23 February 2023

ASX Markets Announcement Office
ASX Limited
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# 2023 INTERIM RESULTS ANNOUNCEMENT

Attached is a copy of the ASX release relating to the 2023 Interim Financial Results for Nine Entertainment Co. Holdings Limited.

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**Company Secretary**

**Authorised for release:** Nine Board sub-committee


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# NINE ENTERTAINMENT CO. FY23 INTERIM RESULTS

23 February 2023: Nine Entertainment Co. (ASX: NEC) has released its results for the 6 months to December 2022. For the period, Nine reported Revenue of $1.4b and a Net Profit After Tax of $190m, which included a post-tax Specific Item expense of $0.5m.

Group EBITDA, before Specific items, of $370m was in line with the guidance given in December, of 'around $370m'. Profit After Tax and Minorities, before Specific Items was $183m, which compared with $213m in the previous corresponding period.

Key takeaways include:

- Nine's focus on premium content results in strong audience and share results across all key platforms – television, streaming, publishing and radio
- ~9% growth in subscription revenues (wholly owned, ex Domain)
- Market-leading revenue share in both FTA and BVOD, underpinning growth of 5% in Total Television revenues
- Overall revenue share growth in Radio, including 122% growth in digital revenues
- Strong performance from Stan Originals driving 12% revenue growth at Stan, with active Stan subscribers now approaching 2.6m
- Robust performance from Publishing against a backdrop of challenging economic conditions, and a more benign news cycle
- 19% decline in Domain's (reported) EBITDA, with the 28% decline in ongoing EBITDA reflecting the weaker property market
- Strong balance sheet with Net Leverage of 0.5X and an interim dividend of 6.0 cents per share

Mike Sneesby, Chief Executive Officer of Nine Entertainment Co. said: "We are really pleased with how Nine closed calendar 2022, with strong audience and share performance across all businesses, both subscription and advertising. Nine's strategic focus on content investment has resulted in clear revenue share growth across all of our advertising mediums.

Subscription and licensing revenues at Nine's wholly owned businesses, Stan and Publishing, together grew by around 9%, to 26% of total revenue ex Domain, as Nine continues to successfully diversify its revenue base.

Against the backdrop of rationalising investment by international streamers, Stan's strategic positioning in Originals and Sport, together with its strong licensed content lineup, has underpinned a growing subscriber base and strong P&L, and stands it in good stead. Stan's expansion of its Originals slate delivered excellent results over the past 12 months, which has been reflected in growth in active subscribers, now approaching 2.6m, and enabled Stan to successfully lift pricing.

Nine's broad portfolio of leading platform assets enables an unparalleled distribution proposition for our premium content. Sport remains key to this strategy, and, over the past six months, we have locked in significant content agreements across our television platforms - extending our agreement with Tennis Australia through to 2029 and bringing the Olympics back to Nine through until Brisbane 2032 - adding to our long-term agreement with the NRL.

We have started 2023 with great momentum. Our programming team has again delivered us a strong start to the new ratings year across Total Television, with our lead further widening. Stan has benefitted from a strong Summer of content, with sustainable profit and a growing active subscriber base. Our digital audiences across all of our platforms are continuing to grow, and as the monetisation of those audiences evolves and matures, we expect Nine's competitive position to further strengthen.

I'm excited about the opportunities for Nine in 2023. Our team is focussed on delivering and monetising Australia's best content, as we continue to define what it means to be Australia's Media Company."

## *Table 1: Group Results[1]*

| 6 months to December<br>$m | H1 FY23 | H1 FY22 | Variance | |
|---|---|---|---|---|
| | | | $m | % |
| **Revenue** | 1,403.3 | 1,332.9 | +70.4 | +5% |
| **Group EBITDA** | 370.5 | 406.3 | (35.8) | (9%) |
| **Net Profit after Tax** | 190.0 | 225.2 | (35.2) | (16%) |
| **Net Profit after Tax and Minorities** | 183.0 | 212.9 | (29.9) | (14%) |
| **Fully diluted Earnings per Share (cents)** | 10.8 | 12.5 | (1.7c) | (14%) |
| **Dividends per share (cents)** | 6.0 | 7.0 | (1.0c) | (14%) |

[1] Pre Specific Items

On revenue of $1.4b, Nine reported EBITDA of $370m, down 9% on H1 FY22's record result. Net Profit after Tax and Minorities of $183m, was down 14% on H1 FY21. Earnings per share of 10.8 cents was also down 14% on pcp. Specific Items totaled a cost of less than $1m and are detailed in Appendix 2. Nine has announced its intention to pay a fully franked interim dividend of 6.0 cents, which equates to a payout ratio of 56%.

## *Table 2: Broadcast*[1]

| 6 months to December<br><br>$m | H1 FY23 | H1 FY22 | Variance | |
|---|---|---|---|---|
| | | | $m | % |
| **Revenue** | 715.8 | 681.7 | +34.1 | +5% |
| **Costs** | (492.3) | (438.7) | (53.6) | +12% |
| **EBITDA** | 223.5 | 243.0 | (19.5) | (8%) |
| **Margin** | 31.2% | 35.7% | | -4.5 pts |

[1] Pre Specific Items

Nine's Broadcast division comprises Total Television (Nine Network and 9Now) as well as Nine Radio. Together, Broadcast reported EBITDA of $224m on revenues of $716m for the six months.

Across Total Television, revenue increased by 5% to $662m, with growth from Nine Network and 9Now, both outperforming their respective markets. EBITDA of $217m was down 8% on H1 FY22's record result.

Nine Network reported revenue growth of 3% for the six months to $573m. The Metro Free To Air advertising market declined by 6%[1] for the half, partially due to Olympic-affected comparables. Nine's share growth of 3.6 percentage points to 39.6% more than offset the softness of the underlying market. Nine's Metro revenue share for calendar 2022 of 40.1% is a more than 20-year high.

Across the survey year 2022, Nine was the #1 Network and Primary Channel in all key demographics, attracting a commercial network share of 38.3%[2] and a primary channel share of 39.8%[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 39.4%[2], more than 4 share points ahead of the next placed channel, notwithstanding the impact of the Commonwealth Games.

The move to WIN as Nine's affiliate, and the subsequent consolidation of sales teams, has had a positive impact on Nine's revenue from regional markets. For the six months to December, revenue share for Nine's content across all regional markets (affiliated and wholly-owned) increased by 2.8 percentage points to 37.2%.

During the half, 9Now's revenue growth of 19% outperformed the traditional BVOD market of 9Now, 7-Plus and Ten Play, which grew by 5% to $204m[3]. The divergence underpins Nine's view that the opportunity for 9Now is broader than the traditional BVOD market, specifically the ~$3.3b[4] digital video market. Live viewing remains the primary growth channel for 9Now, and is the key component of Nine's Total Television strategy. From a live perspective, Daily Active Users grew by a further 17%[4], while live streaming (minutes) were up by 24%[4].

Total Television costs increased by 12% as Nine continued to invest in its market leading schedule, with the significant growth in Nine's revenue share reflecting the payback from this investment. Across the half, there were a number of programming one-offs in, which in total added up to around $20m. Included in this, were a larger-than-normal season of *The Block*, the T20 World Cup Cricket and costs associated with coverage of the death of the Queen. Other incremental investments included drama *After the Verdict* and dating series *My Mum, Your Dad* while changes to *Ninja* timing, also impacted.

The Metro radio ad market gained momentum, and finished the half up 5%[5] on the previous corresponding period. Nine also gained share momentum, both on an audience and revenue basis, with ad revenues up 7% for the half. Digital revenues grew by more than 120%, which included a more than 10-fold increase in streaming revenues, as Nine's focus on Total Audio gathers momentum. Nine Radio reported EBITDA of $6m, reflecting growth in revenues, coupled with investment in Digital and Sales.

[1] Source: Think TV, Metro Free To Air revenue and share, 6 months to December 2022
[2] Source: OzTam, 6pm-midnight
[3] Source: Think TV, BVOD revenue( (9Now, 7Plus, 10Play), 6 months to December 2022
[4] Source: OzTAM Events data, based on monthly averages, July to December 2022 on pcp
[5] Source: Commercial Radio Australia, 6 months to December 2022, 4 city basis

## *Table 3: Stan[1]*

| 6 months to December $m | H1 FY23 | H1 FY22 | Variance | |
|---|---|---|---|---|
| | | | $m | % |
| **Revenue** | 206.4 | 183.5 | +22.9 | +12% |
| **Costs** | (188.5) | (161.6) | +26.9 | +17% |
| **EBITDA** | 17.9 | 21.9 | (4.0) | (18%) |
| **Margin** | 8.7% | 11.9% | | -3.2 pts |

[1] Pre Specific Items

Stan's content has continued to engage audiences over the period, with key licensed titles including *Yellowstone*, *Gangs of London* and *The Resort* supporting a growing slate of Stan Original series including *Bali 2002*, *Poker Face* and *Last Light* as well as two feature films, *Poker Face* and *Christmas Ransom*, and a new reality format, *Love Triangle*. Over summer, the performance of Stan Originals has been particularly strong with the latest season of *Bump*, *Black Snow* and *Poker Face* (the series) all ranking in the Top 10 shows across the last 12 months, while the feature film *Transfusion* made up the Top 3 films alongside *Poker Face* (the feature film) and *Gold*.

Stan Sport continued to extend its consumer proposition, securing the rights to the Rugby World Cup and successfully broadcasting the Women's tournament, as well as the UCI World Championship cycling event in Wollongong. These sports complement Stan's already strong line-up including domestic and international Rugby, UEFA champions league, Grand Slam tennis (including the recent AO renewal) and an emerging motorsport and fight sports proposition.

Revenue growth of 12% for the period was underpinned by both positive subscriber momentum, with current active subscribers approaching 2.6m, and a further 8% growth in ARPU[1].

The 17% increase in costs primarily reflected the investment in Stan Sport. Ex Sport, costs were up by ~14%, primarily reflecting the increased roll out of Stan Originals, and the launch of a number of new licensed titles, including the first titles from the new Sony output deal.

Overall, EBITDA of $18m was marginally down on H1 FY22, reflecting 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.

1 Average Revenue Per User - 6 months to December 2022 compared with pcp

## *Table 4: Publishing[1]*

| 6 months to Dec<br>$m | H1 FY23 | H1 FY22 | Variance | |
|---|---|---|---|---|
| | | | $m | % |
| **Revenue[2]** | 299.7 | 299.6 | +0.1 | - |
| **Costs** | (203.6) | (205.1) | (1.5) | - |
| **EBITDA** | 96.1 | 94.5 | +1.6 | +2% |
| **Margin** | 32.1% | 31.5% | | +0.6 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 $300m and a combined EBITDA of $96m, marginally up on H1 FY22. In total, Digital now accounts for almost 61% of Publishing revenue.

Notwithstanding a relatively quiet news cycle, strong readership across each of *The Sydney Morning Herald*, *The Age* and *The Australian Financial Review* continued to translate to economic audiences, with mid-single digit (%) growth in digital subscriptions over the past 12 months. Total subscribers held firm at ~450k while registered users grew to more than 1.1m. While print subscription and retail sale revenue slipped slightly across the half, this was more than offset by digital subscription and licensing revenue growth.

Digital advertising revenue declined by 8% across the half, reflecting softness in programmatic advertising late in the half. Print advertising however, grew by 9%, with Travel bouncing back strongly and Luxury continuing to grow.

H1 FY23 Publishing costs were broadly flat, with higher average wages partially offset by a higher vacancy rate. Increases in paper and distribution costs were offset by other staff savings, and some timing-related benefits.

In total, Publishing EBITDA increased by 2% to ~$96m for the half.

## *Table 5: Domain[1,2]*

| 6 months to Dec<br>$m | H1 FY23 | H1 FY22 | Variance | |
|---|---|---|---|---|
| | | | $m | % |
| **Revenue** | 186.6 | 175.3 | +11.3 | +6% |
| **Costs** | (137.3) | (114.3) | +23.0 | +20% |
| **EBITDA[1]** | 49.3 | 61.0 | (11.7) | (19%) |
| **Margin** | 26.4% | 34.8% | | (8.4 pts) |
| **EBITDA – adjusted[3]** | 49.3 | 68.5 | (19.2) | (28%) |
| **Margin – adjusted[3]** | 26.4% | 39.1% | | (12.7 pts) |

1 As reported by Domain (ASX:DHG) result, 16 February 2023 2. Pre Specific Items 3 Ongoing result excluding JobKeeper & Zipline expenses (H1 FY22)

Domain's result (ASX: DHG, announced 16th February 2023) reflected the challenging property environment, particularly in Sydney and Melbourne, and was marginally above guidance given in December 2022. On an adjusted basis, Domain reported EBITDA of $49m, down 28%, or down 19% on a reported basis.

Core digital revenue increased by 8%. Residential listings revenue was broadly unchanged with growth in controllable yield, inclusive of the impact of Social Boost, offsetting the 9.5% listing volume decline. Domain's Media, Developers and Commercial business recorded a 3% revenue decline, reflecting the weak underlying property market. Revenue from Agent Solutions more than doubled, in part due to the acquisition of RealBase in April 2022, while Domain Insights recorded revenue growth of 28%, boosted by a full period contribution from IDS. In a difficult property market, Domain has made clear progress diversifying its revenue base, and building on the foundations of its Marketplace Strategy.

Ongoing costs increased by 29%, or $31m, with around 40% of the increase relating to Domain's acquisitions of IDS and RealBase. Late in the period, and reflecting the prevailing market conditions, Domain undertook a broad ranging review of its cost base. As a result, cost saving initiatives were identified and implemented, underpinning expectations for FY23 H2 costs to reduce $15-20m versus H1.

## *Table 6: Balance sheet and Cash Flow*

| As at | 31 Dec 2022 | 30 Jun 2022 | 31 Dec 2021 | 30 Jun 2021 |
|---|---|---|---|---|
| **Net Debt ($m) – wholly owned** | 291.4 | 172.9 | 63.2 | 171.0 |
| **Net Debt ($m) – Consolidated** | 463.9 | 324.4 | 229.6 | 250.0 |
| **Net Leverage - wholly owned basis (X)**[1] | 0.5X | 0.3X | 0.1X | 0.4X |

1 Pre Specific Items

Operating Cash before Specific Items, Interest and Tax for the 6 months was $204m, calculated on a wholly-owned basis, which equated to cash conversion of 63%. There were some significant timing issues which impacted on cash conversion in the half, which we expect will unwind in the second half. Firstly, there were the timing of payments relating to sports agreements, which will rebalance across the year. The more significant impact related to receivables timing resulting from the implementation of Nine's new finance system late in calendar 2022, which resulted in a delay in issuing invoices and a short term increase in working capital.

During the period, Nine also invested nearly $67m purchasing ~33m of its own shares through the Group's ongoing on-market buy-back program.

As at 31 December 2022, Net Debt was $291m, on a wholly-owned basis, which equates to Net Leverage of ~0.5X.

## *Dividend*

The Company intends to pay an interim dividend of 6.0 cents per share, fully franked (payable 20 April 2023). This equates to a payout ratio of around 56% of Net Profit After Tax and before Specific Items for the half. On a full year basis, Nine intends to maintain a payout ratio of c60-80% through the cycle.

## *Current trading environment and outlook*

Momentum has remained positive for Nine in calendar 2023 to date, against the backdrop of a softer general economic environment.

In Television, Nine has started the year as the clear ratings leader across all key demographics, more than 13% 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[1].

Reflecting this ratings performance, Nine believes it will continue to grow Total Television share in the current quarter.

While the Metro FTA market is currently expected to decline in the mid teens (%) in Q3 - with the absence of the Federal Election being a key impact - Nine is expecting to grow share with Q3 revenue declining in the high single digits (%).

9Now continues its growth trajectory, with around 20% revenue growth expected in the March quarter (on pcp).

Across Total Television, Nine expects its sales team will outperform the underlying market and gain share. In Q3, this equates to an advertising revenue decline for Nine in the low-mid single digits (%).

Total Television costs are expected to increase in the low single digits in the second half, resulting in FY23 Total Television cost growth of slightly better than the previous 7% guidance.

Nine Radio's Q3 ad revenues are expected to grow in the mid single digits (%), supported by a doubling of digital revenues, with an increasing contribution from streaming.

Stan has benefitted from strong content performance across the board, underpinning growth in subscribers and Stan's ability to lift pricing, with growth expected in both revenue and EBITDA in FY23.

Nine's Publishing business continues to benefit from the growth of digital audiences, with digital subscription revenue growth expected to be around 4% in Q3. A more challenging advertising and cost environment in H2 will result in greater-than-normal EBITDA phasing to the first half.

As Domain commented with its result last week, trading in January reflected a continuation of the challenging market environment experienced in Q2 FY23. Domain's success in signing new and upgraded depth contracts provides significant upside once market conditions stabilise. Domain is expected to continue to invest in furthering its Marketplace strategy, while retaining a disciplined approach to cost management.

While a more uncertain operating environment has limited H2 visibility, Nine continues to outperform the broader market, from both an audience and revenue share perspective. While remaining disciplined around operating costs, we are confident in pursuing strategic and targeted investments that underpin growth of our business for the long term.

[1] 1 January to 19th February 2023, Metro markets

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## APPENDIX 1: SUMMARY OF GROUP RESULTS, PRE-SPECIFIC ITEMS

| A$M | H1 FY23 | H1 FY22 | Variance | |
|---|---|---|---|---|
| | | | $m | % |
| Television | 573.1 | 558.5 | 14.6 | 3% |
| 9Now | 88.6 | 74.3 | 14.3 | 19% |
| Total Television | 661.7 | 632.8 | 28.9 | 5% |
| Radio | 54.1 | 48.9 | 5.2 | 11% |
| Broadcast | 715.8 | 681.7 | 34.1 | 5% |
| Publishing | 299.7 | 299.7 | - | - |
| Stan | 206.4 | 183.5 | 22.9 | 12% |
| Domain | 186.6 | 175.3 | 11.3 | 6% |
| Corporate | 1.7 | 2.4 | (0.7) | (29%) |
| Intersegment | (6.9) | (9.7) | 2.8 | (29%) |
| **Group Revenue** | **1,403.3** | **1,332.9** | **70.4** | **5%** |
| Total Television | 217.1 | 236.6 | (19.3) | (8%) |
| Radio | 6.4 | 6.4 | - | - |
| Broadcast | 223.5 | 243.0 | (19.5) | (8%) |
| Publishing | 96.1 | 94.5 | 1.6 | 2% |
| Stan | 17.9 | 21.9 | (4.0) | (18%) |
| Domain | 49.3 | 61.0 | (11.7) | (19%) |
| Corporate | (16.2) | (15.1) | (1.1) | 7% |
| Associates | (0.1) | 1.0 | (1.1) | (110%) |
| **Group EBITDA** | **370.5** | **406.3** | **(35.8)** | **(9%)** |
| Depreciation, amortisation | (80.7) | (76.0) | (4.7) | 6% |
| **Group EBIT** | **289.8** | **330.3** | **(40.5)** | **(12%)** |
| Net Interest | (18.7) | (12.8) | (5.9) | 46% |
| Tax | (81.1) | (92.2) | 11.1 | (12%) |
| Non-controlling interests | (7.0) | (12.3) | 5.3 | (43%) |
| **NPAT** | **183.0** | **213.0** | **(30.0)** | **(14%)** |

Further details of the Company's results are included in the Interim Results Presentation of 23 February 2023

# APPENDIX 2 - SPECIFIC ITEMS

| 6 months to December, $m | H1 FY23 |
|---|---|
| Domain – Refer Domain accounts (ASX:DHG), 16th February 2023 | *(2.3)* |
| Restructuring costs | *(1.6)* |
| Net Profit on sale of investments and other assets | *2.9* |
| **Total Specific Items before tax** | ***(1.0)*** |
| Tax relating to Specific Items | *0.5* |
| **Net Specific Items after tax** | ***(0.5)*** |

A Specific item cost of less than $1m (pre-tax) was reported for the period, the majority of which related to Domain.

## 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 (60%); 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
- 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
- Revenue – operating revenue excluding interest income and Specific Items
- Specific Items – amounts as set out in Note 2.4 of the 31 December 2022 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
- Wholly owned – excludes Domain and Associates