertising fell 18%.

Several new digital initiatives were launched late in FY16 which are expected to provide new revenue sources in the coming 12 months.

Costs reduced 3.8% in the period, in addition, there were changes made part way through the current year that will deliver greater reductions in the coming financial year.

EBIT declined by 56% to $9m. Obviously this is disappointing. However management have well defined plans to materially improve the profitability of this business in the next 12 months.

Slide 17

Yahoo7 Divisional Performance – Warwick Lynch

On to slide 17.

Total advertising revenue at Yahoo7 decreased 1% year on year and saw a significant move away from traditional display advertising towards video and native.

Yahoo7 has made significant progress delivering on its strategy focussed on mobile, video, native and social, which now represents the majority of revenue for the business.

Costs were reduced by 10% year on year delivering an EBIT of $26.4 million, driving an uplift in operating margin to 33.7%.

Moving to slide 18.

Slide 18

Other Business and New Ventures – Warwick Lynch

Other Business and New Ventures comprises regional radio and events businesses in Western Australia, RedLIVE Events, and our share of associates' profit, including Yahoo7, Sky News, WA Community Newspapers and early stage investments - including Presto, HealthEngine and others.

The standout result here is the debut performance of our RedLIVE business which generated $24 million in the year and with total costs of $19 million, outperformed expectations. The Tattoo was an excellent first statement for our capabilities.

Excluding early stage investments, EBIT increased 13% to $18.3 million. Losses from early stage investments reflect new businesses such as Presto and our portfolio of digital investments. These businesses are all investing heavily for growth which will limit their contribution to the group in the near term.

I will now hand you back to Tim, who will take you through the operating highlights.

Slide 19

Operating Divisions – Tim Worner

Slide 20

Seven – Tim Worner

Starting with our television business, with its tenth consecutive year as Australia's number one network for both ratings and revenue, Seven can now claim a decade of dominance. Seven recorded a 38.9% revenue share for the fiscal year to June, and 39.2% share in the six months to June. We think there is more to come as we close the gap on our power ratio. This calendar year to date, Seven has expanded its ratings leadership with a 40.4% commercial audience share. Outside of share, we have now set ourselves the challenge of increasing the number of people watching Seven year on year. That's excluding the Olympics. And we are not talking about viewing on phones or tablets. That's more people watching Seven this year than they did last year. And we think we are a chance to do it.

How can we aim for this? By delivering a consistent line up of premium content to our audiences. Twelve of the top 20 regularly watched programs are on Seven. The two hour block between 5 and 7pm is well up on last year. My Kitchen Rules, with series 8 in production, and House Rules, now casting our fifth series, big multi night franchises, are holding their audiences.

This has certainly been a factor in Seven currently leading in every key demographic. This ratings year to date, we have snared a 37% plus share of both 25-54s and 18-49s, well ahead of commercial shares we've held in the past five years. The composition of our audience has completely changed. We have also recaptured the number one position in News. Seven Year Switch, Wanted and First Dates, all new to the schedule this year, delivered strong ratings in key demos. They will all return next year.

Six months ago, I announced to this audience the launch of our new FTA channel, 7Flix, which focuses on premium movies, comedy and drama content. 7Flix is designed to complement our existing demographic performance. Well, it has done more than that, now delivering a 2.8% audience share in the short time it has been operating.

Australian drama remains a core pillar of our programming strategy and an area of leadership for Seven with another year of top performing programs including Peter Allen, Molly, and 800 Words. Home & Away, now in its 28th year, is holding its audience year on year.

This is a super result delivered against the Ashes cricket, Rugby World Cup and the Australian based Cricket World Cup in the first half. Those events will not be there in FY17 and we will use Rio as a springboard for the run to the end of the season.

We have been greatly encouraged by the Government's decision to reduce our licence fees and we are looking for further reductions from the upcoming spectrum review. We believe the Government understands that local broadcasters are seriously disadvantaged relative to over the top global competitors and that even after the recent fee reduction, the licence fees paid by Australian broadcasters are still well in excess of those paid in any comparable jurisdiction.

Our response to this challenging environment is to continue to focus on costs, without compromising what is at the very heart of our company, quality content. For the fourth straight year we have reduced our operating costs, while still investing for our future growth in production and program rights. We have secured a huge portfolio of live events out to the Tokyo Olympics in 2020 (with an option to extend), and this will help power our ratings and revenue momentum in coming years.

Slide 21

Seven – Tim Worner

Moving on to slide 21.

We continue to see a strong market internationally for our programs, demand for which has driven double digit growth for the past four years. In 2016, we have almost doubled the revenue we generated from content through our 3rd party productions and program sales.

Our flagship program, My Kitchen Rules has completed production in the UK and the US and we have also been commissioned to produce two new series in other territories. All of these productions are being undertaken by Seven.

7 Productions, 7Wonder and 7Beyond are now producing over 750 hours of scripted, factual, kids and reality programming per year. As you can see from the chart on slide 21, this is a rapidly growing revenue stream.

We have expanded our presence further in the UK with a drama production company investment that I referred to earlier. We are in final stages of the launch of our New Zealand production company and there are several other production opportunities we are progressing in new territories.

Slide 22

Seven Digital – Tim Worner

Moving to slide 22.

We have undertaken a wide range of digital initiatives and investments which both grow our audiences and enhance the value proposition for our consumers and our advertising partners.

These initiatives are all supported by Seven's premium content, which through these platforms is being incrementally monetised.

One of these is Presto which has delivered strong growth with subs up 193% during the year. This business is benefiting from Seven's content production strengths and there are more commissions in the pipeline.

We have also launched new digital products. These include 7Sync, 7Everywhere, and 7Audiences. We know that our viewers love using their mobiles whilst watching our shows on television and with 7 Sync we can now ensure that the creative of our partners and sponsors is carried across companion devices 'in sync' with our live broadcast. 7Audiences delivers a 1st party big data solution to our partners and sponsors. 7Everywhere pushes our content to social digital platforms. It allows for direct selling of branded content across the leading social networks.

Our online presence is actually enhancing Seven's position as the highest rating commercial broadcaster. OzTam's Video Player Measurement (VPM) is a world first and delivers a total audience number, regardless of screen. This now enables us to truly monetize all of our audience, wherever they may be. Nowhere is this more evident than with Seven News which is now the highest rating television news offering across all platforms. Number one in commercial on air, number one in online and social.

Slide 23

Olympics coverage – Tim Worner

And slide 23 outlines just how extensive our Olympic coverage will be. We have used our experiences with the Melbourne Cup and with the Australian Open in generating and distributing content across many platforms to get ourselves ready for this.

Slide 24

The West – Tim Worner

To slide 24 and The West.

The West continues to transform, leveraging its position as the number one news source in WA, both in print and online. And it's using that power to establish new revenue streams. It is still the best performing metro publisher in Australia in terms of operating margin and circulation.

Nonetheless, softer economic conditions as well as structural challenges have continued to impact revenues this year, particularly in classifieds which have remained under pressure.

Given these revenue pressures, we have pursued further cost initiatives, cutting operating costs by 10% over the year.

New growth opportunities in digital and live events are key priorities for The West. The business is rapidly growing its online audience, which is now delivering a unique audience of over 700,000 per month across its digital portfolio. We have also seen digital editions of The West Australian grow 270% year on year which has further supported circulation.

The West Australian is the best performing weekday newspaper with readership up 6.6% year-on-year.

Its readership strengths in travel, lifestyle, entertainment, sport, food and business have enabled The West to develop new and enhanced digital initiatives. One such initiative is The Game, an online tipping and fantasy sports platform which evolved out of The West's football pages.

We plan to replicate the success of The Game with the Seven West Travel Club, which also has evolved out of the newspaper, and offers content, bookings, insurance, loyalty rewards and competitions to its subscribers.

We continue to expand our live events capability with the purchase of Tri Events who are working on the 2017 Masters Games among other projects.

As we have previously announced, if the ACCC approves the transaction, we will seek to finalize our negotiations with News Corp to acquire the digital product, Perth Now as well as The Sunday Times, which we see delivering scale benefits and print synergies. Within our existing business, we see an increased use of short form video to engage audiences across our platforms. We look forward to providing further updates on progress.

Slide 25

Pacific – Tim Worner

Pacific continues to transform its business with the launch of several new digital platforms and products which leverage its audience in the key verticals, Fashion, Beauty & Health and Food, Home & Family.

Pacific reviews its portfolio of mastheads on an ongoing basis in terms of profitability and what is the most effective distribution strategy for the brand. In the period, the company has repositioned Famous as an online only brand, ceasing the print publication. Management have plans in place to deliver material earnings growth in the next 12 months.

This period there has been considerable investment in new initiatives which will yield benefits in the coming 12 months.

In FY16, Pacific took back control of all of its digital assets, bringing the sales and editorial back in house. This allows the business to enhance the consumer experience and achieve better results for its commercial partners.

New digital product launches include:

BEAUTYcrew – a one stop shop for the best buys, the latest celebrity and runway trends and easy how-to videos;

Foodiful – our latest product curating recipes and high quality content from all our brands. This is shoppable content and in this case, that shop is Woolworths.

These initiatives and digital presence delivered strong growth for this part of Pacific, up 90% year on year.

Slide 26

Yahoo7 – Tim Worner

To Yahoo7 and the proposed acquisition of Yahoo Inc by Verizon. We now have some options and opportunities to evaluate under the joint venture agreement. However, given these transactions can take six to nine months to complete, it will be business as usual and Yahoo7 will charge on with the maximum support from all of Seven West Media's assets.

Beyond the joint venture, Seven West Media has dramatically expanded its digital footprint through audiences, products and investments and we are confident any decision in relation to Yahoo7 will build upon this strength.

Video growth trends continue to be very strong with total video streams up 53% on the prior year and Seven News video streams up 86%. Plus7 video streams increased 38% to 65 million.

Native advertising has also grown rapidly with revenue increasing almost 90% year on year. To build on that growth, we no longer rely solely on our own efforts - over 30 major third party publishers are now customers.

Moving to slide 27.

Slide 27

Digital portfolio – Tim Worner

We've touched upon many of our digital products already, in particular, our wholly owned ventures, 7Tennis, The Game and Foodiful.

However, over the past year, we have also forged a number of strategic partnerships with investments in Airtasker, Starts at 60 and NewZulu; which add to our existing investment portfolio.

Two years ago, we embarked on a strategy to identify early stage businesses in key adjacent verticals where we have strong audience and brands. Utilizing the power of our assets, we can help early stage businesses access large audiences and accelerate their growth.

Earlier this year, we evaluated the online services sector and partnered with what we believe is one of the most disruptive online businesses in Australia, Airtasker. You are going to hear a lot more about this brand on Seven.

Our team continues to uncover and evaluate a number of exciting new opportunities as we start FY17, which we hope to share with you over the next few months. We are excited about the growth and returns we believe we can generate for SWM shareholders from this strategic initiative.

Slide 29

Strategy & Outlook – Tim Worner

As a market leader, Seven West Media cannot afford to stand still. The momentum we have created in our transformation from the number one linear broadcaster to the leader in premium video content is now growing.

Our leadership team has reviewed the critical three strategic pillars of this company and these are distilled into the key themes you see on slide 29.

Firstly, maintain leadership in ratings and revenue share – we have done this. Our focus is to grow our content production presence in Asia, Europe and the US. One of the key highlights for the 2017 fiscal year will be our unmissable Olympics coverage. Everyone in the company is focused on delivering an extraordinary Olympics and then Paralympics.

Secondly, we continue to re-position the business for growth, transforming the way that we work as we go. We will continue to enhance the distribution model for our content, growing the audience for it, which in turn provides more opportunities to monetise it.

Finally, we will continue to redefine the operating model. We aim to be leaner and stronger to maximise the opportunities in our combined broadcast, digital and social ecosystem.

Our current strategy, announced in 2013, has served us well in what has been a challenging environment in which to operate. We believe the moves we are making are well defined and strongly position the company for future changes and the opportunities that those changes will provide. We are in the midst of significant change in our company; as I have said, this is the transformation that we had to have. But we are now asking ourselves if all the elements of this existing strategic framework are still right for the next 3-5years. We look forward to updating you accordingly on the progress of that review.

Slide 30

Questions – Tim Worner

That’s it. Now we open up for questions.