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ASX Markets Announcements Office
ASX Limited
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2021 INTERIM RESULTS ANNOUNCEMENT

Attached is a copy of the ASX release relating to the 2021 Interim Financial Results for Nine Entertainment Co. Holdings Limited.

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Authorised for release: Nine Board

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NINE ENTERTAINMENT CO. FY21 INTERIM RESULTS

24 February 2021: Nine Entertainment Co. (ASX: NEC) has released its H1 FY21 results for the six months to December 2020. For the half, Nine reported Revenue of $1.2b and a Net Profit of $182m, which included a post-tax Specific Item expense of $5m.

Group EBITDA of $355m equated to growth of 42% on H1 FY20 (like-basis), in-line with earlier guidance of `more than 40%' growth, with operating conditions gaining positive momentum across the half. Net Profit After Tax and Minority Interests was $178m, up 69% on the previous corresponding period.

Key takeaways include:

- Continued audience strength across all key platforms
- Marked improvement in ad markets through Q2, with strong growth in BVOD and FTA
- Continued growth from subscription businesses
  - $23m EBITDA improvement at Stan
  - 26% growth in digital subscription and licensing revenue from Publishing
- Group-wide costs down 13%, or $124m
- 53% growth in digital EBITDA to 41% of Group EBITDA
- Net Debt (wholly owned) of ~ $150m, equating to leverage of ~0.4X
- Commitment to return Nine's JobKeeper allowance (relating to wholly-owned businesses) to the Federal Government

Hugh Marks, Chief Executive Officer of Nine Entertainment Co. said: "Our business has performed incredibly well through this period of heightened volatility, and has come out the other side in a very strong operating position. We acted swiftly when circumstances changed, whilst continuing to embrace opportunity and remain true to our vision - of building Australia's leading cross-platform media business. In these latest six months, the combined contribution from Stan and 9Now, and the digital components of Domain and Publishing grew by 53% to more than $140m, and, notwithstanding the strong recovery in earnings from our traditional markets, equated to 41% of our total EBITDA.

From an advertising perspective, this latest half year was a tale of two quarters. The advertising market clearly turned in late September, earlier and more sharply than we had anticipated, and this was led by Television, both Free To Air and BVOD. The brand-building strength of these segments underpinned clear growth in market share overall for the Television industry, that has continued into the first quarter of 2021. Nine's consistently strong audience performance, across all of our platforms, means we are well positioned to benefit from this improvement in the ad cycle.

The lessons we have learned from COVID are clear. Our focus on strict cost efficiency at our traditional media assets delivered the profitability we were targeting. And continued investment in our digital businesses is delivering strong digital profit growth. Together, enabling us to continue to migrate the business to a more flexible, digital-base.

Moreover, the accelerated growth in businesses like Stan and 9Now, as well as our digital publishing mastheads, has enabled us to bring forward our longer term plans. And importantly has enhanced our competitive position across all segments. This will enable us to continue to invest in our audiences to ensure continued growth into the future.

I've had a great five years at Nine, and am confident that I am handing over the reins at the perfect time – of a business which is clearly firing on all cylinders, but that has plenty of scope to accelerate its profitability in the coming few years."

Table 1: Group Results[1]

6 months to December $m	H1 FY21	H1 FY20	Variance	
			$m	%
Revenue	1,162.8	1,182.5	(19.7)	(2%)
Group EBITDA	355.4	250.8	+104.6	+42%
Net Profit after Tax	186.9	114.3	+72.6	+64%
Net Profit after Tax and Minorities	177.7	105.1	+72.6	+69%
Fully diluted Earnings per Share (cents)	10.4	6.2	+4.2c	+69%
Dividends per share (cents)	5.0	5.0	-	-

[1] Pre Specific Items,. Continuing businesses

On revenue of $1,163m (-2%), Nine reported EBITDA of $355m, equating to growth of 42%, and consistent with the December guidance of `more than 40%'. Net Profit after Tax and Minorities of $178m was up 69% on the H1 FY20 (like-basis) result. Earnings per Share of 10.4 cents was similarly up 69% on the previous corresponding period. Specific Items totaled a cost of ~$5m, and are detailed in Appendix 2.

Table 2: Broadcast[1]

6 months to December $m	H1 FY21	H1 FY20	Variance	
			$m	%
Revenue	621.5	630.8	(9.3)	(1%)
Costs	(414.1)	(485.3)	(71.2)	(15%)
EBITDA	207.4	145.5	+61.9	+43%
Margin	33.4%	23.1%		+10.3 pts

[1] Pre Specific Items

Nine's Broadcast division comprises Nine Network (FTA), 9Now as well as Nine Radio. Together, Broadcast reported EBITDA of $207m on revenues of $622m for the half.

Nine Network reported a revenue decline of 2%, or $8m for the half. After a September quarter decline of 14.3%[1], the Metro Free To Air ad market grew by 16.6%[1] in the December quarter, combining for growth of 0.6% across the half. Nine's Metro FTA revenue share of 38.6%[1] was broadly flat on pcp.

For Ratings Season 2020, Nine was the #1 Network and Primary Channel in all key demographics. Nine attracted a commercial network share of 37.5%[2] of the 25-54 demographic, 4.7 points ahead of its nearest competitor. On a primary channel basis, Nine's share of the 25-54s was 38.3%[2], and 6.1 share points ahead of its nearest competitor. In the December half, Nine also won all of the key demographics[2].

FTA costs declined by 16%, or ~$70m. There were both cyclical and structural elements to the cost decline, which was partially offset by a close to $10m increase in revenue-related costs, given the stronger market.

For the half, FTA EBITDA increased by 55%, to $171m, with the associated margin of almost 33% being the highest achieved since Nine listed in 2013.

The BVOD market grew by 44% for the half to $123m[3], with both quarters showing clear growth (+41% in Q1 and 48% in Q2). 9Now recorded revenue growth of 30%, equating to share of ~45%.

Nine's investment in incremental content helped to broaden usage, with Daily Active Users up 8% across the period, notwithstanding the absence of *Love Island* (which contributed as much as half the VOD minutes in the months it played). Live and VOD minutes streamed increased by 24% across the half on pcp. Overall, 9Now increased its EBITDA contribution by 22% to $33m.

The radio market generally had a difficult 6 months, with the advertising recovery lagging that of television. The Metro radio ad market declined by 19%[4] across the six months - Nine's gross ad revenues declining by a similar quantum, with growth in agency share being offset by a softer performance in direct. First half costs declined by 18% or $9m, reflecting ongoing cost out, and restructuring initiatives. Nine Radio reported EBITDA of $3m, for the half.

Since Nine's major format changes through the first half of calendar 2020, audiences have grown across all core talk stations[5]. Recent changes in sales structures, coupled with this audience growth, are expected to underpin leverage as the ad market improves.

[1] Source: Think TV, Metro Free To Air revenue and share, 6 months to December 2020
[2] Source: OzTam, 6pm-10.30pm, 6 months to December 2020
[3] Source: Think TV, BVOD revenue (9Now, 7Plus and 10Play), 6 months to December 2020
[4] Source: Commercial Radio Australia, 6 months to December 2020
[5] Source: Gfk survey 8 2020 vs survey 8 2019. Cumulative audience, 5.30am-midnight, 10+

Table 3: Publishing[1]

6 months to December $m	H1 FY21	H1 FY20	Variance $m	Variance %
Revenue	263.4	288.3	(24.9)	(9%)
Costs	(195.3)	(234.6)	(39.3)	(17%)
EBITDA	68.1	53.8	+14.4	+27%
Margin	25.9%	18.6%		+7.3 pts

[1] Pre Specific Items

Nine's Publishing division includes the core Metro Media business as well as nine.com.au, Pedestrian Group and Drive. Together, Publishing reported revenue of $263m, (-9% on pcp) and EBITDA of $68m, up 27% on pcp.

Audiences across our mastheads strongly increased over the half, with readership across *The Sydney Morning Herald*, *The Age* and the *Financial Review* up 22%, 24% and 25% respectively[1]. This translated into paying audience, with ~ 26% growth in digital subscription and licensing revenue. This strong growth in digital subscriptions reflects the structural trend of audiences paying for quality journalism, and an accelerating transition towards a business model focussed on recurring, digital reader revenue.

Offsetting, print retail sales declined 18%, with sharp reductions particularly from the hotel, airport and CBD segments.

Digital advertising revenue grew marginally in the first half, with growth in mast-heads, nine.com.au and Pedestrian. Print advertising remained soft however, with the leading travel and luxury goods categories being hard hit by lockdowns.

Overall, Publishing costs were down by 17%. Of the almost $40m reduction, around half related to production and distribution, driven both by reduced print volumes and our new printing arrangements. While COVID-related timing issues account for more than half the cost out in this period, incremental initiatives through calendar 2021 and 2022 will more than offset, with the previous outlined target of a c$30m maintainable net cost out (from 2019) remaining intact.

In total, Publishing EBITDA increased by 27% to ~$68m for the half.

1 Total Reach Readership September 2020 vs September 2019, EMMA data

Table 4: Stan

6 months to December $m	H1 FY21	H1 FY20	Variance	
			$m	%
Revenue	149.1	116.6	+32.5	+28%
Costs	(112.6)	(102.6)	10.0	+10%
EBITDA	36.5	14.0	+22.5	+161%
Margin	24.5%	12.0%		+12.5 pts

During the half, Stan consolidated on the subscriber gains of FY20, with the strong summer period resulting in current active subscribers of 2.3m. Across the half, Stan sourced content from 18 different distributors. Particularly popular were Sky Original *Gangs of London,* the Bryan Cranston series *Your Honour* (CBS Showtime), the reboot of *Saved By The Bell* (NBC Universal), the hit new UK drama series *It's a Sin* (All3 Media), *Clarice* (MGM) and Stan Originals *A Sunburnt Christmas* and more recently *Bump*, which was released on January 1 and has quickly become Stan's most successful show of all time. Across the half, total streams increased by almost 20%.

The higher subscriber base going into this half, coupled with the September price increase (premium plan subscribers from $17 to $19) underpinned the reported 28% growth in revenues. Costs increased by 10% (split fairly equally by content and marketing), resulting in an EBITDA more than doubling to $37m.

The strong subscriber growth of the past 12 months has enabled Stan to expedite previous growth ambitions. During the half, Stan announced a long-term content deal with NBCU, the launch of Stan Sports as well as an increased commitment to Stan Originals. Already, Stan has a strong market position and significant EBITDA and cash profitability. There remains substantial upside in both subscribers and profitability for Stan on a longer-term basis.

Table 5: Domain

6 months to December $m	H1 FY21	H1 FY20	Variance	
			$m	%
Revenue	136.9	147.0	(10.0)	(7%)
Costs	(82.5)	(99.9)	(17.4)	(17%)
EBITDA	54.4	47.0	7.4	16%
Margin	39.7%	32.0%		+7.7 pts

Domain (ASX: DHG) reported a strong result in an unpredictable market, as COVID and the associated lockdowns impacted on the normal pattern of real estate markets. Notwithstanding this volatility, the underlying residential market performed better than anticipated, with new listing volumes across the half up ~2% nationally. Against this backdrop, Domain increased controllable yield by ~9% through a mix of higher depth penetration and price increases. Overall, Domain's residential revenues increased by 11% (9% on a like-for-like basis[1]), underpinning core Digital EBITDA growth of 33% (20% like-for-like[1]). This growth was offset slightly by weaker Commercial markets.

Total costs declined by 17% (-10% like-for-like[1]). Staff costs benefitted rom the JobKeeper subsidy and Domain's Zipline program. Reductions in marketing, and production and distribution were partially offset by ongoing investment in product, technology and data as core to Domain's growth strategy.

EBITDA was up by 16% to $54m (3.6% like-for-like[1]). During the year, Domain continued to grow its audiences, and focused on rolling out and broadening its Marketplaces strategy. Depth and yield improvements have continued, which will result in strong leverage as the cycle returns to normal.

1. As adjusted in Domain (ASX:DHG) result, 16 February 2021. Adjustments include revenue deferrals, acquisitions and divestments and JobKeeper benefits

Table 6: Balance Sheet and Cash Flow

As at	31 Dec 2020	30 Jun 2020	31 Dec 2019
Net Debt ($m) – wholly owned	149.5	291.2	278.2
Net Debt ($m) – Consolidated	261.0	396.9	426.1
Net Leverage - wholly owned basis[1]	0.4X	0.9X	0.8X[1]

1 31 December 2019 leverage calculated pre AASB16 impact

Operating Cash before Specific Items, Interest and Tax for the 6 months was $252m, calculated on a wholly-owned basis, which equated to cash conversion of 84%, the late period market recovery impacting on working capital.

As at 31 December 2020, Net Debt (wholly owned) was $150m, which equated to Net Leverage of ~0.4X. Nine's strong revenue growth in the December quarter coupled with cost controls, and some timing benefits relating to tax payments, underpinned the $140m reduction in Net Debt.

Dividend

The Company intends to pay a dividend of 5.0 cents per share, fully franked (payable 20 April 2021). While this equates to ~ 50% of Net Profit After Tax and before Specific Items in this half, Nine intends to maintain its payout ratio of c60-80% across the full year.

Current trading environment and outlook

The advertising market continues to show strength, with Television in particular benefiting from a shift to 'brand' by major advertisers. At this stage, March quarter FTA revenues for the metro market are expected to be up in the low-to-mid single digits, notwithstanding the timing of Easter.

This strong revenue performance will impact revenue-related costs (sales commissions and incentives). In total, FTA costs are expected to decrease by around 3% over the year, or approximately 5% excluding this impact.

The BVOD market is expected to continue to grow strongly through the second half. In December and January, the BVOD market continued to grow as all players invest in their product - by 77% in December and an Australian Open-affected 21% in January. As a category, BVOD is finally beginning to realise its potential with growth accelerating. Nine's market-leading deal with Adobe will enable further monetization of Nine's competitive data advantage.

Nine Radio is expected to improve into FY22, as the radio market begins to recover.

Digital trends in Publishing are expected to continue to improve, albeit partially offset by further short-term weakness in print. The primary focus in the second half will be the passing of the News Media Bargaining code which will provide an incremental revenue stream through the licensing of news content to digital platforms. This will underpin Nine's ability to continue to invest in news journalism into the future.

Recent subscriber momentum is expected to continue at Stan, driven by the launch of Stan Sports as well as the investment in incremental entertainment content. This further investment is expected to expedite subscriber build, underpinning Stan's longer term potential.

As Domain commented with its result last week, trading for the start of 2021 has been encouraging, albeit with the continuation of atypical seasonal patterns, making it difficult to predict second half results.

All of Nine's businesses are performing strongly within themselves, and the market environment remains supportive.

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APPENDIX 1

SUMMARY OF GROUP RESULTS

6 months to December $m	FY21	FY20[1]	Variance $m	Variance %
REVENUE				
Television	522.8	531.2	(8.4)	(2%)
9Now	54.6	42.0	12.6	30%
Radio	44.0	57.6	(13.6)	(24%)
Broadcast	**621.5**	**630.8**	**(9.3)**	**(1%)**
Publishing	**263.4**	**288.3**	**(24.9)**	**(9%)**
Stan	149.1	116.6	32.5	28%
Domain	136.9	147.0	(10.1)	(7%)
Corporate	1.1	9.2	(8.1)	(88%)
Intersegment	(9.2)	(9.4)	0.2	(2%)
Group Revenue	**1,162.8**	**1,182.5**	**(19.7)**	**(2%)**
EBITDA				
Television	171.3	110.6	60.7	55%
9Now	33.2	27.3	5.9	22%
Radio	2.9	7.6	(4.7)	(62%)
Broadcast	**207.4**	**145.5**	**61.9**	**43%**
Publishing	**68.1**	**53.8**	**14.3**	**27%**
Stan	36.5	14.0	22.5	161%
Domain	54.4	47.0	7.4	16%
Corporate	(12.0)	(9.6)	(2.4)	25%
Associates	1.0	0.1	0.9	1839%
Group EBITDA	**355.4**	**250.8**	**104.6**	**42%**
Depreciation, amortisation	(76.3)	(73.9)	(2.4)	3%
Group EBIT	**279.0**	**176.9**	**102.2**	**58%**
Net Interest	(14.2)	(13.2)	(1.0)	8%
Tax	(78.0)	(49.4)	(28.5)	58%
Non-controlling interests	(9.2)	(9.2)	(0.0)	0%
NPAT	**177.6**	**105.1**	**72.6**	**69%**

[1] continuing operations

Further details of the Company's results are included in the Interim Results Presentation of 24 February 2021

APPENDIX 2 - SPECIFIC ITEMS[1]

6 months to December, $m	H1 FY21
Net gain on contingent consideration payable and sale of financial assets	1.4
Restructuring the termination costs	(4.0)
Impairment	(5.3)
Total Specific Items before tax	(7.9)
Tax relating to Specific Items	2.8
Net Specific Items after tax	(5.1)

1 Statutory reported

APPENDIX 3 - GLOSSARY

- Broadcast – comprises Nine Network, 9Now and Nine Radio
- BVOD – Broadcast Video On Demand
- Cash Conversion - Refers to operating cash pre Specific Items, tax and interest, divided by EBITDA
- Costs – Defined as revenue - EBITDA
- Digital EBITDA – Stan and 9Now plus the digital components of Publishing and Domain (59%)
- Discontinued businesses – Assets sold during the period or currently held for sale
- EBIT – Earnings before interest and tax, before Specific Items
- EBITDA – earnings before interest, tax, depreciation and amortisation before Specific Items
- FTA – Free To Air
- FY – financial year
- Group EBITDA – EBITDA plus share of Associates' net profit
- H1 – first half
- Key demographics – All People 25-54, 16-39, 18-49 and Grocery Buyers with Children
- Metro – Sydney, Melbourne, Brisbane, Adelaide and Perth
- Net Debt – Statutory reported cash less interest bearing loans and borrowings, excluding finance lease liabilities
- Net Debt (wholly owned) - Net Debt less controlled, not wholly owned entities (Domain + MRN in previous results)
- Net Leverage – 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 channel 9, 9Go!, 9Gem, 9Life and 9Rush
- NM – Not meaningful
- 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 payments for lease liabilities
- PCP – previous corresponding period
- Publishing – comprises mastheads, nine.com.au, Drive and Pedestrian
- Reader revenues – Publishing revenue sourced from, or related to consumers, excludes advertising
- 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 31 December 2020 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
- TV Combined – Net Network + 9Now
- UA – Unique Audience
- VOZ - VirtualOZ