22 February 2024

ASX Markets Announcement Office
ASX Limited
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2024 INTERIM RESULTS ANNOUNCEMENT

Attached is a copy of the ASX release relating to the 2024 Interim Financial Results for Nine Entertainment Co. Holdings Limited.

Rachel Launders
Company Secretary

Authorised for release: Nine Board sub-committee

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NINE ENTERTAINMENT CO. FY24 INTERIM RESULTS

22 February 2024: Nine Entertainment Co. (ASX: NEC) has released its results for the 6 months to 31 December 2023. For the period, Nine reported Revenue of $1.4b and a Net Profit After Tax of $114m, which included a post-tax Specific Item expense of $36m.

Group EBITDA, before Specific items, of $316m was down 15% on H1 FY23, reflecting markedly weaker economic and advertising market conditions. Profit After Tax and Minorities, before Specific Items was $134m, which compared with $183m in the previous corresponding period.

Key takeaways include:

- Growth in Nine's Metro FTA broadcast and BVOD audiences for the financial year-to-date, reflecting a positive shift in viewer behaviour
- Leading revenue share in both Metro FTA and BVOD in calendar 2023
- 8% growth in subscription & licensing revenues (ex Domain) to 30% of wholly-owned Group Revenue - with growth at both Publishing (underpinned by growth in digital subscriptions) and Stan
- 37% growth in Domain's EBITDA contribution to Nine, primarily reflecting the stronger housing market, particularly in Sydney and Melbourne
- Digital revenue growth of 45% in Audio, with radio industry leadership in streaming audiences
- Strong cost performance with almost $30m of underlying cost efficiencies delivered across the half
- Strong balance sheet supporting the ongoing on-market share buy-back and sports-related working capital requirements
- Interim dividend of 4.0 cents per share, fully franked

Peter Costello, Chairman of Nine Entertainment Co. (Nine) said: "I am very pleased with the way the Company responded to the broader economic challenges in the second half of calendar 2023. We have enhanced our competitive position. We are positioned well for the future. The breadth of our different businesses has proven its worth in these conditions."

Mike Sneesby, Chief Executive Officer of Nine said: "Notwithstanding the impact of challenging economic conditions on the broader advertising market, the breadth of Nine's business underpinned some key operational highlights across the half. I am particularly pleased with the performance of our subscription businesses - with Subscription and Licensing revenues at Nine's wholly owned businesses, Stan and Publishing, together growing by around 8%, to more than 30% of Group revenue ex Domain. At Stan, 11% revenue growth and more than 40% EBITDA growth is testament to Stan's strong positioning in Originals and Sport which continues to pay off, as well as its focus on cost efficiencies.

Within Publishing, the 9% growth in digital subscription and licensing revenue at our metro mastheads, inclusive of price increases, more than offset the decline in print subscription revenue.

We acknowledge the Government's recent comments confirming its support for the essence of the News Media Bargaining Code and its intent to enforce the Code, including by designation of digital platforms if required. Notwithstanding these comments, the media landscape has evolved significantly since the Code was drafted and requires the Government's urgent attention to ensure Australian media companies are being fairly compensated for the ways in which global digital platforms are deriving value from our content. For example, Nine's premium video content continues to drive huge audiences on social media platforms, while we are also witnessing the rapid growth in generative-AI services which utilise our public interest journalism to build and train their models.

As our audiences become increasingly digital, the mutual benefits of the combined media and data assets of Nine and Domain are becoming more significant. We will continue our strategic focus on Domain, as we leverage the strength of the Nine Group across the Nine-Domain relationship.

Whilst our Total Television business has been impacted by the advertising cycle, our audience performance this half has been strong. FY24 to date, Nine's audiences have shown clear growth in Total People, both broadcast FTA and BVOD, and also in the 16-39s which has typically been a more difficult demographic to reach. The strength of this audience performance gives us renewed confidence in our revenues once the advertising market begins to recover, and we expect to retain leadership from a revenue share perspective through 2024.

We have also made good progress in reducing underlying costs, and I commend all of our people for their focus on efficiencies and willingness to embrace change. Of course, we will continue to invest in areas of growth and in the content, data and technology that clearly generates returns and underpins our competitive position.

In 2024, we will bring the world's biggest sporting events to all of Australia in a way that has never been seen before, with the Paris Olympic and Paralympic Games. We will also deliver Australia's best content, reaching around 20 million Australians each month, across Television, Publishing, Audio and Marketplaces."

Table 1: Group Results[1]

6 months to December $m	H1 FY24	H1 FY23	Variance	
			$m	%
Revenue	1,371.3	1,405.5	(34.2)	(2%)
Group EBITDA	316.1	370.5	(54.4)	(15%)
Net Profit after Tax	149.5	190.0	(40.5)	(21%)
Net Profit after Tax and Minorities	133.7	183.1	(49.4)	(27%)
Fully diluted Earnings per Share (cents)	8.2	10.8	(2.6c)	(24%)
Dividends per share (cents)	4.0	6.0	(2.0c)	(33%)

[1] Pre Specific Items

On revenue of $1.4b, Nine reported EBITDA of $316m, down 15% on H1 FY23. Net Profit after Tax and Minorities of $134m, was down 27% on pcp. Earnings per share of 8.2 cents was down 24% on H1 FY23. Specific Items totaled a cost of $36m after tax and are detailed in Appendix 2. Nine has announced its intention to pay an interim, fully franked dividend of 4.0 cents, compared with 6.0 cents in the previous corresponding period, which equates to a payout ratio of 49%.

Table 2: Broadcast[1]

6 months to December $m	H1 FY24	H1 FY23	Variance	
			$m	%
Revenue	654.6	715.8	(61.2)	(9%)
Costs	(490.9)	(492.3)	+1.4	0%
EBITDA	163.7	223.5	(59.8)	(27%)
Margin	25.0%	31.2%		-6.2 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 $164m on revenues of $655m for the six months.

Across Total Television, Nine's revenue declined by 9%, due to the weak advertising market and challenging broader economy. EBITDA of $160m was down 26% on H1 FY23 with Total TV costs broadly flat on the previous corresponding period.

Nine Network reported a revenue decline of 11% for the six months to $508m. Reflecting the weaker economic conditions, the Metro Free To Air advertising market declined by 13.0%[1] for the half, with Nine attaining a share of 39.0%[1]. Nine's Metro revenue share for the 2023 calendar year, the basis of Group agency deals, was 40.4%[1], up marginally on CY22, and a more than 20-year high.

Across 2023, Nine was the #1 Network and Primary Channel in all key demographics, attracting a commercial network audience share of 39.2%[2] and a primary channel share of 39.8%[2] of the 25-54 demographic.

For the six months to December, Nine recorded a share of 37.6%[2] of the 24-54s on a primary channel basis and a 38.0%[2] share on a Network basis, the former being particularly impacted by the Matilda's World Cup campaign in the period. More importantly, across the December half, Nine recorded a strong performance in actual linear free-to-air audiences, with financial-year-to-date showing clear growth.

Regional markets broadly outperformed their Metro peers, with a revenue decline of 5.8%[3]. For the six months to December, Nine's revenue share across all regionals (affiliated and wholly-owned) increased by 1.7 percentage points to 38.9%[3].

9Now's revenue growth of 6% for the half resulted in a 45% revenue share in the traditional BVOD market of 9Now, 7-Plus and Ten Play, which grew by 13%[4], with the Women's World Cup underpinning part of this market outperformance. Across the calendar year, 9Now's share was 47.8%[4] of the traditional BVOD market, and around 7% of the Digital Video Market. From a live perspective, Daily Active Users grew by a further 14%, while live streaming (minutes) were up by 48%, further demonstrating the importance of Live streaming to 9Now.

During the half, Nine continued to strategically increase its investment into premium content and technology, while reducing other operating costs, resulting in broadly flat reported Total Television costs. Specifically, an $18m increase relating to sport, including the increased investment in NRLW and Cricket through the World Cup and The Ashes, as well as increased cyber/tech spend and higher employee costs, were more than offset by other cost efficiencies.

The 4-city Metro linear radio ad market slowed across the half, particularly in November and December, with revenues down 4%[5] on the previous corresponding period. Across Total Audio, Nine's revenue declined by 3%, offset by the strength of Nine's digital revenues, which grew by 45% across the half. 2GB and 3AW ended the year as # 1 broadcast stations in Sydney and Melbourne respectively[6], while Nine finished the year #1 in live streaming commercial share[6], as Nine's focus on Total Audio gathers momentum. Costs increased marginally, with the investment in Digital and incremental content offsetting other cost initiatives. For the half, Nine Radio reported EBITDA of $4m.

[1] Source: Think TV, Metro Free To Air revenue and share, 6 months to December 2023
[2] Source: OzTam, 6pm-midnight
[3] Source: Think TV, Regional Free To Air revenue and share, 6 months to December 2023
[4] Source: Think TV, BVOD revenue((9Now, 7Plus, 10Play), 6 months to December 2023
[5] Source: Commercial Radio Australia, 6 months to December 2023, 4 city basis
[6] Source: GfK Radio360 Ratings, Survey 8 2023, Market Share %, Mon-Sun 5.30am-12MN, AP10+

Table 3: Stan[1]

6 months to December $m	H1 FY24	H1 FY23	Variance	
			$m	%
Revenue	228.4	206.4	+22.0	+11%
Costs	(203.1)	(188.5)	(14.6)	(8%)
EBITDA	25.3	17.9	+7.4	41%
Margin	11.1%	8.7%		+2.4 pts

[1] Pre Specific Items

Stan's 41% EBITDA growth highlighted both strong content and cost performance across the half. Revenue growth of 11% for the period was underpinned by both a solid subscriber performance, with paying subscribers currently above 2.2m, and a further 11% lift in ARPU[1].

The 8% increase in costs primarily reflected an increase in content costs and marketing spend. Ex Sport, costs were up by ~11%, primarily reflecting the increased roll out of Stan Originals.

Stan's content has continued to engage audiences over the period. Key licensed titles included *Twisted Metal*, *Billy the Kid (Season 2), Billions (S7)* and *Dr Death (S2)* while the delayed release of Season 5 of *Yellowstone* (from November 2023 to November 2024) impacted year-on-year subscriber growth. Over summer, the performance of Stan Originals has been particularly strong with the latest seasons of *Bump* and *The Tourist, Scrublands* and *Prosper* all ranking in the Top 7 new title launches across the last six months.

Stan Sport continued to strengthen its consumer proposition, successfully broadcasting the Rugby World Cup in the half, as well as securing the rights to the World Rugby Sevens, which were broadcast over summer. Coverage of the Paris 2024 Summer Olympics and Paralympics is expected to keep subscriber momentum strong. These sports will complement Stan's already strong line-up including domestic and international Rugby, UEFA champions league, Grand Slam tennis and an emerging motorsport and fight sports proposition.

1 Average Revenue Per User - 6 months to December 2023 compared with pcp

Table 4: Publishing[1]

6 months to December $m	H1 FY24	H1 FY23	Variance	
			$m	%
Revenue	288.7	301.8	(13.1)	(4%)
Costs	(210.9)	(205.7)	(5.2)	(3%)
EBITDA	77.8	96.1	(18.3)	(19%)
Margin	26.9%	31.8%		-4.9 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 $289m and a combined EBITDA of $78m. Within this result, Nine's core Metro business markedly outperformed, with a weak digital programmatic advertising market impacting Nine's other Digital Publishing assets. In total, Digital now accounts for around 61% of Publishing revenue.

Nine recorded strong growth in Metro subscriptions. Increases in subscriber numbers and price at *The Age*, *The Sydney Morning Herald* and *The Australian Financial Review* more than offset the decline in print masthead sales. Total subscribers grew to more than 480k (+7%) while registered users increased to more than 1.5m. This reflects Nine's commitment to quality content, as well as a result of a paywall tightening strategy. Digital and bundle consumer subscription ARPU across the three core titles increased by 5%.

The softness in the broader advertising market flowed through to Publishing. Print advertising held up relatively well given market conditions, declining 6% for the half. Digital advertising revenue declined by 17% across the six months. This was predominantly driven by softness in the programmatic market, most notably in Nine's advertising-based publishing assets.

H1 FY24 Publishing costs increased by 3%, due primarily to wage and printing cost inflation, which were partially offset by other cost initiatives.

Table 5: Domain[1]

6 months to December $m	H1 FY24	H1 FY23	Variance	
			$m	**%**
Revenue	202.2	182.1	+20.1	+11%
Costs	(133.8)	(130.3)	(3.5)	(3%)
EBITDA[1]	68.4	51.8	+16.6	+32%
Margin	33.8%	28.4%		+5.4 pts
EBITDA – adjusted[2]	67.6	49.3	+18.3	+37%
Margin – adjusted[2]	32.6%	26.4%		+6.2 pts

[1] As reported by Domain (ASX:DHG) result, 14 February 2024 2. As per Nine's result, includes discontinued businesses (Domain Home Loans)

Domain's result (ASX: DHG, announced 14th February 2024) reflected the turnaround of its key property markets in Melbourne and Sydney, coupled with strong pricing, depth performance and cost discipline. The 12% growth in digital revenues was driven by the core Residential business. While strong listing volumes in Melbourne and Sydney were broadly offset by declines in Queensland and Western Australia, Domain recorded strong growth in controllable yield, a function of both price and depth which underpinned 16% growth in Residential revenues. Domain also recorded strong performances from its Media and Commercial Real Estate businesses, as well as Domain Insight. Domain also noted that it had finalised its exit from the Domain Home Loans (DHL) joint venture, whilst remaining optimistic about the future opportunities of Consumer Solutions within its Marketplaces strategy.

Total costs increased by 3%, and the Group reiterated previous cost guidance - a mid-high single digit increase for FY24 on the FY23 base of $237m (which excludes discontinued operations). Management remains committed to EBITDA margin expansion across the full year.

Domain reported EBITDA of $68m, up 32% on a continuing business basis, which excludes DHL. On an adjusted basis, as per Nine's results, which includes the results of DHL, Domain reported EBITDA of $68m, up 37%.

Table 6: Balance sheet and Cash Flow

As at	31 Dec 2023	30 Jun 2023	31 Dec 2022
Net Debt ($m) – wholly owned Group	362.6	338.7	291.4
Net Debt ($m) – Consolidated	538.4	523.2	463.9
Net Leverage - wholly owned basis (X)[1]	0.8X	0.7X	0.5X

1 Pre Specific Items

Operating Cash before Specific Items, Interest and Tax for the 6 months was $186m, calculated on a wholly-owned basis, which equated to cash conversion of 74%. There were some not insignificant timing issues which impacted on cash conversion, most notably around $60m of Sports prepayments relating to both the Olympics and Paralympics, and the Australian Open which will unwind over 2024. Ex these, cash conversion was a strong 98%.

During the period, Nine invested around $11m purchasing 5.5m of its own shares through the Group's ongoing on-market buy-back facility.

As at 31 December 2023, Net Debt was $363m, on a wholly-owned basis, which equates to Net Leverage of ~0.8X.

Dividend

The Company intends to pay an interim dividend of 4.0 cents per share, fully franked (payable 18 April 2024). This equates to a payout ratio of around 49% 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

Notwithstanding a challenging advertising market, Nine continues to focus on the strength of its competitive position by investing in content and growing its revenue share across all of its key markets, whilst ensuring the efficiency of its cost base.

In FTA Television, Nine has started calendar 2024 as the clear leader across all key demographics, with share growth on the same time last year on both a Network and primary channel basis across all of the key demographics as well as Total People. More importantly, Nine's Metro FTA audiences have shown growth through FY24 to date. This improved audience trend gives Nine confidence that the Group is well-positioned when economic conditions, and hence advertising markets, begin to recover.

In the current quarter, the advertising market remains difficult with Nine's Metro FTA ad revenue expected to be down in the mid teens (%) on the same quarter last year.

9Now continues its positive growth trajectory, with revenue growth in the low-mid teens (%) expected in the March quarter (on pcp).

Over the past 12 months, Nine has focussed on realigning its Total TV cost base, the increased investment in content and technology, more than offset by other cost reductions. Nine now expects full year reported Total TV costs to be down marginally on FY23.

Nine continues to expect full year EBITDA and Revenue growth at Stan in FY24 on FY23. Revenue growth in 2024 is expected to be primarily driven by ARPU.

Nine's Publishing business continues to benefit from the growth of digital audiences with Q3 digital subscription revenue growth in the low double digits (%) underpinning a strong performance from the mastheads. However, the programmatic advertising market remains weak. Nine continues to expect FY24 Publishing EBITDA to be slightly ahead of the H2 FY23 run-rate.

As Domain commented with its result last week, trading for the first six weeks of H2 reflects ongoing year-on-year growth in new `for sale' listings in Sydney and Melbourne, with early signs of improvement in other states in February. Domain continues to expect EBITDA margin expansion in FY24, supported by improving listings, price increases, update of new depth contracts and continued cost restraint, whilst continuing to invest in its Marketplace strategy.

Nine Radio's Q3 broadcast advertising revenues are expected to decline in the mid-high single digit (%), while digital revenue continues to grow strongly.

Over the past couple of years, Nine has continued to focus on its vision of creating Australia's digital media company, with a clear strategy, commitment to execution and a focus on continuing to further strengthen its competitive position. This result highlights the value of Nine's broad media business, with diversified earnings across subscription and advertising and a growing portfolio of digital assets.

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

$m	H1 FY24	H1 FY23	Variance $m	Variance %
Television	508.3	573.1	(64.8)	(11%)
9Now	93.8	88.6	5.2	6%
Total TV	602.1	661.7	(59.6)	(9%)
Radio	52.5	54.1	(1.6)	(3%)
Broadcast	654.6	715.8	(61.2)	(9%)
Publishing	288.7	301.8	(13.1)	(4%)
Stan	228.4	206.4	22.0	11%
Domain	207.1	186.6	20.5	11%
Corporate	-	1.8	(1.8)	(100%)
Intersegment	(7.5)	(6.9)	(0.6)	9%
Group Revenue	**1,371.3**	**1,405.5**	**(34.2)**	**(2%)**
Total TV	159.9	217.1	(57.2)	(26%)
Radio	3.8	6.4	(2.6)	(41%)
Broadcast	163.7	223.5	(59.8)	(27%)
Publishing	77.8	96.1	(18.3)	(19%)
Stan	25.3	17.9	7.4	41%
Domain	67.6	49.3	18.3	37%
Corporate	(16.5)	(16.2)	(0.3)	2%
Associates	(1.8)	(0.1)	(1.7)	nm
Group EBITDA	**316.1**	**370.5**	**(54.4)**	**(15%)**
Depreciation, amortisation	(75.4)	(80.7)	5.3	(7%)
Group EBIT	**240.7**	**289.8**	**(49.1)**	**(17%)**
Net Interest	(27.1)	(18.7)	(8.4)	45%
Tax	(64.1)	(81.1)	17.0	(21%)
Non-controlling interests	(15.8)	(6.9)	(8.9)	129%
NPAT	**133.7**	**183.1**	**(49.4)**	**(27%)**

Further details of the Company's results are included in the Interim Results Presentation of 22 February 2024

APPENDIX 2 - SPECIFIC ITEMS

6 months to December, $m	H1 FY24
Domain – Refer Domain accounts (ASX:DHG), 14th February 2024	(1.5)
Inventory Write Downs and Provisions	(46.7)
Restructuring costs	(4.9)
Net Profit on sale of investments and other assets	1.5
Total Specific Items before tax	**(51.6)**
Tax relating to Specific Items	15.9
Net Specific Items after tax	**(35.7)**

A Specific Item cost of $52m (pre-tax) was reported for the period. Inventory write downs and provisions relates to the impairment of content that is no longer considered to be recoverable, namely the tail of the discontinued NBCU contract as well as a life of series obligation for the US *Bachelor* and *Bachelorette*, dating back to 2002, which has been classified as onerous and hence written off for the next 5 years. Restructuring costs, which include redundancies, totaled almost $5m.

APPENDIX 3 - GLOSSARY

- ARPU - Average Revenue per User
- 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
- Economic Interest adjusted basis – includes only proportion of asset held by Nine
- EPS (Earnings per share) - Net profit after tax and minority interests, before Specific Items divided by the average number of shares on issue across the period
- FTA – Free To Air
- 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 for the wholly owned Group
- 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
- Paying subscribers (Stan) - Subscribers for whom Stan receives a payment for the subscription during the relevant billing period
- 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 2023 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 Group – consolidated Group, excluding controlled but not wholly owned entities (Domain and associates)