



## ***NINE ENTERTAINMENT CO. FY19 RESULTS***

22 August 2019: Nine Entertainment Co. (ASX: NEC) has released its FY19 results for the 12 months to June 2019.

On a Statutory basis, Nine reported a Net Profit After Tax of \$234m, up 12% on the previous corresponding period.

On a Pro Forma, Continuing Business and pre Specific Item basis, Nine reported Group EBITDA growth of 10% to \$424m, on Revenue of \$2.3b (-1%) and Net Profit After Tax and Minority Interests of \$198m (+16%).

Highlights include:

- Strong FTA revenue share (+1.0pts) coupled with lower costs (-4%), partially offsetting weakness in the FTA market
- 56% growth in Digital & Publishing EBITDA underpinned by >60% growth in both Metro Media and 9Now
- More than 1.7m active subscribers at Stan, and cash flow and EBITDA positive in H2
- Solid contribution from Domain in a cyclically challenging housing market
- Completion of the merger with Fairfax, and subsequent sale of ACM and Events
- \$50m synergy exit run-rate, with \$22m reflected in FY19 results

Hugh Marks, Chief Executive Officer of Nine Entertainment Co. said: “To achieve 10% EBITDA growth in this cyclically challenging FTA and housing market was a very strong result. It’s a validation of our strategy, the success of the investments we have made, and the efforts of our people.

Nine has real operating momentum in each of our divisions, with an earnings composition increasingly weighted to high growth businesses. In particular, we are well placed to further expand our share of the rapidly growing digital video market. Not only through 9Now and Stan but also more broadly across our digital assets. We will continue to draw on the strength of our traditional media assets to help us successfully build complementary, high growth, digital media businesses of the future. A strategy that has, of course, been greatly enhanced by the merger with Fairfax.

Growth in Digital & Publishing and the move to profitability through the second half at Stan enabled us to grow Nine’s EBITDA year on year, giving us further confidence that we are investing in the right content and technology for the future of our business.

We are excited about the future, and the potential we see in the further execution of our strategy. Having all of our businesses working together will maximise the benefits for each of them as well as the collective benefit for Nine as a Group.”



## *Accounting impact of the merger with Fairfax*

The implementation date of the merger was 7 December 2018. The Reported/Statutory results (Table 1) include the contribution from Fairfax Media and Stan from this date.

The Pro Forma results (Table 3) consolidate the results for the former Nine and Fairfax businesses for the full 12 months, including Stan, which is now wholly owned. Results include synergies realised since the transaction was completed. Interest costs associated with the transaction are also for the period from completion.

Pro-forma results are presented for Continuing Operations and exclude Australian Community Media and Printing (ACM), Events and Stuff New Zealand, which are separately classified as Discontinued operations. ACM and a number of Events were sold prior to year end, Stuff NZ remains held for sale and the remaining Events businesses have been moved into Digital and Publishing from 1 July 2019.

The Reported/Statutory results include additional amortisation arising from the Purchase Price Accounting for the merger with Fairfax. Pro-forma results exclude the Purchase Price Accounting amortisation to best illustrate Nine's performance for the period, and relative to guidance given to the market. A walk-forward of Pro Forma results to include Purchase Price Accounting adjustments is included in Appendix 1 of the Results Presentation, also lodged with the ASX.

All divisional results (Table 4,5,6 & 7) are presented on a Pro Forma basis.

**Table 1: Reported Results<sup>1</sup>**

12 months to June \$m	FY19	FY18	Variance	
			\$m	%
Revenue <sup>1,2</sup>	1,848.1	1,318.2	+529.9	+40%
Group EBITDA <sup>1,2</sup>	349.9	257.2	+92.6	+36%
Net Profit after Tax <sup>1,2</sup>	187.1	156.7	+30.3	+19%
Statutory Net Profit, continuing operations <sup>2</sup>	216.6	209.7	+6.9	+3%
Discontinued businesses	17.3	-	+17.3	nm
Total Statutory Net Profit (incl. discontinued)	233.9	209.7	+24.2	+12%
Basic Earnings per Share <sup>1,2</sup> (Cents)	13.1	18.0	(4.9)	(28%)
Dividends per Share (Cents)	10.0	10.0	-	-

<sup>1</sup> Pre Specific Items, includes contribution from Fairfax assets, from 7 December

<sup>2</sup> Continuing businesses



On a reported basis, Revenue of \$1.8b resulted in Group EBITDA of \$350m. Net Profit after Tax from continuing business, pre Specific Items, was \$175m. Nine reported Net Profit after Tax, inclusive of \$30m of favourable Specific Items (detailed below) and the contribution from discontinued businesses, of \$234m. Earnings per Share from continuing business, pre Specific Items, was 13.1 cents, and a fully franked final dividend of 5.0 cents was declared, for a full year dividend of 10.0 cents per share, fully franked.

**Table 2: Specific Items, Statutory and continuing business basis**

12 months to June, \$m	H1 FY19	H2 FY19	FY19
Restructuring & termination related costs	(29.6)	(7.0)	(36.6)
Acquisition related costs	(13.8)	(7.4)	(21.2)
Gain on property/asset sale	9.4	-	9.4
Gain on consolidation of Stan	93.0	-	93.0
Net Impairment on merger of CarAdvice and Drive	-	(17.7)	(17.7)
Other <sup>1</sup>	-	(10.0)	(10.0)
Total Specific Items before tax	59.0	(42.0)	16.9
Tax impact of Specific Items	3.8	8.7	12.6
Net Specific Items after tax	62.8	(33.3)	29.5

<sup>1</sup> Includes adjustment to specific items associated with listed subsidiaries and settlements relating to prior years

Net favourable Specific Items of \$30m, pre-tax, were reported for the period. Of this, \$58m related to the costs of the merger and other restructuring. This was more than offset by a \$93m increase in the carrying value of Stan, as announced with the H1 result. Other Specific Items included an \$11m pre tax profit on the sale of the NBN site in Newcastle and \$18m of non-cash accounting impairment that arose from the scrip-based merger of CarAdvice and Drive.

**Table 3: Pro Forma Results**

12 months to June \$m	FY19	FY18	Variance	
			\$m	%
Revenue <sup>1</sup>	2,341.7	2,364.0	(22.3)	(1%)
Group EBITDA <sup>1</sup>	423.8	385.1	+38.7	+10%
Net Profit after Tax <sup>1</sup>	224.8	205.9	+18.9	+9%
Net Profit after Tax and minorities <sup>1</sup>	198.3	170.6	+27.6	+16%
Fully diluted Earnings per Share <sup>1</sup> (cents)	11.6	10.0	+1.6	+16%

<sup>1</sup> Pre Specific Items, continuing business basis and, in FY19, excluding additional amortisation arising from purchase price accounting

On a Pro Forma and Continuing Business basis, Group EBITDA increased by 10% to \$424m on revenue of \$2,342m (-1%). Net Profit after Tax and minorities, was up 16% on the FY18 (like-basis) result, to \$198m. Earnings per Share of 11.6 cents was also up 16% on the previous corresponding period.

**Table 4: Broadcast**

12 mths to Jun, \$m	FY19	FY18	Variance	
			\$m	%
Revenue	1,221.8	1,290.8	(69.0)	(5%)
Costs	(981.2)	(1,020.0)	(38.8)	+4%
EBITDA	240.6	270.8	(30.2)	(11%)
Margin	19.7%	21.0%		(1.3 pts)

Nine's Broadcasting division, which comprises Nine Network as well as the consolidated results of Macquarie Media (of which Nine owns a 54.4% stake), reported EBITDA of \$241m on revenues of \$1,222m for the year.

Nine Network reported a revenue decline from \$1,154m to \$1,090m for the year. The decline however, was confined to the first half – second half revenues grew by 2%, as share gains more than offset the impact of a difficult FTA market (-5.1%<sup>1</sup> for the year and -5.2%<sup>2</sup> in H2). After a first half Metro FTA share 39.3%<sup>2</sup>, Nine's H2 share of 39.9% was up 2.9 pts on pcp and resulted in a full year #1 revenue share of 39.6%.



On a ratings basis, for the year, Nine attracted a #1 commercial network share of 38.3%<sup>3</sup> of the 25-54 demographic, up 1.3 pts on pcp. For the primary channel, Nine's share of the 25-54s was 39.3%<sup>3</sup>, up 1.6 points, and 5.7 share points ahead of its nearest competitor.

Reported FTA costs improved by 4% or \$40m for the year - the phasing first half to second half reflecting both the move from cricket to tennis as well as the conscious decision by Nine to further strengthen its first half CY19 programming schedule.

FTA EBITDA fell by 10% or \$25m for the year, to \$213m. Nine's strong performance in both share and costs was more than offset by the softer overall Free To Air market.

Macquarie Media (ASX: MRN) reported its FY19 results on 7<sup>th</sup> August. Reported revenue was down by 3%, to \$132m, primarily reflecting the slower H2 radio ad market. Coupled with a cost increase of less than 1%, Macquarie Media reported EBITDA before Specific Items of \$27m, down around 17% on previous corresponding period. From an average combined audience perspective, Macquarie's NewsTalk and Sports Networks performed well with growth of nearly 5%<sup>4</sup>, which should underpin leverage when the ad market improves.

<sup>1</sup> Source: Think TV, Metro Free To Air revenue, 12 months to June 2019

<sup>2</sup> Source: Think TV, Metro Free To Air revenue share, 12 months to June 2019

<sup>3</sup> Source: OzTam, 6pm-10.30pm, 12months to June 2019

<sup>4</sup> Source: GfK Mon-Sun Average Audience All People 10+ Survey 4 2019 versus Survey 4 2018

**Table 5: Digital & Publishing**

12 mths to Jun, \$m	FY19	FY18	Variance	
			\$m	%
<b>Revenue</b>	637.3	619.6	+17.7	+3%
<b>Costs</b>	(507.3)	(536.1)	+28.8	+5%
<b>EBITDA</b>	130.1	83.5	+46.6	+56%
<b>Margin</b>	20.4%	13.5%		+ 6.9 pts

Nine's Digital & Publishing division includes Metro Media and 9Now, as well as Nine's other Digital Publishing titles including Pedestrian, CarAdvice and nine.com.au. Together, Digital & Publishing reported revenue of \$637m, up 3% on pcp. Within Digital and Publishing, total print revenues were broadly flat year on year. Print now represents less than half D&P revenues, while print advertising contributes around 20% of total Digital and Publishing revenues.

Digital and Publishing reported a combined EBITDA of \$130m, up 56% for the year, and growth of more than 60% in the second half.

Metro Media reported overall revenue growth of 3% after three years of single digit declines. This growth was underpinned by digital advertising as the Group benefitted from both the Google sales arrangement, as well as being part of the broader Nine Group. Overall, circulation/subscription revenues grew by 2%, with double-digit growth in digital subscribers across each of *The Age*, *SMH* and the *AFR*. Metro Media's ongoing focus on costs resulted in a further decline of c\$21m, which was weighted to the second half as Group synergies and a full period of the print deal with News benefitted. EBITDA increased by 65% to \$83m, the sixth consecutive half of EBITDA growth for the Metro Media business.



In a BVOD market<sup>1</sup> which grew by 38% for the year to \$125m, 9Now further increased its share to ~49%, for revenue growth of 51%. Users and engagement continued to grow with long form VOD streams increasing by 53% across the year, and live streams up by 73%. 9Now increased its EBITDA contribution from \$19m to \$36m, up 87%, with more than 80c of each incremental \$ of revenue flowing through to EBITDA across the year.

Other key components of Digital & Publishing together contributed revenue of \$121m, and EBITDA of \$11m with softer conditions in the broader digital display market impacting.

1. BVOD market includes 9Now, 10Play and 7Plus, KPMG data

**Table 6: Domain (59.2%)**

12 mths to Jun, \$m	FY19	FY18	Variance	
			\$m	%
Revenue	335.6	357.3	(21.7)	(6%)
Share of Profit/(Loss)	(0.3)	(1.4)	+1.1	79%
Costs	(237.3)	(240.2)	-(2.9)	(1%)
EBITDA	98.0	115.7 <sup>2</sup>	(17.8)	(15%)
Margin	29.2%	32.4%		(3.2 pts)

For full details of the Domain result, refer company release 16 August 2019 2 Domain Pro Forma view of FY18 EBITDA

Domain (ASX: DHG) operated in a cyclically challenging property market across the year, particularly in its core markets of Sydney and Melbourne. New listing volumes were down ~12% nationally, weighted for Domain's geographic exposure. Against this backdrop, Domain increased yield, driven by an even mix of depth uptake and pricing. The market weakness also impacted on Domain's Developer and Print operations – the latter now representing less than 15% of Group EBITDA.

Total costs declined by 7% in the second half. As the market softened in the second half, Domain effectively managed its cost base, while continuing to invest in growth initiatives.

Reported EBITDA (pre-Specific Items) was down by 15%. During the year, Domain completed the reorganisation of its operating structure, allowing more focus on its core residential and commercial customers, and reduced its exposure to low margin businesses. Underlying depth and yield improvements have continued, which will result in strong leverage when the cycle returns to normal.

**Table 7: Stan (100%)**

12 mths to Jun, \$m	FY19	FY18	Variance	
			\$m	%
Revenue	157.1	96.8	+60.3	+62%
Costs	(178.4)	(145.3)	(33.1)	(23%)
EBITDA	(21.3)	(48.5)	+27.2	+56%

Stan grew its active subscriber numbers to 1.7m currently, with the strong summer period continuing through the second half. Stan's consistent roll-out of exclusives like *Billions* and *Who Is America?* and local content like *Bloom* complemented the addition of Disney from mid-December. Usage per subscriber continues to increase, with daily total hours streamed now reaching 1.5m.

The combination of the strong subscriber build, and the \$2 price rise from March increased Stan's revenue by 62% across the year and resulted in the Group's first EBITDA positive result in the second half.

**Table 8: Discontinued & Assets held for sale – ACM, Events and Stuff**

12 mths to June, \$m	FY19	FY18	Variance	
			\$m	%
Revenue	653.1	718.2	(65.1)	(9%)
Costs	(589.6)	(620.7)	+31.0	+5%
EBITDA	63.6	97.6	-34.1	-35%

Following implementation of the merger with Fairfax Media on 7 December 2018, Nine completed a review of the breadth and scope of the combined group and determined that Australian Community Media and Printing (ACM), Stuff New Zealand and Events were non-core to the Group going forward. Nine has subsequently announced the sale of both ACM (completed 30 June 2019) and Events (completed 30 May 2019).

In New Zealand, the market remains challenging, which was reflected in Stuff's 10% decline in revenue and 24% drop in EBITDA to \$28m for the year. Stuff remains an asset held for sale, albeit the Group is exploring a number of profit improvement initiatives in parallel with this sale process.

**Table 9: Balance sheet and Pro Forma Cash Flow**

As at	30 Jun 2019	31 Dec 2018	30 Jun 2018
<b>Net Debt (\$m) – wholly owned</b>	120.7	228.3	213.0
<b>Net Debt (\$m) – Consolidated</b>	255.9	370.2	358.0
<b>Net Leverage - wholly owned basis (X)</b>	0.4X	0.6X	0.5X

Pro-forma Operating Cash Flows are considered on a wholly-owned basis from continuing operations. Operating Cash before Specific Items, Interest and Tax for the 12 months was \$269m. This represented an EBITDA conversion of 89%. This is calculated before the cash impact of the final Warner's provision (\$33m) and other specific items (\$20m).

As at 30 June 2019, Net Debt was \$121m, on a wholly-owned basis. Key cash flow components during the year include \$58m cash consideration, and \$71m in acquisition and restructuring costs (incurred across both parties) in relation to the Fairfax merger. In the second half, Nine received \$128m in proceeds from the divestment of Australian Community Media and various sports-related Events. Nine acquired an additional 16.7% of TX Australia for \$11m in the second half, having acquired the minority interests in CarAdvice in the first half for \$27m. The discontinued operations contributed ~\$39m in cashflows.

### ***Dividend***

The Company will pay a final dividend of 5 cents, fully franked, for a full year total dividend of 10 cents. The dividend is payable on 17 October 2019.

### ***Proposed acquisition of MRN minorities***

On 12 August, Nine announced an all cash, off-market takeover offer for all of the outstanding shares in Macquarie Media Limited (ASX:MRN). The offer equates to an enterprise value of \$275m, inclusive of MRN's 30 June net debt of \$22m and the payment of its August 2019 dividend. The acquisition will be 100% funded from cash reserves and existing debt facilities. It is anticipated that the Bidder's Statement for the Offer will be released to MRN shareholders during September 2019.





## ***Current trading environment and outlook***

FTA market conditions remained weak in July. Nine has seen some improvement in August, and currently sees further improvement from September onwards. As a result, while Nine expects its FTA revenue in the current quarter to be down by ~4%, conditions are expected to improve into Q2.

Over the year, Nine expects the FTA market to decline by low single digits, partially offset by growth of at least 1 revenue share point.

In FY20, costs in FTA are expected to increase by ~4% driven by factors including contracted sports rights inflation of ~\$27m, and incremental costs of ~\$15m associated with The Ashes and World Cup Cricket. Overall, non-sports FTA costs are expected to be no worse than flat in FY20, notwithstanding the maintenance of a relatively high level of investment in local content, allowing Nine to capitalize further on current ratings and revenue share momentum.

Digital and Publishing is expected to continue to grow in FY20, driven both by top line growth and further cost efficiency gains in Metro Media, and continuing strong growth at 9Now.

As Domain commented with its result last week, the short term outlook remains defined by growth in yield and lower listing volumes, albeit there have been some encouraging signs of activity in the first weeks of FY20. Continued investment in growth initiatives is being supported by ongoing cost discipline.

On the back of the increasing subscriber numbers, and the recent price increase, Stan expects to move strongly into profitability in FY20.

In terms of the FY20 result, assuming the market conditions above and incorporating previously detailed merger synergies, Nine is expecting to report Pro Forma Group EBITDA growth on a continuing business basis of around 10%.

This is prior to the adjustments detailed in Nine's presentation pack, relating to the implementation of IFRS16 as well as the impact of Purchase Price Accounting.

### **Further information:**

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Further details of the Company's results are included in the  
Final Results Briefing Presentation of 22 August 2019

**SUMMARY OF PRO FORMA RESULTS, CONTINUING BUSINESS BASIS**

<i>\$m</i>	FY19	FY18	Var \$	Var %
Television	1,090.0	1,154.4	(64.3)	(6%)
Radio	131.7	136.4	(4.7)	(3%)
<b>Broadcast</b>	<b>1,221.8</b>	<b>1,290.8</b>	<b>(69.0)</b>	<b>(5%)</b>
Metro Media	454.4	442.9	11.5	3%
9Now	61.7	40.8	20.9	51%
9Digital	121.2	135.9	(14.7)	(11%)
<b>Publishing</b>	<b>637.3</b>	<b>619.6</b>	<b>17.7</b>	<b>3%</b>
Stan	157.1	96.8	60.3	62%
Domain	335.6	357.3	(21.7)	(6%)
Corporate	19.1	18.9	0.2	1%
<i>Intersegment</i>	<i>(29.2)</i>	<i>(19.4)</i>	<i>(9.8)</i>	<i>(51%)</i>
<b>Continuing Rev</b>	<b>2,341.7</b>	<b>2,364.0</b>	<b>(22.3)</b>	<b>(1%)</b>
Television	213.4	238.2	(24.8)	(10%)
Radio	27.2	32.6	(5.4)	(17%)
<b>Broadcast</b>	<b>240.6</b>	<b>270.8</b>	<b>(30.2)</b>	<b>(11%)</b>
Metro Media	82.7	50.2	32.6	65%
9Now	36.2	19.4	16.8	87%
9Digital	11.1	14.0	(2.8)	(20%)
<b>Publishing</b>	<b>130.1</b>	<b>83.5</b>	<b>46.6</b>	<b>56%</b>
Stan	(21.3)	(48.5)	27.2	56%
Domain	98.0	117.5	(19.5)	(17%)
Corporate	(20.7)	(39.8)	19.1	48%
Associates	(2.9)	1.5	(4.4)	NM
<b>Continuing EBITDA</b>	<b>423.8</b>	<b>385.1</b>	<b>38.7</b>	<b>10%</b>
Depreciation	(85.3)	(77.0)	(8.3)	11%
<b>EBIT</b>	<b>338.5</b>	<b>308.0</b>	<b>30.4</b>	<b>10%</b>
Interest	(19.6)	(20.9)	1.3	6%
Tax	(94.0)	(81.2)	(12.9)	(16%)
<b>NPAT pre Min</b>	<b>224.8</b>	<b>205.9</b>	<b>18.9</b>	<b>9%</b>
NCI	(26.5)	(35.2)	8.7	25%
<b>NPAT post Min</b>	<b>198.3</b>	<b>170.6</b>	<b>27.6</b>	<b>16%</b>
<i>EPS (cents)</i>	<i>11.6</i>	<i>10.0</i>	<i>1.6</i>	<i>16%</i>

**GLOSSARY**

- AASB16 – The recently updated accounting standard for leases, which applies to reporting periods beginning on or after 1 January 2019 (from FY20 for Nine)
- BVOD – Broadcast Video On Demand
- Cash Conversion - Refers to operating cash pre Specific Items, tax and interest, divided by EBITDA. Calculated excluding the Warner Brothers settlement payments
- Continuing Business – excludes those assets sold during the period, or currently held for sale, specifically Australian Community Media and Printing (ACM), Events and Stuff New Zealand
- EBITDA – earnings before interest, tax, depreciation and amortisation before Specific Items
- FTA – Free To Air
- FY - full year
- Group EBITDA – EBITDA plus share of Associates' net profit
- Metro – Sydney, Melbourne, Brisbane, Adelaide and Perth
- Net Debt (wholly owned) – Interest bearing loans and borrowings attributed to wholly owned entities less available cash
- Net Debt (combined Group) – Net Debt (wholly owned) plus Net Debt attributed to controlled, but not wholly owned entities (Domain and Macquarie Radio)
- Net Leverage (combined Group) – Net Debt (combined Group) divided by Group EBITDA (last 12 months)
- Net Leverage (wholly owned) – Net Debt (wholly owned) divided by wholly owned Group EBITDA plus dividends received (last 12 months)
- Net Profit after Tax (NPAT) – Net Profit after tax before Specific Items
- Network – Combination of Channels 9, 9Go!, 9Gem and 9Life
- Operating Cash flow - EBITDA adjusted for changes in working capital and other non-cash items plus dividends received from Associates. Excludes cash relating to the Specific Items and the cash impact of the Warners onerous provision
- Premium Revenue – includes branded content, product and brand integration, the use of IP, talent and social, primarily linked to key content franchises
- Pro Forma – consolidating the combined businesses of Nine and Fairfax, including Stan. Includes synergies actually delivered and interest costs from the period of completion. Pro-Forma results exclude Purchase Price Accounting.
- Revenue – operating revenue excluding interest income and Specific Items, and after the elimination of inter-segment revenue
- Specific Items – amounts as set out in Note 2.4 of the 30 June 2019 Statutory Accounts
- Statutory Accounts – audited or auditor reviewed, consolidated financial statements
- Statutory Net Profit/(Loss) – Net Profit/(Loss) for the period before other Comprehensive income/(Loss)
- Statutory Reported – extracted from the Statutory Accounts
- SVOD – Subscription Video On Demand