



27 August 2020

ASX Markets Announcement Office
ASX Limited
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2020 FULL YEAR RESULTS ANNOUNCEMENT

Attached is a copy of the ASX release relating to the 2020 Full Year Financial Results for Nine Entertainment Co. Holdings Limited

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Authorised for release: Nine Board sub-committee

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NINE ENTERTAINMENT CO. FY20 FINAL RESULTS

27 August 2020: Nine Entertainment Co. (ASX: NEC) has released its FY20 results for the 12 months to June 2020. On a Statutory basis, Nine reported Revenue of \$2.2b and a Net Loss of \$575m, which included a post-tax Specific Item cost of \$665m, largely relating to impairment of goodwill.

On a pre AASB16 and Specific Item basis, Nine reported Group EBITDA of \$355m, down 16% on the Pro Forma results in FY19 for its Continuing Businesses. On the same basis, Net Profit After Tax and Minority Interests was \$160m, down 19%.

Key takeaways include:

- Audience growth across all key platforms – Metro Publishing, Stan, 9Now, Radio and FTA
- Strong growth from digital video businesses
 - o \$51m EBITDA improvement at Stan¹, with current active subscribers of 2.2m
 - o 36% EBITDA growth at 9Now¹ to \$49m, with market leading BVOD revenue share of ~50%
- Ad markets heavily impacted by COVID-19 from March 2020
- Nine was quick to mitigate the associated fallout with
 - o \$225m cost-out program – cash basis, CY20
 - o Including increasing and expediting previous cost initiatives
- 40% growth in digital EBITDA to \$166m (\$178m post AASB16)
- Evolution of Metro Media business to consumer focus, with reader revenue now accounting for almost 60% of total revenue
- Strong balance sheet, with (wholly-owned) leverage ratio <1X

¹ like-basis, pre AASB16

Hugh Marks, Chief Executive Officer of Nine Entertainment Co. said: “2020 was no doubt a challenging year. The results of the strategic growth decisions we have made over the past 5 years, have played out at scale across the year and, as a result, sheltered us from the worst of the market impact of COVID-19.

Our focus on the growth platforms in the market – primarily digitally based, and video-centric – has paid off. In the year to June 2020, the combined contribution from Stan and 9Now, the digital components of Domain and Publishing grew by 40%, to around 48% of our total EBITDA. Digital video consumption and subscriber revenue in particular, have grown significantly across the period, while digital advertising markets have improved more quickly as we trade through the worst of the COVID crisis.

On COVID more broadly, we were quick to respond when the markets turned, transitioning the majority of our work-force to ‘work at home’ with minimal interruption. As advertising markets across all sectors came under pressure, we focused on significant short and long term cost initiatives across all of our businesses, successfully removing around \$225m of cash costs in CY20, and setting in place the reduction of approximately \$230m of long-term P & L cost from our business.

As a result, the current market conditions have only given greater cause to continue to evolve the positioning of our business. Particularly the migration to digital – clearly evident across both our publishing and video assets. We will continue to drive growth in our increasingly prominent digital businesses while, at the same time, maximizing the performance of our traditional media assets.

We are confident that this current period of adversity will only make us stronger. We believe we have the right strategy, the right assets and the right people, as well as a strong balance sheet, to ensure Nine’s position at the forefront of the media sector for many years to come.”



Table 1: Group Results¹

12 months to June \$m	FY20 Reported	FY20 Ex AASB16/PPA	FY19 Pro Forma	Variance	
				\$m	%
Revenue	2,170.6	2,171.6	2,341.7	(170.2)	(7%)
Group EBITDA	396.7	354.6	423.8	(69.2)	(16%)
Net Profit after Tax	155.9	176.0	224.8	(48.8)	(22%)
Net Profit after Tax and Minorities	140.8	160.4	198.3	(37.9)	(19%)
Fully diluted Earnings per Share (cents)	8.3	9.4	11.6	(2.2c)	(19%)
Dividends per share (cents)	7.0	7.0	10.0	(3.0c)	(30%)

¹ Pre Specific Items, continuing business basis

On a Continuing Business basis and pre Specific Item basis, Nine reported EBITDA of \$397m, on revenue of \$2,171m (-7%). Net Profit after Tax and Minorities totaled \$141m. Pre the adjustment due to AASB16/PPA, Nine reported a Group EBITDA of \$355m, down 16%. Net Profit after Tax and Minorities, was down 19% on the FY19 (like-basis) result, to \$160m. Earnings per Share of 9.4 cents was down 19% on the previous corresponding period. Specific Items are detailed in Appendix 2.

Table 2: Broadcast¹

12 months to June \$m	FY20 Reported	FY20 Ex AASB16	FY19 Pro Forma	Variance	
				\$m	%
Revenue	1,136.0	1,136.0	1,283.5	(147.5)	(11%)
Costs	(938.7)	(956.9)	(1,006.7)	+49.8	5%
EBITDA	197.3	179.1	276.8	(97.7)	(35%)
Margin	17.4%	15.8%	21.6%		(5.8 pts)

¹ Pre Specific Items

Nine's Broadcast division comprises Nine Network, 9Now as well as Nine Radio (previously Macquarie Radio). Together, Broadcast reported EBITDA of \$197m on revenues of \$1.1b for the year.

Nine Network reported a revenue decline of 13%, or \$138m for the year, to \$952m. The disruption caused by COVID-19 had a significant impact on advertising revenues broadly, with the Metro Free To Air ad market down 14% across the year, and 22% in the second half. Nine's Metro FTA revenue share of 39.8%¹ was 0.2 pts above FY19, and included a second half share of 41.4%, the highest recorded by any network for more than 10 years.

Across the year to June, Nine was the #1 Network and Primary Channel in all key demographics, attracting a commercial network share of 37.9%² of the 25-54 demographic. On a primary channel basis, Nine's share of the 25-54s was 38.5%², more than seven share points ahead of its nearest competitor. In both the December and June halves, Nine won all of the key demographics².



Excluding the impact of AASB16, FTA costs declined by 6%, or \$49m. Second half costs declined by 16% or \$75m, as the onset of COVID-19 resulted in a major review of Nine's cost base early in calendar 2020. Of this \$75m, around \$40m related to the interrupted NRL season. It also includes the expedition of Nine's previous commitment to reduce FTA costs by around \$100m, and an increase in that 3-year target to \$160m.

For the year, FTA EBITDA fell by 42% to \$124m, pre AASB16, or \$138m inclusive of the accounting change.

In a BVOD market which grew by 31% for the year to \$162m³, 9Now held its share ~50%, for revenue growth of 32%. Growth in the underlying market slowed in the fourth quarter to 15%, reflecting the broader advertising market momentum. Nine's investment in incremental content has had a positive impact particularly on users and engagement, with corresponding revenue expected to follow when the ad market generally improves. Live and VOD minutes increased by 49% across the year on pcp, with total streams up by 44%. Overall, 9Now increased its EBITDA contribution by 36% or \$13m to \$49m, pre AASB-16, or \$50m post.

The acquisition of the minorities in Nine Radio (previously Macquarie Radio) was completed in November. The radio market generally had a difficult 12 months – the Metro radio ad market declined 20%⁴ across the year, and 30%⁴ in the second half. Across the two halves, Nine's revenues declined by 16% and 29% respectively, given specific operational issues during the year. Full year costs declined by 8% or \$8m, reflecting one half of merger synergies, supplemented by broader cost out initiatives. Nine Radio reported EBITDA of \$10m, or \$6m pre AASB16.

Since taking full ownership, Nine has made significant changes to its Radio business – both in terms of personnel, as well as the consolidation of back-office functions, sales and news into Nine and the reformat of the loss-making Sports Network to easy-listening. Advertiser acceptance of these changes, coupled with continued audience strength, should underpin leverage when the ad market improves.

¹ Source: Think TV, Metro Free To Air revenue and share, 12 months to June 2020

² Source: OzTam, 6pm-10.30pm, 12 months to June 2020

³ Source: Think TV, BVOD revenue, 12 months to June 2020

⁴ Source: Commercial Radio Australia, 12 months to June 2020

Table 3: Digital & Publishing¹

12 months to Jun \$m	FY20 Reported	FY20 Ex AASB16	FY19 Pro Forma	Variance	
				\$m	%
Revenue	525.2	525.2	575.6	(50.4)	(9%)
Costs	(433.2)	(449.0)	(481.7)	+32.8	+7%
EBITDA	92.0	76.2	93.9	(17.6)	(19%)
Margin	17.5%	14.5%	16.3%		-1.8 pts

¹ Pre Specific Items

Nine's Digital & Publishing division includes Metro Media and Nine's other Digital Publishing titles including Pedestrian Group, CarAdvice and nine.com.au. Together, Digital & Publishing reported revenue of \$525m, down 9% on pcp. A combined EBITDA of \$92m was reported, or \$76m ex AASB16.

Metro Media reported a 4% decline in revenue (ex Weatherzone) as the disruptions relating to COVID-



19 impacted, with H2 revenue down 9%. Nine's strategy to focus on revenues generated directly from its audiences has paid off with reader revenues now accounting for around 59% of total revenues, far exceeding the contribution from advertising.

Audiences across all mastheads strongly increased over the year, with total readership across *The Sydney Morning Herald*, *The Age* and the *Financial Review* up 38%, 20% and 43% respectively². The COVID-19 crisis however, did impact on the way consumers accessed the publications. Notwithstanding the removal of the paywall for some critical content relating to the bushfires and COVID-19, Nine reported more than 20% growth in digital subscriptions across *The Age*, *The Sydney Morning Herald* and the *Financial Review* (June 2020 vs June 2019). The pandemic, and subsequent lockdown however, resulted in declines in print retail sales.

Digital advertising revenue growth of 4% was weighted to the first half, with the second half impacted by the overall ad market. Print advertising was particularly soft, with two of print's leading categories, travel and luxury goods, being hard hit by the lockdown. Adjusting for the impacts of the Weatherzone sale and the re-inclusion of some mast-head related Events, Metro Media costs were down by ~8%, or \$28m. Cost reductions were focussed outside of the core editorial content where investment increased across the year. EBITDA declined by 10% to \$75m, pre AASB16, or a reported \$88m.

Other key components of Digital & Publishing together contributed revenue of \$99m, and EBITDA of \$4m (\$2m pre AASB16) impacted by soft conditions in the broader advertising market.

² Total Reach Readership March 2020, EMMA data

Table 4: Domain

12 months to Jun \$m	FY20 Reported	FY20 Ex AASB16	FY19 ¹ Pro Forma	Variance	
				\$m	%
Revenue	261.6	262.6	292.4	(29.7)	(10%)
Costs	(177.2)	(184.8)	(198.2)	13.3	7%
EBITDA	84.4	77.8	94.2	(16.4)	(17%)
Margin	32.3%	29.6%	32.2%		-2.6 pts

¹ Like-for-like as adjusted in Domain (ASX:DHG) result, 20 August 2020

After a stronger start to calendar 2020, the challenges relating to COVID-19 heavily impacted on the property market and Domain (ASX: DHG) through the fourth quarter. New listing volumes across the year were down ~11% nationally. Against this backdrop, Domain increased yield by ~6% through the launch of its new pricing model and higher depth penetration. Together with favourable geographic mix, like-for-like residential depth revenues declined by 1%. The market weakness also impacted on Domain's Media & Developer and Print operations, with Printing paused during the height of the COVID impact.

On a like-for-like basis, total costs declined by 5%, as Domain benefitted from a multi-year strategy to drive cost discipline, partially offset by investment in growth initiatives.

EBITDA (pre AASB16) was down by 17% to \$78m. This included a \$5m benefit relating to JobKeeper and an offsetting \$5m support package provided to agent customers. During the year, Domain continued to grow its audiences, and focus on providing innovative solutions for both agents and consumers. Notwithstanding the difficult operating environment, depth and yield improvements have continued, which will result in strong leverage when the cycle returns to normal.

Table 5: Stan

12 months to June \$m	FY20 Reported	FY20 Ex AASB16	FY19 Pro Forma	Variance	
				\$m	%
Revenue	242.1	242.1	157.1	+85.0	+54%
Costs	(211.1)	(212.2)	(178.4)	(33.8)	(19%)
EBITDA	31.0	29.9	(21.3)	+51.2	NM
Margin	12.8%	12.4%	NM		

¹ Pre Specific Items

FY20 was a landmark year for Stan, with the acceleration of subscriber growth through the June half, to around 2.2m currently. The combination of this ongoing subscriber build and the \$2 price rise implemented in March 2019 underpinned the 54% increase in Stan's revenue across the year. Further investment in content and marketing contributed to the 19% increase in costs. On a like-basis, EBITDA improved by more than \$50m, to a full year total of ~\$31m.

Over the year, Stan sourced more than 60 first-run exclusives from 17 different distributors. Particularly popular were Lionsgate's *Love Life*, Paramount's *Yellowstone*, *Normal People* from Element Pictures and Stan originals *The True History of the Kelly Gang* and *The Gloaming*, while the Group's library, including the *Iconic Series*, helped to increase total streams by more than 50% and average weekly viewing hours per subscriber by around 20% across the second half.

Subscription Video On Demand in Australia continues to grow strongly, with an estimated market of more than 9m subscriptions currently. Stan has a strong market position, with 2.2m subscribers currently, and significant EBITDA and cash profitability. There remains further upside in both subscribers and profitability for Stan on a longer-term basis.

Table 6: Balance sheet and Cash Flow

As at	30 Jun 2020	31 Dec 2019	30 Jun 2019
Net Debt (\$m) – wholly owned	291.2	278.2	120.7
Net Debt (\$m) – Consolidated	396.9	426.1	255.9
Net Leverage - wholly owned basis (X) ¹	0.9X ¹	0.8X	0.4X

¹ 30 June 2020 leverage calculated post AASB16 impact, previous periods pre AASB

Operating Cash before Specific Items, Interest and Tax for the 12 months was \$373m, calculated on a wholly-owned basis, from continuing operations and excluding the impact of AASB16. On this basis, this equated to cash conversion of 137%.

As at 30 June 2020, Net Debt was \$291m, on a wholly-owned basis, which equated to Net Leverage of ~0.9X. Offsetting the obvious impact on revenues, Nine's prompt response to reduce cash costs, including working capital and cap ex, resulted in year end Net Debt being below earlier expectations.



Dividend

The Company intends to pay a dividend of 2.0 cents per share, fully franked (payable 20 October 2020), taking the total dividend for the year to 7.0 cents per share. This equates to a payout ratio of around 80% of Net Profit After Tax and before Specific Items. Nine remains committed to paying dividends to shareholders, and intends to maintain a payout ratio of c60-80% through the cycle.

Current trading environment and outlook

Whilst advertising market conditions remain challenging through the start of FY21, the market is performing ahead of earlier expectations, and appears poised to recover when the COVID conditions stabilize.

At this stage, Nine's September quarter FTA revenues are expected to be down ~15%, reflecting the continued weakness in advertising markets.

FTA costs are currently expected to decrease by ~5% over the year, notwithstanding the cycling of any one-off cost reductions, specifically the NRL.

The BVOD market is expected to continue to grow in FY21. In June and July, the BVOD market grew by 13% and 30% respectively. 9Now's EBITDA growth will be tempered by increased investment in content, as the business expands into the broader digital video market.

Nine Radio is expected to show a marked turnaround, as advertisers return to the Network and the cost base is reset.

Digital trends at Metro Media are expected to continue to improve, albeit offset by further short-term declines in print. There are further cost initiatives to come in the short term, from reduced printing costs. In addition, the recent outcome of the Digital Platforms Enquiry should enable an incremental revenue stream which will permanently change the trajectory of this business.

As Domain commented with its result last week, the property market continues to hold up against a difficult economic backdrop, with July 2020 recording unseasonably strong activity against weak comparables. However, the Company has limited visibility into the important Spring selling season. As a result, Domain will remain disciplined in managing its cost base to take account of the trading environment, while continuing to invest in growth initiatives.

Current subscriber momentum is expected to continue at Stan, albeit at a more moderate rate in FY22. Stan maintains its positive long-term view of market potential, and therefore will continue to invest in incremental content to ensure this momentum is maintained.

Nine remains focused on delivering on metrics that it can control, and further enhancing its competitive market position.

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APPENDIX 1

SUMMARY OF GROUP RESULTS, CONTINUING BUSINESS BASIS

Continuing Operations \$m	FY20		FY19	Variance	
	Reported	Ex AASB16 /PPA	Pro Forma	\$m	%
Television	951.8	951.8	1090.0	-138.3	-13%
9Now	81.7	81.7	61.7	20.0	32%
Radio	102.6	102.6	131.7	-29.2	-22%
Broadcast	1136.0	1136.0	1283.5	-147.4	-11%
Metro Media	426.3	426.3	454.4	-28.0	-6%
9 Digital	98.9	98.9	121.2	-22.4	-18%
Digital & Publishing	525.2	525.2	575.6	-50.4	-9%
Stan	242.1	242.1	157.1	85.0	54%
Domain	267.8	268.8	335.6	-66.8	-20%
Corporate	14.2	14.2	19.1	-4.9	-26%
Intersegment	-14.9	-14.9	-29.2	14.3	49%
Group Revenue	2170.6	2171.6	2341.7	-170.2	-7%
Television	137.8	123.8	213.4	-89.6	-42%
9Now	49.7	49.4	36.2	13.2	36%
Radio	9.8	5.9	27.2	-21.2	-78%
Broadcast	197.3	179.1	276.8	-97.7	-35%
Metro Media	88.2	74.5	82.7	-8.3	-10%
9 Digital	3.7	1.7	11.1	-9.4	-84%
Digital & Publishing	92.0	76.2	93.9	-17.6	-19%
Stan	31.0	29.9	-21.3	51.2	NM
Domain	86.0	79.0	98.0	-19.0	-19%
Corporate	-10.6	-10.6	-20.7	10.1	49%
Associates	0.9	0.9	-2.9	3.9	132%
Group EBITDA	396.7	354.6	423.8	-69.2	16%
Depreciation, amortisation	-149.9	-90.9	-85.3	-5.6	7%
Group EBIT	246.8	263.7	338.5	-74.8	-22%
Net Interest	-26.3	-14.8	-19.6	4.9	25%
Tax	-64.5	-73.0	-94.0	21.1	22%
Non-controlling interests	-15.1	-15.6	-26.5	10.9	41%
NPAT	140.8	160.4	198.3	-37.9	-19%

Further details of the Company's results are included in the Final Results Presentation of 27 August 2020

APPENDIX 2 - SPECIFIC ITEMS

12 months to Jun, \$m	H1 FY20	H2 FY20	FY20
Domain - impairment	-	(188.2)	(188.2)
Domain - other	7.9	(1.1)	6.8
Asset impairment	-	(61.4)	(61.4)
Impairment of intangibles	-	(403.6)	(403.6)
Restructuring & termination related costs	(9.4)	(39.0)	(48.4)
Transaction-related costs – FXJ, MRN, Weatherzone	(8.5)	(0.7)	(9.2)
Other	(8.5)	10.5	2.0
Total Specific Items before tax	(18.4)	(683.4)	(701.9)
Tax relating to Specific Items	6.0	31.2	37.2
Net Specific Items after tax	(12.4)	(652.2)	(664.7)

¹ Statutory and continuing business basis

A Specific item cost of \$702m (pre-tax) was reported for the period. The largest component of this was a total \$591m non-cash impairment of intangibles which included a goodwill write-down of ~\$300m relating to Nine's Metro Free to Air television business. The asset impairment included the write-off of \$28m relating to payments made under the original NRL contract for rounds subsequently cancelled, as well as the prepayment relating to the 2020 Cricket World Cup (now postponed).

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 1 of the results presentation, dated 27 August 2020.

Pro Forma results consolidate the results for the former Nine and Fairfax businesses for the full 12 months in FY19 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. ACM (June 2019) and Stuff NZ (May 2020) have subsequently been sold 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. All variances are calculated on a pre AASB16 (like-for-like) basis.

For the purposes of this release, and the presentation dated 27 August 2020, the operations of 9Now are included in Broadcast.

APPENDIX 3 - 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 (27th Aug 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 the previous period, specifically Australian Community Media and Printing (ACM) and part of Events (both sold in FY19) and Stuff New Zealand (May 2020)
- Digital & Publishing – For the purposes of this ASX release and Nine’s Results Presentation (27th Aug 2020), Publishing comprises Metro Media and 9Digital. For the purposes of the Statutory Accounts, Digital & Publishing also includes 9Now
- Digital EBITDA – Stan, 9Now, 9Digital plus the digital components of Metro Media and Domain (59%)
- EBITDA – earnings before interest, tax, depreciation and amortisation before Specific Items
- FTA – Free To Air
- Group EBITDA – EBITDA plus share of Associates’ net profit
- Key demographics – All People 25-54, 16-39, 18-49 and Grocery Buyers with Children
- 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)
- 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
- 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
- Reader revenues – refers to Metro Media’s revenues sourced directly from its audiences – includes subscription/circulation as well as syndication and events
- 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 2020 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