25 August 2021

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

2021 FINAL RESULTS ANNOUNCEMENT

Attached is a copy of the ASX release relating to the 2021 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. FY21 FINAL RESULTS

25 August 2021: Nine Entertainment Co. (ASX: NEC) has released its results for the 12 months to June 2021. For the year, Nine reported Revenue of $2.3b and a Net Profit After Tax of $184m, which included a post-tax Specific Item expense of $94m.

Group EBITDA, before Specific items, of $565m equated to growth of 43%, broadly in line with the first half. Net Profit After Tax and Minorities, before Specific Items was $261m, up 83% on the previous corresponding period. Prior to the IFRIC-related adjustment, EBITDA was $566m (refer Results Presentation, 25th August, Appendix 1 for reconciliation).

Key takeaways include:

- Continued audience strength across all key platforms – Free To Air, 9Now, Publishing, Radio and Stan
- Marked recovery in ad markets, led by Television Combined
- Strong growth from Total Television
    - Television Combined (FTA + BVOD) EBITDA growth of 73% on revenue growth of 12%
    - 2.4m active subscribers driving 29% revenue growth at Stan
- Group-wide costs flat on pcp, notwithstanding COVID comparables, and investment in Stan
- 40% growth in digital EBITDA to 44% of Group total
- Completion of licensing deals with Google and Facebook
- Successful launch of Stan Sport with 250,000 active subscribers
- Strong balance sheet, with (wholly-owned) leverage ratio ~0.4X

Mike Sneesby, Chief Executive Officer of Nine Entertainment Co. said: "After a year which began in the depths of COVID, we are pleased to report 43% growth in EBITDA for FY21. Whilst this growth was consistent across both halves, the drivers in each half were quite different, highlighting the strength of Nine's mix of advertising and subscription-based assets.

We were also successful in continuing to expand our business footprint, particularly in growth areas of the market. In Total Television, we have carefully invested in and expanded the reach of 9Now, while continuing to grow subscribers at Stan, and launching Stan Sport. In Publishing, that growth has manifested as greater audience reach and higher subscriber numbers, which has been augmented by the successful completion of licensing agreements with Google and Facebook, giving us a stable, incremental revenue stream.

While this past year has proven challenging, we have been able to establish the base to execute on our longer term strategy. Our Television and Publishing businesses have both reached critical inflexion points. Growth in 9Now, coupled with some recovery in Free to Air, has resulted in a combined television business that we expect can now consistently grow revenues through the cycle. In Publishing, digital subscription revenues have now passed $100m, with growth outpacing the decline in print sales. Coupled with our ability to more fully monetise the digital distribution of our content, this will enable us to continue to both invest in Australia's leading journalism and focus on the profitable growth of the business.

It's an exciting time to have taken the reins at Nine, and I commend the team for how they have navigated the challenges of 2021. We are starting FY22 with strong momentum across all of our businesses – in terms of audiences and revenue, advertising and subscription.

With the foundation of Nine's unique assets, strong cash flows and a supportive Board, we have a clear vision for the future as Australia's Media Company."

Table 1: Group Results[1]

12 months to June $m	FY21	FY20	Variance	
			$m	%
Revenue	2,331.5	2,155.3	+176.2	8%
Group EBITDA	564.7	394.8	+169.9	+43%
Net Profit after Tax	277.5	157.7	+119.8	+76%
Net Profit after Tax and Minorities	261.0	142.4	+118.6	+83%
Fully diluted Earnings per Share (cents)	15.3	8.3	+7.0c	+83%
Dividends per share (cents)	10.5	7.0	+3.5c	+50%

[1] Pre Specific Items, post IFRIC

On revenue of $2.3b, Nine reported EBITDA of $565m, up 43% on the previous corresponding period, continuing the momentum of the December half. Net Profit after Tax and Minorities of $261m was up 83% on FY20. Earnings per share of 15.3 cents was also up 83% on pcp. Specific Items totaled a cost of $94m and are detailed in Appendix 2. Nine has announced its intention to pay a final dividend of 5.5 cents, for a full year total dividend of 10.5 cents.

Table 2: Broadcast[1]

12 months to June $m	FY21	FY20	Variance	
			$m	%
Revenue[2]	1,242.6	1,127.5	+115.1	10%
Costs	(910.1)	(930.2)	(20.1)	(2%)
EBITDA	332.5	197.3	+135.3	69%
Margin	26.8%	17.5%		+9.3 pts

[1] Pre Specific Items, post IFRIC
[2] 9Now revenue in FY20 and FY21 has been restated as net (previously gross) Refer Nine"s ASX released Results Presentation for reconciliation

Nine's Broadcast division comprises Television Combined (Nine Network and 9Now) as well as Nine Radio. Together, Broadcast reported EBITDA of $333m on revenues of $1.2b for the year.

Across Television Combined, revenue increased by 12% and EBITDA by 73%, with strong growth across both Nine Network and 9Now.

Nine Network reported revenue growth of 10% for the year to $1.0b, underpinned by 24% growth in the second half, against COVID-affected comps. The Metro Free To Air advertising market was up 11.5%[1] for the year, and 25.8%[1] in the second half, with Nine's FTA revenue share broadly flat on FY20.

Across the year to June, Nine was the #1 Network and Primary Channel in all key demographics, attracting a commercial network share of 37.4%[2] of the 25-54 demographic. On a primary channel basis, Nine's share of the 25-54s was 38.6%[2], around five share points ahead of its nearest competitor. In both the December and June halves, Nine won all of the key demographics[2].

FTA costs declined by 2%, or ~$20m. Second half costs reflected the prior period COVID-affected comps, with $36m of the H2 increase NRL-related.

For the year, FTA EBITDA increased by 82% to $251m, with margins at a more than 10 year high of around 24%.

9Now continued to grow strongly, with revenue growth of 46%. EBITDA of $73m was up 48% on FY20, and now accounts for more than 22% of Television Combined profitability. As a result, Television Combined has reached a key inflexion point, with Nine now expecting long term, through-the-cycle revenue growth. COVID disrupted content plans, with cancellations and modifications hindering some of 9Now's key content, pushing the Australian Open back and resulting in the absence of some popular streaming content, like *Love Island* across the year. Notwithstanding, Daily Active Users grew by a further 13%, while live streaming (minutes) were up by 39%, with growth accelerating through the year. Overall, the BVOD market grew by 55% for the year to $252m[3].

The Metro radio ad market declined 3%[4] across the year, as radio generally lagged the broader ad market. After declining in the first half, Nine's second half radio ad revenues grew by 13% reflecting the start of the market recovery. Nine's focus on agency revenues has led to some outperformance, however countered by a weaker result from direct sales. Coupled with a double-digit cost decline, Nine Radio reported EBITDA of $8m.

[1] Source: Think TV, Metro Free To Air revenue and share, 12 months to June 2021
[2] Source: OzTam, 6pm-10.30pm, 12 months to June 2021
[3] Source: Think TV, BVOD revenue, 12 months to June 2021
[4] Source: Commercial Radio Australia, 12 months to June 2021, 4 city basis

Table 3: Stan[1]

12 months to June $m	FY21	FY20	Variance	
			$m	%
Revenue	311.8	242.1	+69.7	+29%
Costs	(272.3)	(211.1)	+61.2	+29%
EBITDA	39.5	31.0	+8.5	+27%
Margin	12.7%	12.8%		-0.1 pts

[1] Pre Specific Items, post IFRIC

During FY21, Stan consolidated the strong CY20 subscriber growth with current active subscribers now of 2.4m, and focused on its longer term strategic plan. The launch of Stan Sport, completion of a major output deal with Comcast NBCUniversal (including Peacock and Sky Originals) and increased programming commitments for Stan Originals, were the key initiatives, all enabled by Stan's established scale and market position.

Together with 7% growth in ARPU[1], Stan reported revenue growth across the year of 29%. The increase in costs was impacted by the February launch of Stan Sport. Ex Sport, costs were up by ~13%, primarily reflecting the commencement of the Comcast output deal in late 2020. Overall, EBITDA grew 27% to a full year total of ~$40m.

Notwithstanding the impact of COVID on production and content supply, Stan sourced more than 80 first-run exclusives from 19 different distributors with NBCUniversal's *Gangs of London,* Starz's *Power Book II: Ghost,* and Stan originals *Bump* and *RuPaul's Drag Race Down Under*, proving particularly popular. The strategic content moves made by Stan this year will form the basis of growth in future years. The variety and depth of NBCU and Sky content, coupled with an increased commitment to Stan Originals, is expected to underpin growth in Entertainment subscriptions, supplemented by Stan Sport, a key driver to ARPU into FY22 and beyond.

1 Average revenue Per User - 3 months to June 2021 compared with 3 months to June 2020

Table 4: Publishing[1]

12 months to Jun $m	FY21	FY20	Variance	
			$m	%
Revenue[2]	504.5	518.5	(14.0)	(3%)
Costs	(387.3)	(427.0)	(39.7)	(9%)
EBITDA	117.2	91.5	+25.7	+28%
Margin	23.2%	17.6%		+5.6 pts

1 Pre Specific Items, Post IFRIC
2 9Digital revenue (Drive, Pedestrian, nine.com.au) in FY20 and FY21 has been restated as net (prreviously gross) Refer Nine''s ASX released Results Presentation for reconciliation

Nine's Publishing division includes the core Metro Media business, as well as nine.com.au, Pedestrian Group and Drive. Together, Publishing reported revenue of $505m and a combined EBITDA of $117m, which was up 28% on FY20.

Readership growth across each of *The Sydney Morning Herald*, *The Age* and the *Financial Review* translated into paying audience, with ~ 20% growth in digital subscription and licensing revenue across the year. There was no contribution from the recently concluded deals with Google and Facebook in the period.

While print subscription revenues held broadly flat, retail sales declined by 18%, as the tail of COVID continued to impact on the hotel, airport and CBD segments. However, the growth in digital subscription revenue for the year more than offset the decline in print sales, marking a key milestone for the digital evolution of the business.

Digital advertising revenue grew by 9%, reflecting the cycling of the COVID lows, partially offset by the end of the legacy Google sales agreement in H2. Print advertising stabilised across the year, with soft demand continuing from the leading travel and luxury goods categories.

Overall, Publishing costs were down by 9%. Of the $40m reduction, more than half related to production and distribution, driven both by reduced print volumes and Nine's revised printing arrangements. Other costs were also tightly managed, in the context of ongoing challenging conditions in print. In total, Publishing EBITDA increased by 28% to ~$117m for the year.

Table 5: Domain[1]

12 months to Jun $m	FY21	FY20	Variance	
			$m	%
Revenue	289.6	261.6	+28.0	+11%
Costs	(189.0)	(178.5)	+10.5	+6%
EBITDA[1]	100.6	83.1	+17.5	+21%
Margin	34.7%	31.8%		+2.9 pts

1. As reported by Domain (ASX:DHG) result, 17 August 2021, Post IFRIC

The property market, particularly in Sydney and Melbourne, rebounded strongly through the second half of FY21, which benefitted Domain (ASX: DHG). Across the year, Domain reported revenue growth of nearly 11%, which resulted in EBITDA growth of 21% to $101m. The result was underpinned by 21% growth in Residential revenues, a function of national listings market growth of 11%, coupled with an 11% increase in controllable yield, notwithstanding the absence of an across-the-board price increase in the second half. The market recovery similarly benefitted Domain's Media, Developers and Commercial and Agent Solutions businesses, the latter also reflecting the accelerating roll-out of Real Time Agent.

Total costs increased by 6%, with higher staff and insurance costs offset by efficiencies in promotions, production and software.

Reported EBITDA grew by 21% to $101m. During the year, Domain continued to grow its audiences, broaden its geographic exposure and focus on providing innovative solutions for both agents and consumers.

Table 6: Balance sheet and Cash Flow

As at	30 Jun 2021	31 Dec 2020	30 Jun 2020
Net Debt ($m) – wholly owned	171.1	149.5	291.1
Net Debt ($m) – Consolidated	250.0	261.0	396.9
Net Leverage - wholly owned basis (X)[1]	0.4X	0.4X	0.9X

1 Pre Specific Items

Operating Cash before Specific Items, Interest and Tax for the 12 months was $443m, calculated on a wholly-owned basis, which equated to cash conversion of 96%.

As at 30 June 2021, Net Debt was $171m, on a wholly-owned basis, which equates to Net Leverage of ~0.4X. The increase in debt from December related primarily to the payment of ~$62m of tax in the second half, partially deferred from H1, completion of Nine Sydney's move-related capex as well as the natural build in working capital as the ad market rebounded. The strength of Nine's balance sheet provides optionality which the Company continues to consider, with a focus on enhanced returns to shareholders.

Dividend

The Company intends to pay a final dividend of 5.5 cents per share, fully franked (payable 20 October 2021), taking the total dividend for the year to 10.5 cents per share. This equates to a payout ratio of around 69% of Net Profit After Tax and before Specific Items. Nine intends to maintain a payout ratio of c60-80% through the cycle.

Current trading environment and outlook

Nine started the new financial year strongly, well supported across our platforms by advertisers from all categories.

In the current quarter, Nine's metro FTA ad revenue is expected to be up almost 20% on the same quarter last year. Forward bookings remain ahead of same day last year, with positive market momentum continuing into Q2, notwithstanding more difficult comparables, including timing of the NRL.

The FTA ad market has recovered more quickly and convincingly than previously expected. FY22 will see the return of some cyclical costs – Nine currently expects FTA costs in FY22 to be around 3% higher than FY21.

9Now continues its strong growth trajectory, with around 70% revenue growth in July (on pcp). Nine expects positive momentum to continue through the rest of FY22, as 9Now establishes its place in the broader digital video market.

Notwithstanding the short-term impact of the lockdown on the radio market, Nine Radio's Q1 ad revenues are expected to grow in the double-digits (%), with further share improvement across both agency and local ad sales. Coupled with Nine Radio's restructured cost base, this is expected to underpin strong profit leverage as the ad market recovers.

Nine’s subscription businesses have again benefitted from recent lockdowns.

Active subscribers and ARPU have continued to grow at Stan, driven by new entertainment releases, as well as Stan Sport, resulting in a current revenue run rate of more than $340m. Following its successful launch in February, Stan Sport’s early metrics have been consistently ahead of expectations. Nine believes there is significant long-term growth potential for SVOD broadly, and Stan specifically. Total costs for Stan Sport in FY22 are now expected to be at the lower end of the $70-90m range previously cited. Whilst this investment will reduce Stan’s overall EBITDA in the short term (in FY 22 combined EBITDA for Stan Entertainment and Stan Sport is expected to be in the low double-digit millions of dollars), over the medium and longer term, it is expected to significantly grow earnings.

Digital trends in Publishing are expected to continue to improve, with Q1 digital subscription revenues expected to be up by around 9%, driving further growth in reader revenues. From 1 July, Publishing will reflect the benefit of the recently announced deals with Google and Facebook, resulting in incremental revenue through the licensing of news content to the digital platforms. As previously announced, Nine expects growth of $30-40m in Publishing EBITDA in FY22 on FY21.

As Domain commented with its result last week, notwithstanding the short-term interruption of lockdowns, the underlying property market appears resilient and is expected to bounce back once restrictions are eased.

Nine’s business is in an enviable position going into FY22, with low debt and strong cash flows. Nine will continue to focus on optimizing the performance of its unique suite of complementary assets, both through measured investment and tight cost controls.

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APPENDIX 1

SUMMARY OF GROUP RESULTS, POST IFRIC, PRE SPECIFIC ITEMS

Continuing Operations $m	FY21	FY20	Variance $m	Variance %
Television	1,044.7	951.8	92.9	10%
9Now	107.1	73.2	33.9	46%
Radio	90.8	102.6	(11.8)	(12%)
Broadcast	1,242.6	1,127.6	115.0	10%
Publishing	504.5	518.5	(14.0)	(3%)
Stan	311.8	242.1	69.7	29%
Domain	286.6	267.8	18.8	7%
Corporate	2.3	14.2	(11.9)	(84%)
Intersegment	(16.3)	(14.9)	(1.4)	9%
Group Revenue	**2,331.5**	**2,155.3**	**176.2**	**8%**
Television	250.7	137.8	112.9	82%
9Now	73.4	49.7	23.7	48%
Radio	8.4	9.8	(1.4)	(14%)
Broadcast	332.5	197.3	135.2	69%
Digital & Publishing	117.2	91.5	25.7	28%
Stan	39.5	31.0	8.5	27%
Domain	100.6	84.7	15.9	19%
Corporate	(26.1)	(10.6)	(15.5)	146%
Associates	1.0	0.9	0.1	11%
Group EBITDA	**564.7**	**394.8**	**169.9**	**43%**
Depreciation, amortisation	(149.1)	(145.7)	(3.4)	2%
Group EBIT	**415.6**	**249.1**	**166.5**	**67%**
Net Interest	(27.5)	(26.3)	(1.2)	5%
Tax	(110.6)	(65.1)	(45.5)	70%
Non-controlling interests	(16.5)	(15.3)	(1.2)	8%
NPAT	**261.0**	**142.4**	**118.6**	**83%**

Further details of the Company's results are included in the Final Results Presentation of 25 August 2021

APPENDIX 2 - SPECIFIC ITEMS

12 months to Jun, $m	H1 FY21	H2 FY21	FY21
Domain – Refer Domain accounts (ASX:DHG), 17th August 2021	0.0	(7.0)	(7.0)
Impairment of goodwill and other intangibles	0.0	(61.5)	(61.5)
Impairment of other assets	(5.3)	(2.9)	(8.2)
Restructuring costs	(2.6)	(19.3)	(21.9)
Net profit on sale of assets held for sale	0.0	8.8	8.8
Other	0.0	(18.7)	(18.7)
Total Specific Items before tax	**(7.9)**	**(100.6)**	**(108.5)**
Tax relating to Specific Items	2.8	12.1	14.9
Net Specific Items after tax	**(5.1)**	**(88.5)**	**(93.6)**

1 Statutory and continuing business basis

A Specific item cost of $109m (pre-tax) was reported for the period. The largest component of this was goodwill write-down of ~$62m relating to Nine's Radio business. Other notable components include ~$10m relating to the implementation of new finance systems across the Group, ~$7m of restructuring costs; and $2m of onerous property leases relating to the relocation of the Group's headquarters to 1 Denison Street, North Sydney.

APPENDIX 3 - GLOSSARY

- Broadcast – comprises Nine Network, 9Now and Nine Radio.
- BVOD – Broadcast Video On Demand
- Cash Conversion - refers to operating cash pre Specific Items, tax and interest, divided by EBITDA
- Costs – defined as Revenue - EBITDA
- Digital EBITDA – Stan and 9Now plus the digital components of Publishing and Domain (59%)
- 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
- IFRIC – adjusted for impact of IFRIC guidance on AASB138 Intangible Assets, which reclassifies cloud-based software development costs (previously capitalised) into operating expenses
- Key demographics – All People 25-54, 16-39, 18-49 and Grocery Buyers with Children
- 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 + MRN in previous results)
- 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
- NM – not meaningful
- 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
- Reader revenues – publishing revenue sourced from, or related to consumers, excludes advertising
- 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 2021 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
- Television Combined – Nine Network + 9Now
- Total Television – Television Combined plus Stan
- UA – Unique Audience
- VOZ – VirtualOZ
- Wholly owned – excludes Domain