



CURRENT TRADING AND OUTLOOK

12 November 2019: Nine Entertainment Co. (ASX: NEC) is holding its Annual General Meeting in Sydney today. At that meeting, the following comments will be made about current trading and the outlook for FY20.

The prevailing weakness in consumer sentiment in Australia has manifested itself in weak trading conditions for many consumer facing businesses, and general softness in the overall advertising market. Advertising from pretty much every major advertising category was weak in the September quarter particularly from auto, Government, domestic banks and gambling. And whilst our business has become much less subject to the vagaries of the ad market, this weakness has of course, impacted.

Specifically - for the first quarter, while Nine's Metro Free To Air business achieved a leading revenue share of 39.8%, the market was down by 6.4% on last year...pretty much in line with the overall ad market. Early signs of an improvement in Q2, given a broadly flat September, have unfortunately dissipated in recent weeks. The FTA market in the second quarter looks like being down by at least as much as Q1 - we now expect the market to decline by mid-single digits across the full financial year. We remain confident about share gain through the second half on the back of our audience performance earlier this calendar year, and will be working hard to soften the impact of the weak start to the year. FTA costs are now expected to be 2.5% higher as opposed to the 4% we guided to earlier in the year.

Radio has experienced similarly soft market conditions in the current half exacerbated for Macquarie by the advertiser boycott around the Alan Jones' program on 2GB. We are confident that full ownership by Nine from November will underpin improved performance, both in terms of reduced costs and the potential for incremental revenue on a medium-term basis. Integration work is well progressed and we are now operating under a new consolidated structure.

There are clear green shoots in the housing market in Australia, in terms of data points like house prices and auction clearance rates. However, as Domain highlighted at its AGM yesterday, trading in FY20 to date remains challenging, albeit with some improvement on the trends experienced in Q4 FY19. The Group continues to selectively invest in growth initiatives, supported by ongoing cost discipline.

In Digital and Publishing, revenue momentum has built into Q2 across both 9Now and Digital advertising, with improving results from display and short form video in accordance with our strategy. The BVOD market grew by 34% in the September quarter and 9Now's share remains just below 50%. And in Metro Media, we have continued to gain share across both print and digital mast-heads and further benefited from merger synergies.

In Stan, subscriber momentum has continued through the current period and the business is performing ahead of expectations on all metrics, including profitability and cashflow. Stan has an increasingly entrenched market position and will continue to grow as both international content supply, and consumer demand for that content expand further. As I mentioned earlier, I am particularly enthused by developments in Stan's future product supply opportunities.

There was always going to be a shift in earnings contribution in this financial year due to timing issues, particularly the one-off costs in the TV business - however, the current advertising market conditions will mean that our first half result is now expected to be approx. 10% down on pcp.



Notwithstanding, with the expectation of growth in linear FTA share, further growth in 9Now and Stan, a pick-up in activity at Domain and early synergies from Macquarie Radio, we are expecting this shortfall to be more than made up in the second half.

For the full year therefore, premised on a Metro FTA market down mid-single digits, we are now expecting to report low single digit growth in FY20 Pro Forma Group EBITDA, pre the impact of AASB16. And for the result to be more weighted to our non-broadcast assets, consistent with our longer term strategy. ‘

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