2019 ANNUAL GENERAL MEETING
Chairman's Address – Mr Peter Costello, AC
12 November 2019

2019 has been a transformational year for Nine. The merger with Fairfax, which completed in early December, has changed the scale of our business, creating one of the largest multi-platform media companies in Australia. It has allowed us to bring together premium assets that are complementary. It has given us diversified sources of revenue that overall, reduce our exposure to adverse cycles. It is a big development for our business that will provide greater opportunities in the digital age. And we retain a balance sheet that provides further flexibility into the future.

From a results perspective, the benefit of the diversification is clear. During the year, growth in our Video On Demand platforms and Metro Media has more than offset the cyclical issues facing our Broadcasting and Domain businesses. On a Pro Forma basis, this resulted in a 10% increase in combined Group EBITDA for the year, on broadly flat revenues.

But the essence of the merger was based around more than just short term profit considerations. Whilst the Nine business alone was doing well, and had strong profit momentum, the pace of change in the media market remains unabated, and we are determined to ensure that Nine is at the forefront of the future landscape in Australia.

The fragmentation of traditional media has been occurring for some time. There is more competition for audience, and more competition for revenue. The merger with Fairfax ensures us a strong future within that environment. We now have premium assets across multiple platforms, and therefore a greater ability to invest in the content that drives audiences and in the data, research and technology that ensures our relevance to advertisers. Through Nine, advertising can now be offered across the full spectrum of audiences, from mass-market brand-building to truly addressable advertising. This will enable us to compete more effectively.

Our key competitors are no longer our Australian media peers. Our advertising businesses are now in competition with global players like Facebook and Google, who do not have to abide by the same rules and who do not invest in Australian content in the same way we do. The Australian Competition and Consumer Commission (ACCC) has recently reported on the near monopoly these players have in the areas of search, content aggregation and social media. They sell advertising on the basis of reach and targeting, and distribute news and video content, yet they do not have the obligations of broadcasters and publishers. We are highly regulated through content and viewing hours, Australian content requirements, advertising standards, defamation and public-decency requirements. They are not. These competitors sell their services to advertisers as publishers and broadcasters but they do not accept, nor do they follow, the standards that apply to the traditional publishers and broadcasters in this country.

The ACCC has rightly acknowledged that these businesses need regulatory oversight in areas including their commercial dealings with media businesses, the spread of disinformation on their platforms and copyright. The ACCC has also recommended regulatory changes to level the playing field. We welcome the steps the ACCC has outlined to deal with these issues in the public interest and look forward to the Government's response to this well-considered review of the Digital Platforms.

As part of the Nine-Fairfax merger, the Board endorsed the Fairfax Media Charter of Editorial Independence. This ensures editors have full editorial control of content and that our journalists are free to report fairly and fully without commercial or proprietorial interference. Editors, journalists and proprietors have committed to preserve the independence and integrity of the mastheads.

Ensuring there is independence and freedom for the media is not just an internal matter. Reporting takes place within a matrix of laws and responsibilities in our society. New laws restricting reporting are much more intrusive than previously. As a result, the Australian Media has taken the unprecedented step of launching a joint campaign `Australia's Right To Know', highlighting the importance of media freedom. It is important that our journalists can perform their legitimate role without fear of incrimination. As a Board and management team, we support our people in the important work that they do for all Australians. We will continue to highlight the critical importance of media freedom to a democratic society.

Of course, our business will also include opinion, as well as news. It should be clear which is which. Our opinion will not be uniform. As I mentioned before, our journalists and commentators are independent and free from managerial direction. They will have different views. And because our company is now across diverse media, we are serving a very wide cross-section of the public. Our range of opinion must be broad and diverse. But it must also be within the laws of defamation and respect public decency.

The fact that our merger has gone as smoothly as it has is a testament to all of our people and their willingness to accept change and the challenges that change brings. A merging of cultures is never easy, but this one has been successful, and the underlying business has not missed a beat.

It also resulted in a combination of our Boards. As a result, David Gyngell and Janette Kendall retired from the Nine board in early December. I would like to acknowledge the contributions of both David and Janette over the years, particularly through the merger process, and thank them for their commitment. Additionally, I'd like to welcome the appointment of Nick Falloon, Patrick Allaway and Mickie Rosen to the Nine board as Non-Executive Directors. They bring a broad diversity of skills and experience to your Board, which overall has been a great support to the management team throughout the merger process.

In a fast-moving and competitive world, we will continue to focus on generating superior returns for our shareholders. We believe the merged Group enhances our prospects. We are excited by what the future has to offer, and look forward to sharing the rewards of that future with all of our stakeholders. In this transformational year, we have completed one of the most significant mergers in Australian media history and have emerged a stronger company. We have continued to improve the relative performance of the traditional businesses, while containing costs, and we have delivered on our longer-term goal of broadening the base of our revenue streams with new and growing digital assets. We will continue to execute on this strategy.

2019 ANNUAL GENERAL MEETING
Chief Executive Officer's Address – Mr Hugh Marks
12 November 2019

For the year to June 2019, on a Pro Forma basis, so including the results of both Nine and Fairfax for the whole period, Nine reported broadly flat Group revenues of $2.3b, and Group EBITDA of $424m, which was up 10% on FY18. Group Net Profit after Tax, pre Specific items, was $198m for the year, which was up 16% on FY18. We reported favourable Specific items of $29m after tax, of which $27m were cash costs associated with the merger, offset primarily by a $93m accounting adjustment on the back of the consolidation of Stan.

We paid a 5 cent final dividend taking full year dividends to 10 cents per share, which, based on FY19's average share price, equated to a dividend yield of around 5% fully franked.

EBITDA growth was driven by strong performances from Metro Media, 9Now, Stan and reduced Corporate Costs, and was achieved despite the headwinds of particularly difficult advertising and housing markets.

Looking at the composition in a little more detail. Nine reported Broadcasting EBITDA of $240.6m. This includes both the Nine Television business as well as the consolidated results of Macquarie Media. TV EBITDA of $213m reflected a Metro TV market that proved to be a fair bit weaker than we had expected, with a decline of 5.1% for the 12 months. Nine's share of Metro revenues however, grew again to an almost 20 year high of 39.6%. This reflected Nine's strong ratings performance, particularly main channel, prime time where more than 70% of our FTA ad revenues are generated. Coupled with a cost decline of 4%, which reflected the transition from Cricket to Tennis, but also Nine's ongoing focus on controlling costs and enhancing returns across the business.

Digital & Publishing includes the results of Metro Media, as well as 9Now and Nine Digital Publishing. Together, Digital and Publishing reported 56% Pro Forma EBITDA growth to $130m, underpinned by a very strong contribution from both 9Now and Metro Media. The Metro Media result of +65% Pro Forma EBITDA was achieved on the back of 3% growth in revenue – including growth in both advertising and circulation, coupled with a 5% decrease in costs.

9Now also performed very strongly, taking a 49% share of a market which grew by 38% across the year. This resulted in EBITDA from 9Now of $36m, up 87% and now a meaningful contributor to group profits.

Stan has had a fabulous year. More than 1.7m subscribers at year end after an incredibly strong year for adds. Stan's aggregated content from around 50 different studios as well as its own local commissions, has driven this success story – a growing, digital business which has moved through break-even and has been profitable and cash flow positive each month since March. Stan has firmly established itself as the partner of choice for major content suppliers into the Australian market, and we are very enthused by the future content pipeline opportunities.

It was challenging year for Domain, given the cyclical property market, which was reflected in the 15% drop in Domain's EBITDA in FY19. Notwithstanding, Domain continued to grow depth and yield in its core residential listings business. The Group also did a good job managing its cost base with savings in print and other efficiency measures, whilst continuing to invest in growth initiatives.

We emerged from the merger process with wholly owned net debt at the end of June of $121m, which equated to Net debt-to-Pro Forma EBITDA of just 0.4X, prior to the acquisition of Macquarie Radio. A strong balance sheet giving us plenty of optionality to continue to invest in the transition of our business from its traditional linear revenue base to the digital revenue base which will ensure our growing place in Australia's media future.

Overall, we were very happy with the FY19 result. Operationally, our businesses are performing well. We are continuing to invest in technology and content, and are outperforming in the context of the markets in which we are operating. Moreover, the changing mix of our asset base means that we are no longer reliant on any one part of the market. We have exposure to multiple media and video markets, and have revenue sourced not just from advertising, but around 15% of our Pro Forma revenue base in FY19 was from subscriptions.

This diversified revenue base has continued to insulate Nine against a number of external factors that have impacted the start of FY20.

The prevailing weakness in consumer sentiment in Australia has manifested itself in weak trading conditions for many consumer facing businesses, and general softness in the overall advertising market. Advertising from pretty much every major advertising category was weak in the September quarter particularly from auto, Government, domestic banks and gambling. And whilst our business has become much less subject to the vagaries of the ad market, this weakness has of course, impacted.

Specifically - for the first quarter, while Nine's Metro Free To Air business achieved a leading revenue share of 39.8%, the market was down by 6.4% on last year…pretty much in line with the overall ad market. Early signs of an improvement in Q2, given a broadly flat September, have unfortunately dissipated in recent weeks. The FTA market in the second quarter looks like being down by at least as much as Q1 – we now expect the market to decline by mid-single digits across the full financial year. We remain confident about share gain through the second half on the back of our audience performance earlier this calendar year, and will be working hard to soften the impact of the weak start to the year. FTA costs are now expected to be 2.5% higher as opposed to the 4% we guided to earlier in the year.

Radio has experienced similarly soft market conditions in the current half exacerbated for Macquarie by the advertiser boycott around the Alan Jones' program on 2GB. We are confident that full ownership by Nine from November will underpin improved performance, both in terms of reduced costs and the potential for incremental revenue on a medium-term basis. Integration work is well progressed and we are now operating under a new consolidated structure.

There are clear green shoots in the housing market in Australia, in terms of data points like house prices and auction clearance rates. However, as Domain highlighted at its AGM yesterday, trading in FY20 to date remains challenging, albeit with some improvement on the trends experienced in Q4 FY19. The Group continues to selectively invest in growth initiatives, supported by ongoing cost discipline.

In Digital and Publishing, revenue momentum has built into Q2 across both 9Now and Digital advertising, with improving results from display and short form video in accordance with our strategy. The BVOD market grew by 34% in the September quarter and 9Now's share remains just below 50%. And in Metro Media, we have continued to gain share across both print and digital mast-heads and further benefited from merger synergies.

In Stan, subscriber momentum has continued through the current period and the business is performing ahead of expectations on all metrics, including profitability and cashflow. Stan has an increasingly entrenched market position and will continue to grow as both international content supply, and consumer demand for that content expand further. As I mentioned earlier, I am particularly enthused by developments in Stan's future product supply opportunities.

There was always going to be a shift in earnings contribution in this financial year due to timing issues, particularly the one-off costs in the TV business - however, the current advertising market conditions will mean that our first half result is now expected to be approx. 10% down on pcp.

Notwithstanding, with the expectation of growth in linear FTA share, further growth in 9Now and Stan, a pick-up in activity at Domain and early synergies from Macquarie Radio, we are expecting this shortfall to be more than made up in the second half.

For the full year therefore, premised on a Metro Free-To-Air market down mid-single digits, we are now expecting to report low single digit growth in FY20 Pro Forma Group EBITDA, pre the impact of AASB16. And for the result to be more weighted to our non-broadcast assets, consistent with our longer term strategy.

These short term cyclical issues are by no means the full story. Yes, the ad market and underlying consumer economy is currently weak but we, at Nine, are continuing to challenge the paradigm and focus on growing our business, and creating longer term value for our shareholders.

Over the last 24 months we have been preparing to compete more broadly in the digital video market, a market currently dominated by FaceBook and YouTube. We have invested in technology through 9Galaxy to ensure that our inventory can be traded seamlessly; the merger with Fairfax has enabled us to enhance our first party data platform so that we can trade with advertisers around behavioural demographics in addition to age and sex demographics and we have invested in a premium content mix that works across linear and on-demand television to maximise the benefits of our content spend across a broader revenue market. And importantly we offer highly engaged audiences coupled with the brand-safe environments that advertisers want. These are our key differentiators. Premium content, auditable audiences and brand safety.

Enhancing all this, early next year, we will also see the release of VirtualOz, Australia's first all-screen integrated Total TV database. What this means broadly is that the industry will have a single source of measurement for all broadcast video content – metro, regional plus BVOD.

What this means practically, is that for the first time, the Television industry can legitimately sell combined reach. No longer will advertisers need to augment linear television numbers with social video, which has no legitimate reach metrics. Early test data has BVOD adding more than 10% weekly reach to television – for a combined reach of around 80%, comparable to linear television reach 10 years ago.

What this means for Nine, is that we will have a television business (being Nine plus 9Now) with long term growth potential. The chart behind me shows the trajectory of earnings for our combined television business over the past three years. And through the cycle, we would expect this positive trajectory to continue.

Over the past 5 years, we estimate that around $700m has moved from television to social video platforms as advertisers look to extend the reach of linear television. But the reach of social video cannot be measured, often is not actually able to be accessed by advertisers, and can be associated with content of dubious quality. Only 4% of YouTube's inventory is categorized (by itself!) as being brand safe.

Now is the time to fight back.

It is a fact that Australians are watching more television than ever before – be it FTA, pay, Video On Demand, YouTube, FaceBook or a plethora of other sources of digital video content. It's all screentime and Nine is competing for both eyeballs and advertising dollars across all of these categories. In addition to having the leading local subscription video on demand service in STAN, we have the leading long form Broadcast On Demand platform in 9Now as well as a market leading publisher of short form video through our numerous digital publishing sites.

We estimate that the total market for video-based ad revenues is more than $5b. This includes Free To Air television at $3.6b, Pay TV at $400m but also includes a digital video market that is about $1.2b. At the moment, we participate primarily in BVOD, which is a relatively small subset of the broader digital video market.

At Nine, we have invested in the technology, and now have the data capabilities to compete in the broader digital video market. But we need to accelerate the growth in our digital audience scale. We believe this opportunity is significant, and we intend to pursue it. A bigger cut of a $1.2b market. A market growing at around 30-40% per year.

Nine is in a unique, and incredibly exciting position. We own platforms across linear television, digital, print and now radio. Platforms, and technology that can distribute messages to mass audiences as well as to small but highly valuable, addressable audiences. We have the systems to ensure seamless and efficient delivery for advertisers and we have the balance sheet to invest in the content that works for Australians. Moreover, in my mind, we have the best team in the business to deliver long term profit growth for all of our shareholders.

Further information:

Nola Hodgson
Head of Investor Relations
+61 2 9965 2306
nhodgson@nine.com.au

Victoria Buchan
Director of Communications
+61 2 9965 2296
vbuchan@nine.com.au