

MATAV CABLE SYSTEMS MEDIA LTD
Form 6-K
April 01, 2004

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the month of April 2004

Matav Cable Systems Media Ltd.

(Translation of registrant's name into English)

42 Pinkas Street
North Industrial Park
P.O. Box 13600
Netanya 42134
Israel

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Matav- Cable Systems Media Ltd.
(Registrant)

1 April 2004

BY: /S/ Amit Levin

Amit Levin
Chief Executive Officer

Print the name and title of the signing officer under his signature

SIGNATURES

FOR IMMEDIATE RELEASE

Matav Reports Increased Revenues of NIS 142.9 Million in Q4 2003 EBITDA Reaches NIS 40.1 million in Q42003

NETANYA, Israel, March 31, 2004 **Matav-Cable Systems Media Ltd. (Nasdaq: MATV)**, a leading Israeli provider of digital cable television services, today reported that fourth-quarter 2003 revenues increased to NIS 142.9 million (US\$32.6 million) from NIS 129.1 million (US\$29.5 million) in fourth-quarter 2002. Revenues for all of 2003 increased 10% to NIS 545.5 million (US\$124.6 million) from NIS 495.5 million (US\$ 113.2 million) in 2002. The increased revenues, which came despite a decrease in total subscribers, stem from higher sales of tiering and fast Internet access services.

Fourth-quarter operating expenses totaled NIS 116.6 million (US\$26.6 million) compared with NIS 116.3 million (US\$26.6 million) in the year-earlier period. Operating expenses for 2003 decreased 8% to NIS 466.7 million (US\$106.6 million) from NIS 507.4 million (US\$115.9 million) for 2002. The decline is due mainly to lower programming and depreciation costs.

Gross profit for the quarter more than doubled to NIS 26.3 million (US\$6 million) from NIS 12.8 million (US\$2.9 million) in fourth-quarter 2002. For all of 2003, Matav reported gross profit of NIS 78.8 million (US\$18.0 million) compared with a gross loss of NIS 11.9 million (US\$2.7 million) for 2002.

Fourth-quarter selling and marketing expenses totaled NIS 14.5 million (US\$3.3 million), compared with NIS 8.9 million (US\$2 million) for fourth-quarter 2002. For full-year 2003, these expenses amounted to NIS 44 million (US\$10 million) compared with NIS 40.6 million (US\$9.3 million) in 2002. The increase in fourth-quarter expenses is due mainly to the launch of **HOT**, the joint brand of Israel's three cable companies.

Fourth-quarter G&A expenses totaled NIS 8.8 million (US\$2 million), compared with NIS 12.3 million (US\$2.8 million) for fourth-quarter 2002. For full-year 2003, these expenses amounted to NIS 42.7 million (US\$9.7 million) compared with NIS 46.1 million (US\$10.5 million) in 2002. The decrease in fourth-quarter G&A expenses is due mainly to lower salary costs.

Fourth-quarter EBITDA improved 23% to NIS 40.1 million (US\$9.2 million) from NIS 32.6 million (US\$7.4 million) in fourth-quarter 2002. Full-year 2003 EBITDA more than doubled to NIS 147 million (US\$33.6 million) from NIS 56.7 million (US\$13 million) in 2002.

At December 31, 2003, Matav had 267,000 subscribers, compared with 275,000 at the end of 2002. During fourth-quarter 2003, the company's ARPU rose to NIS 206.4 (monthly, including 18% value-added tax) compared with NIS 186 in the fourth quarter of 2002.

The company's fast Internet access service has attracted more than 68,000 subscribers to date.

Fourth-quarter financing expenses declined to NIS 16.7 million (US\$3.8 million) from NIS 21.2 million (US\$4.8 million) for the comparable quarter in 2002. For 2003, financing expenses reached NIS 84 million (US\$19.2 million) compared with NIS 48.1 million (US\$11 million) for 2002. The full-year increase is attributed mainly to the 1.9% decrease in the Israeli CPI in 2003, while in 2002 the CPI increased 6.5%. The CPI decline caused higher real interest for the Company's non-linked credit in shekels compared with the previous year.

Other income for the year 2003 reached NIS 81 million (US\$18.5 million), mainly due to a capital gain from the sale of 2.1% of Partner Communications' shares. For the year 2002 other income totaled NIS 278.5 (US\$63.6 million), mainly due to a capital gain from the sale of 7.5% of Partner Communications' shares.

Matav's share in Partner's profits was NIS 42.8 million (US\$9.8 million) in 2003 compared with NIS 14.1 million (US\$3.2 million) in 2002.

Matav reported fourth-quarter net income of NIS 61.3 million (US\$14 million), or NIS 2.04 (US\$0.47) per ordinary share, compared with a net loss of NIS 48 million (US\$10.9 million), or NIS 1.66 (US\$0.38), for the year-ago quarter. The net loss for full-year 2003 was NIS 5.5 million (US\$1.2 million), or NIS 0.19 (US\$0.04) per ordinary share, compared with net income of NIS 33.8 million (US\$7.7 million), or NIS 1.17 (US\$0.26) per ordinary share, in 2002.

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Matav's CEO, Amit Levin, commented: During the fourth quarter we launched, together with the two other Israeli cable companies, our joint brand, HOT. Our market surveys show that the new brand has rapidly reached a strong level of awareness among the public. At the same time, those surveys show that our customers now see even greater value in Matav's first-quality products and services. We believe that the HOT brand will continue to strengthen the public's perception of the cable companies and will boost the cable providers' competitive position.

On March 15, 2004, Matav and its shareholders Dankner Investments Ltd. and Delek Investments Properties Ltd., entered into a memorandum of agreement with a leading Israeli mobile communications operator, Partner Communications Company Ltd, Pursuant to which Partner shall invest up to \$137 million in Matav for up to 40% share of the Matav equity, and control of Matav. The memorandum will become binding only upon approval of the board of directors of each company. The transaction is also subject to significant conditions detailed in a press release issued by Matav on March 15, 2004.

We believe that the Matav-Partner agreement, once and if it is finalized, will enable synergies between the companies and might also help us later on close the merger among the cable companies Mr. Levin concluded.

Management will conduct a teleconference today at 10:00 a.m. U.S. Eastern Time. To participate, please dial +1-866-860-9642 in the United States and +972-3-918-0610 internationally, several minutes prior to the start of the conference.

Matav is one of Israel's three cable television providers, serving roughly 25 percent of the population. Matav's investments include 5.3 percent of Partner Communications Ltd., a GSM mobile phone company, and 10 percent of Barak I.T.C. (1995), one of the three international telephony-service providers in Israel.

(This press release contains forward-looking statements with respect to the Company's business, financial condition and results of operations. These forward-looking statements are based on the current expectations of the management of Matav Cable only, and are subject to risk and uncertainties, including but not limited to changes in technology and market requirements, decline in demand for the Company's products, inability to timely develop and introduce new technologies, products and applications, loss of market share and pressure on pricing resulting from competition, which could cause the actual results or performance of the Company to differ materially from those contemplated in such forward-looking statements. The Company undertakes no obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. For a more detailed description of the risk and uncertainties affecting the Company, reference is made to the Company's reports filed from time to time with the Securities and Exchange Commission.)

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MATAV - CABLE SYSTEMS MEDIA LTD.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

| | | Convenience translation |
|--------------|------|----------------------------|
| December 31, | | December 31, |
| 2002 | 2003 | 2003 |
| Adjusted NIS | | U.S. dollars |

| | | | Convenience translation |
|--|------------------|------------------|----------------------------|
| ASSETS: | | | |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | 7,604 | 37,948 | 8,666 |
| Accounts Receivables: | | | |
| Trade | 68,697 | 83,151 | 18,988 |
| Other | 17,837 | 19,765 | 4,514 |
| | <u>94,138</u> | <u>140,864</u> | <u>32,168</u> |
| INVESTMENTS AND LONG-TERM LOANS: | | | |
| Investments in affiliates | 22,400 | 66,807 | 15,256 |
| Investments in other company | 16,241 | 16,241 | 3,709 |
| Long-term loans granted to employees | 611 | - | - |
| Severance pay fund, net | 316 | - | - |
| Investment in limited partnerships | - | 2,057 | 470 |
| Rights to broadcast movies and programs | - | 34,927 | 7,976 |
| Other receivables | - | 885 | 202 |
| | <u>39,568</u> | <u>120,917</u> | <u>27,613</u> |
| FIXED ASSETS: | | | |
| Cost | 1,987,219 | 2,028,447 | 463,221 |
| Less - accumulated depreciation | 995,221 | 1,151,622 | 262,987 |
| | <u>991,998</u> | <u>876,825</u> | <u>200,234</u> |
| OTHER ASSETS AND DEFERRED CHARGES | | | |
| Net of accumulated amortization | 6,922 | 3,946 | 901 |
| | <u>1,132,626</u> | <u>1,142,552</u> | <u>260,916</u> |

MATAV CABLE SYSTEMS MEDIA LTD.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

| | December 31, | | Convenience translation |
|--|--------------|---------|----------------------------|
| | 2002 | 2003 | December 31, 2003 |
| | Adjusted NIS | | U.S. dollars |
| (In thousands) | | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY: | | | |
| CURRENT LIABILITIES: | | | |
| Bank credit | 514,123 | 435,403 | 99,430 |

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| | | | <u>Convenience translation</u> |
|--|------------------|------------------|------------------------------------|
| Current maturities of debentures | 33,730 | 33,701 | 7,696 |
| Accounts payable and accruals: | | | |
| Trade | 84,056 | 94,699 | 21,626 |
| Jointly controlled entity | 2,682 | 17,690 | 4,040 |
| Other | 84,607 | 158,982 | 36,305 |
| | <u>719,198</u> | <u>740,475</u> | <u>169,097</u> |
| LONG-TERM LIABILITIES: | | | |
| Severance pay liability, net | - | 2,106 | 481 |
| Loans and debentures (net of current maturities): | | | |
| Loans from bank and others | 142,085 | 127,403 | 29,094 |
| Debentures | 99,462 | 66,145 | 15,105 |
| Customers' deposits for converters, net of accumulated amortization | 24,809 | 25,675 | 5,863 |
| | <u>266,356</u> | <u>221,329</u> | <u>50,543</u> |
| Total long-term liabilities | 266,356 | 221,329 | 50,543 |
| | <u>985,554</u> | <u>961,804</u> | <u>219,640</u> |
| SHAREHOLDERS' EQUITY: | | | |
| Share capital | 48,882 | 48,882 | 11,163 |
| Additional paid-in capital | 401,329 | 375,538 | 85,758 |
| Accumulated deficit | (238,222) | (243,672) | (55,645) |
| | <u>211,989</u> | <u>180,748</u> | <u>41,276</u> |
| Company's shares held by consolidated company | (64,917) | - | - |
| | <u>147,072</u> | <u>180,748</u> | <u>41,276</u> |
| Total shareholders' equity | 147,072 | 180,748 | 41,276 |
| | <u>1,132,626</u> | <u>1,142,552</u> | <u>260,916</u> |

MATAV CABLE SYSTEMS MEDIA LTD
(An Israeli Corporation)
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(In thousands, except per share and per ADS data)

| | <u>Three months ended December 31,</u> | | <u>Year ended December 31,</u> | | <u>Convenience translation</u> |
|---------|--|------------------|------------------------------------|------------------|--|
| | <u>2002</u> | <u>2003</u> | <u>2002</u> | <u>2003</u> | <u>Three months ended December 31,</u> |
| | <u>Adjusted NIS</u> | | | | <u>U.S. dollars</u> |
| | <u>(Audited)</u> | <u>(Audited)</u> | <u>(Audited)</u> | <u>(Audited)</u> | <u>(Audited)</u> |
| Revenue | 129,147 | 142,948 | 495,536 | 545,480 | 32,644 |

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| | | | | | Convenience translation |
|--|----------|----------|----------|----------|----------------------------|
| operating expenses | 116,317 | 116,612 | 507,437 | 466,686 | 26,630 |
| Gross profit (loss) | 12,830 | 26,336 | (11,901) | 78,794 | 6,014 |
| Selling, marketing, general and administrative expenses: | | | | | |
| Selling and marketing | 8,910 | 14,508 | 40,643 | 43,954 | 3,313 |
| General and administrative | 12,338 | 8,818 | 46,137 | 42,659 | 2,014 |
| | 21,248 | 23,326 | 86,780 | 86,613 | 5,327 |
| Operating profit (loss) | (8,418) | 3,010 | (98,681) | (7,819) | 687 |
| Financial expenses, net | (21,223) | (16,659) | (48,089) | (83,958) | (3,804) |
| Other income (expenses), net | (15,007) | 85,420 | 278,535 | 80,996 | 19,507 |
| Income (loss) before taxes on income | (44,648) | 71,771 | 131,765 | (10,781) | 16,390 |
| Taxes on income | 2,058 | 35,576 | 108,851 | 35,576 | 8,124 |
| Income (loss) from operations of the Company and its subsidiaries | (46,706) | 36,195 | 22,914 | (46,357) | 8,266 |
| Equity in earnings of affiliated companies, net | (1,239) | 25,108 | 10,910 | 40,907 | 5,734 |
| Net income (loss) | (47,945) | 61,303 | 33,824 | (5,450) | 14,000 |
| Earnings (loss) per ordinary share | (1.66) | 2.04 | 1.17 | (0.19) | 0.47 |
| Earnings (loss) per ADS | (3.32) | 4.08 | 2.35 | (0.37) | 0.93 |
| Weighted average number of shares outstanding in thousands | 28,860 | 30,109 | 28,860 | 29,347 | 30,109 |
| Weighted average number of ADSs outstanding in thousands | 14,430 | 15,055 | 14,430 | 14,674 | 15,055 |
| Operating profit (loss) | (8,418) | 3,010 | (98,681) | (7,819) | 687 |
| Depreciation and amortization (included Income from amortization of deposits for converters) | 41,005 | 37,084 | 155,416 | 154,811 | 8,469 |
| Memo EBITDA(*) | 32,587 | 40,094 | 56,735 | 146,992 | 9,156 |

(*) EBITDA is presented because it is a measure commonly used in the telecommunications industry and is presented solely in order to improve the understanding of the Company's operating results and to provide further a perspective regarding these results. EBITDA, however, should not be considered as an alternative to operating income or income for the year as an indicator of the operating performance of the Company. Similarly, EBITDA should not be considered as an alternative to cash flows from operating activities as a measure of liquidity. EBITDA is not a measure of financial performance under generally accepted accounting principles and may not be comparable to other similarly titled measures for other companies.

EBITDA may not be indicative of the historic operating results of the Company, nor is meant to be predictive of potential future results. Reconciliation between our cash flows from operating activities and EBITDA is presented in the attached summary financial statements.

