

MATAV CABLE SYSTEMS MEDIA LTD

Form 6-K

April 01, 2003

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 March 2003

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

**Matav Reports 13.5% Increase in Q4 2002 Revenues
EBITDA Grows to 25% of Fourth-Quarter Revenues**

NETANYA, Israel, March 31, 2002 **Matav-Cable Systems Media Ltd. (Nasdaq: MATV)**, a leading Israeli provider of digital cable television services, today reported fourth-quarter revenues of NIS 131.6 million (US\$27.8 million), up 13.5% from NIS 116 million (US\$24.5 million) for the fourth quarter of 2001. Revenues for full-year 2002 reached NIS 505 million (US\$106.6 million) compared with NIS 478.4 million (US\$101 million) for all of 2001, an increase of 5.6%. The increased revenues, which came despite a decrease in total subscribers, are attributed to higher sales of tiering and fast Internet access services.

Operating expenses not including depreciation for the fourth quarter dropped to NIS 76.8 million (US\$16.2 million) from NIS 89.9 million (US\$19 million) for the fourth quarter of 2001, a decrease of 14.6%. Total operating expenses for the quarter declined to NIS 118.6 million (US\$25 million) compared with NIS 129 million (US\$27.2 million) for the comparable year-ago quarter. The decline stems mainly from lower programming expenses. Operating expenses not including depreciation for the year 2002 reached NIS 352.0 million (US\$74 million) compared with NIS 348.5 million (US\$73.6 million) for 2001. Total operating expenses for 2002 reached NIS 517.1 million (\$109.2 million) compared with NIS 493.5 million (\$104.2 million) for 2001. The increase stemmed mainly from higher programming and depreciation costs due to the Company's investments in infrastructure and digital set-top boxes.

Gross profit for the fourth quarter reached NIS 13.1 million (US\$2.8 million) compared with a gross loss of NIS 13 million (US\$2.7 million) for fourth-quarter 2001. The gross loss for full-year 2002 fell to NIS 12.1 million (US\$2.6 million) from a gross loss of NIS 15.1 million (US\$3.2 million) for 2001.

Fourth-quarter selling, marketing and G&A expenses declined approximately 23 percent to NIS 21.7 million (US\$4.6 million) from NIS 28.3 million (US\$6 million) in the comparable quarter in 2001. For full-year 2002 these expenses amounted to NIS 88.4 million (US\$18.7 million) compared with NIS 117.2 million (US\$24.7 million) in 2001, a drop of 24.6%. The decline is due mainly to lower marketing expenses due to a joint advertising campaign of Israel's three cable companies.

Fourth-quarter EBITDA improved significantly, reaching NIS 33.2 million (US\$7 million), compared with negative EBITDA of NIS 5.8 million (US\$1.2 million) for fourth-quarter 2001. For full-year 2002 EBITDA reached NIS 57.8 million (US\$12.2 million) compared with NIS 0.3 million (US\$0.06 million) in 2001.

As of December 31, 2002, Matav had 275,000 subscribers, compared with 292,000 at the end of 2001. During the fourth quarter the Company's ARPU rose to NIS 188.1 (monthly, including 18% value-added tax) compared with NIS 180 in the previous quarter.

The Company's fast Internet access service, launched in April 2002, has attracted more than 28,000 subscribers to date.

Fourth-quarter financing expenses reached NIS 21.6 million (US\$4.6 million) compared with NIS 20.1 million (US\$4.2 million) for the comparable quarter in 2001. For all of 2002, financing expenses eased to NIS 49 million (US\$10.3 million) from NIS 53.1 million (US\$11.2 million) for 2001.

Matav reported a fourth-quarter net loss of NIS 48.9 million (US\$10.3 million), or NIS 1.69 (US\$0.36) per ordinary share, compared with a net loss of NIS 79.6 million (US\$16.8 million), or NIS 2.76 (US\$0.58), for the year-ago quarter. Net income for full-year 2002 reached NIS 34.5 million (US\$7.3 million), or NIS 1.19 (US\$0.25) per ordinary share, compared with a net loss of NIS 262.2 million (US\$55.3 million), or NIS 9.09 (US\$1.9) per ordinary share, in 2001.

In April 2002, Matav sold approximately 50 percent of its holding in Partner Communications for NIS 312 million in cash. As a result of the transaction, Matav reported a capital gain in the amount of NIS 302 million before tax. The transaction also favorably influenced Matav's liquidity position as well as increasing shareholders' equity.

Matav CEO Amit Levin commented: "We are very encouraged by our achievements in the year 2002. We are also continuing our efforts to increase our digital and fast-Internet subscriber bases as well as to launch new services."

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Despite the harsh competition in the multi-channel television market, the launch of digital services brought on an increasing upward trend in our ARPU and was the foundation for renewed growth for our Company. There were also two additional noteworthy achievements: changes in the agreements with content providers and our tight control on operating expenses, which brought the Company to gross profit after many quarters of gross loss and contributed to our achieving positive cash flow from operations. Going forward, we will continue our efforts to boost efficiency and increase revenues.

Regarding the merger, Mr. Levin said, "The cable companies are continuing to cooperate on marketing and content issues, and in the last several months they have extended their cooperation to additional areas. The shareholders of the merged Company have agreed on the terms of the merger, but a number of conditions remain before the transaction can be completed, including a financial agreement with the banks; receipt of additional approvals, including approvals from shareholders at a meeting and from creditors of the merged companies; and approval of the transaction by the court. We believe that the merger will be completed soon."

Management will conduct a teleconference today at 10 a.m. U.S. Eastern Time. To participate, please dial +1-866-500-4964 or +1-866-500-4953 in the United States and +972-3-925-5910 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 7.5 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.
(An Israeli Corporation)
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(in thousands, except per ordinary share and per ADS data)

| <u>DECEMBER 2002 adjusted NIS</u> | | <u>Convenience Translation into US\$</u> |
|-----------------------------------|------------|--|
| Three Months Ended | Year Ended | Three Months Ended |

Matav Reports 13.5% Increase in Q4 2002 Revenues EBITDA Grows to 25% of Fourth-Quarter Revenues

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| | DECEMBER 2002 adjusted NIS | | | | Convenience |
|--|----------------------------|----------|-----------|-----------|-------------|
| | 12/31/02 | 12/31/01 | 12/31/02 | 12/31/01 | Translation |
| | (Unaudited) | | (Audited) | | 12/31/02 |
| Revenue | 131,629 | 116,019 | 505,009 | 478,362 | 27,787 |
| Operating Expenses | 118,552 | 129,032 | 517,137 | 493,470 | 25,027 |
| Gross Profit (Loss) | 13,077 | (13,013) | (12,128) | (15,108) | 2,760 |
| Selling and Marketing Expenses | 9,081 | 15,234 | 41,420 | 59,082 | 1,917 |
| General and Administrative Expenses | 12,575 | 13,063 | 47,019 | 58,143 | 2,655 |
| | 21,656 | 28,297 | 88,439 | 117,225 | 4,572 |
| Operating Loss | (8,579) | (41,310) | (100,567) | (132,333) | (1,812) |
| Financial Expenses, net | (21,631) | (20,112) | (49,008) | (53,083) | (4,566) |
| Other (Expenses) Income, net | (30,210) | (61,422) | (149,575) | (185,416) | (6,378) |
| | (15,295) | 1,541 | 283,859 | 3,111 | (3,229) |
| Income (Loss) before taxes on income | (45,505) | (59,881) | 134,284 | (182,305) | (9,607) |
| Taxes on income | 2,098 | (530) | 110,932 | (442) | 443 |
| Income (loss) from operations | (47,603) | (59,351) | 23,352 | (181,863) | (10,050) |
| Share in profits (losses) of associated companies, net | (1,263) | (20,215) | 11,119 | (80,329) | (267) |
| Net Income (Loss) | (48,866) | (79,566) | 34,471 | (262,192) | (10,317) |
| Net Income (Loss) per ordinary share | (1.69) | (2.76) | 1.19 | (9.09) | (0.36) |
| Net Income (Loss) per ADS | (3.39) | (5.52) | 2.39 | (18.19) | (0.71) |
| Weighted average number of shares outstanding in thousands | 28,860 | 28,834 | 28,860 | 28,834 | 28,860 |
| Weighted average number of ADS's outstanding in thousands | 14,430 | 14,417 | 14,430 | 14,417 | 14,430 |
| Memo EBITDA | 33,213 | (5,798) | 57,820 | 266 | 7,011 |

MATAV CABLE SYSTEMS MEDIA LTD.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

| | December 31, | Convenience translation |
|--|--------------|-------------------------|
| | December 31, | December 31, |

| | | | Convenience translation |
|--|--------------|-----------|----------------------------|
| | 2001 | 2002 | 2002 |
| | Adjusted NIS | | U.S. dollars |
| ASSETS: | | | |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | 503 | 7,749 | 1,636 |
| Accounts Receivables: | | | |
| Trade | 73,722 | 70,010 | 14,779 |
| Affiliated companies - current account | 1,001 | - | - |
| Other | 16,002 | 18,178 | 3,837 |
| Total current assets | 91,228 | 95,937 | 20,252 |
| INVESTMENTS AND LONG-TERM LOANS: | | | |
| Investments in affiliated companies | 21,339 | 22,828 | 4,819 |
| Investments in other companies | 25,684 | 16,551 | 3,494 |
| Long-term loans granted to employees | 2,042 | 623 | 132 |
| Severance pay fund | - | 322 | 68 |
| | 49,065 | 40,324 | 8,513 |
| FIXED ASSETS: | | | |
| Cost | 1,909,641 | 2,025,205 | 427,529 |
| Less - accumulated depreciation and amortization | 851,606 | 1,014,244 | 214,111 |
| | 1,058,035 | 1,010,961 | 213,418 |
| OTHER ASSETS AND DEFERRED CHARGES | | | |
| Net of accumulated amortization | 8,151 | 7,054 | 1,489 |
| | 1,206,479 | 1,154,276 | 243,672 |

MATAV CABLE SYSTEMS MEDIA LTD.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

| | | Convenience translation |
|--|--------------|----------------------------|
| | December 31, | December 31, |
| | 2001 | 2002 |
| | Adjusted NIS | U.S. dollars |
| | | |

(In thousands)

LIABILITIES AND SHAREHOLDERS'

EQUITY:

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| | | | <u>Convenience translation</u> |
|--|---------------------|---------------------|------------------------------------|
| CURRENT LIABILITIES: | | | |
| Short-term bank credit | 537,841 | 523,950 | 110,608 |
| Current maturities of debentures | 34,311 | 34,375 | 7,257 |
| Accounts payable and accruals: | | | |
| Trade | 112,714 | 85,663 | 18,084 |
| Affiliated companies - current account | 9,027 | 2,733 | 577 |
| Other | 53,713 | 86,226 | 18,203 |
| | <hr/> | <hr/> | <hr/> |
| Total current liabilities | 747,606 | 732,947 | 154,729 |
| LONG-TERM LIABILITIES: | | | |
| Accrued severance pay, net | 110 | - | - |
| Loans and debentures (net of current maturities): | | | |
| Loans from bank and others | 189,731 | 144,801 | 30,568 |
| Debentures | 135,002 | 101,363 | 21,399 |
| Customers' deposits for converters, net of accumulated amortization | 19,600 | 25,283 | 5,335 |
| | <hr/> | <hr/> | <hr/> |
| Total long-term liabilities | 344,443 | 271,447 | 57,302 |
| | <hr/> | <hr/> | <hr/> |
| Total liabilities | 1,092,049 | 1,004,394 | 212,031 |
| SHAREHOLDERS' EQUITY: | | | |
| Share capital | 49,816 | 49,816 | 10,516 |
| Share premium | 409,332 | 409,000 | 86,343 |
| Retained earnings (loss) | (277,247) | (242,776) | (51,252) |
| | <hr/> | <hr/> | <hr/> |
| Company's shares held by consolidated company | 181,901 (67,471) | 216,240 (66,158) | 45,607 (13,966) |
| | <hr/> | <hr/> | <hr/> |
| Total shareholders' equity | 114,430 | 149,882 | 31,641 |
| | <hr/> | <hr/> | <hr/> |
| | 1,206,479 | 1,154,276 | 243,672 |
| | <hr/> | <hr/> | <hr/> |

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)

__31 March 2003

BY : /s/ Amit Levin

Chief Executive Officer

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

SIGNATURES

