

---

# FY16 RESULTS BRIEFING

---

HUGH MARKS CHIEF EXECUTIVE OFFICER  
GREG BARNES CHIEF FINANCIAL OFFICER  
MICHAEL STEPHENSON CHIEF SALES OFFICER  
ALEX PARSONS CHIEF DIGITAL & MARKETING OFFICER

AUGUST 25, 2016



# DISCLAIMER

## Important Notice and Disclaimer

This document is a presentation of general background information about the activities of Nine Entertainment Co. Holdings Limited (“NEC”) current at the date of the presentation, (25 August 2016). The information contained in this presentation is of general background and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate.

NEC, its related bodies corporate and any of their respective officers, directors and employees (“NEC Parties”), do not warrant the accuracy or reliability of this information, and disclaim any responsibility and liability flowing from the use of this information by any party. To the maximum extent permitted by law, the NEC Parties do not accept any liability to any person, organisation or entity for any loss or damage suffered as a result of reliance on this document.

## Forward Looking Statements

This document contains certain forward looking statements and comments about future events, including NEC’s expectations about the performance of its businesses. Forward looking statements can generally be identified by the use of forward looking words such as, ‘expect’, ‘anticipate’, ‘likely’, ‘intend’, ‘should’, ‘could’, ‘may’, ‘predict’, ‘plan’, ‘propose’, ‘will’, ‘believe’, ‘forecast’, ‘estimate’, ‘target’ and other similar expressions within the meaning of securities laws of applicable jurisdictions. Indications of, and guidance on, future earnings or financial position or performance are also forward looking statements.

Forward looking statements involve inherent risks and uncertainties, both general and specific, and there is a risk that such predictions, forecasts, projections and other forward looking statements will not be achieved. Forward looking statements are provided as a general guide only, and should not be relied on as an indication or guarantee of future performance. Forward looking statements involve known and unknown risks, uncertainty and other factors which can cause NEC’s actual results

to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements and many of these factors are outside the control of NEC. As such, undue reliance should not be placed on any forward looking statement. Past performance is not necessarily a guide to future performance and no representation or warranty is made by any person as to the likelihood of achievement or reasonableness of any forward looking statements, forecast financial information or other forecast. Nothing contained in this presentation nor any information made available to you is, or shall be relied upon as, a promise, representation, warranty or guarantee as to the past, present or the future performance of NEC.

## Pro Forma Financial Information

The Company has set out in this presentation certain non-IFRS financial information, in addition to information regarding its IFRS statutory information.

The Company considers that this non-IFRS financial information is important to assist in evaluating the Company’s performance. The information is presented to assist in making appropriate comparisons with prior periods and to assess the operating performance of the business.

For a reconciliation of the non-IFRS financial information contained in this presentation to IFRS-compliant comparative information, refer to the Appendices of this presentation.

All dollar values are in Australian dollars (A\$) unless otherwise stated.

# KEY FINANCIALS

**PROFIT AFTER TAX<sup>1</sup>**  
**\$120M**

**TV EARNINGS**  
**DOWN 11%**

**DIGITAL PROFIT**  
**UP 19%**

**TO 13% OF GROUP EBITDA<sup>1</sup>**

**REPORTED GROUP COSTS**  
**DOWN 6.5%**

**OR -2% INCL. ALL WARNER COSTS**

**0.9X**  
**NET DEBT – TO – EBITDA<sup>1</sup>**

**INCL SXL INVESTMENT**

**FULL YEAR DIVIDEND OF**  
**12 CPS**  
**UP 30%**



<sup>1</sup> Before Specific Items, Pro Forma, excluding Nine Live

# OPERATIONAL HIGHLIGHTS



Launch of *9HD*, *9Life* and *9Now* creating world class consumer options



Established *nine.com.au* proprietary data proposition



Finalised *NRL* rights agreement through 2022



Secured new affiliate deal on improved terms with Southern Cross Austereo



Industry-wide licence fee reduction



Well advanced in transformation of Digital business



*Stan* performing ahead of business plan

# SOLID RESULT IN A TRANSITIONAL YEAR

- Revenue down 6.5%
  - Challenging market conditions in FTA
  - Refocussed digital business
- Costs down 2% adjusted for Warner
  - Includes \$11m licence fee reduction
- NPAT, continuing businesses (pre-specific items) of \$120m
- Specific Item gain of \$203m after tax, inclusive of the sale of Nine Live
- EPS steady (pre-Specific Items)
  - \$49m of share buy-back during FY16
- DPS of 12.0 cents, up 30%
  - 86% payout ratio

\$m	FY16	FY15	Variance
Revenue <sup>1</sup>	1,282.4	1,371.4	-6.5%
<b>Group EBITDA<sup>1</sup></b>	<b>201.7</b>	<b>217.2</b>	<b>-7.1%</b>
EBIT <sup>1</sup>	169.5	187.1	-9.4%
<b>NPAT<sup>1</sup> (continuing businesses)</b>	<b>120.3</b>	<b>129.5</b>	<b>-7.1%</b>
Statutory Net Profit	324.8	(592.2)	nm
<b>Earnings per Share, before Specific Items – cents<sup>1</sup></b>	<b>13.7</b>	<b>13.8</b>	<b>-0.7%</b>
Earnings per Share, Statutory - cents	36.9	(63.3)	nm
<b>Dividend per Share - cents</b>	<b>12.0</b>	<b>9.2</b>	<b>+30.4%</b>

# DIVISIONALLY - STRONG COST PERFORMANCE

## NETWORK

- Revenue down 7%
  - 37% share of metro FTA market
  - Metro FTA market down 2%, Regional down 6.2%
- Costs down 2%, inc. Warner
  - Focus on underlying costs and scheduling
  - \$11m licence fee reduction (to 3.375%)
  - \$3m investment in 9Life
  - \$7m in one-off legal costs

## DIGITAL

- Revenue down 4%, temporary impact of sales force integration
- Improved margin driven by focus on more profitable business

## CORPORATE

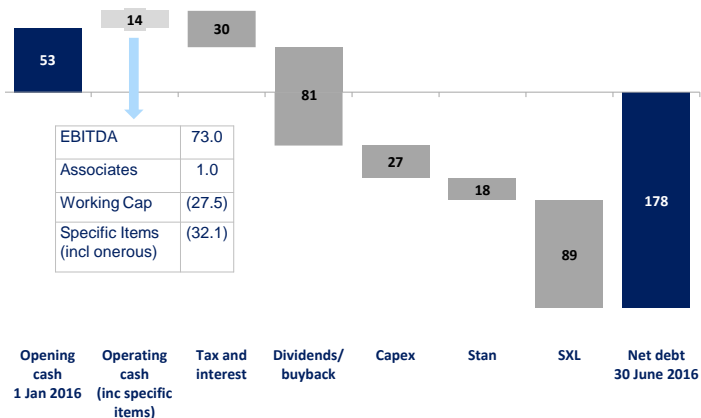
- SXL dividend of \$2.5m
- Reduced management costs

Continuing businesses, \$m		FY16	FY15	Variance
Revenue	Network	1,130.0	1,215.0	-7.0%
	Digital	149.9	156.4	-4.2%
	SXL dividend	2.5	-	-
<b>Total Revenue</b>		1,282.4	1,371.4	-6.5%
Costs	Network	946.5	1,009.0	-6.2%
	Digital	123.9	134.5	-7.9%
	Corporate	12.3	14.1	-12.8%
<b>Total Costs</b>		1,082.7	1,157.6	-6.5%
EBITDA	Network	183.5	206.0	-10.9%
	Digital	26.0	21.9	+18.7%
	Corporate	(9.9)	(14.1)	-30.4%
<b>Share of Associates' NPAT</b>		2.1	3.4	-38.2%
<b>Group EBITDA</b>		201.7	217.2	-7.1%

# INVESTING IN THE BUSINESS CONTINUES

- Operating cash conversion of 78%
  - Rebuild of local content and timing led to increase in working capital (inc. \$18m in licence fees)
- Excludes payments for Warners and other Specific Items (~\$55m)
- Significant return of capital to shareholders
  - Buy-back of \$49m on-market
  - Dividend payments of \$115m (final FY15, interim FY16)
- Substantial strategic investment in H2

## H2 cash progression



Continuing businesses, \$m	FY16	FY15
<b>EBITDA</b>	<b>199.6</b>	<b>213.8</b>
Working capital, excl onerous	(44.7)	20.4
Associates	2.5	3.3
<b>Operating cash flow, pre Specific Items, tax and Interest</b>	<b>157.4</b>	<b>237.5</b>
Conversion	78%	109%

\$m	FY16	FY15
Cap Ex	(46.7)	(27.2)
Net Debt, as at 30 June	177.6	524.3

Refer to glossary in Appendix 5 for definitions of all capitalised terms. Totals may not add due to rounding.

# SETTLEMENT OF WARNER BROS. LIFE OF SERIES

## FY16

- Impairment recorded for loss-making content as it becomes available
  - \$45.7m recorded as a specific item in FY16

## FY17 – Heads of Agreement (HOA)

- In-principle agreement to exit the life of series arrangements
- Removes variability and uncertainty from the obligation
- Additional provision of **~\$86m** to be booked in 1H17
- Largely payable over FY18 and 19
- Formal docs to be finalised in coming weeks

	FY16 Movement	
	H1 FY16	FY16
Opening provision	41.7	41.7
Utilised	(22.3)	(46.6)
New	12.1	45.7
Closing provision	31.5	40.7



# BALANCE SHEET MOMENTUM INTO FY18

- Net effect of several inflows/outflows will preserve balance sheet strength
- Further improvement expected as working capital begins to unwind in FY18
- Dividend policy remains to pay 80-100% of NPAT pre-specific items
  - In FY17, more evenly spread across interim and final dividends (than prior year) to align with cash-flows





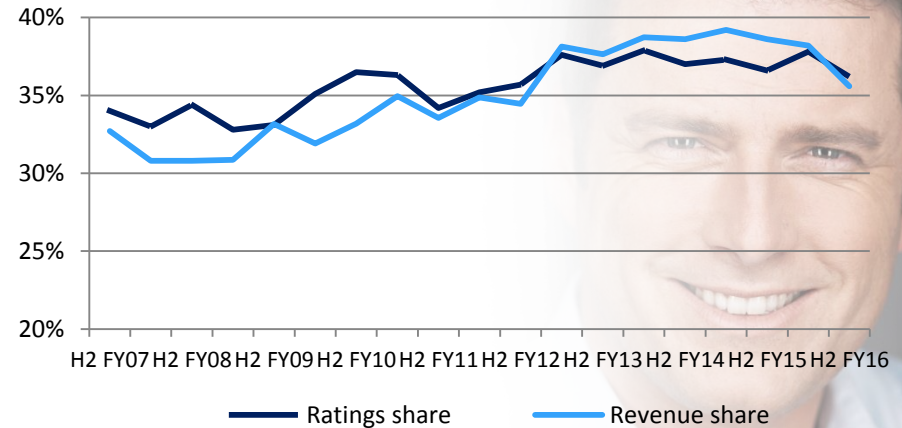
**MICHAEL STEPHENSON**  
CHIEF SALES OFFICER



# FREE TO AIR – EMBRACING & ADAPTING TO CHANGE

- Market leadership in key advertising demographics<sup>1</sup>
  - No.1 25-54 | No.1 16-39 | No.1 18-49 | No. 2 All People
- FTA Metro ad market decline of 2%<sup>2</sup> across the year
- FTA Regional ad market down 6.2%<sup>2</sup>
- FTA Metro advertising revenue share<sup>2</sup> of 37.0% in line with guidance
- Substantial progress focusing on regaining momentum in 2017
  - 50% increase in hours of premium Australian content
  - Early go-to-market
- Expanding our footprint on the \$6b video market
- Complete ad technology upgrade
- Diversification of cross-platform content offering

### Nine's Metro Ratings<sup>2</sup> and Revenue<sup>1</sup> share



### Hours of premium Australian content



<sup>1</sup> OzTAM data, 12 months to Jun 2016, 6am-midnight <sup>2</sup> Free TV data, 12 months to Jun 2016,



**AUSTRALIAN NINJA WARRIOR**

**THE BLOCK**

**THIS TIME NEXT YEAR**

NEW SEASON  
**HOUSE HUSBANDS**

SUMMER OF  
**CRICKET**

**Today**

**the Voice**

DELICIOUS NEW  
**FOOD FORMAT**

AUSTRALIAN THRILLER  
**HYDE & SEEK**

**netball AUSTRALIA**

**A CURRENT AFFAIR**

**Hamish & Andy**

new season  
**Love Child**

**HOUSE OF BOND**

**NRL**

**60 MINUTES**

**MARRIED AT FIRST SIGHT**

**DOCTOR, DOCTOR**

HIT NEW COMEDY  
HERE COME THE  
**HABIBS**

**STATE OF ORIGIN**

SEE IT FIRST  
**9 NEWS**

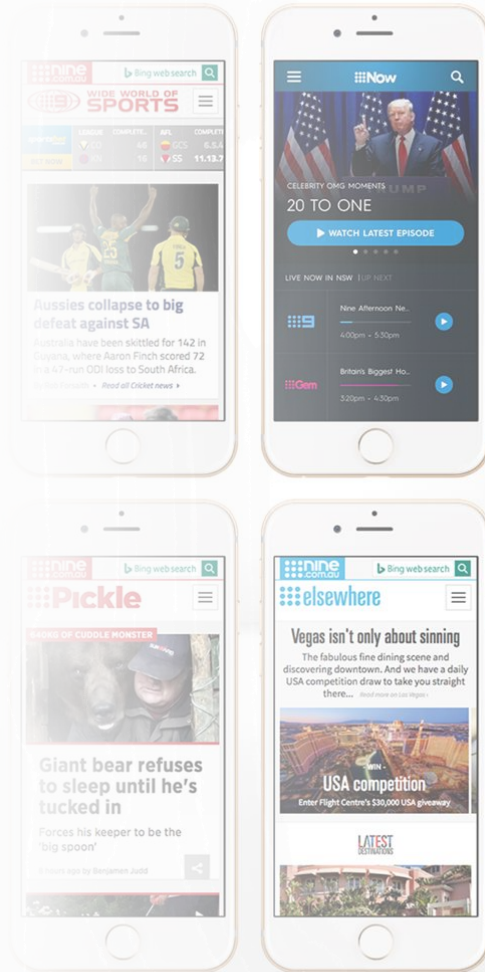


**ALEX PARSONS**  
CHIEF DIGITAL & MARKETING  
OFFICER



# STRONG OPERATIONAL PERFORMANCE FROM DIGITAL

- Double digit earnings growth with strong margin improvement
- Launched 9Now, a world class streaming and AVOD product
- Launch of nine.com.au data proposition supported by 9Now – c1.6m users since January launch
- Australia's leading multi-medium news brand, 9News and an innovative news alerts app attracting 1/4 million registered users
- Relaunched flagship digital network, nine.com.au
- Expanding consumer content offering with 9The Fix, 9Coach, 9Honey augmented by launches of 9Elsewhere, 9Home and 9Kitchen
- Video streams up 14% to 392m, ranking #1 Australian publisher<sup>1</sup>



<sup>1</sup> Nielsen June 2016

# STAN – LEADING LOCAL PLAYER IN GROWING SVOD MARKET

- Key milestones/achievements:
  - Signed up more than 1.1m subscribers, with more than 500,000 active subs as at end of June
  - Available on all major devices
  - Showtime deal locks in long term premium content supply
  - First international sale of original content – Wolf Creek
- Leading line-up of first run, exclusive and original programming
- Exceptionally strong slate for CY17
- Outlook:
  - Market growth momentum continuing
  - Leading local player
  - Reach cash flow break-even during FY18



**Stan.**

# CURRENT TRADING & OUTLOOK

- Metro FTA market to be flat-down marginally for FY17
- Regional markets expected to continue to under-perform, offset by enhanced affiliate agreement
- FY17 share to be impacted by the Olympics
- Momentum expected to return into FY18, given increased local programming focus and output
- FY17 Free To Air costs expected to be flat on FY16
- Growth in Digital Revenue and EBITDA





# FIVE KEY POINTS OF FOCUS

## 1. Ratings momentum

- Rebuild 9's FTA ratings share
- 50% increase in premium local content hours in CY17

## 2. Firm cost discipline

- Tightly managed cost regime
- More premium content for same effective cost
- Focussing on increasing the flexibility of the cost base

## 3. Innovative sales approach

- Investment in advanced advertising technology
- Grow integrated and sponsorship revenues
- Use of data to target increased yield

## 4. Broadening revenue base

- 9Now, Stan
- Digital verticals like 9Elsewhere, 9Kitchen, 9Pickle
- Further expansion and monetisation of verticals

## 5. Content monetisation

- Ownership and exploitation of content rights
- Target 50% growth in production revenue in FY17



# APPENDICES

- **APPENDIX 1:** ADJUSTMENT FOR DISCONTINUED BUSINESSES
- **APPENDIX 2:** SPECIFIC ITEMS
- **APPENDIX 3:** CASH FLOW RECONCILIATION
- **APPENDIX 4:** DEBT AND LEVERAGE CALCULATIONS
- **APPENDIX 5:** GLOSSARY

# APPENDIX 1: ADJUSTMENT FOR DISCONTINUED BUSINESSES

\$m	Reported FY16	Less discontinued businesses	Continuing business <sup>1</sup> FY16	Reported FY15	Less discontinued businesses	Continuing business <sup>1</sup> FY15	Continuing business <sup>1</sup> Variance
Revenue	1,339.5	57.1	1,282.4	1,610.1	238.7	1,371.4	-6.5%
Group EBITDA	209.4	7.7	201.7	287.3	70.1	217.2	-7.1%
Net Interest <sup>1</sup>	(5.2)	(2.2)	(2.9)	(26.6)	1.7	(2.7)	+7.4%
Tax	(47.3)	(1.0)	(46.3)	(59.5)	(4.6)	(54.9)	+15.7%
NPAT, before Specific Items	121.9	1.6	120.3	140.1	28.5	129.5	-7.1%
Operating Free Cash Flow	162.2	4.8	157.4	297.3	59.8	237.5	-33.7%
Capital Expenditure and Purchased Ticketing Rights	(58.0)	(11.3)	(46.7)	(59.2)	(32.0)	(27.2)	+71.7%
Operating Free Cash Flow, after Capital Expenditure and Purchased Ticketing Rights	104.2	(6.5)	110.7	238.1	27.8	210.3	-47.4%
Net (Debt)/Cash	(177.6)	na	(177.6)	(524.3)	nm	(524.3)	+\$346.7m

## APPENDIX 2: SPECIFIC ITEMS

	H1 FY16	H2 FY16	Reported FY16
Net impairment charge non-current assets	(33.3)	(0.5)	(33.8)
Stock provisions - Warners	(12.1)	(33.6)	(45.7)
Restructuring costs	(1.6)	(7.1)	(8.7)
DMA write-down	(5.9)	-	(5.9)
Other	(0.4)	(11.1)	(11.5)
<b>Total Specific Items before Tax, Continuing Businesses</b>	<b>(53.3)</b>	<b>(52.3)</b>	<b>(105.6)</b>
Specific finance cost	(1.5)	-	(1.5)
Total tax relating to Specific Items	6.3	15.4	21.7
<b>Net Specific Items after tax, Continuing Businesses</b>	<b>(48.5)</b>	<b>(36.9)</b>	<b>(85.4)</b>
<b>Specific Items, discontinuing businesses</b>			
Profit on disposal of Nine Live	410.2	-	410.2
Tax impact of Nine Live disposal	(120.9)	(1.1)	(122.0)
<b>Total Specific Items</b>	<b>240.8</b>	<b>(38.0)</b>	<b>202.8</b>

Refer to glossary in Appendix 5 for definitions of all capitalised terms. Totals may not add due to rounding.

## APPENDIX 3: CASH FLOW RECONCILIATION

\$m	Reported FY16	Adjust for Discontinued businesses	Pro Forma FY16	Reported FY15	Adjust for Discontinued businesses	Pro Forma FY15
<b>Statutory cash-flows from operating activities</b>	50.3	(1.1)	49.2	246.2	(46.4)	199.8
Statutory interest received	(1.8)	0.1	(1.6)	(3.8)	1.7	(2.2)
Statutory interest and other costs of finance paid	15.5	-	15.5	22.6	-	22.6
Statutory income tax	38.1	-	38.1	9.5	-	9.5
<b>Statutory Free Cash Flow</b>	<b>102.1</b>	<b>(1.0)</b>	<b>101.1</b>	<b>274.5</b>	<b>(44.7)</b>	<b>229.7</b>
Cash held on trust	3.8	(3.8)	-	15.0	(15.0)	-
Specific Items and other adjustments	9.7	-	9.7	7.8	-	7.8
Cash impact of stock provisions	46.6	-	46.6	-	-	-
<b>Operating Free Cash Flow</b>	<b>162.2</b>	<b>(4.8)</b>	<b>157.4</b>	<b>297.3</b>	<b>(59.8)</b>	<b>237.5</b>

Refer to glossary in Appendix 5 for definitions of all capitalised terms. Totals may not add due to rounding.

## APPENDIX 4: DEBT & LEVERAGE CALCULATIONS

As at, \$m	Actual 30 Jun 2016	Actual 31 Dec 2015	Actual 30 Jun 2015	Actual Jun- Jun Variance
Interest bearing loans and borrowings	220.5	0.1	575.7	-355.2
Less: Cash and cash equivalents	42.9	52.6	179.9	-137.0
Plus: Cash held on trust	-	-	(111.4)	-111.4
Plus: Deferred payment related to Mi9	-	-	(17.1)	-17.1
<b>Net Debt/(Cash)</b>	<b>177.6</b>	<b>(52.5)</b>	<b>524.3</b>	<b>-346.7</b>
<b>Net Leverage (incl. Nine Live)</b>	<b>0.8X</b>	<b>nm</b>	<b>1.8X</b>	<b>-1.0X</b>

# APPENDIX 5: GLOSSARY

**Continuing Businesses** – Excludes the operations of Nine Live

**Contra** – Advertising time offered in lieu of cash payment

**Discontinued business** – Nine Live

**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

**Interest Cover** – Group EBITDA divided by net interest expense for the period

**Metro** – Sydney, Melbourne, Brisbane, Adelaide and Perth

**Net Cash** – Cash less interest bearing loans and borrowings

**Net Debt** – Gross debt per the balance sheet less available cash (plus deferred purchase consideration on the acquisition of controlled entities, net of related mark-to-market hedge instruments, FY15 only)

**Net Leverage** – Net Debt divided by Group EBITDA (last 12 months)

**nm** – Not meaningful

**Net Profit after Tax (NPAT)** – Net profit after tax, before Specific Items

**Network** – Combination of Channels 9, 9Go!, 9Gem and 9Life

**Operating Free 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 the cash impact of stock provisions

**Operating Free Cash Flow Conversion** – Operating Free Cash Flow divided by Group EBITDA

**Pro Forma** – Adjusted to reflect the impact of the sale of Nine Live, as if this had been effective for the whole reporting period and assuming the new capital structure in place for the full period

**Purchased Ticketing Rights** – The amount paid to venue owners or promoters to secure exclusive ticketing rights (relates to Nine Live only)

**Revenue** – Operating revenue from continuing businesses, excluding interest income and Specific Items, and after the elimination of inter-segment revenue

**Specific Items** – Amounts as set out in Notes 3(iv), 3(v) and 6(a)(i) of the 30 June 2016 Statutory Accounts

**Statutory Accounts** – Audited or auditor reviewed, consolidated financial statements

**Statutory Net Profit** – Net Profit for the period before other comprehensive loss

**Statutory Reported** – Extracted from the Statutory Accounts

**SVOD** – Subscription Video On Demand

