

The logo for Nine Entertainment Co. is centered on a large, glossy blue sphere. The word "nine" is written in a white, lowercase, sans-serif font. To the right of "nine" is a graphic of nine white dots arranged in a 3x3 grid. Below "nine" and the grid, the words "entertainment co." are written in a smaller, white, lowercase, sans-serif font.

**nine** .....  
entertainment co.

.....  
**2015**

**Interim Results Briefing**  
**26 February 2015**

.....  
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Peter Wiltshire Group Sales Director  
Geoff Jones MD, Nine Live  
Alex Parsons MD, Nine Digital

## Important notice and disclaimer

This document is a presentation of general background information about the activities of Nine Entertainment Co. Holdings Limited ("NEC") current at the date of the presentation, (26 February 2015). The information contained in this presentation is of general background and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate.

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Forward looking statements involve inherent risks and uncertainties, both general and specific, and there is a risk that such predictions, forecasts, projections and other forward looking statements will not be achieved. Forward looking statements are provided as a general guide only, and should not be relied on as an indication or guarantee of future performance. Forward looking statements involve known and unknown risks, uncertainty and other factors which can cause NEC's actual results to differ materially from the plans, objectives,

expectations, estimates and intentions expressed in such forward looking statements and many of these factors are outside the control of NEC. As such, undue reliance should not be placed on any forward looking statement. Past performance is not necessarily a guide to future performance and no representation or warranty is made by any person as to the likelihood of achievement or reasonableness of any forward looking statements, forecast financial information or other forecast. Nothing contained in this presentation nor any information made available to you is, or shall be relied upon as, a promise, representation, warranty or guarantee as to the past, present or the future performance of NEC.

## Pro Forma Financial Information

The Company has set out in this presentation certain non-IFRS financial information, in addition to information regarding its IFRS statutory information.

The Company considers that this non-IFRS financial information is important to assist in evaluating the Company's performance. The information is presented to assist in making appropriate comparisons with prior periods and to assess the operating performance of the business. For information regarding historic Pro Forma results, including the associated definitions, refer to the Company's IPO Prospectus dated 8 November 2013 and the FY14 Interim Results release dated 27 February 2014.

For a reconciliation of the non-IFRS financial information contained in this presentation to IFRS-compliant comparative information, refer to the Appendices of this presentation.

All dollar values are in Australian dollars (A\$) unless otherwise stated.

## H1 FY15 result in line with AGM guidance

- Profit After Tax<sup>1</sup> of \$88.8m, in line with \$85m-\$90m<sup>1</sup> AGM guidance
- FTA Revenue impacted by weak advertising environment, partially offset by revenue share gains
- Integration of Nine Adelaide and Nine Perth continuing with clear progress made – in line with expectations
- Solid Live result against record prior corresponding period
- Digital transition and integration continuing following 100% acquisition of Mi9
- Operating Free Cash Flow conversion of 78%
- Lower interest costs following June 2014 debt refinancing
- Conservative Net Leverage of 1.7X, Interest Cover of 12.2X
- Interim dividend of 4.2 cents per share, unfranked
- On-market share buy back of up to \$150m

\$m	H1 FY15	Pro Forma H1 FY14	Variance
Revenue	829.2	845.6	-1.9%
Group EBITDA	171.0	188.7	-9.4%
Net Interest Expense	14.0	28.7	-51.2%
NPAT <sup>1</sup>	88.8	95.2	-6.7%
Operating Free Cash Flow	133.2	178.0	-25.2%
Operating Free Cash Flow Conversion	78%	94%	-16 pts
Earnings per Share, before Specific Items – cents	9.4	10.1	-6.9%
Dividend per Share - cents	4.2	-	+4.2
As at	31 Dec 2014	Pro Forma 30 Jun 2014	Variance
Net Debt, \$m	490.5	537.3	-\$46.8m
Net Leverage	1.7X	1.7X	-
Interest Cover	12.2X	5.7X	+6.5X



	H1 FY15	Pro Forma H1 FY14	Variance
Operating Free Cash Flow, \$m	133.2	178.0	-44.8
Operating Free Cash Flow Conversion	78%	94%	-16 pts
Capital Expenditure and Purchased Ticketing Rights, \$m	-26.0	-26.8	+0.8

As at	31 Dec 2014	Pro Forma 30 Jun 2014	Variance
Net Debt, \$m	490.5	537.3	-46.8
Net Leverage	1.7X	1.7X	-

## Objectives

- Maintain an efficient, but conservative capital structure
- Retain balance sheet flexibility
- Operating Free Cash Flow Conversion of 80-90%
- Target 2.0X leverage
- 50-60% dividend payout ratio

## Outcomes and Actions

- Interim dividend of 4.2 cents per share
- \$150m on market share buy-back over next 12 months
- Shares acquired on-market to satisfy all outstanding employee share entitlements
- Willoughby site options being explored – potential to unlock capital

# H1 – solid result in a challenging ad market



\$m		H1 FY15	Pro Forma H1 FY14	Variance
<b>Revenue</b>	<b>Network</b>	<b>645.5</b>	<b>649.6</b>	<b>-0.6%</b>
	<b>Live</b>	<b>102.5</b>	<b>134.6</b>	<b>-23.9%</b>
	<b>Digital</b>	<b>81.3</b>	<b>61.4</b>	<b>+32.4%</b>
<b>Total Revenue</b>		<b>829.2</b>	<b>845.6</b>	<b>-1.9%</b>
<b>EBITDA</b>	<b>Network</b>	<b>131.8</b>	<b>149.2</b>	<b>-11.7%</b>
	<b>Live</b>	<b>36.0</b>	<b>40.1</b>	<b>-10.2%</b>
	<b>Digital</b>	<b>10.8</b>	<b>7.8</b>	<b>+38.5%</b>
	<b>Corporate</b>	<b>(9.3)</b>	<b>(10.5)</b>	<b>+11.4%</b>
<b>EBITDA</b>		<b>169.3</b>	<b>186.6</b>	<b>-9.3%</b>
<b>Share of Associates' NPAT</b>		<b>1.6</b>	<b>2.1</b>	<b>-23.8%</b>
<b>Group EBITDA</b>		<b>171.0</b>	<b>188.7</b>	<b>-9.4%</b>

Market down 3%, share up

Lower Touring and Events contribution

Extra quarter of Microsoft default traffic + new revenue initiatives

Half on half programming timing

Soft Q1 consumer sentiment, down but vs a record pcp

Revenue drop through and cost focus

**television**



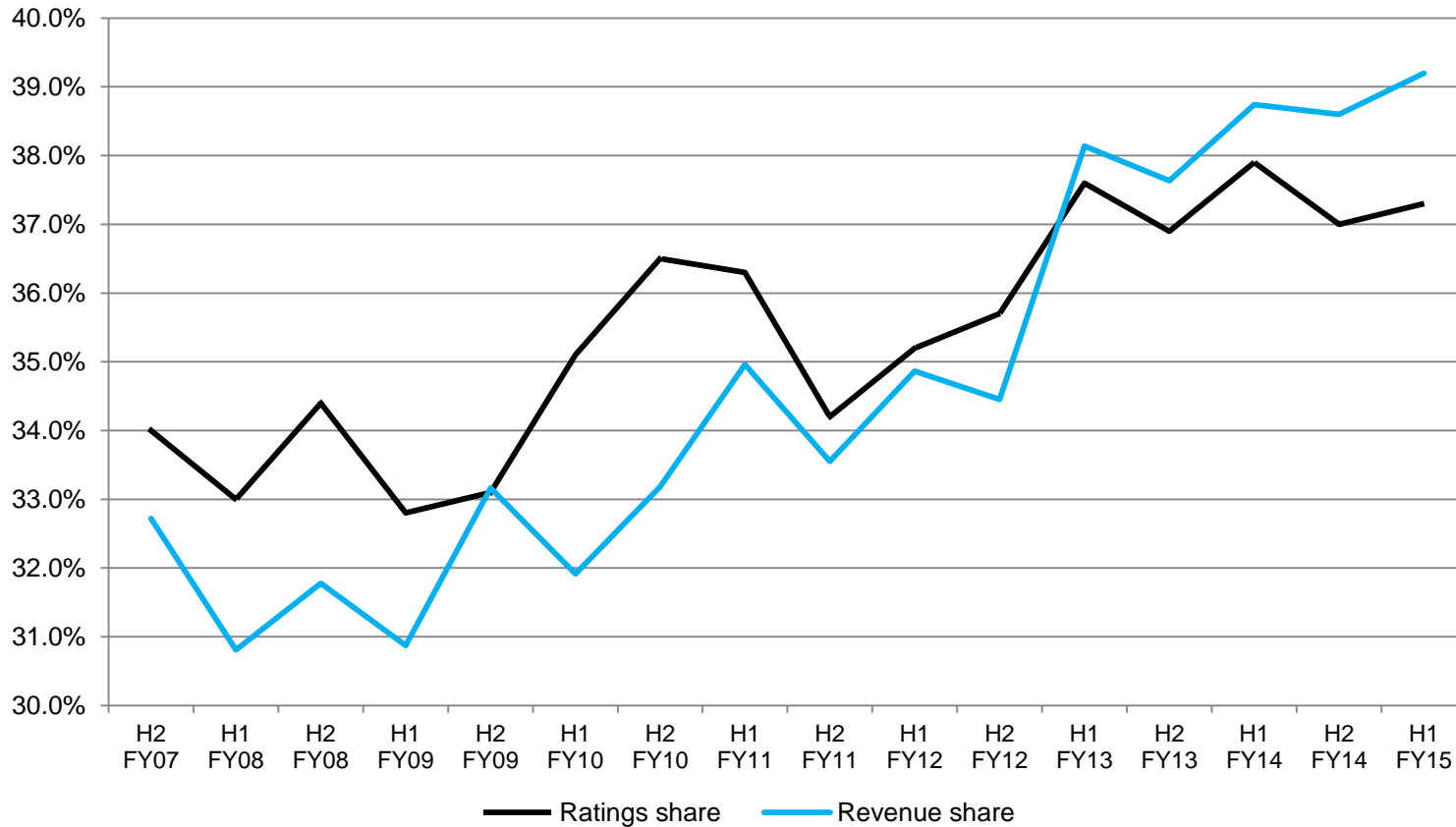


\$m	H1 FY15	Pro Forma H1 FY14	Variance
Revenue	645.5	649.6	-0.6%
EBITDA	131.8	149.2	-11.7%
Margin	20.4%	23.0%	-2.6 pts

- FTA Metro market decline of 3%<sup>1</sup>. Trend improving from 5% Q1 decline to 1% decline in Q2
- FTA Regional market down 3%<sup>1</sup> in half
- Market leadership in all key advertising demographics<sup>2</sup>
  - #1 25-54 #1 16-39
  - #1 18-49 #2 All People
- FTA Metro advertising revenue share<sup>1</sup> of 39.2%, up from 38.7% in pcp
- Nine Adelaide and Nine Perth narrowing the gap – revenue share<sup>1</sup> gains of 0.8 share pts and 1.8 share pts respectively compared with East Coast gain of 0.2 share pts
- TV costs up 2.9% - impacted by program schedule changes



### Nine's Metro Ratings<sup>1</sup> and Revenue<sup>2</sup> Share





News and Current Affairs



Sport



Drama



TO COME



Family Entertainment



TO COME



live



## Nine Live – solid result vs record pcg

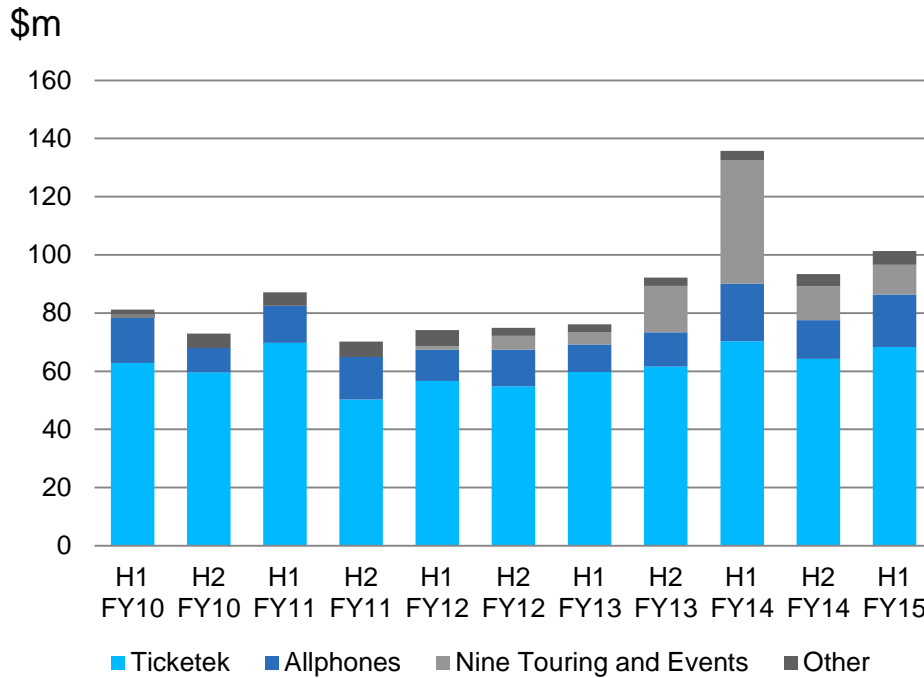


\$m	H1 FY15	H1 FY14	Variance
Revenue	102.5	134.6	-23.9%
EBITDA	36.0	40.1	-10.2%
Margin	35.1%	29.8%	+5.3 pts

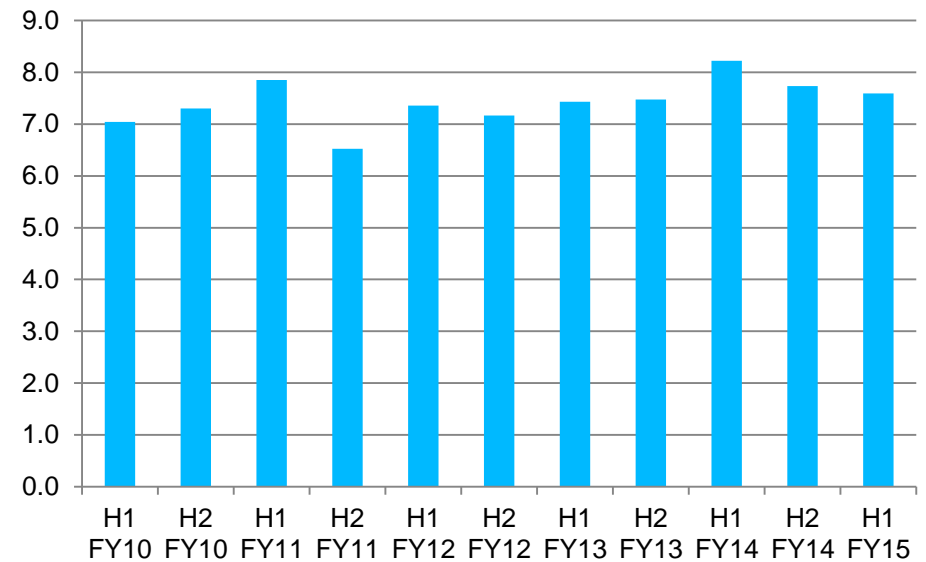
- Revenue decline primarily driven by lower volume of event promotions by Nine Touring and Events
- Core Ticketek business slightly weaker reflecting soft consumer market in Q1, although average revenue per ticket up c3%<sup>1</sup>
- Margin expansion due primarily to the reduced contribution from the lower margin Nine Touring and Events business
- Targeting FY EBITDA at least in line with pcg



### Contribution to Nine Live Revenue



### Ticketek's ticket volumes - m



### Ticketing

- Average >3 years remaining on top 10 venue contracts
- Leveraging long term ticketing contracts

### International Sport

- International Champions Cup (soccer). Each July for 4 years . Year 1 - Manchester City, Real Madrid and AS Roma playing at the MCG in 2015
- Focus on Major US Sports – strong pipeline in development

### Exhibitions

- Venture to tour exhibitions globally. Imperial War Museum to open in Melbourne in April
- Strong pipeline of other developing Australian/global opportunities

### Concerts

- One Direction Stadium tour – February
- High profile International tour pending

### Allphones

- Focus on growing utilisation from current c20%
- Opportunities from the redevelopment of Qantas Credit Union Arena

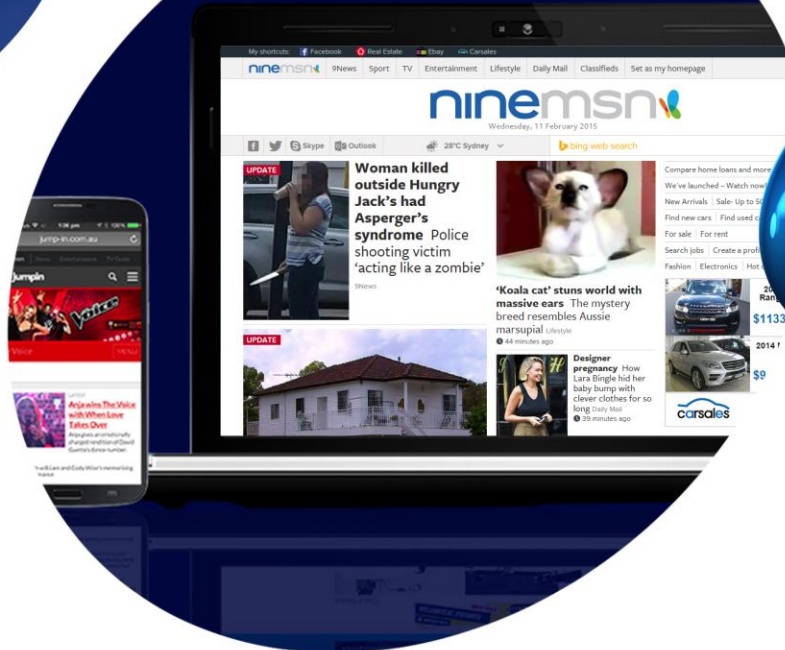


**ONE DIRECTION**

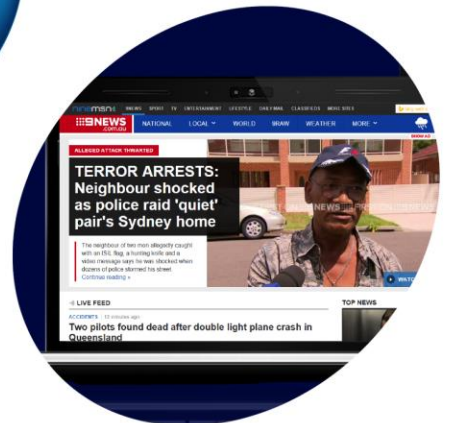


# digital

**M9**  
imagination  
+intelligence



**SERIOUS + POPULAR**





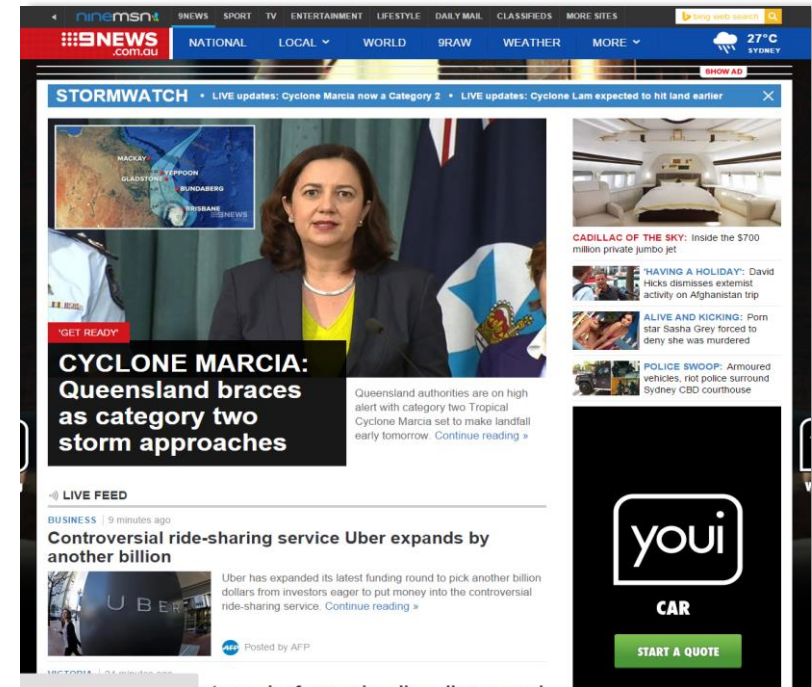
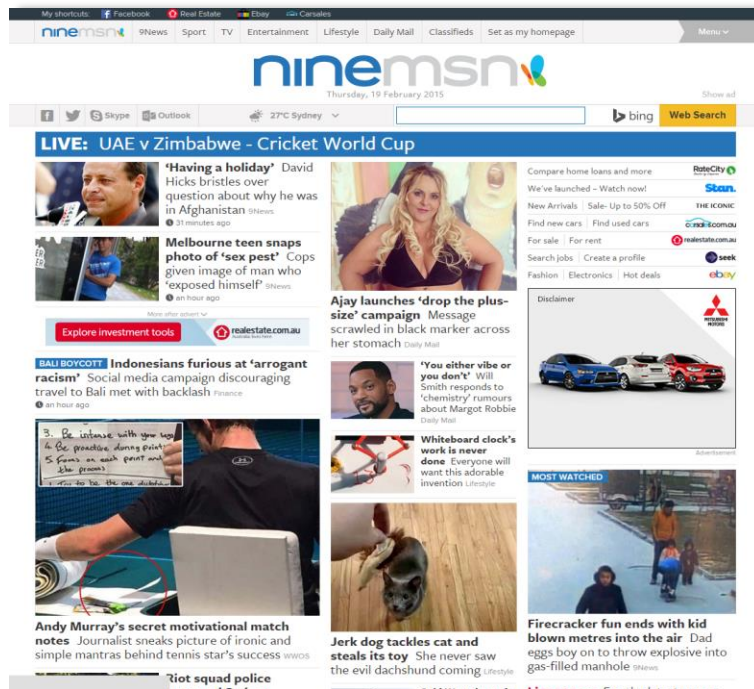
\$m	Underlying H1 FY15	Underlying H1 FY14	Underlying Variance	Pro Forma H1 FY14	Pro Forma Variance
Revenue	81.3	79.4	+2.4%	61.4	+32.4%
EBITDA	10.8	13.7	-21.2%	7.8	+38.5%
Margin	13.3%	17.3%	- 4.0 pts	12.7%	+0.6 pts

- Underlying revenue growth of 2% underpinned by strong growth in Search revenue (Bing), up 15% and Video revenue, up 33%, offsetting impact of loss of default traffic during the period
- EBITDA impacted by advertising mix (Owned and Operated vs 3<sup>rd</sup> party) and increased product investment
- Proactive cost management as business is further integrated into the NEC group
- Remains the leading domestic online publisher:
  - Leading overall audience network with monthly reach of 12m<sup>1</sup>
  - Superior data product – targeting revenue now ~19% of total display revenue
- H1 FY15 result more reflective of go forward earnings base, although benefitted from one quarter of default traffic

# Under 100% ownership – Digital is evolving



- Launch of new ninemsn home page in November 2014
- Continuing to bridge TV and Digital
- Ongoing success with News
- Partnerships and Ventures
- Establishment of Data Business
- New Opportunities



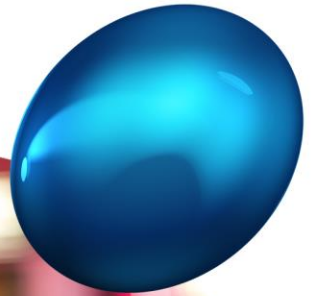




- 50:50 joint venture with Fairfax Media to launch and operate an Australian SVOD service
- Addressable market of >4m subscribers with international experience showing a propensity to subscribe for multiple offerings
- Up to \$50m committed each, over a number of years to break-even
- \$10 per month consumer proposition – unlimited viewing on demand and no contracts
- Launched on Australia Day with over 5,000 hours of quality content and strong pipeline
- Strong brand awareness and positive social media/online forum advocacy
- Subscriber numbers and trends running 3-4 months ahead of expectations
- On track for over 100k sign-ups by mid-March
- Focus on broadening the delivery mechanisms and technology – new accessibility options and distribution channels to be announced soon



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### Nine Network

- Confident of delivering a 40% revenue share
- Integration of Nine Adelaide and Nine Perth on plan
- Healthy sports pipeline incl. Cricket World Cup, Rugby World Cup, exclusive Northern Hemisphere Ashes
- Consistent performance of News and Current Affairs
- Strong drama slate with Gallipoli, Love Child and House of Hancock
- Affiliate re-negotiations
- Regulatory change

### Nine Live

- Average >3 years remaining on major venue deals
- Nine Touring and Events pipeline expanding
  - International Champions Cup
  - Exhibitions
  - One Direction
  - First international concert series pending
- Strong pipeline of new initiatives

### Nine Digital

- Benefits of consolidation and integration into broader group
- Cost focus in a maturing business
- 9news.com.au
- Daily Mail Australia, tracking towards #1
- Bolt on opportunities

### Growth Initiatives and Ventures

- Stan - launched 26 January 2015
- Active business development team, continuing to evaluate opportunities
- Investment in Literacy Planet

### Group

- Strong balance sheet/low gearing
- Solid Cash Flow conversion
- \$150m share buy-back



- Appendix 1: Cash flow
- Appendix 2: Cash flow reconciliation
- Appendix 3: Debt and leverage calculations
- Appendix 4: Glossary

## Appendix 1: Cash flow

**THE MENTALIST**



\$m	H1 FY15	Pro Forma H1 FY14	Variance
<b>EBITDA</b>	<b>169.3</b>	<b>186.6</b>	<b>-17.3</b>
<b>Change in working capital</b>	<b>(37.5)</b>	<b>(9.6)</b>	<b>-27.9</b>
<b>Distributions from Associates</b>	<b>1.3</b>	<b>1.0</b>	<b>+0.3</b>
<b>Operating Free Cash Flow</b>	<b>133.2</b>	<b>178.0</b>	<b>-44.8</b>
<b>Capital Expenditure and Purchased Ticketing Rights</b>	<b>(26.0)</b>	<b>(26.8)</b>	<b>+0.8</b>
<b>Operating Free Cash Flow, after Capital Expenditure and Purchased Ticketing Rights</b>	<b>107.2</b>	<b>151.2</b>	<b>-44.0</b>

## Appendix 2: Cash flow reconciliation



\$m	H1 FY15	Pro Forma H1 FY14
<b>Statutory cashflows from operating activities</b>	<b>133.1</b>	<b>149.9</b>
<b>Statutory interest received</b>	<b>(2.3)</b>	<b>(2.7)</b>
<b>Statutory interest and other costs of finance paid</b>	<b>4.4</b>	<b>29.8</b>
<b>Statutory income tax</b>	<b>4.3</b>	<b>21.3</b>
<b>Statutory Free Cash Flow</b>	<b>139.5</b>	<b>198.3</b>
<b>Impact of historical acquisitions</b>	<b>-</b>	<b>4.6</b>
<b>Cash held on trust</b>	<b>(7.1)</b>	<b>(25.3)</b>
<b>Specific items and other adjustments</b>	<b>0.8</b>	<b>0.4</b>
<b>Operating Free Cash Flow</b>	<b>133.2</b>	<b>178.0</b>

## Appendix 3: Debt and leverage calculations



As at, \$m	Actual 31 Dec 2014	Actual 30 Jun 2014	Variance
Interest bearing loans and borrowings <sup>1</sup>	585.0	603.1	-18.1
Cash and cash equivalents	(241.6)	(219.8)	-21.8
Cash held on trust	133.6	126.5	+7.1
Deferred payment related to Mi9	13.6	27.7	-14.1
<b>Net Debt</b>	<b>490.5</b>	<b>537.3</b>	<b>-46.8</b>
<b>Net Leverage</b>	<b>1.7X</b>	<b>1.7X</b>	<b>-</b>





- EBITDA – earnings before interest, tax, depreciation and amortisation, from continuing businesses before Specific Items
- FTA – free-to-air
- FY – full year
- Group EBITDA – EBITDA plus share of Associates' net profit, from continuing businesses before Specific Items
- Interest Cover – Group EBITDA divided by net interest expense for the period
- HY – half year
- IPO – Initial Public Offering
- Metro – Sydney, Melbourne, Brisbane, Adelaide and Perth
- Net Debt – gross debt per the balance sheet less available cash plus deferred purchase consideration on the acquisition of controlled entities, net of related mark-to-market hedge instruments
- Net Leverage – Net Debt divided by Group EBITDA (last 12 months)
- nm – not meaningful
- Net Profit after Tax (NPAT) – net profit after tax, from continuing businesses, before Specific Items
- NRL – National Rugby League
- Operating Free Cash Flow – EBITDA adjusted for changes in working capital and other non-cash items (not relating to Specific Items) plus dividends received from Associates
- Operating Free Cash Flow Conversion – Operating Free Cash Flow divided by Group EBITDA
- Pro Forma – adjusted on a basis consistent with that reported in the prior period to reflect the impact of acquisitions, divestments and/or other transactions as if these had been effective for the whole reporting period, before Specific Items and after adjusting for standalone listed company costs
- Prospectus – as lodged with ASIC on 4 November 2013
- Purchased Ticketing Rights – the amount paid to venue owners or promoters to secure exclusive ticketing rights
- Revenue – operating revenue from continuing businesses, excluding interest income and Specific Items, and after the elimination of inter-segment revenue
- Specific Items – amounts as set out in Note 3(d) of the H1 FY15 Statutory Accounts
- Statutory Accounts – audited or auditor reviewed, consolidated financial statements
- Statutory Reported – extracted from the Statutory Accounts
- SVOD – Subscription Video On Demand
- Underlying – 100% of the earnings of Mi9 in the respective periods

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