For personal use only

25 August 2022

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

2022 FINAL RESULTS ANNOUNCEMENT

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

Rachel Launders
Company Secretary

Authorised for release: Nine Board sub-committee

Further information:

Nola Hodgson
Head of Investor Relations
+61 2 9965 2306
nhodgson@nine.com.au

Victoria Buchan
Director of Communications
+61 2 9965 2296
vbuchan@nine.com.au

NINE REPORTS RECORD RESULT IN FY22

25 August 2022: Nine Entertainment Co. (ASX: NEC, Nine) has released its results for the 12 months to June 2022. For the period, Nine reported Revenue of $2.7b and a Net Profit After Tax of $315m, which included a post-tax Specific Item expense of $58m.

Group EBITDA, before Specific items, of $701m equated to growth of 24%, ahead of first half growth of 15%, and slightly ahead of the `more than 22%' guidance given in February. Profit After Tax and Minorities, before Specific Items was $349m, up 33% on the previous corresponding period.

Key takeaways include:

- Nine's content and programming strategy delivers audience strength across all key platforms
- Market-leading revenue share in both linear and BVOD (notwithstanding two Olympics, and an Ashes series on another network), underpinning Total Television EBITDA growth of 19%
- 81% growth in Radio EBITDA, reflecting share gains and the benefits of a restructured cost base
- 22% revenue growth at Stan driven by a 9% increase in ARPU, and growth in active Stan subscribers (currently more than 2.5m), and strong growth in Stan Sport subscribers
- 53% ($62m) reported growth in Publishing EBITDA, with underlying EBITDA growth of around 23% (ex the net impact of the digital platform deals on FY21 and FY22)
- 38% growth in Domain's (ongoing) EBITDA, leveraging the stronger property market and reflecting the Group's evolving marketplaces strategy
- Strong growth in Digital EBITDA (+43%) to more than 50% of Group total, as Nine's strategy and focus continues to play out
- 33% increase in full year dividend (on pcp) to 7.0 cents per share
- Announcement of intention to buy-back up to 10% of issued capital on market

Peter Costello, Chairman of Nine said: "2022 has been a record year for Nine, on many levels. From a profit perspective, we have reported the highest ever Group EBITDA as well as Total TV and Publishing EBITDA and margin. At the same time, our ambition to accelerate profitable growth from our digital businesses is being realised, with more than 50% of EBITDA now attributed to our digital expansion, tracking ahead of the long-term targets we have previously communicated.

For our shareholders, from our FY22 profit, we have also paid or announced a record, fully franked dividend of 14 cents per share".

Mike Sneesby, Chief Executive Officer of Nine said: "Across Nine, our team has remained focused on the things that matter most. We have continued to make key programming decisions, through the Total Television lens, across broadcast and streaming, and this has resulted in growth in revenue and profitability, and audiences across a number of our key programs. At Stan, we have continued to grow ARPU and revenues, and have remained clearly profitable, and cash flow positive, notwithstanding key investments in Sport, Events and Original content. In Radio, we have refocused and strengthened our underlying business while building our audiences, most notably our Digital audiences – 27% of our listeners used a digital device to access our content during the June half. And we have reset the profitability of our Publishing business, growing audience reach and subscribers through targeted investment in the product. I would like to thank and congratulate the team at Nine on this exceptional result. They have focused on the priorities that drive revenue and growth opportunities across the business, while remaining disciplined in cost management.

Whilst broader economic factors are beginning to impact some areas of the market, Nine's strong competitive position and balance sheet stands us in good stead. We have successfully diversified our earnings base, with more than 30% of our revenue now from subscription and licensing. Moreover, across all of our advertising-based businesses, we are confident that we will continue to grow our share, reflecting our content and distribution capabilities, as well as our focused approach to sales and the associated use of our extensive data pool. We expect any market softness will create opportunities for Nine to further strengthen its position as Australia's Media Company".

For personal use only

Table 1: Group Results[1]

12 months to June $m	FY22	FY21	Variance	
			$m	%
Revenue	2,688.8	2,331.5	+357.3	+15%
Group EBITDA	700.7	564.7	+136.0	+24%
Net Profit after Tax	373.5	277.5	+96.0	+35%
Net Profit after Tax and Minorities	348.5	261.0	+87.5	+34%
Fully diluted Earnings per Share (cents)	20.5	15.3	+5.2c	+34%
Dividends per share (cents)	14.0	10.5	+3.5c	+33%

[1] Pre Specific Items

On revenue of $2.7b, Nine reported EBITDA of $701m, up 24% on the previous corresponding period, continuing the momentum of FY21. Net Profit after Tax and Minorities of $349m was up 34% on FY21. Earnings per share of 20.5 cents was also up 34% on pcp. Specific Items totaled a cost of $58m and are detailed in Appendix 2. Nine has announced its intention to pay a final dividend of 7 cents, compared with 5.5 cents in the previous corresponding period, which equates to a payout ratio of 68% over the full year.

Table 2: Broadcast[1]

12 months to June $m	FY22	FY21	Variance	
			$m	%
Revenue[2]	1,371.9	1,242.6	+129.3	+10%
Costs	(970.8)	(910.1)	+60.7	+7%
EBITDA	401.1	332.5	+68.6	+21%
Margin	29.2%	26.8%		+2.4 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 $401m on revenues of $1,372m for the year.

Across Total Television, revenue increased by 10% and EBITDA by 19%, with strong growth across both Nine Network and 9Now. The key drivers of the delta from previous guidance of `more than 20%' was a slightly weaker-than-expected June market, coupled with the more than $2m Total Television component of the Group-wide $5m recognition bonus, paid in June.

12% of Total Television revenue came from digital sources, up from 9% in FY21.

Nine Network reported revenue growth of 7% for the year to $1119m. The Metro Free to Air advertising market was up 9%[1] for the year, and 4%[1] in the second half. Nine recorded a market-leading full year Metro FTA revenue share of 38.2%[1], including a second half share of 40.6%[1].

For personal use only

Across the year to June, Nine was the #1 Network and Primary Channel in all key demographics, attracting a commercial network share of 38.4%[2] and a primary channel share of 39.7%[2] of the 25-54 demographic.

For the six months to June, on a primary channel basis, Nine's share of the 25-54s was 40.8%[2], more than seven share points ahead of the next placed primary channel.

FTA costs increased just under 5%, or ~$39m. More than half of this increase related to the normalisation of some COVID-related cost relief in FY21 (specifically Australian Open rights, the return of spectrum charges and travel and entertainment costs).

For the year to June, FTA EBITDA increased by 14% to $285m, Nine's highest ever reported FTA profit.

9Now continued to grow strongly, with revenue growth of 41%. EBITDA of $101m was up 37% on FY21, and accounted for more than 25% of Total Television profitability. Around half of the cost increase of ~$17m related to the return of the *Love Islands (UK and Australia)* and increased content from NBCU, Discovery and Warner – the remainder primarily reflecting volume-related technology costs. Across the year, Daily Active Users grew by a further 33%, while live streaming (minutes) were up by 72%. Overall, the BVOD market grew by 47% for the year to $369m[3], with 9Now attracting a market-leading 45% of this subset of the digital video market.

The Metro radio ad market gained momentum, and finished the year up 10%[4] on FY21. Nine performed better than the market, improving audience and revenue share across the year, with ad revenues up 14% on FY21. Nine Radio reported EBITDA of $15m, more than double the H1 result, and up 81% on FY21. The result was driven by cost discipline in the analogue business, investment in digital expansion, and the benefit of a sales restructure to capitalise on the rebounding advertising market.

1 Source: Think TV, Metro Free To Air revenue and share, 12 months to June 2022
2 Source: OzTam, 6pm-midnight, excludes Summer Olympics
3 Source: Think TV, BVOD revenue((9Now, 7Plus, 10Play), 12 months to June 2022
4 Source: Commercial Radio Australia, 12 months to June 2022, 4 city basis

Table 3: Stan[1]

12 months to June $m	FY22	FY21	Variance	
			$m	%
Revenue	381.2	311.8	+69.4	+22%
Costs	(352.7)	(272.3)	+80.4	+30%
EBITDA	28.5	39.5	(11.0)	(28%)
Margin	7.5%	12.7%		-5.2 pts

1 Pre Specific Items

Momentum remains positive at Stan with current active subscribers of more than 2.5m (up 6% year-on-year and increasing on February 2022). Sports subscribers have also grown strongly – in Q4, average active subscribers to Stan Sport were more than 150%[1] higher than the same quarter last year.

Together with close to double-digit growth in ARPU[2], this resulted in revenue growth across FY22 of 22%. The 30% increase in costs primarily reflected the increased investment in Stan Sport. Ex Sport, costs were up by ~16%, reflecting the ramp up of the NBCU and Starz/Lionsgate output deals, as well as the increased roll out of Stan Originals.

For personal use only

Overall, EBITDA of $29m reflected a period of strategic investment – both in Originals to diversify Stan's content sources and build a long-term library asset, and in live content, primarily Sport, as a key differentiator to other entertainment-based streaming platforms in Australia.

In FY22, Stan continued to position itself as the leading local SVOD player, focusing on Originals and live sport. Stan's expanded slate of 9 Originals was launched with strong results, particularly from the movie *Gold*, starring Zac Efron, and series including *Bump* Season 2, *The Tourist* (co-produced with BBC and HBO Max) starring Jamie Dornan, *Wolf Like Me* (co-produced with Peacock) starring Isla Fisher and Josh Gad and the first two instalments of the new *Revealed* documentary series co-produced with Nine, *Amongst Us - Neo Nazi Australia* and *No Mercy, No Remorse*. In FY23, Stan is expecting to further expand its Originals commitment, with 20 currently slated for release.

Stan also remains a key aggregator of premium exclusive and library entertainment content from around the world, with *Yellowstone* (Paramount)*, Dr Death (NBCU), Better Call Saul (Sony), Billy the Kid* (MGM) and the *Power* franchise (Starz/Lionsgate) all proving popular.

1 Average active subscribers June quarter 2022 vs June quarter 2021
2 Average Revenue Per User - 12 months to June 2022 compared with pcp

Table 4: Publishing[1]

12 months to June $m	FY22	FY21	Variance	
			$m	%
Revenue	593.5	504.5	+89.0	+18%
Costs	(414.0)	(387.3)	+26.7	+7%
EBITDA	179.5	117.2	+62.3	+53%
Margin	30.2%	23.2%		+7.0 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. Publishing reported combined revenue of $594m and EBITDA of $180m, which was up 53% on FY21. In total, digital revenues now account for more than 60% of Publishing revenue.

Continued strong readership across each of *The Sydney Morning Herald*, *The Age* and *The Australian Financial Review* resulted in strong audience and subscriber growth for all mastheads. Digital subscription and licensing revenue increased 66% across the year, driven by double-digit growth in subscription revenue as well as revenue from the digital platforms. This growth in digital more than offset print subscription and retail sales which declined by around 6%, largely in line with longer term trend.

Digital subscriptions are a key growth driver for the Publishing business. Total active subscribers grew in the high single digits (%) across the 12 months to more than 450k as at 30 June. Registered users (incremental to subscriptions) exceeded 950k at the same point, 12 months after launching the registration wall for *The Herald* and *The Age*.

Advertising revenue from Nine's Publishing assets recorded strong growth, both in digital and print. Digital advertising revenue grew by 10%, notwithstanding the end of the legacy Google sales agreement in February 2021. Print advertising grew by 13%, with all categories bouncing back strongly from COVID-affected levels.

For personal use only

Overall, Publishing costs increased by 7%. Of the $27m increase, around half related to increases in staff and production costs with the remainder reflecting Nine's ongoing investment in Publishing content, as well as some remaining post-COVID rebalances.

In total, Publishing EBITDA increased by 53% to ~$180m for the year. Ex the net impact of the licensing revenue from the digital platforms, Nine estimate Publishing EBITDA grew by around 23%.

Table 5: Domain[1]

12 months to June $m	FY22	FY21	Variance	
			$m	%
Revenue	356.7	289.6	+67.1	+23%
Costs[2]	(226.7)	(195.5)	+31.1	+16%
EBITDA[2] - ongoing	130.1	94.0	+36.0	+38%
Margin	36.5%	32.5%		+4.0 pts
EBITDA – reported[3]	122.1	100.6	+21.5	+21%
Margin – reported[3]	34.2%	34.7%		(0.5 pts)

1 Pre Specific Items
2 Ongoing result excludes JobKeeper & Zipline expenses (FY22)/benefits(FY21)
3 Reported result, as included in Nine's result

Domain's result (ASX: DHG, announced 17th August 2022), was underpinned by the Group's success in driving its Marketplace strategy and the ongoing strength in the property market. The 24% growth in digital revenues was underpinned by Residential, with 9% growth in national listing volumes coupled with a strong 14% increase in controllable yield. Double-digit revenue growth was also recorded across Agent Solutions and Property Data Solutions as Domain continues to deliver on building its Marketplace strategy through the acquisitions of Realbase and IDS.

Total ongoing costs increased by 16%, or 13% adjusted for the Realbase acquisition, with the increase primarily associated with improved revenue performance, namely higher production and distribution costs as well as ongoing investment in existing and new staff to support Domain's Marketplace strategy. Management remains committed to longer term EBITDA margin expansion.

Domain's ongoing EBITDA increased by 38% to $130m, while reported EBITDA increased by 21% to $122m.

For personal use only

For personal use only

Table 6: Balance Sheet and Cash Flow

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

1 Pre Specific Items

Operating Cash before Specific Items, Interest and Tax for the 12 months was $570m, calculated on a wholly owned basis, which equated to cash conversion of 99%. Cash flows remain strong, notwithstanding ongoing investments in Nine's digital growth assets.

As at 30 June 2022, Net Debt was $173m, on a wholly-owned basis, which equates to Net Leverage of ~0.3X. During the period, Nine invested a further $131m in Domain, participating in the Group's equity raising for the Realbase acquisition.

Dividend

The Company intends to pay a final dividend of 7.0 cents per share, fully franked (payable 20 October 2022). This equates to a payout ratio of around 68% of Net Profit After Tax and before Specific Items. Nine intends to maintain a payout ratio of c60-80% through the cycle.

On-market buy-back

In light of the strong FY22 result, and the Board's ongoing focus on active capital management, Nine has today announced its intention to conduct an on-market share buy-back of up to 10% of its issued share capital (up to 170.5m ordinary shares).

Peter Costello said: "This initiative reflects the Company's strong performance and balance sheet, and leaves Nine with capacity to maintain a dividend payout ratio of c60-80% through the cycle, as well as further invest in strategic growth opportunities (organic and inorganic)".

Current trading environment and outlook

The new year has started on a positive note in terms of audiences, across all platforms, and while broader economic conditions have become more uncertain, the advertising market to date, has remained resilient.

Nine is confident that the diversification and balance of its earnings profile, across growth, subscription and advertising-based businesses, will ensure ongoing, strong margin and profit performance, with almost half of Nine's revenues now coming from outside the traditional advertising cycle.

Across all of our advertising-driven businesses, total television, publishing and radio, we are confident that, in FY23, our advertising revenues will grow more strongly than the underlying markets in which they operate.

For the September quarter, Total Television revenues are expected to grow in the high single digits, driven by growth in both linear and streaming. For the first quarter of FY23, Nine's Metro free to air revenue is expected to be up in the low-to-mid single digits on a percentage basis, which includes some significant share gain on the same period last year. 9Now continues its growth trajectory, with more than 30% revenue growth expected in the September quarter (over the prior comparable period). Nine expects this positive momentum to continue through the rest of FY23, as 9Now continues to build its presence in the broader digital video advertising market. Total Television costs are expected to show a similar percentage increase in FY23 to that reported in FY22, albeit with an increased weighting to H1. This phasing is due primarily to the investments in the Cricket World Cup, the US Open and the timing of Ninja Warrior. These investments are expected to further support the Group's leading Total Television revenue share, and expanding share of the digital video market.

Radio's Q1 advertising revenues are expected to grow in the low double digits on a percentage basis driven by improved market share, as well as continuing growth in digital revenues.

In Publishing, total advertising revenues are expected to grow in the mid-to-high single digits in the first quarter of FY23, with growth in key categories, especially travel.

Nine's subscription businesses, Stan, Publishing and Domain, continue to grow in relative importance to the Group. Subscription revenues in the first quarter are expected to grow mid-single digits at the key mastheads, and the low double-digits at Stan. In FY23, Nine is expecting to record growth in both Revenue and EBITDA at Stan, with EBITDA expected to be more evenly phased across the halves than in FY22.

As Domain cited last week, trading for the first six weeks of FY23 reflects ongoing growth in new listings, coupled with further expansion in depth penetration. FY23 will also reflect a full period of the recent, strategic acquisitions of Realbase and IDS.

Through FY23, Nine intends to continue to invest in the future of its business - through targeted, content investments across all key platforms as well as ongoing focus on digital technologies and the utilisation of the Group's extensive database. Underlying cost inflation will primarily relate to people, with an expected base wage increase of c3%. Across all of its businesses, Nine remains focused on tight cost management, balancing investment with returns and longer term growth opportunities.

In total, Nine is expecting H1 FY23 Group EBITDA of $380m -$400m.

Further information:

Nola Hodgson
Head of Investor Relations
+61 2 9965 2306
nhodgson@nine.com.au

Victoria Buchan
Director of Communications
+61 2 9965 2296
vbuchan@nine.com.au

For personal use only

APPENDIX 1

SUMMARY OF GROUP RESULTS, PRE-SPECIFIC ITEMS

$m	FY22	FY21	Variance $m	Variance %
FTA	1,118.5	1,044.7	73.8	7%
9Now	151.0	107.1	43.9	41%
Radio	102.4	90.8	11.6	13%
Broadcast	1,371.9	1,242.6	129.3	10%
Publishing	593.5	504.5	89.0	18%
Stan	381.2	311.8	69.4	22%
Domain	356.7	286.6	70.1	24%
Corporate	4.9	2.3	2.6	113%
Intersegment	(19.4)	(16.3)	(3.1)	(19%)
Group Revenue	**2,688.8**	**2,331.5**	**357.3**	**15%**
FTA	285.4	250.7	34.7	14%
9Now	100.5	73.4	27.1	37%
Radio	15.2	8.4	6.8	81%
Broadcast	401.1	332.5	68.6	21%
Publishing	179.5	117.2	62.3	53%
Stan	28.5	39.5	(11.0)	(28%)
Domain	122.1	100.6	21.5	21%
Corporate	(32.3)	(26.1)	(6.2)	(24%)
Associates	1.8	1.0	0.8	80%
Group EBITDA	**700.7**	**564.7**	**136.0**	**24%**
Depreciation, amortisation	(149.1)	(149.1)	0.0	0%
Group EBIT	**551.6**	**415.6**	**136.0**	**33%**
Net Interest	(25.1)	(27.5)	2.4	9%
Tax	(153.0)	(110.6)	(42.4)	(38%)
Non-controlling interests	(25.0)	(16.5)	(8.5)	(52%)
NPAT	**348.5**	**261.0**	**87.5**	**34%**

Further details of the Company's results are included in the Interim Results Presentation of 25 August 2022

For personal use only

APPENDIX 2 - SPECIFIC ITEMS

12 months to June, $m	H1 FY22	H2 FY22	FY22
Domain – Refer Domain accounts (ASX:DHG), 17th August 2022	*(8.7)*	*(14.7)*	*(23.4)*
Acquisition costs	-	*(2.4)*	*(2.4)*
Restructuring costs	*(6.6)*	*(14.5)*	*(21.1)*
Asset impairment	*0.2*	*(29.1)*	*(28.9)*
Net loss on sale of financial assets	*(1.0)*	-	*(1.0)*
Total Specific Items before tax	***(16.1)***	***(60.7)***	***(76.8)***
Tax benefit relating to Specific Items	*4.0*	*14.6*	*18.6*
Net Specific Items after tax	***(12.1)***	***(46.1)***	***(58.2)***

A Specific item cost of $77m (pre-tax) was reported for the period. From a Nine perspective, the largest components of this were the ~$21m in restructuring costs, mainly relating to Nine's ongoing Finance Modernisation program, and $29m of right of use asset impairments relating to surplus property leases and other assets no longer considered recoverable, predominately relating to Media House, in Melbourne.

For personal use only

APPENDIX 3 - GLOSSARY

- Broadcast – comprises Nine Network, 9Now and Nine Radio.
- BVOD – Broadcast Video On Demand (9Now)
- 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
- Key demographics – People 25-54, 16-39, 18-49 and Grocery Buyers with Children
- Margin – EBITDA divided by Revenue
- 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
- 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, and after the elimination of inter-segment revenue
- Specific Items – amounts as set out in Note 2.4 of the 30 June 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

For personal use only