:::television:::digital:::events

NINE ENTERTAINMENT CO. FY14 FINAL RESULTS ANNOUNCEMENT

Nine Entertainment Co. (ASX: NEC) has reported the Company's final results for the 2014 financial year (FY14). Full year Pro Forma results were ahead of both Prospectus forecasts (Forecast) and FY13 at all key levels.

Key metrics (Pro Forma basis)

$m	Actual FY14	Variance vs Forecast	Variance vs FY13
Revenue	1,578.3	Up 0.8%	Up 5.8%
Group EBITDA	311.0	Up 2.0%	Up 4.7%
Net Profit after Tax	144.2	Up 3.4%	Up 5.5%
Operating Free Cash Flow	271.9	Up 16.9%	Up 16.2%
Earnings per Share (cents)	16.4	Up 3.2%	n/a
Dividends per Share (cents)	4.2	Up 2.5%	n/a

- Underlying Metro FTA advertising market growth of c2.5% (after adjusting for non-cash contra) in line with Forecast, whilst Regional FTA markets were flat
- Nine Network Metro FTA market revenue share continued to improve - growing from 37.9% to 38.7% over the year, favourable to the Forecast of 38.4%
- Solid first half of the 2014 FTA ratings year, retaining leadership in all key advertising demographics
- Integration of Nine Adelaide and Nine Perth on track, with gap to East Coast narrowing
- Record result for Nine Live with strong contributions from each of its principal business lines
- Digital transition and evolution continuing following 100% acquisition of Mi9
- Closing Net Debt of $537m and conservative Net Leverage of 1.7X

David Gyngell, Chief Executive Officer of Nine Entertainment Co. said:

"I am pleased with our performance in FY14 - we have exceeded our Prospectus forecasts across the board, and we are making good operational progress across each of our television, live and digital businesses. Following the completion of the IPO and subsequent debt refinancing, we have a very strong balance sheet with significant flexibility.

In what was an increasingly difficult advertising market, Nine continued its positive momentum, gaining ratings and revenue share across the year and retaining ratings leadership in all key advertiser demographics. Initiatives like the one hour News, added to our strong sport and drama line up and the overall consistency of our schedule, stand us in good stead to continue to drive towards our 40% revenue share target by the end of 2015.

A glossary of capitalised terms used in this release is included in the appendix to this announcement. Further details of certain items including reconciliations to IFRS information are included in the Interim Results Briefing Presentation of 28 August 2014.

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The evolving integration of our leading television and digital businesses will differentiate us from our peers as will the significant and unique cross business opportunities opened up by the expansion of our Nine Live business.

While the more recent advertising environment has been challenging, we are focused on improving the things we can control and enhancing our relative positioning through market leadership, consistency, and innovation."

Key financials (Pro Forma basis)

$m	Actual FY14	Forecast FY14	Variance vs Forecast		Actual FY13
			$m	%	
Revenue	1,578.3	1,565.9	+12.4	+0.8%	1,493.0
Group EBITDA	311.0	305.0	+6.0	+2.0%	297.2
Net Profit after Tax	144.2	139.5	+4.7	+3.4%	136.7
Operating Free Cash Flow	271.9	232.6	+39.3	+16.9%	234.1
Dividends per Share (Cents)	4.2	4.1	+0.1	+2.5%	-
	Actual 30 June 2014	**Actual 30 June 2013**			**Actual 30 June 2013**
Net Debt	537.3	601.7	-64.4	-10.7%	601.7
Net Leverage (X)	1.7X	2.0X	-0.3X	-15.0%	2.0X

On a Statutory Reported basis, Net Profit after Tax decreased from a profit of $1,201m to a profit of $58m. Statutory Reported results in the current and prior year were impacted by a number of one-off significant items, acquisitions, divestments and a recapitalisation of the Company's balance sheet. This discussion therefore focuses on the Pro Forma results, which adjust for acquisitions and divestments, listed company costs, IPO and other one-off impacts, to provide a like-for-like comparison of underlying results year-on-year, on a basis consistent with that used for the Forecast.

Compared with FY13, Pro Forma Revenue increased 5.7% to $1,578m, Group EBITDA increased 4.7% to $311m and Pro Forma Net Profit after Tax increased from $137m to $144m. Each of these key metrics exceeded the Pro Forma Forecast.

Pro Forma Operating Free Cash Flow of $272m was up 16% on the prior corresponding period and 17% on Forecast.

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The 4.2 cents per share dividend is 2.5% ahead of Forecast. This dividend, which is unfranked, is payable on 17 October 2014.

Net Debt at 30 June 2014 of $537m was down $64m from the 30 June 2013 Pro Forma despite approximately $36m of cash costs incurred closing out the previous debt facility in late June 2014. Net Leverage of 1.7 times compares favourably with the 30 June 2013 Pro Forma of 2.0 times and provides the Company with significant financial flexibility.

Nine Network (Pro Forma basis)

$m	Actual FY14	Prospectus Forecast FY14	Variance vs Forecast		Actual FY13
			$m	%	
Revenue	1,227.6	1,231.4	-3.8	-0.3%	1,177.6
EBITDA	241.5	237.6	+3.9	+1.6%	221.0
Margin	19.7%	19.3%		+0.4 pts	18.8%

Compared with the prior year, Nine Network recorded EBITDA growth of 9.3% to $242m on Revenue of $1,228m, up 4.3% on a like-for-like basis. EBITDA was up 1.6% on Forecast on Revenue which fell $4m short of Forecast, due to weaker than anticipated regional markets and softer low margin non-advertising revenues.

After a solid rebound in the December half, when the Metro FTA advertising market grew by 5%, the June half was more subdued. Uncertainty relating to the 2014 Federal Budget saw a significant softening in the advertising market with the Metro FTA market growing just 1.7% in the second half. After adjusting for an increase in contra under new sport contracts, which is estimated to have contributed around 1.0 percentage point of market growth, the underlying FY14 Metro FTA advertising market is estimated to have grown c2.5% over the year, in line with Forecast.

Nine Network's Metro FTA revenue share of 38.7%^ over the year was up 0.8 percentage points on the prior corresponding period, and was 0.3 percentage points above Forecast. Regional markets recorded overall TV advertising revenue which was flat on FY13 which muted overall growth.

Nine remained Australia's most watched television network in the key 25-54, 18-49 and 16-39 age demographics, reporting audience share growth across all key demographics, as well as All People^^ in FY14.

Over the year, Nine Network's costs increased by $30m reflecting a full year of the step up in costs from the new 5 year contracts for the NRL and Cricket, as well as incremental investment in News and local programming, partially offset by the saving of Olympic costs from the prior year. Costs were however c$8m below Forecast, despite the increased News investment.

The EBITDA Margin increased by 0.9 percentage point to 19.7% which was 0.4 percentage points favourable to Forecast.

^ Source: Free TV
^^ Source: OzTam, 6am-midnight,1 July 2013 to 30 June 2014 – Ex 2012 Olympics

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Nine Live (previously Nine Events)

$m	Actual FY14	Prospectus Forecast FY14	Variance vs Forecast		Actual FY13
			$m	%	
Revenue	228.0	211.8	+16.2	+7.7%	167.4
EBITDA	68.0	67.1	+0.9	+1.4%	57.3
Margin	29.9%	31.7%		-1.8 pts	34.3%

Nine Live reported EBITDA growth of 19% to $68m on Revenue of $228m, up 36% on the prior year. Revenue was $16m above Forecast, predominantly driven by Nine Touring and Events, while EBITDA was approximately $1m ahead of Forecast. All of the principal Live businesses contributed to this growth.

Ticketek, which accounts for the majority of Nine Live's revenues, delivered a 7% increase in ticket sales volumes for the year, coupled with a 2.5% increase in average revenue per ticket. During the year, Ticketek renewed a number of key ticketing agency contracts including the Melbourne Olympic Park Trust, Melbourne Cricket Ground and ANZ Stadium.

Allphones Arena recorded a significantly improved performance for the year following a particularly soft prior year, with total attendances increasing by more than 50%. Higher attendances drove improvements across all related revenue streams.

The Nine Touring and Events business continued to grow in its second full year of operation, with the successful One Direction, Keith Urban and Ricky Martin tours, all in the first half, contributing much of its result, and demonstrating the benefits of integration across the Company's different business units. The growth in the Nine Touring and Events business, which is at a markedly lower margin than the core ticketing business, was the main contributor to the decline in the overall Nine Live margin to 29.9%.

Nine Digital

$m	Underlying^ Actual FY14	Underlying^ Actual FY13	Underlying^ Variance		Pro Forma^^ FY14
			$m	%	
Revenue	158.7	147.9	+10.8	+7.3%	122.7
EBITDA	28.0	33.1	-5.1	-15.4%	15.6
Margin	17.7%	22.4%		- 4.7 pts	12.8%

^ Underlying results reflect 100% of the revenue and earnings of Nine Digital in the respective periods
^^ Pro Forma results represent the expected baseline results of Nine Digital following changes in business operations effective during the 2014 calendar year

On an Underlying basis, Nine Digital recorded 7% revenue growth, which was driven primarily by a 90% lift in search revenues and a 28% increase in video revenues offset by lower display advertising revenue reflecting the continued fragmentation of the online display market. The EBITDA decline of 15% on an Underlying basis reflects an evolving change in mix to lower margin third party inventory and the impact of incremental product investment costs required to mitigate the impact of upcoming audience reduction from the Microsoft changes.

Certain changes to the operation of the Digital business will occur through the balance of calendar 2014 which will result in a reduction of web traffic to the Mi9 site, amongst other things. The Company continues to consider the $15.6m Pro Forma EBITDA run rate as reported in the Prospectus to be a realistic assessment of the new baseline results of this business following these changes.

Balance sheet and cash flow (Pro Forma basis)

	Actual FY14	Forecast FY14	Variance	
			$m	**%**
Operating Free Cash Flow ($m)	271.9	232.6	+39.3	+16.9%
Operating Free Cash Flow Conversion (%)	87.4%	76.3%		+11.1 pts
	Actual 30 June 2014	**Actual 30 June 2013**		
Net Debt ($m)	537.3	601.7	-64.4	-10.7%
Net Leverage (X)	1.7X	2.0X	-0.3X	-15.0%

Operating Free Cash Flow improved 16% on FY13 and was $39m or 17% favourable to Forecast. As anticipated, much of the first half outperformance was reversed in the second half as the benefits of the favourable timing of certain sport and local production payments unwound. Nevertheless, Operating Free Cash Flow Conversion improved 8.6 percentage points over the year to 87%, 11.1 percentage points favourable to Forecast.

As at 30 June 2014, Net Debt of $537m equated to Net Leverage of 1.7X. The Company's debt facilities were refinanced in June 2014. These new facilities, with a maturity of 4-5 years, will reduce the Company's cash interest expense by c$20m pa (assuming Net Debt remains broadly unchanged), provide increased operating flexibility and significant undrawn capacity. The Company's comparatively modest leverage means it is well positioned to manage through economic cycles and/or take advantage of any strategic opportunities which might arise.

Dividend

The Company will pay a final dividend of 4.2 cents, unfranked, on 17 October 2014, which is marginally ahead of the 4.1 cents forecast in the Prospectus.

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The dividend will have exempting credits attached such that the exempting percentage of the dividend is 100%. The exempting credits will only provide an imputation benefit (in terms of no dividend withholding tax) to certain foreign resident shareholders who held more than 5% of NEC's shares prior to the IPO and continue to hold more than 5% of NEC's shares at the time the dividend is paid. The exempting credits attached to the dividend do not provide a tax offset for Australian resident shareholders. Individual shareholders should seek their own professional advice as to their eligibility to utilise these exempting credits.

Current trading environment and outlook

The Metro FTA advertising market has been soft since April, and has struggled to recover from the uncertainty leading into and following the Federal Budget. Exacerbated by Federal Election spending which boosted the market in 2013, it looks likely that the Metro FTA advertising market will be down 5 – 10% on the prior corresponding period in the September quarter. Against this backdrop, the Company remains confident of its FTA share performance and momentum and continues to target a 40% advertising revenue share by the end of calendar 2015.

The Live business continues to explore opportunities to build on the solid foundations of Ticketek and Allphones Arena. The recent announcement of its expansion into the promotion of international sporting events and a strong pipeline of developing touring and events opportunities will help to maintain the long term growth profile of this business.

FY15 will be a period of transition for Nine Digital, with a number of changes to the structure and operations of the business implemented across the year. The Company remains confident that the Pro Forma estimated result for the year to June 2014 included in the Prospectus is a representative baseline from which the business will grow. Since its launch, Daily Mail Australia (a 50/50 joint venture with Daily Mail Group) has grown to become the #5 most visited news website in the country and with its positive momentum, is well on track to achieve its target of becoming #1.

In light of the soft FTA market over the first quarter of the new financial year, first half results are likely to be subdued, although mitigated to some extent by the benefit of the annualised $20m savings on the Company's interest costs following its debt refinancing late in FY14.

Sydney, Australia
28 August 2014

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APPENDIX

GLOSSARY

- EBITDA – earnings before interest, tax, depreciation and amortisation, from continuing businesses before Specific Items
- Forecast – as presented in the Prospectus
- FTA – free-to-air
- Group EBITDA – EBITDA plus share of Associates' net profit, from continuing businesses before Specific Items
- IPO – Initial Public Offering
- Metro – Sydney, Melbourne, Brisbane, Adelaide and Perth
- Net Debt – gross debt per the balance sheet net of mark-to-market on debt hedge instruments less available cash plus deferred purchase consideration on the acquisition of controlled entities
- Net Leverage – Net Debt divided by Group EBITDA
- Net Profit after Tax (NPAT) – net profit after tax, from continuing businesses
- 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 adopted in the Prospectus 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 2014
- 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 prior to the elimination of inter-segment revenue
- Specific Items – amounts as set out in Note 2(b) of the FY14 Statutory Accounts
- Statutory Accounts – audited consolidated financial statements
- Statutory Reported – extracted from the Statutory Accounts
- Underlying – 100% of the earnings of Mi9 in the respective periods

Further details of the Company's results including reconciliations to IFRS information are included in the Full Year Results Briefing Presentation of 28 August 2014.

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