



2021 ANNUAL GENERAL MEETING
Chairman's Address – Mr Peter Costello, AC
11 November 2021

In FY21, Nine staged a remarkable recovery. The outcome, which is a tribute to the efforts of our employees, customers, and management, produced a good result for our shareholders.

The year began in the turbulence of COVID, which heavily impacted revenue in our advertising businesses across television, radio, and publishing. In the wake of a sudden and significant downturn across these businesses, Nine kept its head and kept its focus. We continued to work to our long-term objectives, to move the Company further into its digital future. As the recovery took hold, our traditional advertising revenues came back and complemented our digital initiatives, giving us strong profitability overall and growth in new businesses. We are now in a better position than we were at the start of the pandemic.

The advertising market, which had turned down so sharply in March 2020, rebounded through October, November and December last year and it has now settled at, if not above, the trajectory it had pre-COVID. Our core advertising business generates the strong revenue that supports new investment. The revenues are not merely a reflection of the underlying economy, they also reflect the relative strength of the Nine assets. Across the year, Nine's television business, through both the Network and 9Now, talk-radio stations and metro mastheads, attracted the leading audiences in their respective markets.

As a result, Nine reported strong profit growth for FY21 with Group EBITDA up 43% and Net Profit After Tax up 83% on FY20. All of our television and publishing businesses reported growth and we are immensely proud of their results. We further tilted our business towards the future, with digital earnings growing by 41% and now accounting for 44% of Group EBITDA, and subscription contributing 19% of revenues. In respect of the financial year, Nine announced dividends of 10.5 cents per share, up 50% on last year and consistent with our stated policy of a 60-80% payout.

We are excited about our business. We have growing assets in streaming, which will be a big part of media's future, and key investments in marketplaces, another area of growth opportunity for us, especially when coupled with our unique, wholly-owned suite of media assets. Our competitive position continues to improve, driven by our premium content, and underpinned by our proprietary platforms.

Last year, I warned about the market power of the global digital platforms and the way they were using our creative content without fair recompense for the cost involved in producing it. I am very pleased to now report that, during the year, we were able to negotiate landmark content deals with Facebook and Google that will secure payment to the Company for use of our original content. This would not have been possible without the Government's News Media and Digital Platforms Mandatory Bargaining Code. This was enacted with bi-partisan political support for which we are grateful. The reaction by Facebook at first, to close its usual services to Australia, was disproportionate and counter-productive. However, when negotiations resumed, although they were tough, they did, we believe, lead to an outcome of mutual interest and in the national interest. We are pleased with the outcome. These agreements are essential to properly recompense the cost of employing creators to produce the work which will ensure the long-term vibrancy of our Publishing business as we continue to produce quality and challenging journalism.

In March, Nine was subject of a significant cyber-attack which, as a result, took down our corporate and broadcast systems. Sadly, these attacks are becoming very common and are



a key risk for all businesses these days. The Nine team did a remarkable job at identifying the threat early, limiting the damage, and assessing and remediating it. At the Board and Company level, we had identified cyber-attack as a major risk and proactively planned our response well before this event. This helped and enabled us to keep the cost to our business to a minimum. To most of our audiences, it was business as usual throughout, with our content effectively airing uninterrupted, while the disruption to our advertisers was remarkably minimal. We have significantly upgraded our defensive systems as a result. Of course, we know hostile actors are continually upgrading their offensive systems as well. Nine has made cyber defence a key priority.

After more than 5 years in the role, in November last year, Hugh Marks announced his intention to stand down as Company CEO. Under Hugh's leadership, the Company was transformed. I would like to thank Hugh for his dedication to Nine, and acknowledge the significant success it enjoyed under his management.

The Board established an exhaustive selection process, interviewing candidates both here and overseas, internal and external, which in March, concluded with the appointment of Mike Sneesby as Nine's Chief Executive Officer. Mike had established and overseen the growth of our premium streaming service, Stan, and he commenced as CEO in April 2021. It is a testament to all of our team, that the Company didn't miss a beat through this process, and the transition to Mike has been seamless. Mike's digital background and experience in new forms of media will be extremely valuable as we take the Company through its next phase of development.

The demands on the Board were heavy this year and I thank my fellow Directors for their commitment and focus. In April, Patrick Allaway resigned from the Board to devote more time to his other commitments, and I thank him for his service to Nine and previously to Fairfax. At the same time, we appointed Andrew Lancaster to the Board. Andrew's experience in television, including regional television, and his understanding of sales is a valuable addition to your Board. We have a broad diversity of skills and experience across the Directors on the Board, which has been a great support to the management team throughout this testing period.

We are in an exciting stage for the business. Sometimes, all of our businesses swing up at the same time, and the last year was a good one in that respect. But outside each operating business, we believe we can still harness improvement from the overall Group – through maximisation of advertising yields, utilization of our vast data pool and optimization of our operating structure. Our longer-term digital targets remain, and we are well on our way to achieving them. Our business is at the forefront of digital disruption and we are determined to adapt to, and benefit from, it.



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Chief Executive Officer's Address – Mr Mike Sneesby
11 November 2021

In FY21, we reported a very pleasing result, despite a difficult first quarter. For the year to June, Nine reported Group revenues of \$2.3b, up 8% on pcp and Group EBITDA of \$565m, up 43% on FY20. Group Net Profit after Tax, pre Specific items, was \$261m for the year, which was up 83% on FY20.

As a result, our cash flows and balance sheet remain strong, with leverage at June 30 of 0.4X.

We have recently paid a final dividend of 5.5c for a total FY21 dividend of 10.5 cents per share.

All of the key divisions contributed to this growth. Nine reported Broadcasting EBITDA of \$333m, up 69%. This includes the Nine Television Combined business, which is the Nine Network and 9Now, as well as Nine Radio.

TV EBITDA of \$251m was up 82% on FY20, with the metro free to air ad market bouncing back strongly through the first half, resulting in total market revenue growth of 11.5% for the year. Nine's free to air revenues were more than \$1b, representing growth of 10% on pcp, and a share of more than 40% in the second half.

These results reflected Nine's strong ratings performance, particularly main channel, prime time - where more than 70% of our free to air ad revenues are generated. Free to air costs were 2.5% lower, with the impact of the NRL season returning in full, being more than offset by COVID-related and one-off savings due to the delay of the 2021 Australian Open and the Government waiver of spectrum charges.

Nine's catch-up and live streaming business 9Now, had an exceptional year, growing its revenues by 46% and EBITDA by 48% to \$73m. 9Now recorded growth in all key metrics and remains central to the digital future and growth of our television business.

While recovery in the radio market has lagged television, there were clear signs of improvement through the second half of FY21, with Nine Radio's ad revenues up 13%. Nine's Radio audiences grew by 11% across the year, importantly including growth of 14% in the 25-54s, Nine's key agency demographic, which was reflected in growth in agency share. Moreover, the cost base has been significantly re-aligned and there are clear signs of a positive trend in direct sales, which augers well for improved results as the market recovers, and lockdowns in the key cities of Melbourne and Sydney end.

Wrapping up the total television story, Stan is now through 2.4m subscribers, with Stan Entertainment continuing its strong market momentum. Stan Sport launched in the second half of the year, capitalising on Stan's strong market position, which has driven overall subscribers, and ARPU across the year. Stan's EBITDA was \$40m, up 27% on pcp on revenue growth of 29%. Excluding the investment in Stan Sport, Stan Entertainment's EBITDA would have doubled to around \$70m.

Nine's Publishing business recorded 28% growth in EBITDA to \$117m in FY21. Our combined Publishing business now derives around 56% of its revenue from Digital sources, and more than 30% from subscriptions, both key to the longer-term growth of the business.

Digital subscription and licensing revenue grew by 20% to more than \$100m across the year, with digital subscriber numbers growing across each of the *Herald*, *The Age* and the *AFR*.



Nine's Publishing business reached a key inflexion point with digital growth in this result outpacing the decline of print and of course, with a favourable cost base, where the profitability of each incremental digital subscriber dollar is markedly higher than print.

Domain had its AGM last week, and we remain very happy with our 59% stake. In FY21, Domain benefitted from the resurgence of the property market through the second half, resulting in 21% growth in EBITDA to \$101m. This was underpinned by 21% growth in Residential revenues, a function of both national listings market growth and a double-digit increase in controllable yield. The market recovery similarly benefitted Domain's Media, Developers and Commercial and Agent Solutions businesses, the latter also reflecting the accelerating roll-out of Real Time Agent.

We will continue to focus on migrating our business to a more digital base. Across the year, we reported strong growth in revenue and EBITDA from our combined digital businesses – so that's 9Now and Stan as well as the Digital components of Publishing and Domain. Digital revenue increased by around 19% to more than \$850m, while EBITDA grew by 41% to \$248m.

The results highlight the value of our portfolio of assets, complementing each other in terms of both the distribution and commercialisation of our leading content brands. Our strategy remains focused on digital growth, as we transition our traditional media businesses to their digital future.

Before I share a few thoughts on current trading, I did want to give you a little more colour on the changes we are seeing in Television - in terms of viewing habits and measurement.

What we have seen in recent times, and perhaps expedited by the impact of COVID, is a clear change in the way our audiences engage with our content – across all of our mediums – television, publishing and radio - but perhaps most clearly evidenced in television.

From its inception as a catch-up service enabling audiences to watch the shows they had missed, 9Now is fast becoming a key part of how audiences consume live television.

The latest season of *The Block* finished on Sunday night, after 14 weeks, with almost 2.7 million Australians watching the contestants take away more than \$2m in prize money. In the all important 25-54s demographic, *The Block* attracted a phenomenal 1.2 million Australians, more than double the audience of the other commercial networks combined.

On slide 8 of the presentation pack lodged with the ASX today, you will see the average audience for the 2021 season of *The Block*. Year on year audiences were up 9%. Whilst free to air audiences were up marginally, it was streaming through 9Now that drove the majority of our year-on-year audience growth. Across the season, average audiences on 9Now grew by 59%, with 9Now accounting for 14% of total people watching the show, and 18% of the 25-54 demographic.

This is the future of our business. Taking our premium content into the digital world, ensuring we can capture audiences and advertisers alike across all available distribution platforms.

This change in audience behaviour is similarly being reflected in revenues and we now expect that the current scale and growth trajectory of 9Now will result in TV Combined revenues being in long-term-growth, a key inflexion point for our Television business.

As live streaming continues to grow in relative importance, the way we look at our content decisions are being refocused through this lens, enabling further development of a seamless



TV Combined sales proposition. With the recent launch of VOZ providing real data on incremental reach and co-viewing, we expect there will be a natural benefit to advertising yield.

Be it News, Sports or Entertainment, Nine's focus is on creating amazing content. We are the only media company in Australia to have distribution capabilities across broadcast TV, radio, streaming, publishing and consumer marketplaces – with established brands that Australians trust.

Across all of these platforms, we have opportunities to grow our business, both in terms of foot-print and profitability.

In Nine and 9Now, the acceleration of live streaming and our focus on content gives us an opportunity to expand our core audiences, as well as our Television Combined revenues. Through the expansion of 9Now to the full suite of internet-enabled devices and further development of our product, supported by the consumer tech cycle, we are well placed to take an increasing share of the overall digital video market.

For Stan, we will ensure our long-term success through content. Whilst international studio content has been instrumental to Stan's success to date, we will continue to focus on expanding our ownership and control of content – doubling the volume of Stan Originals in FY22, combined with continued growth in live streaming and Stan Sport.

The successful launch of Stan Sport in February capitalised on a unique opportunity to leverage Nine's free to air distribution combined with Stan's subscriber base, to rapidly scale a subscription sports business. Stan Sport reached a subscriber milestone of 250,000 just months after launch, driven by Rugby and Tennis content alone.

In Publishing, the further growth in reader revenue, and more particularly digital subscription and licensing revenue, is key. And this will be achieved by focusing on the content that resonates most strongly with our current and potential subscriber base - as well as ensuring an optimal consumer experience through continued enhancement and features available in our apps.

We are committed to our investments in Domain and Drive and will continue to find new ways to support and grow value through their Marketplace expansions.

Content remains the key to our business, and Nine can optimise the distribution of that content, to deliver for every audience. We can break important news across multiple platforms, using our vast capability in journalism and our editorial assets; we can make dramas and reality shows designed to talk to targeted audiences or entertain the masses.

Moving now to current trading, and broadly the trends that we cited at the full year result in August have continued. The underlying advertising market remains robust across all key advertising segments, and Nine's leading content is underpinning strong share across all of our distribution platforms.

The Nine Network and primary Channel Nine will once again take the ratings crowns in all of our targeted demographics (25-54s, 16-39s and Grocery Buyers with Children) for 2021. Reflecting this strong ratings performance, Nine's metro free to air advertising revenues finished Q1 up almost 20% on the COVID-affected previous corresponding period. The market has remained healthy through Q2, albeit with markedly tougher comparables, including the impact of changes to major sporting event timing for Nine. Overall, we are now expecting



Nine's H1 FY22 Metro Free To Air ad revenue to be up by more than 6% on the same half last year, which is also around 6% ahead of the pre-COVID H1 FY20.

Through disciplined cost management, Nine will more than offset one-off (and unbudgeted) COVID-related production costs, of around \$5m across the year. Reported cost growth for FY22 is now expected to be slightly below the 3% previously cited.

9Now revenue for the first half is expected to be up by more than 45%. The continued growth in live streaming (more than doubling in the September quarter) and the return of some key programming, like *Love Island*, underpinning ongoing growth in 9Now's digital video advertising.

Nine's radio ratings and audiences have been strong, with Nine's talk network achieving its best ever results in recent surveys. At this stage, the radio ad market is expected to be up by more than 10% for the half. Advertising momentum has clearly improved post the lockdowns in Sydney and Melbourne. Through Nine Radio's improved ratings and refocused direct sales execution, we are expecting to record some clear share gains, adding additional leverage to profitability as the advertising market recovers.

Subscriber growth at Stan in Q1 has benefitted from the recent lockdowns, and is expected to consolidate over Q2. After its successful launch in February, Stan Sport subscriber growth has accelerated, driven by the recently commenced UEFA season. Stand-alone, UEFA is expected to be contributive to earnings on a run-rate basis by the end of FY22. Previous EBITDA guidance for Stan of low double-digit millions of dollars in FY22 remains, with phasing of sports costs expected to result in a stronger first half than second half.

In Nine Publishing, growth is being primarily driven by subscription and licensing, with Q1 digital subscription revenues up by around 10% on pcp, and the inclusion of revenue from Google and Facebook. Reflecting this growing subscription base, coupled with stronger-than-expected advertising results (both digital and print), Nine now expects growth in Publishing EBITDA in FY22 of \$40-45m, ahead of previous guidance of \$30-40m.

As Domain disclosed at its AGM last week, trading for the first quarter of FY22 has been positive, notwithstanding the extended lockdowns in Sydney and Melbourne, with digital revenue up by around 18% year-on-year. The outlook for the spring selling season is encouraging, underpinned by strong growth in controllable yield and the easing of lockdowns.

Notwithstanding the impact of the extended lockdowns on Domain and Radio, Nine's first half EBITDA, before Specific Items, is currently expected to be up by around 10% on H1 FY21, after accounting for our targeted investments in Stan Sport, 9Now and Publishing. Early signs for the second half remain positive. At this stage, Nine believes it is too early to give guidance for the FY22 result.

Through 2021, we have focused on supporting our people through the challenges we have all faced – through flexible working arrangements and on-site COVID testing as well as a range of initiatives focused on the health and wellbeing of our people. The result of this focus and investment is reflected in Nine's recently completed Engagement survey, with overall employee engagement increased across all key business segments year-on-year.

I'd like to thank the entire Nine team for their commitment, insights and tireless application this year. I'd also like to thank the Chairman and the Board, for their guidance and support.

Together, we are what makes Nine Australia's Media Company.



This announcement was authorised for lodgment by the Company Secretary of Nine (ASX: NEC).

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