26 February 2020

ASX Markets Announcement Office
ASX Limited
20 Bridge Street
Sydney NSW 2000

2020 HALF YEAR RESULTS ANNOUNCEMENT

Attached is a copy of the ASX release relating to the 2020 Half Year 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. FY20 INTERIM RESULTS

26 February 2020: Nine Entertainment Co. (ASX: NEC) has released its H1 FY20 results for the 6 months to December 2019.

On a Statutory basis, pre Specific Items, on Revenue of $1.2b, Nine reported Group EBITDA of $251m, and a Net Profit After Tax of $114m. Post Specific Items, the Statutory Net Profit was $102m. These numbers are stated excluding Discontinued Businesses.

On a pre AASB16 and Specific Item basis, Nine reported Group EBITDA of $231m, down 8% on the Pro Forma results in H1 FY19 for its Continuing Businesses. On the same basis, Net Profit After Tax and Minority Interests was $115m, down 9%.

Key takeaways include:

- Strong growth from digital video businesses
  - $35m EBITDA improvement at Stan[1], with subscribers exceeding 1.8m
  - 65% growth in EBITDA at 9Now[1], with market leading BVOD share of ~50%
  - Further investment in 9Now to accelerate growth into the broader digital video market
- Result was heavily impacted by challenging cycles
  - Broad based ad market weakness including a 7% decline in Metro FTA revenues
  - Housing market softness impacting Domain's residential listing volumes
- Stability in Metro Media earnings[1]
- Synergies of $9m identified following completion of the Macquarie Media acquisition
- Nine expects FY20 EBITDA at a similar level to FY19[1]

[1] like-basis, pre AASB16

Hugh Marks, Chief Executive Officer of Nine Entertainment Co. said: "This result is a testament to the work we have done over the last four years to reposition Nine for a digital future. With strong growth in our digital businesses helping to offset some of the cyclical headwinds faced by our traditional media assets.

We have now clearly established Nine as the leading domestic player in the digital video market with both 9Now and Stan recording very strong growth in the period. Growth that we expect to continue into H2. We have successfully unified our first party database across all of our owned and controlled businesses, meaning we are in a position to offer our partners the benefits of more targeted advertising across the Nine suite of assets.

We have invested in technology through 9Galaxy which will enable our inventory to be traded seamlessly, and in a premium content mix that works across linear and on-demand television. Positioning us to compete more effectively with the global technology companies for revenue.

Recognising this company-wide evolution, we believe there is significant potential to refocus the cost structure of our FTA business, targeting the removal of up to $100m in annualized costs over the next 3 years – costs that will not inhibit our ability to continue to invest in the growth opportunities around premium revenue and digital video, as we have done successfully over the past 3 years.

Nine is in a unique, and incredibly exciting position. We own platforms across linear television, digital, print and radio – leading assets, and all of which are evolving towards digital distribution. Almost 40% of our earnings are now sourced from growing digital platforms. Together with data and technology, we have the ability to distribute messages to mass audiences as well as to small but valuable, addressable audiences. We have the systems to ensure seamless and efficient delivery for advertisers and we have the balance sheet to invest in the content that works for Australians."

nineentertainmentco.com.au

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Accounting basis

The Reported/Statutory results include the contribution from Fairfax Media and Stan from 7 December 2018.

The Reported/Statutory results include additional amortisation arising from Purchase Price Accounting for the merger with Fairfax as well as the impact of AASB16, accounting for leases. Full details of these impacts are shown in Appendix 5 of the results presentation, dated 20 Feb. 2020.

Pro Forma results consolidate the results for the former Nine and Fairfax businesses for the full 6 months in H1FY19 and exclude the impact of AASB16. Results include synergies realised since the transaction completed. Interest costs associated with the transaction are for the period from completion.

Pro Forma results are presented for Continuing Operations and exclude Australian Community Media and Printing (ACM), part of Events and Stuff New Zealand, which are separately classified as Discontinued operations. Stuff NZ remains held for sale and the remaining Events businesses have been moved into Digital and Publishing from 1 July 2019.

All results (ex Statutory) exclude Purchase Price Accounting to best illustrate Nine's performance for the period, and consistent with guidance given to the market. All variances (table 3,4,5,6 and 7) are calculated on a pre AASB16 (like-for-like) basis.

For the purposes of this release, and the presentation dated 26 February 2020, the operations of 9Now are included in Broadcast.

Table 1: Statutory Results[1]

6 months to December $m	H1 FY20	H1 FY19	Variance $m	Variance %
Revenue[1,2]	1,182.5	709.8	+472.7	+67%
Group EBITDA[1,2]	250.8	177.8	+73.0	+41%
Net Profit after Tax, pre Minorities[1,2]	114.3	108.5	+5.8	+5%
Specific Items (net of tax)	(12.4)	62.8	(75.2)	NM
Statutory Net Profit, continuing operations[2]	101.9	171.3	(69.4)	(41%)
Discontinued businesses	(14.6)	0.2	(14.8)	NM
Total Statutory Net Profit (incl. discontinued)	87.3	171.6	(84.3)	(49%)
Basic Earnings per Share[1,2] (Cents)	6.2	11.1	(4.9)	(44%)
Dividends per Share (Cents)	5.0	5.0	-	-

[1] Pre Specific Items, includes contribution from Fairfax assets, from 7 December
[2] Continuing businesses

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On a reported basis, Revenue of $1.2b resulted in Group EBITDA of $251m, pre Specific Items. Net Profit after Tax from continuing business, pre Specific Items, was $114m. Nine reported Net Profit after Tax, inclusive of $12m of Specific Items (detailed below) and the contribution from discontinued businesses, of $87m. Earnings per Share from continuing business, pre Specific Items, was 6.2 cents, and a fully franked dividend of 5.0 cents was declared.

Table 2: Specific Items, Statutory and continuing business basis

6 months to Dec, $m	H1 FY20
Domain (Refer Domain (ASX:DHG) accounts, 20th Feb 2020)	7.9
Restructuring & termination related costs	(9.4)
Transaction-related costs – FXJ, MRN, Weatherzone	(8.5)
Other	(8.5)
Total Specific Items before tax	(18.4)
Tax impact of Specific Items	6.0
Net Specific Items after tax	(12.4)

A Specific item cost of $18m (pre-tax) was reported for the period. Transaction-related costs of $8.5m included some residual costs associated with the FXJ merger, as well as costs relating to the acquisition of MRN and the sale of Weatherzone. The main offset was Domain's $7.9m relating primarily to the value of outstanding purchase-related liabilities on the Group balance sheet.

Table 3: Group Results[1]

6 months to Dec $m	H1 FY20 Reported	H1 FY20 Ex AASB16/PPA	H1 FY19 Pro Forma	Variance	
				$m	%
Revenue	1,182.5	1,182.9	1,203.5	(20.6)	(2%)
Group EBITDA	250.8	230.5	251.7	(21.1)	(8%)
Net Profit after Tax	114.3	124.3	140.2	(16.0)	(11%)
Net Profit after Tax and Minorities	105.1	114.7	126.1	(11.4)	(9%)
Fully diluted Earnings per Share (cents)	6.2	6.7	7.4	(0.7c)	(9%)

[1] Pre Specific Items, continuing business basis and,exclude additional amortisation arising from purchase price accounting

On a Continuing Business basis and pre Specific Item basis, Nine reported EBITDA of $251m, on revenue of $1,183m (-2%). Net Profit after Tax and Minorities totaled $105m.

Pre the adjustment due to AASB16/PPA, Nine reported a Group EBITDA of $231m, down 8%. Net Profit after Tax and minorities, was down 9% on the H1 FY19 (like-basis) result, to $115m. Earnings per Share of 6.7 cents was down 9% on the previous corresponding period.

Table 4: Broadcast[1]

6 months to Dec $m	H1 FY20 Reported	H1 FY20 Ex AASB16	H1 FY19 Pro Forma	Variance	
				$m	%
Revenue	630.8	630.8	660.8	(30.0)	(5%)
Costs	(485.3)	(494.4)	(467.8)	(26.6)	(6%)
EBITDA	145.5	136.3	193.0	(56.7)	(29%)
Margin	23.1%	21.6%	29.2%		(7.6 pts)

[1] Pre Specific Items

For the purposes of this release, Nine's Broadcast division comprises Nine Network, 9Now as well as Nine Radio (previously Macquarie Radio). Together, Broadcast reported EBITDA of $146m on revenues of $631m for the half.

Nine Network reported a revenue decline of 6%, from $564m to $531m for the half. Reflective of a very difficult overall advertising market, the Metro FTA ad market declined by 7%[1]. Nine's Metro FTA share of 38.7%[1] was marginally down on pcp and was disappointing in light of Nine's strong ratings performance.

In 2019, Nine recorded its strongest year in OzTAM history. For Ratings Season 2019, Nine was the #1 Network and Primary Channel in all key demographics. Nine attracted a commercial network share of 39.4%[2] of the 25-54 demographic, up 3.2 pts on pcp. On a primary channel basis, Nine's share of the 25-54s was 40.5%[2], up 3.9 points, and 8.6 share points ahead of its nearest competitor. In the December half, Nine also won all of the key demographics[3].

Ex the impact of AASB16, FTA costs rose by 6%, or $25m. This reflected the one-off broadcast of the UK Ashes and World Cup Cricket ($16m) as well as a contracted $8m increase in NRL rights costs. Full year costs are expected to be up by around 2.5%, equating to a slight reduction in the second half.

As a result, FTA EBITDA fell by 36% to $104m, pre AASB16, or $111m inclusive of the accounting change.

In a BVOD market which grew by 43% for the half to $87m[4], 9Now held its share ~50%, for revenue growth of 44%. Users and engagement continued to grow with long form VOD minutes increasing by 31% across the half on pcp, and live streams up by 137%. 9Now increased its EBITDA contribution from $16m to $27m, up 65%. 9Now will continue to invest in incremental content to further expand its position in Australia's fast-growing digital video market.

Acquisition of the minorities in Nine Radio (previously Macquarie Radio) was completed in November. For the six months, revenue was down by 16%, to $58m, reflecting both the slower Metro radio ad market (down 9.7%[5] for the half) as well as well-documented issues specific to the Macquarie business. Notwithstanding a slight cost decline, Nine Radio reported EBITDA of $8m, or $6m pre

AASB16, down sharply on pcp.

From an audience perspective, Nine's NewsTalk Network performed well with 6% growth in cumulative audience across the half[6], leading in share, audience and time spent listening. However, the `breakfast-slot' problems at 2GB had a marked impact on revenues in the Sydney market.

Since taking full ownership, Nine has made significant changes to its Radio business – consolidating back-office functions, sales and news into Nine and reformatting the loss-making Sports Network. Coupled with continued audience strength, this should underpin leverage when the ad market improves.

[1] Source: Think TV, Metro Free To Air revenue and share, 6 months to December 2019
[2] Source: OzTam, 6pm-10.30pm, 2019 survey ex Easter
[3] Source: OzTam, 6pm-10.30pm, July 1 – December 31, 2019
[4] Source: Think TV, BVOD revenue, 6 months to December 2019
[5] Source: Commercial Radio Australia, 6 months to December 2019
[6] Source: GfK Mon-Sun Average Audience All People 10+ Surveys 5-8 2019 versus Surveys 5-8 2018

Table 5: Digital & Publishing[1]

6 months to Dec $m	H1 FY20 Reported	H1 FY20 Ex AASB16	H1 FY19 Pro Forma	Variance $m	Variance %
Revenue	288.3	288.3	298.3	(10.0)	(3%)
Costs	(234.5)	(241.6)	(254.6)	+13.0	+5%
EBITDA	53.8	46.7	43.7	+3.0	+7%
Margin	18.7%	16.2%	14.7%		+1.5 pts

[1] Pre Specific Items

For the purposes of this release, Nine's Digital & Publishing division includes Metro Media and Nine's other Digital Publishing titles including Pedestrian, CarAdvice and nine.com.au. Together, Digital & Publishing reported revenue of $288m, down 3% on pcp. A combined EBITDA of $54m was reported, or $47m ex AASB16.

Metro Media reported flat revenue in a challenging ad market. Share gains in print offset part of the ad market weakness, while Digital (subscription and advertising) revenues grew strongly. On average, double-digit growth in digital subscriptions across *The Age*, *the Sydney Morning Herald* and the *Australian Financial Review* reflects the reweighting of the business to both the digital platform and consumer revenue. Digital advertising revenue growth of 10% was underpinned by growing premium audiences across all mastheads, as well as the benefits of being part of the broader Nine Group. Excluding the impacts of the Weatherzone sale and Events inclusion, Metro Media costs were down by 8%, consolidating previous cost initiatives. EBITDA increased by 13% to $44m, pre AASB16, the seventh consecutive half of EBITDA growth for the Metro Media business.

Other key components of Digital & Publishing together contributed revenue of $57m, and EBITDA of $3m impacted by softer conditions in the broader digital display market.

Table 6: Domain[2]

6 months to Dec $m	H1 FY20 Reported	H1 FY20 Ex AASB16	H1 FY19[1] Pro Forma	Variance $m	 %
Revenue	147.0	147.4	164.9	(17.5)	(11%)
Costs	(99.9)	(103.9)	(113.3)	9.4	8%
EBITDA	47.0	43.5	51.6	(8.1)	(16%)
Margin	32.0%	29.5%	31.3%		-1.8 pts

1. Restated for sales of Compare & Connect and Star Weekly. Reconciliation in Results presentation, Appendix 4.
2. Pre Specific Items

The cyclically challenging property market that impacted Domain (ASX: DHG) in FY19 continued through H1 FY20, with new listing volumes down ~12% nationally. Against this backdrop, Domain increased yield by 7%, driven by both depth uptake and pricing, with revenue down 5% on a like-for-like basis[2]. The market weakness also impacted on Domain's Developer and Print operations – the latter now representing less than 10% of Group EBITDA.

Total costs declined by 8% in the half, the soft market presenting an opportunity to realign the Group's operating structure with its long-term growth focus.

Group EBITDA (pre AASB16) was down by 16% to $44m. During the half, Domain continued to leverage its key assets of effective listings parity, and large engaged audiences, to deliver value to agents and consumers. Underlying depth and yield improvements have continued, which will result in strong leverage when the cycle returns to normal.

3. Like-for-like as adjusted in Domain (ASX:DHG) result, 20 February 2020

Table 7: Stan (100%)

6 months to Dec $m	H1 FY20 Reported	H1 FY20 Ex AASB16	H1 FY19 Pro Forma	Variance $m	 %
Revenue	116.6	116.6	65.2	51.4	79%
Costs	102.6	103.1	87.0	(16.1)	(18%)
EBITDA	14.0	13.5	(21.8)	35.3	NM
Margin	12.0%	11.6%			

[1] Pre Specific Items

During the half, Stan grew its active subscriber numbers to more than 1.8m currently. The combination of ongoing subscriber build and the $2 price rise from March 2019 underpinned the 79% increase in Stan's revenue across the half. Further investment in content and marketing contributed to the 18% increase in costs. In combination, EBITDA improved by $35m, for an H1 total of $14m.

Stan continued to consistently build subscribers across the half - driven by the expansion of the Group's *Iconic Series*, led by new content from Fox/Disney, as well as Stan's biggest summer of originals. Average weekly viewing hours per subscriber increased by more than 25% over the important summer weeks (December -> present).

Table 8: Balance sheet and Cash Flow

As at	31 Dec 2019	30 Jun 2019	31 Dec 2018	30 Jun 2018
Net Debt ($m) – wholly owned	278.2	120.7	228.3	213.0
Net Debt ($m) – Consolidated	426.1	255.9	370.2	358.0
Net Leverage - wholly owned basis (X)	0.8X	0.4X	0.6X	0.5X

Operating Cash before Specific Items, Interest and Tax for the six months was $156m, calculated on a wholly-owned basis, from continuing operations and excluding the impact of AASB16. On this basis, this equated to cash conversion of 85%.

As at 31 December 2019, Net Debt was $278m, on a wholly-owned basis, which equated to Net Leverage of 0.8X. Key cash flow components during the half include $114m in acquisition/divestments, most notably Macquarie Radio partially offset by the Weatherzone sale; and net dividends paid of $70m. In addition, there was $51m in CapEx, including $20m relating to the move to North Sydney operations. Second half CapEx, for wholly owned businesses, is expected to be around $90m.

Dividend

The Company will pay an interim dividend of 5 cents, fully franked. The dividend is payable on 20 April 2020.

Current trading environment and outlook

Overall advertising market conditions across most categories have remained softer-than-anticipated for the start of 2020.

Notwithstanding, Nine's March quarter FTA revenues are expected to be broadly flat, year-on-year as Nine's superior ratings performance in 2019 and the start of 2020, has underpinned clear growth in revenue share. For the June half, Nine expects the FTA market to decline by around 5%, offset by growth in share of around 2 points (on pcp).

After H1 cost growth of 6%, FY20 guidance of 'cost growth of no more than 2.5%' equates to a second half cost decline in FTA Television.

Continued strong growth is expected at 9Now, with EBITDA growth tempered by increased investment in content, as the business expands into the broader digital video market. The market is expected to continue to grow around current rates and for Nine to remain at the forefront of this growth.

Second half results at Radio are expected to show a marked turnaround, as the cost base is reset. Revenue performance has been impacted by the rate of advertiser return to 2GB, which is expected to improve moving into 2021.

In the second half, digital trends at Metro Media continue to improve, albeit somewhat masked by the loss of Weatherzone EBITDA, and the cycling of previous significant cost initiatives.

As Domain commented with its result last week, trading started slowly in January, but there are encouraging signs in property market activity in February. Domain will remain disciplined in managing its cost base to take account of the trading environment, while continuing to invest in growth initiatives.

Current momentum is expected to continue at Stan, albeit at a slower rate as last year's price increase and strong subscriber growth of 2019 is cycled.

In terms of the FY20 result, assuming the above, Nine expects to report Group EBITDA at a similar level to the FY19 Pro Forma result (of $423.8m).

This is prior to the adjustments detailed in Nine's presentation pack, relating to the implementation of AASB16.

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APPENDIX 1

SUMMARY OF GROUP RESULTS, CONTINUING BUSINESS BASIS

6 Months to December Continuing Operations $m	FY20 Reported	FY20 Ex AASB16/PPA	FY19 Pro Forma	Variance $m	%
Television	531.2	531.2	563.5	(32.2)	(6%)
9Now	42.0	42.0	29.1	12.8	44%
Radio	57.6	57.6	68.2	(10.6)	(16%)
Broadcast	**630.8**	**630.8**	**660.8**	**(30.1)**	**(5%)**
Metro Media	230.9	230.9	234.7	(3.9)	(2%)
9 Digital	57.4	57.4	63.6	(6.2)	(10%)
Digital & Publishing	**288.3**	**288.3**	**298.3**	**(10.1)**	**(3%)**
Stan	116.6	116.6	65.2	51.4	79%
Domain	147.0	147.4	183.9	(36.5)	(20%)
Corporate	9.2	9.2	9.1	0.1	1%
Inter segment revenue	(9.3)	(9.3)	(13.8)	4.5	33%
Group Revenue	**1,182.5**	**1,182.9**	**1,203.5**	**(20.6)**	**(2%)**
Television	110.6	103.5	161.1	(57.6)	(36%)
9Now	27.3	27.1	16.4	10.7	65%
Radio	7.6	5.7	15.4	(9.7)	(63%)
Broadcast	**145.5**	**136.3**	**193.0**	**(56.7)**	**(29%)**
Metro Media	50.4	44.2	39.2	5.0	13%
9 Digital	3.3	2.6	4.5	(2.0)	(43%)
Digital & Publishing	**53.8**	**46.7**	**43.7**	**3.0**	**7%**
Stan	14.0	13.5	(21.8)	35.3	162%
Domain	47.0	43.5	52.7	(9.2)	(18%)
Corporate	(9.6)	(9.6)	(14.1)	4.5	32%
Associates	0.0	0.0	(2.0)	2.0	101%
Group EBITDA	**250.8**	**230.5**	**251.6**	**(21.1)**	**(8%)**
Depreciation, amortisation	(73.9)	(45.3)	(40.6)	(4.8)	(12%)
Group EBIT	**176.9**	**185.2**	**211.0**	**(25.8)**	**(12%)**
Net Interest	(13.2)	(7.3)	(10.5)	3.3	31%
Tax	(49.4)	(53.7)	(60.3)	6.6	11%
Non-controlling interests	(9.2)	(9.8)	(14.1)	4.3	30%
NPAT	**105.1**	**114.5**	**126.1**	**(11.7)**	**(9%)**

Further details of the Company's results are included in the Final Results Briefing Presentation of 26 February 2020

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APPENDIX 2
GLOSSARY

- AASB16 – The recently updated accounting standard for leases, which applies to reporting periods beginning on or after 1 January 2019 (from FY20 for Nine)
- Broadcast – For the purposes of this ASX release and Nine's Results Presentation (26th Feb 2020), Broadcast comprises Nine Network, 9Now and Nine Radio. For the purposes of the Statutory Accounts, 9Now is included in Digital & Publishing
- BVOD – Broadcast Video On Demand
- Cash Conversion - Refers to operating cash pre Specific Items, tax and interest, divided by EBITDA (pre AASB16 basis)
- Continuing Business – excludes those assets sold during the period, or currently held for sale, specifically Australian Community Media and Printing (ACM) and part of Events (both sold in FY19) and Stuff New Zealand (currently held for sale)
- Digital & Publishing – For the purposes of this ASX release and Nine's Results Presentation (26th Feb 2020), Publishing comprises Metro Media and 9Digital. For the purposes of the Statutory Accounts, Digital & Publishing also includes 9Now
- EBITDA – earnings before interest, tax, depreciation and amortisation before Specific Items
- FTA – Free To Air
- FY - full year
- Group EBITDA – EBITDA plus share of Associates' net profit
- H1 – first half, six months to 31 December
- Net Debt (wholly owned) – Interest bearing loans and borrowings attributed to wholly owned entities less available cash
- Net Debt (combined Group) – Net Debt (wholly owned) plus Net Debt attributed to controlled, but not wholly owned entities (Domain and Macquarie Radio)
- Net Leverage (combined Group) – 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
- Operating Cash flow - EBITDA adjusted for changes in working capital, the impact of AASB16 and other non-cash items plus dividends received from Associates. Excludes cash relating to the Specific Items
- Premium Revenue – includes branded content, product and brand integration, the use of IP, talent and social, primarily linked to key content franchises
- Pro Forma – consolidating the combined businesses of Nine and Fairfax, including Stan. Includes synergies actually delivered and interest costs from the period of completion. Pro-Forma results exclude Purchase Price Accounting and apply to FY19 results only
- 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 2019 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 – Nine Network + 9Now

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