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# Nine Entertainment Co. Holdings

## Communication Services

### BUY

**NEC A\$2.98**
**TARGET PRICE A\$3.44**

Nine Entertainment Co. Holdings Limited (NEC) is an Australian and media entertainment company with investments spanning television, video on demand, print, digital, and radio. Nine's assets include the Nine Network, major mastheads such as The Sydney Morning Herald, The Age and Australian Financial Review, digital properties such as nine.com.au, 9Honey, Pedestrian.TV, and CarAdvice, subscription video platform Stan, talk-back radio and majority investments in Domain and Future Women.

### Company Data

Number of shares	1,705.4M
Market Capitalisation	\$5,082.1M
Free float (%)	84.7
12-month high/low	\$3.07/\$1.64
Average Daily Turnover (\$m)	12.2407
% S&P/ASX200	0.24%
DDM Ranking	351
% All Ordinaries	0.21%
GICS Industry Group	Media & Entertainment

Source: FactSet, Barclay Pearce Capital

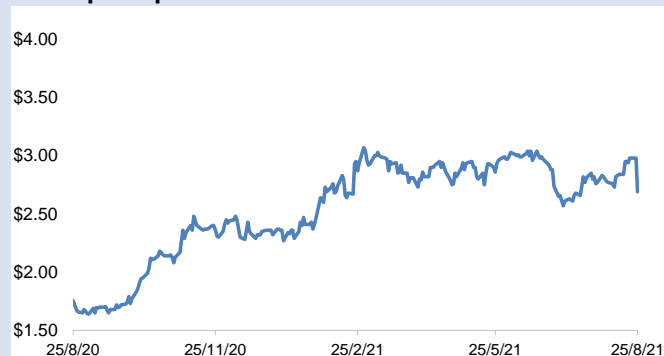
### Earnings Summary (AUD)

Year end June	2021A	2022F	2023F
Revenue (\$M)	2,342.2	2,454.9	2,620.1
EBITDA (\$M)	565.0	599.4	649.4
Reported NPAT (\$M)	184.0	263.3	285.8
Adjusted NPAT (\$M)	184.0	273.1	293.1
Reported EPS (c)	15.3	16.1	18.4
Adjusted EPS (c - FD)	15.1	16.1	18.7
Adjusted EPS growth (%)	0.5	7.6	24.8
Adjusted P/E (x)	19.8	18.5	15.9
Dividend (c/sh)	10.5	11.2	12.8
Gross yield (%)	5.0	5.4	6.1
Net yield (%)	3.5	3.8	4.3
ROIC (%)	10.8	11.9	14.1

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195, Capital IQ and Bloomberg.

### Share price performance.



Source: FactSet, Barclay Pearce Capital

## 2021 Yearly Results Announcement

On 25<sup>th</sup> August, Nine Entertainment Co. Holdings (NEC) released their yearly results for the year ended 31 June 2020 with the following highlights:

### Operational Highlights

- Continued audience strength across all key platforms.
- Increased growth in revenue and profitability for TV combined Channel 9+ 9Now
- Increased advertisement market growth as NEC leads the ad market recovery by focusing on brand exposure
- Successful launch position of Stan Sport leaves Nine as the leader in Total Televisions
- Revenue growth +cost management resulting in leverage multiple of 0.4X
- Digital EBITDA up by 41% to 44% of group EBITDA
- FY21 Dividend of 10.5 CPS distributed, up by 3.5 CPS

### Outlook into FY22

- The advertising market continues to show strength, with Television in particular benefiting from a shift to 'brand' by major advertisers.
- FTA ad revenue estimated almost to increase by 20%, positive momentum to continue into FY22
- FY22 Cost estimated to increase by 3% for FTA as some cyclical costs return
- This strong revenue performance will impact revenue-related costs (sales commissions and incentives) as ad market recovers
- The BVOD market is expected to continue to grow strongly throughout FY22 as 9Now revenue up to approximately 70%
- Successful launch of Stan Sport projects strong metrics ahead of expectations. FY22 EBITDA expected to be in the low double digit \$m's reflecting the investment in Stan Sport
- Digital subscription revenue growth estimated to be 9% for future periods, with Facebook and Google deals underpinning FY22 growth in EBITDA of \$30-40m
- Digital trends in Publishing are expected to continue to improve, albeit partially offset by further short term weakness in print;
- This will underpin Nine's ability to continue to invest in news journalism into the future;
- Underlying property market will remain strong despite short term momentum being interrupted by lockdown, albeit market appears resilient
- Focus on accelerating marketplace strategy while remaining committed to ongoing margin expansion
- All of Nine's businesses are performing strongly within themselves, and the market environment remains supportive.

### Earnings changes

For FY21, NEC reported NPAT of \$184M. This was higher than the market consensus of \$155.9M. The market environment post Facebook and Google deals continues to remain bullish and supportive of all of Nine's businesses. We expect growth will continue to further increase into FY22 with the successful launch of Stan Sport. Hence, we expect positive earnings revisions of 4% future periods.

### Valuation

We are updating our coverage on NEC and revising our price target from \$3.09 to \$3.44 and retaining our BUY recommendation. The price target is underpinned by our Valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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**NR** – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

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Buy	40.2%	( 0.0% of stocks with recommendations are Barclay Pearce clients)
Speculative Buy	0.4%	( 100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	19.5%	( 0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	40.0%	( 0.0% of stocks with recommendations are Barclay Pearce clients)