24 February 2022

ASX Markets Announcement Office
ASX Limited
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2022 INTERIM RESULTS ANNOUNCEMENT

Attached is a copy of the ASX release relating to the 2022 Interim Financial Results for Nine Entertainment Co. Holdings Limited.

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Authorised for release: Nine Board sub-committee

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NINE ENTERTAINMENT CO. FY22 INTERIM RESULTS

24 February 2022: Nine Entertainment Co. (ASX: NEC) has released its results for the 6 months to December 2021. For the period, Nine reported Revenue of $1.3b and a Net Profit After Tax of $213m, which included a post-tax Specific Item expense of $12m.

Group EBITDA, before Specific items, of $406m equated to growth of 15%, ahead of the ~10% guidance given at the AGM in November. Profit After Tax and Minorities, before Specific Items was $213m, up 20% on the previous corresponding period.

Key takeaways include:

- Continued audience strength across all key platforms – Free To Air, 9Now, Publishing, Radio and Stan
- Record revenue year (CY2021) for Total Television (FTA + BVOD)
- Strong growth from all Television platforms
    - Total Television EBITDA growth of 16% on revenue growth of 11%
    - Growth to over 2.5m active subscribers currently, driving 23% revenue growth at Stan
    - Further growth at Stan Sport, supporting increased outlook for Stan EBITDA
- 39% ($27m) growth in first half Publishing EBITDA driven by Subscription and Licensing
- 53% growth in Domain's (ongoing) EBITDA, leveraging the property market recovery
- 31% growth in Digital Revenue and EBITDA, with Digital EBITDA now accounting for 46% of Group total
- Strong balance sheet, and 40% increase in interim dividend (on pcp) to 7.0 cents per share

Mike Sneesby, Chief Executive Officer of Nine Entertainment Co. said: "We are really pleased with how Nine closed calendar 2021, with strong audience and revenue performance across all businesses, both subscription and advertising, underpinning 15% growth in EBITDA for the December half and surpassing the guidance we gave back in November. Momentum remains clearly positive, with full year guidance now of around 25% Group EBITDA growth to what would be a record result for Nine. Importantly, these results continue to be delivered by increasingly diversified, and increasingly digital revenue streams.

Moreover, this momentum has continued into 2022, with Nine's content across all platforms underpinning a strong start to the year which, coupled with continuing strength in advertising markets and further growth in subscriptions, creates a great foundation for the business looking forward.

Nine's opportunity has never been clearer. In Total Television, we have balanced our programming decisions across broadcast and streaming, and carefully invested in and expanded the reach of 9Now, resulting in record Total Television revenues in calendar 2021, more than any year in Nine's history. At Stan, we are continuing to grow revenues and subscribers while expanding our annual volume of Stan Originals as we take greater control of our premium content pipeline and continue to invest in Stan Sport. In Radio, we have been strengthening our underlying business, while building our audiences, and with 23% of our listeners now live streaming our content, there is a real opportunity to further expand our Digital revenues. And in Publishing, we will continue to invest in the product, ensuring greater audience reach and higher subscriber numbers, of course augmented by the licensing agreements with Google and Facebook.

I'm very proud of what the team at Nine has achieved this year. We understand the importance of amplifying and sharing the stories Australians want to watch, read or hear and we are defining what an Australian digital media company looks like."

Table 1: Group Results[1]

6 months to December $m	H1 FY22	H1 FY21	Variance	
			$m	%
Revenue	1,332.9	1,154.3	+178.6	+15%
Group EBITDA	406.3	354.3	+52.0	+15%
Net Profit after Tax	225.2	187.4	+37.8	+20%
Net Profit after Tax and Minorities	212.9	178.0	+34.9	+20%
Fully diluted Earnings per Share (cents)	12.5	10.4	+2.1c	+20%
Dividends per share (cents)	7.0	5.0	+2.0c	+40%

[1] Pre Specific Items

On revenue of $1.3b, Nine reported EBITDA of $406m, up 15% on the previous corresponding period, continuing the momentum of FY21. Net Profit after Tax and Minorities of $213m was up 20% on H1 FY21. Earnings per share of 12.5 cents was also up 20% on pcp. Specific Items totaled a cost of $12m and are detailed in Appendix 2. Nine has announced its intention to pay an interim dividend of 7.0 cents, compared with 5.0 cents in the previous corresponding period, which equates to a payout ratio of 56%.

Table 2: Broadcast[1]

6 months to December $m	H1 FY22	H1 FY21	Variance	
			$m	%
Revenue[2]	681.7	616.4	+65.3	11%
Costs	(438.7)	(409.0)	(29.7)	(7%)
EBITDA	243.0	207.4	+35.6	17%
Margin	35.7%	33.7%		+2.0 pts

[1] Pre Specific Items
[2] 9Now revenue in H1 FY21 has been restated as net (previously gross) Refer Nine"s ASX released Results Presentation for reconciliation

Nine's Broadcast division comprises Total Television (Nine Network and 9Now) as well as Nine Radio. Together, Broadcast reported EBITDA of $243m on revenues of $682m for the six months.

Across Total Television, revenue increased by 11% and EBITDA by 16%, with strong growth across both Nine Network and 9Now. On pre-COVID H1 FY20, EBITDA is up 72%.

Nine Network reported revenue growth of 7% for the six months to $559m. The Metro Free To Air advertising market was up 13%[1] for the half, with Nine's FTA revenue share of 36% reflecting the Tokyo Olympics during the period.

Across the survey year 2021, Nine was the #1 Network and Primary Channel in all key demographics, attracting a commercial network share of 37.9%[2] and a primary channel share of 39.5%[2] of the 25-54 demographic.

For the six months to December, on a primary channel basis, Nine's share of the 25-54s was 38.7%[2], more than three share points ahead of the next placed channel.

FTA costs increased by 5%, or ~$18m. The increase reflected the normalisation of some COVID-related cost relief in FY21, some incremental lock-down related costs as well as costs relating to the broadcast of Rugby and Wimbledon. The second half cost increase is expected to be lower, with the increase in tennis rights (post COVID-relief in 2021) the primary driver.

For the six months to December, FTA EBITDA increased by 10% to $189m, equating to a first half margin of almost 34%.

9Now continued to grow strongly, with revenue growth of 50%. EBITDA of $48m was up 45% on H1 FY21, and accounted for around 20% of Total Television profitability. The cost increase of ~$10m reflected the return of some COVID-disrupted or delayed content including the *Love Island*s *(UK and Australia)* and other components of NBCU content originally scheduled for availability earlier in the contract. Daily Active Users grew by a further 55%, while live streaming (minutes) were up by 75%. Overall, the BVOD market grew by 58% for the six months to $193m[3].

With the key markets of Melbourne and Sydney opening up during the half, the Metro radio ad market gained momentum, and finished the half up 13%[4] on the previous corresponding period. Nine also gained share momentum, both on an audience and revenue basis, with ad revenues up 15% for the half. Nine Radio reported EBITDA of $6m, more than double the pcp, with the benefits of previous cost reductions and sale restructures combining with the improving advertising market.

[1] Source: Think TV, Metro Free To Air revenue and share, 6 months to December 2021
[2] Source: OzTam, 6pm-midnight, excludes Olympics
[3] Source: Think TV, BVOD revenue((9Now, 7Plus, 10Play), 6 months to December 2021
[4] Source: Commercial Radio Australia, 6 months to December 2021, 4 city basis

Table 3: Stan[1]

6 months to December $m	H1 FY22	H1 FY21	Variance	
			$m	%
Revenue	183.5	149.1	+34.4	+23%
Costs	(161.6)	(112.6)	(49.0)	(43%)
EBITDA	21.9	36.5	(14.6)	(40%)
Margin	11.9%	24.5%		-12.6 pts

[1] Pre Specific Items

Subscriber momentum remains positive at Stan with current active subscribers of more than 2.5m, driven both by Sport and Entertainment. Not only have underlying subscriber numbers exceeded earlier expectations, but Stan's ability to retain Sport customers through the year has also outperformed.

Strong subscriber numbers, together with double-digit growth in ARPU[1], resulted in revenue growth across the half of 23%. The 43% increase in costs primarily reflected the investment in Stan Sport. Ex Sport, costs were up by ~17%, reflecting the ramp up of the NBCU output deal, as well as the increased roll out of Stan Originals.

Overall, EBITDA of $22m was well up on H2 FY21, notwithstanding a period of strategic investment – in Originals to build a long-term library asset, and in live content, primarily Sport, as a key differentiator to other streaming platforms in Australia.

Across the period, Stan's content has resonated with audiences. Key content across the half includes Paramount's *Yellowstone*, NBCU's *Hacks* and Stan Originals *Bump* and *Christmas on the Farm*, while over summer, Stan Originals *The Tourist* and *Wolf Like Me* have been particularly popular.

1 Average revenue Per User - 6 months to December 2021 compared with pcp

Table 4: Publishing[1]

6 months to Dec $m	H1 FY22	H1 FY21	Variance	
			$m	%
Revenue[2]	299.6	260.0	+39.6	15%
Costs	(205.1)	(191.9)	(13.2)	(7%)
EBITDA	94.5	68.1	+26.4	+39%
Margin	31.5%	26.2%		+5.3 pts

1 Pre Specific Items
2 9Digital revenue (Drive, Pedestrian, nine.com.au) in H1 FY21 has been restated as net (previously gross) Refer Nine"s ASX released Results Presentation for reconciliation

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 $300m and a combined EBITDA of $95m, which was up 39% on H1 FY21. In total, Digital now accounts for more than 60% of Publishing revenue.

Continued strong readership across each of *The Sydney Morning Herald*, *The Age* and *The Australian Financial Review* translated into paying audience, with total subscriber growth across each mastheads While print subscription and retail sales slipped slightly, this was more than offset by digital subscription and licensing revenue which grew by 63% across the half, driven by growing subscriptions as well as the revenue from the digital platforms.

Advertising revenue from Nine's Publishing assets outperformed earlier expectations, bouncing back strongly as the half progressed. Digital advertising revenue grew by 7%, notwithstanding the end of the legacy Google sales agreement in February. Print advertising grew by 15%, with Travel and Commercial Real Estate bouncing back strongly, the former however, remaining well below pre-COVID levels.

Overall, Publishing costs increased by 7%. Of the $13m increase, around one-third related to post-COVID rebalances, with personnel costs also increasing in line with July pay rises.

In total, Publishing EBITDA increased by 39% to ~$95m for the half.

Table 5: Domain[1]

6 months to Dec $m	H1 FY22	H1 FY21	Variance	
			$m	%
Revenue	175.3	137.0	+38.3	+28%
Costs	(114.3)	(83.6)	(30.7)	(37%)
EBITDA[1]	61.0	53.4	+7.6	+14%
Margin	34.8%	39.0%		(4.2 pts)
EBITDA – adjusted[2]	68.5	44.8	+23.7	+53%
Margin – adjusted[2]	39.1%	32.7%		+6.4 pts

1 As reported by Domain (ASX:DHG) result, 17 February 2022 2. Ongoing result excludes JobKeeper & Zipline expenses (FY22)/benefits(FY21)

Domain's result (ASX: DHG, announced 17th February 2022), was underpinned by the ongoing strength in the property market and success in driving its Marketplace strategy, with all key business units reporting growth. The 26% growth in digital revenues was primarily driven by Residential, with 14% growth in national listing volumes coupled with a very strong 19% increase in controllable yield. Double-digit revenue growth was also recorded across all other key business segments as Domain continues to deliver on building its Marketplace strategy.

Total costs increased by 37%, but this included a $16m delta relating to non-recurring costs (and benefits in FY21) relating to Project Zipline and JobKeeper. Underlying costs were up by 16%, with the increased associated with improved revenue performance, unwinding of COVID cost control measures in a strengthening market, and investment in existing and new staff to support Domain's Marketplace strategy. Management remains committed to ongoing EBITDA margin expansion.

Domain reported a like-for-like EBITDA of $68.5m, up 53%, adjusting for the non-recurring costs cited above. Reported EBITDA increased by 14% to $61m.

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Table 6: Balance sheet and Cash Flow

As at	31 Dec 2021	30 Jun 2021	31 Dec 2020	30 Jun 2020
Net Debt ($m) – wholly owned	63.2	171.0	149.5	291.1
Net Debt ($m) – Consolidated	229.6	250.0	261.0	396.9
Net Leverage - wholly owned basis (X)[1]	0.1X	0.4X	0.4X	0.9X

1 Pre Specific Items

Operating Cash before Specific Items, Interest and Tax for the 6 months was $311m, calculated on a wholly-owned basis, which equated to cash conversion of 90%.

As at 31 December 2021, Net Debt was $63m, on a wholly-owned basis, which equates to Net Leverage of ~0.1X. Strong cash flows have resulted in a further decline in net debt, notwithstanding ongoing investments in Nine's digital growth assets.

In addition to the increase in dividend, Nine is well positioned in 2022 with balance sheet flexibility to both continue to invest in its core businesses and new strategic opportunities, whilst also assessing further capital management initiatives.

Dividend

The Company intends to pay an interim dividend of 7.0 cents per share, fully franked (payable 21 April 2022). This equates to a payout ratio of around 56% of Net Profit After Tax and before Specific Items. Nine intends to maintain a payout ratio of c60-80% through the cycle.

Current trading environment and outlook

Calendar 2022 has started strongly, in terms of both audiences, across all platforms, and advertisers, across all major categories.

Nine has started calendar 2022, as the clear leader across all key demographics, more than 10% points of share ahead of the next placed channel on a prime time, primary channel basis in our targeted 25-54s and around 7% points ahead on a Total People basis – Nine's strongest start to the calendar year in OzTAM history. Reflecting this, in the current quarter, Nine's Metro FTA ad revenue is expected to be up around 10% on the same quarter last year. Forward bookings remain comfortably ahead of same day last year.

In H2 FY22, Nine expects to record stronger FTA EBITDA growth than the 10% reported for H1.

9Now continues its strong growth trajectory, with more than 35% revenue growth expected in the March quarter (on pcp). Nine expects positive momentum to continue through the rest of CY22, as 9Now continues to build its presence in the broader digital video market.

As a result, Nine expects Total Television EBITDA growth of close to 20% for FY22.

Nine Radio's Q3 ad revenues are expected to grow in the mid single digits (%) with EBITDA leverage expected to continue to be strongly positive as the ad market recovers.

Stan has benefitted from a strong summer programming line-up and stickier Sport subscribers, with FY22 EBITDA now expected to be between $25m and $30m.

Nine's Publishing business has now reset to a markedly higher base, both in terms of the migration to digital and overall profitability. Q3 digital subscription revenue growth is expected to continue in the low double-digits (%), reflecting a busy news cycle. Together with an improved performance from advertising, both digital and print, and revenue from the digital platforms, Nine now expects growth of more than $55m in Publishing EBITDA in FY22 on FY21.

As Domain commented with its result last week, trading for the first six weeks of H2 reflects ongoing strong year-on-year growth in new listings, albeit with tougher comparables from Q4. Domain is expected to continue to invest in furthering its Marketplace strategy, while retaining a disciplined investment approach, with commitment to congoing margin expansion.

In total, Nine is now expecting FY22 Group EBITDA growth of above 22% on FY21's $565m.

This result continues to highlight the benefits of Nine's business, with diverse earnings drivers (across advertising and subscription) and a growing portfolio of digital assets.

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APPENDIX 1

SUMMARY OF GROUP RESULTS, PRE-SPECIFIC ITEMS

$m	H1 FY22	H1 FY21	Variance $m	Variance %
FTA	558.5	522.9	35.6	7%
9Now	74.3	49.5	24.8	50%
Radio	48.9	44.0	4.9	11%
Broadcast	681.7	616.4	65.3	11%
Publishing	299.6	260.0	39.7	15%
Stan	183.5	149.1	34.4	23%
Domain	175.3	137.0	38.3	28%
Corporate	2.4	1.0	1.4	137%
Intersegment	(9.7)	(9.2)	(0.5)	5%
Group Revenue	**1,332.9**	**1,154.3**	**178.6**	**15%**
FTA	188.5	171.3	17.0	10%
9Now	48.1	33.2	14.9	45%
Radio	6.4	2.9	3.5	120%
Broadcast	243.0	207.4	35.7	17%
Publishing	94.5	68.1	26.3	39%
Stan	21.9	36.5	(14.6)	(40%)
Domain	61.0	53.4	7.6	14%
Corporate	(15.1)	(12.1)	(3.0)	25%
Associates	1.0	1.0	-	1%
Group EBITDA	**406.3**	**354.3**	**51.9**	**15%**
Depreciation, amortisation	(76.0)	(74.6)	(1.4)	2%
Group EBIT	**330.3**	**279.7**	**50.5**	**18%**
Net Interest	(12.8)	(14.1)	1.3	(9%)
Tax	(92.2)	(78.2)	(14.1)	18%
Non-controlling interests	(12.3)	(9.4)	(3.0)	32%
NPAT	**212.9**	**178.0**	**34.9**	**20%**

Further details of the Company's results are included in the Interim Results Presentation of 24 February 2022

APPENDIX 2 - SPECIFIC ITEMS

6 months to December, $m	**H1 FY22**
Domain – Refer Domain accounts (ASX:DHG), 17th February 2022	*(8.7)*
Restructuring costs	*(6.6)*
Reversal of previous debtor write-offs	*0.2*
Net loss on sale of financial assets	*(1.0)*
Total Specific Items before tax	***(16.1)***
Tax relating to Specific Items	*(4.0)*
Net Specific Items after tax	***(12.1)***

A Specific item cost of $16m (pre-tax) was reported for the period. From a Nine perspective, the largest component of this was the ~$7m in restructuring costs relating to Nine's ongoing Finance Modernisation program.

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 plus the digital components of Broadcast, Publishing and Domain (59%); excludes Corporate
- 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
- IFRIC – adjusted for impact of IFRIC guidance on AASB138 Intangible Assets, which reclassifies cloud-based software development costs (previously capitalised) into operating expenses
- Key demographics – 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)
- 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 2021 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
- Total Television – Nine Network + 9Now
- UA – Unique Audience
- VOZ – VirtualOZ
- Wholly owned – excludes Domain and Associates