

17 June 2021

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Seven West Media Limited

Media & Entertainment

BUY

SWM A\$0.40
TARGET PRICE A\$0.57

Seven West Media Limited (SWM) is a national multi-platform media business based in Australia. SWM's media comprises of Seven Television, The West Australian newspaper and associated WA regional newspapers and radio stations. SWM business division comprises of Seven Studios, Newspaper, Digital, Publishing and Other.

Company Data

Number of shares	1,538 M
Market Capitalisation	\$615.2 M
Free float (%)	13.5
12-month high/low	\$0.58/\$0.088
Average Daily Turnover (\$m)	0.4638
% S&P/ASX200	0.03%
DDM Ranking	262
% All Ordinaries	0.03%
GICS Industry Group	Media & Entertainment

Source: FactSet, Barclay Pearce Capital

Earnings Summary (AUD)

Year end June	2020A	2021F	2022F	2023F
Revenue (\$M)	1,227.1	1,314.4	1,350.3	1,325.0
EBITDA (\$M)	129.6	250.9	246.3	236.7
Reported NPAT (\$M)	-200.1	136.6	122.7	125.3
Adjusted NPAT (\$M)	40.8	115.7	121.3	122.4
Reported EPS (c)	-13.1	8.4	7.7	7.9
Adjusted EPS (c - FD)	2.7	7.7	7.8	7.6
Adjusted EPS growth (%)	-68.6	180.0	2.3	-3.2
Adjusted P/E (x)	14.8	5.6	5.5	5.7
Dividend (c/sh)	0.0	0.0	0.2	0.8
Gross yield (%)	0.0	0.1	0.8	2.9
Net yield (%)	0.0	0.1	0.6	2.1
ROIC (%)	19.6	50.6	40.6	36.5

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195, Capital IQ and Bloomberg.

Share price performance.



Source: FactSet, Barclay Pearce Capital

Trading Update

On 17th of June, Seven West Media Limited (SWM) released their trading update for their fourth quarter of FY21 with the following highlights:

Summary

- Trading conditions in the fourth quarter of FY21 have been positive, with a strong rebound in advertising revenue compared to last year;
- SWM's advertising revenue including BVOD is estimated to grow more than 45% in the quarter;
- Early indications suggest ongoing positive momentum into the September quarter;
- BVOD consumption continues to grow strongly, with 62% growth in registered users on 7plus year-to-date, compared to market growth of 50.7%;
- 7plus has secured a 37.2% revenue share in 10 months to April 2021, a 5.8 percentage point increase on the previous corresponding period;
- Digital earnings continue to grow strongly, with Seven digital expected to contribute earnings before interest, tax, depreciation and amortisation (EBITDA) of more than \$60 million in FY21, up 130% year-on-year;
- Digital earnings are expected to more than double in FY22;
- Cost control remains an ongoing focus for SWM, with costs expected to come in line with guidance at the lower end of the range;
- Underlying inflation in the business is running at 1-2% per annum, although there will be incremental costs from Olympic Games Tokyo 2020 and the Ashes Test series in FY22, as well as a full survey year of content compared to COVID-impacted 2020;
- The group now expects underlying EBITDA to be between \$250 million and \$255 million in FY21 including the temporary benefits outlined in the first-half results, compared to analyst consensus of \$235 million to \$245 million;
- Significant work has been undertaken in FY21 to improve the company's balance sheet; and
- Net debt at the end of FY21 is expected to be between \$240 million and \$250 million.

Earnings changes

SWM provided a FY21 EBITDA guidance of \$250-255 million, which is significantly higher than market expectations of \$241.3 million. Hence, we expect positive earnings revisions of 4% for FY21 and future periods.

Valuation

We are initiating on SWM with a price target of \$0.57 and a BUY recommendation. The price target is underpinned by our Valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

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Buy	38.2%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Speculative Buy	0.2%	(100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	21.2%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	40.3%	(0.0% of stocks with recommendations are Barclay Pearce clients)