

Sky Network Television

Results Presentation
For the year ended 30 June 2023



24 August 2023

Agenda

- ▶ FY23 Overview
- ▶ Operational performance
- ▶ Financial performance
- ▶ Outlook and guidance
- ▶ Questions



FY23 Overview



Results summary

Delivered in-line with guidance while investing for growth

- ▶ Over 1 million customer relationships across our subscription product suite
- ▶ Strengthened competitive position through strategic content wins and renewals
- ▶ Significant projects delivered, including smooth transition to outsource partners
- ▶ Second consecutive year of revenue growth and with a continued focus on cost
- ▶ Adjusted results for Revenue, EBITDA and NPAT delivered within guidance, with Capex just above
- ▶ Dividend in line with full year guidance
- ▶ \$91m returned to shareholders in FY23, including \$70m capital return and \$21m in dividends

CUSTOMER RELATIONSHIPS

1,015,125

FY22: 990,761

REVENUE

\$754m

Adjusted¹: \$753m
FY22: \$736m

EBITDA

\$149m

Adjusted¹: \$156m
FY22 Adjusted: \$154m

CAPEX

\$77m

FY22: \$45m

NPAT

\$51m

Adjusted¹: \$57m
FY22 Adjusted: \$49m

FY23 DIVIDEND

15.0cps

FY22: 7.3cps

RETURNED TO SHAREHOLDERS

\$91m

FY22: NIL

Multi-platform offering

Meeting customers where they are - however they choose



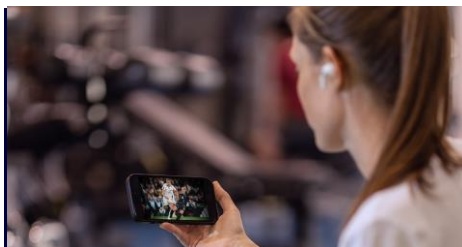
Sky Box & Sky Pod

515k households

New Sky Box & Sky Pod providing opportunity

Only box solution following in market

Valuable, high ARPU¹ long tenure base



Streaming

468k customers

#1 in sports streaming

NZ's only locally curated paid entertainment streaming

Strong growth and significant win-back pools



Free-to-Air

3.3m reach²

Sky Open (launched Aug 2023)

Ad funded with opportunity to optimise

Showcasing Sky content and maximising its value



Commercial

7k businesses

#1 provider to commercial premises

High ARPU base

Significant market share



Broadband

26k households

Growing fibre broadband business

5% attachment to Sky Box; 10% on acquisition

Positive contribution from FY23

The biggest bundle of high value content

Sport and entertainment New Zealanders' value

	7-year deal to Jun 2030 including all mens' and womens' World Cups, U20's, HSBC & RWC Sevens and WXV	 WARNER BROS. DISCOVERY™	Significant multi-year renewal on more favourable commercial terms
	Most viewed show on Neon in FY23 (Paramount) with 228k unique viewers ¹ (4.0 million viewer hours)		Partnership with Warner Bros. Discovery and Three to simulcast Game 1 saw a 37% audience increase yoy ² for this game across Sky Sport channels
	Attracting a younger demographic; 77% increase in linear reach ³ since Sky last held Formula 1		Highest audience movie on Sky Movies Premiere ⁴ Number 1 viewed movie on Neon in FY23
	Best Comedy at the NZ TV Awards - November 2022 Commissioned by Sky Originals		9,000hrs broadcast on dedicated Premier League and other Sky Sport channels (5.5M viewing hours from all AP5+ viewers) ⁵

- We value what our customers value
- Significant wins and renewals of targeted content demonstrate disciplined (data driven) approach to content strategy and rights negotiations
- Sustainable and considered content acquisition strategy. Understand the balance of customer and commercial value in exclusivity, co-exclusivity and non-exclusivity within our content bundle
- Content spend focused on attracting new customers or achieving engagement and retention objectives
- Understand the power of free-to-air, social and strategic partnerships in attracting new audiences and in maximising the value of our unmatched content

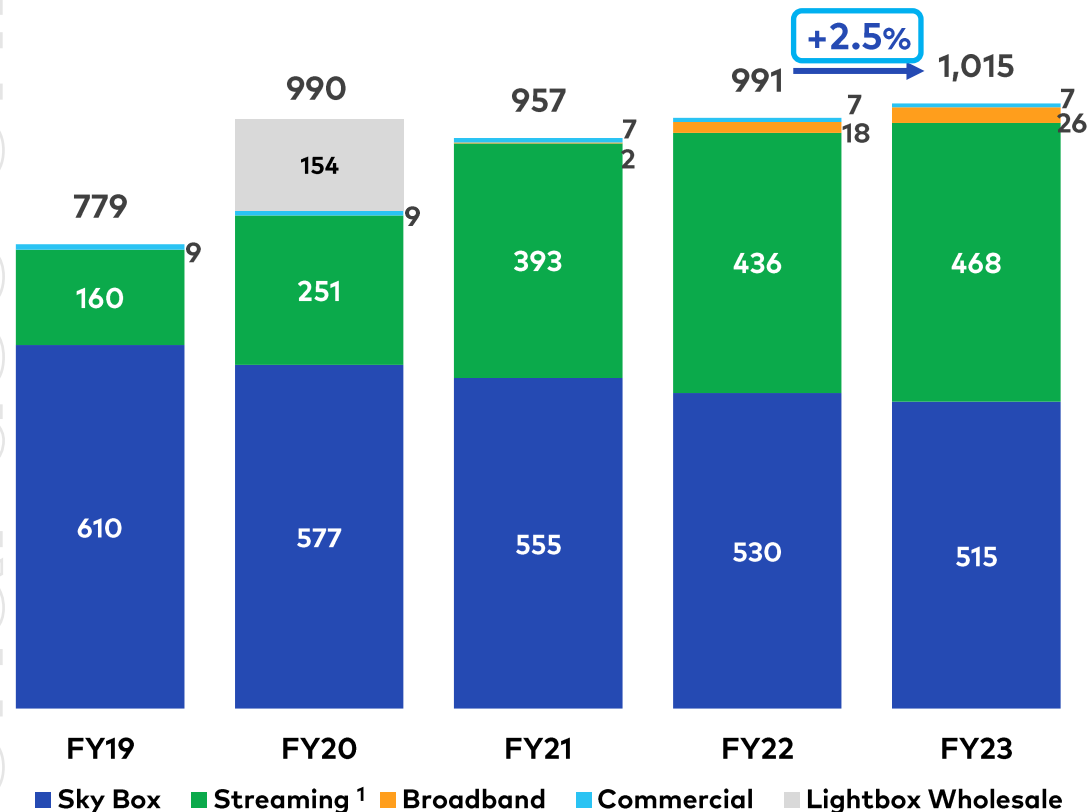
Operational Performance



Customer Relationships

Growth continues, lifting customer numbers over 1 million

SKY CUSTOMER RELATIONSHIPS (000)

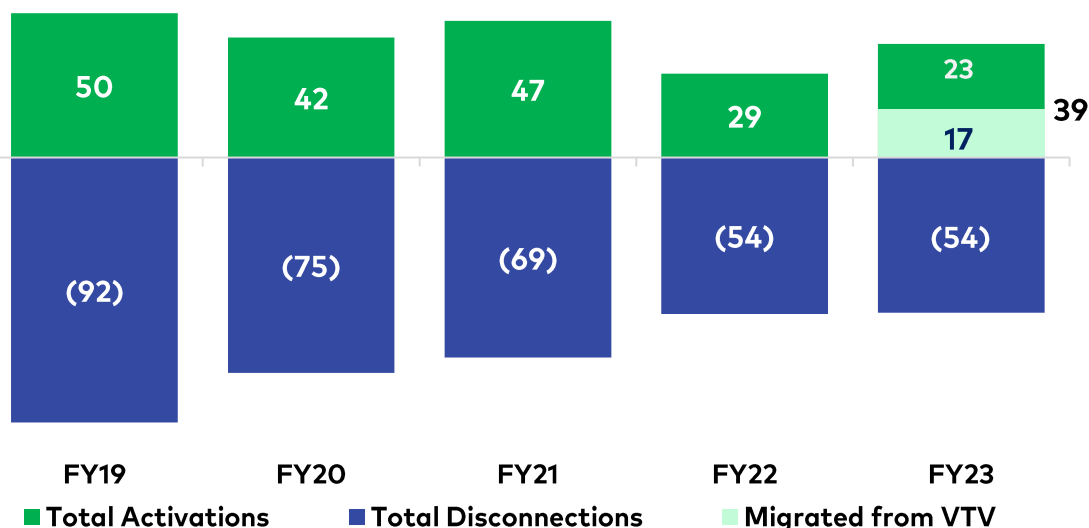


- 2.5% increase in customer relationships year on year. 7.1% growth in Streaming relationships, rising to 15.4% on a like for like basis for core Streaming products Neon and Sky Sport Now²
- Sky Box slowed decline of 2.7% benefits from the migration of 17k VTV customers but is softer than expected due to delayed launch of new Sky Box impact on final migration numbers and planned customer acquisition activity
- Sky Broadband relationship growth slowed in H2 due to sales resource focus on higher margin VTV migration and initial above-the-line sales of Sky Box.
- Stable Commercial customer relationships

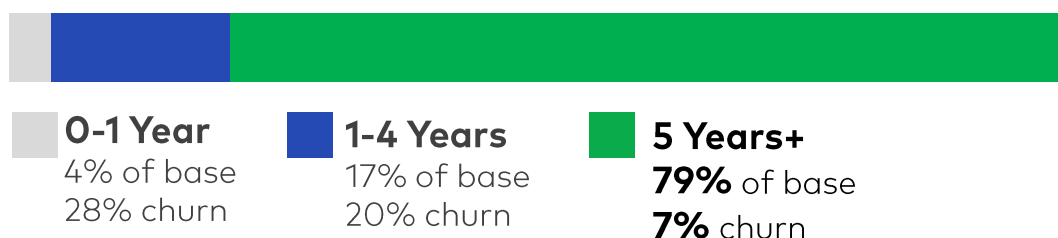
Sky Box Customer Movements

Acquisitions delayed; strong focus on margin improvement

SKY BOX CUSTOMER ACTIVATIONS / DISCONNECTIONS (000)



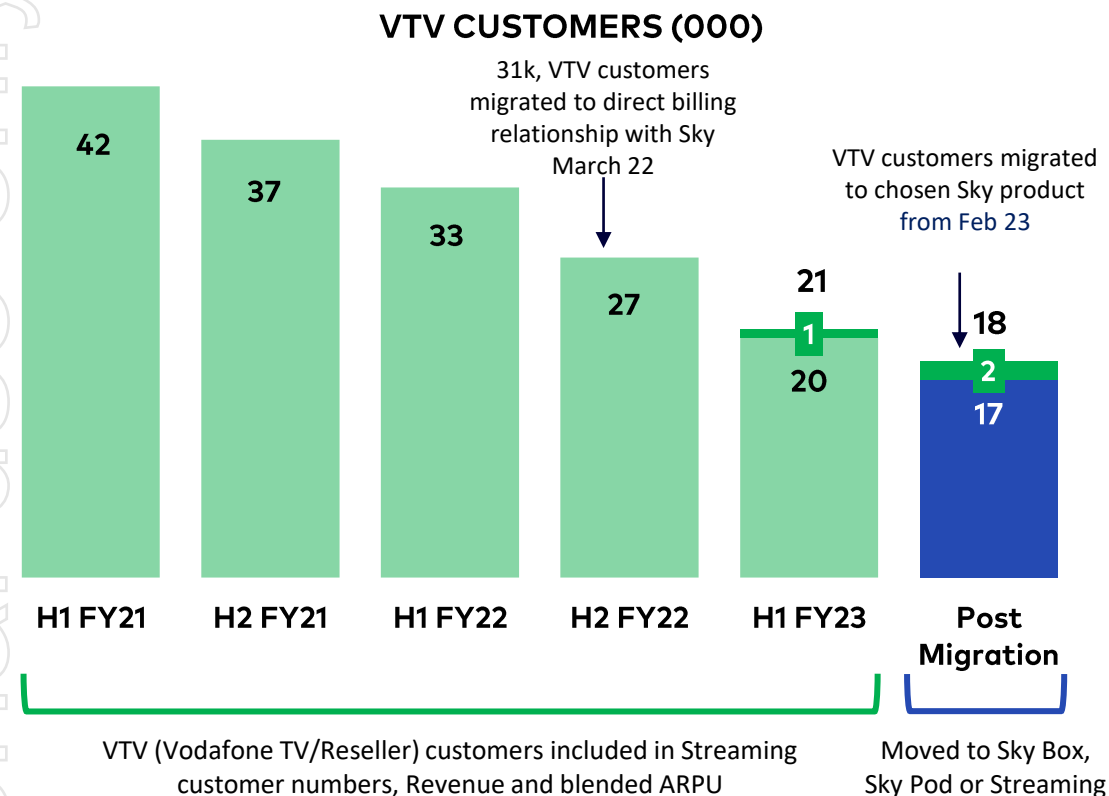
SKY BOX TENURE²



- Slowed momentum in FY23 acquisitions due in part to reduced marketing activity in anticipation of the new Sky Box launch - delayed to April 2023 (following release to VTV customers). New product and enhanced sales capability now in place to go after this opportunity
- Disciplined acquisition and retention strategy to lift quality and deliver margin improvements includes 43% reduction in foregone revenue¹ year on year, adding to a 9% reduction in FY 2022 vs FY 2021.
- Disconnections held flat, demonstrating resilience of in-home entertainment despite pressure on household wallets
- Decision taken to delay a changed approach to Sky packages (originally planned for H1 2024) to allow new Sky Box rollout to bed down.
- Annualised Sky Box churn of 10.3% is relatively flat (FY22: 10.0%)
- 79% of customers have been with Sky more than five years, (FY22: 76%), and with very low churn of 7%.

Vodafone TV Migration

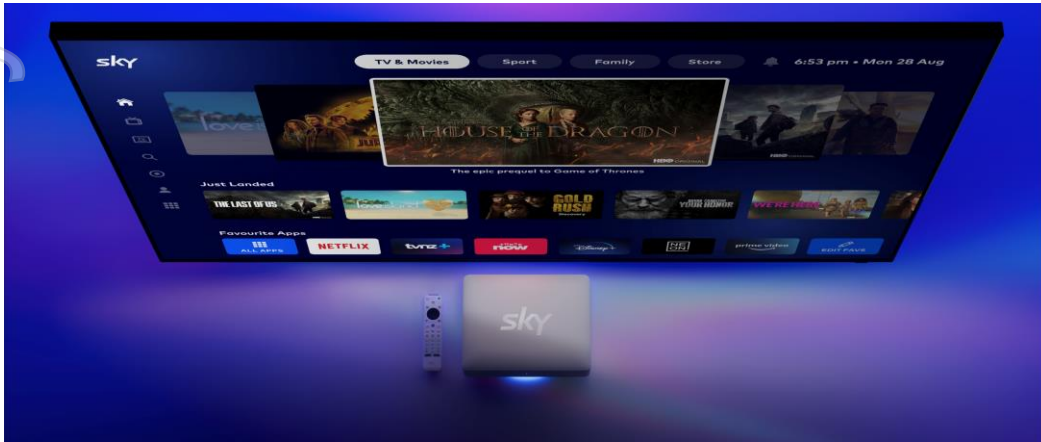
Over 18,000 VTV customers migrated to new Sky products



- Of the 31k VTV customers that migrated to a direct billing relationship with Sky in February 2022 at least 60% migrated to a Sky product
 - 17k migrated to a full Sky service (62% Sky Pod; 38% Sky Box). Now actively engaging with the 'win-back' pool
 - At least 1.5k customers added to Sky Sport Now or Neon (expectation that more customers (not captured) migrated using different email details)
- Average ARPU¹ prior to billing migration of \$51 under a wholesale rate, increased to \$65 following billing migration, and to \$68 once migrated to new a Sky Box or Sky Pod

The New Sky Experience - Sky Box & Sky Pod

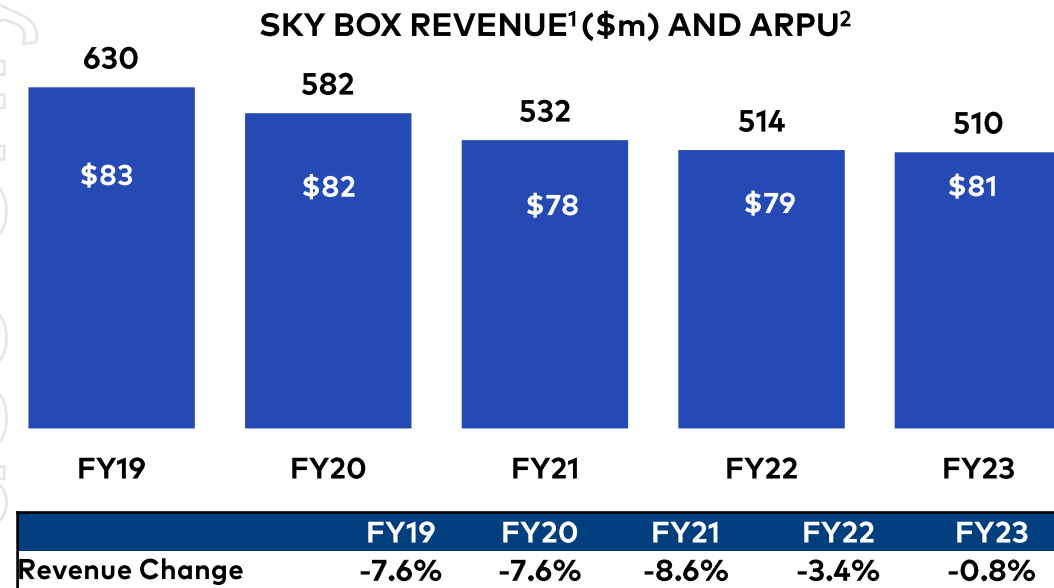
Early indicators providing confidence



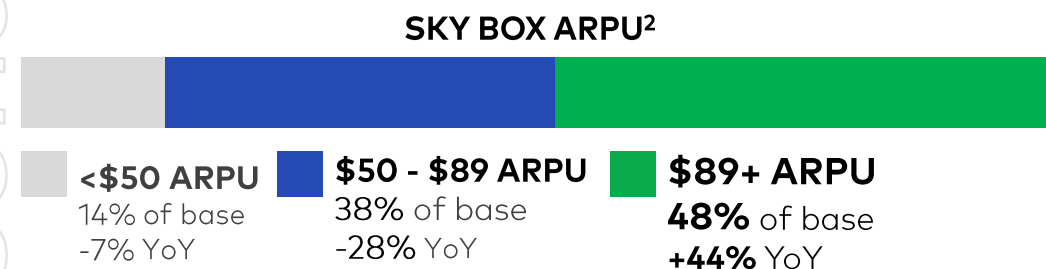
- Approximately 35k new Sky Boxes and 13k Sky Pods in use at year end¹
- New Box experience is providing confidence to accelerate rollout
 - Higher NPS scores for customers on the new Sky Box (+7ppts)
 - Significant upgrade to content discovery demonstrating customer value
 - 90% self-install with 76% finding it easy
- Recent software updates resolving initial teething issues. Now moving from resolution to enhancements
- Positive impact on costs available from refreshing the box fleet
 - Lower-cost to serve through easy self-install, and with logistics handled by 3PL partner Pacificom
 - Short-term impact of higher truck rolls in early phase
 - Avoided cost of call-outs and repairs to maintain an aging fleet
- Further benefits available from increased data and insights to inform content decisions and advertising attribution

Sky Box Revenue and ARPU

ARPU growth of 2.8% as revenue stabilises



- Revenue stabilising despite lower customer numbers
- ARPU increased by \$2.21 or 2.8% year on year (to \$81.05 from \$78.84) driven by:
 - Full year impact of the \$3 sports pack price increase in May 2022 and 3-month billing impact of the \$3 increase in March 2023
 - Sports penetration remaining consistent with FY22 levels at c. 70% demonstrating resilience to recent price increases
 - Further 43% reduction in foregone revenue from reduced discounting
 - And despite lower average ARPU for Sky Pod customers (no MySky recording), reduction in Multi-room and some spin down from higher value entertainment packages
- \$2.50 price increase for Sky Entertainment with changes to the package composition and a slight reduction in Sky Movies pricing to come into effect from October 2023
- 48% of customers now pay \$89+ per month compared to 33% a year ago, including 11% paying \$125+

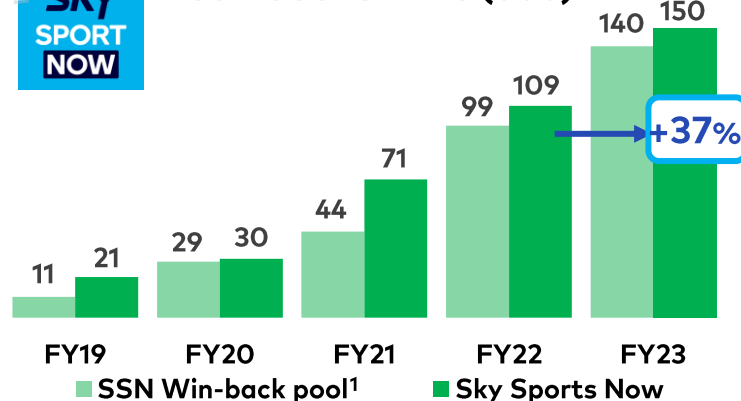


Streaming Customers – Sky Sports Now (SSN)

Strong acquisition profile delivering significant growth



SSN CUSTOMERS (000)

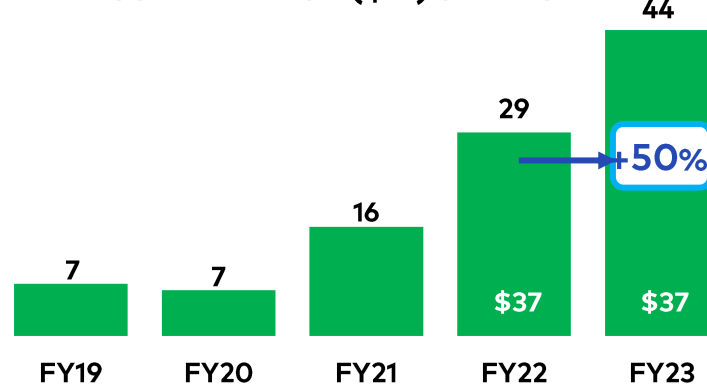


ENGAGEMENT²

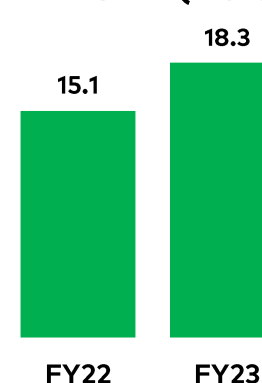


- Sky Sport Now customer growth of 37% year on year. Of the 150k SSN customers at year end, 41% were new to Sky Sport Now as strong content fuelled acquisitions
- 50% growth in revenue and with recent price rises providing further runway into FY24 (12.5% monthly pass increase from 1 March 2023 (to \$44.99 incl GST) and 12.5% annual pass increase from 1 July 2023 (to \$449.99 incl GST).
- Free trials were discontinued in January, increasing take-up of paid passes
- Strong viewership of Super Rugby, NRL, State of Origin, and Premier League and with ongoing strong line up ahead, including NRL final rounds and Rugby World Cup
- High Engagement levels and continuing positive trend in Tenure

SSN REVENUE (\$m) & ARPU³



TENURE⁴ (mths)

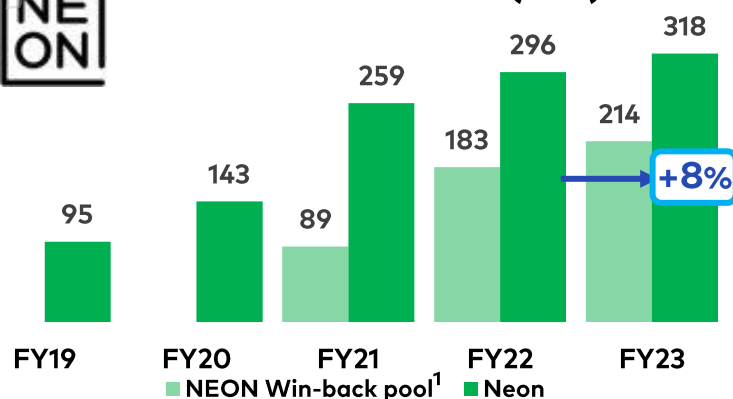


Streaming Customers - Neon

Strengthening recurring base underpins growth in Neon



NEON CUSTOMERS (000)

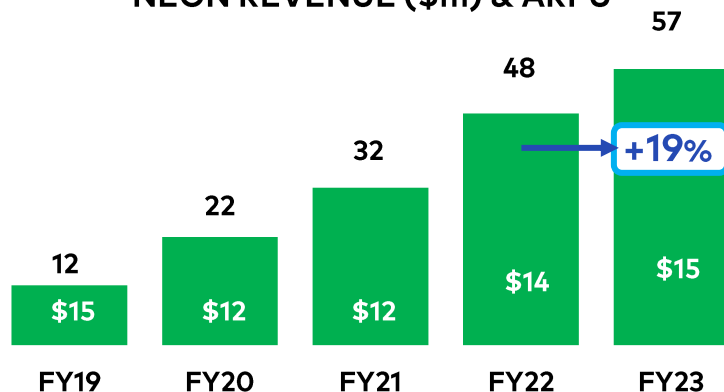


ENGAGEMENT²

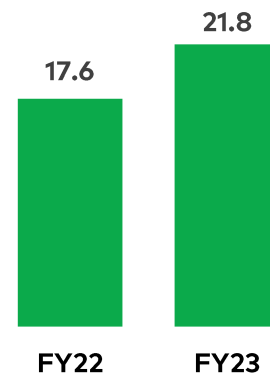


- Neon growth of 8% year on year. Of the 318k Neon customers at year end, 65% were retained from FY22
- Second 'basic' tier introduced at the same time as the 12.5% August 2022 price increase in the standard product, to offer pricing flexibility and choice
- Strong content offering supported retention and maintained high engagement : Yellowstone (Paramount) with 228k unique viewers/4.0m viewer hours, The Last of Us (HBO) with 196k unique viewers/1.4m viewer hours, Top Gun Maverick (Paramount) 120k unique views.

NEON REVENUE (\$m) & ARPU



TENURE³ (mths)



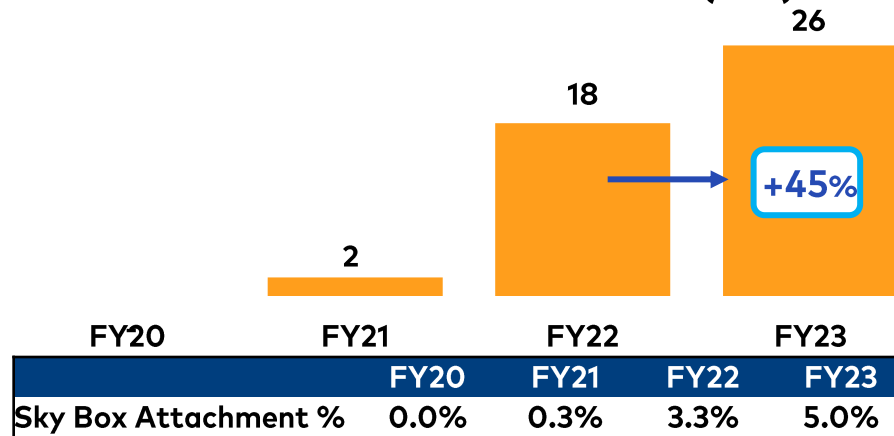
- Consistently high engagement and 24% increase in tenure

Sky Broadband

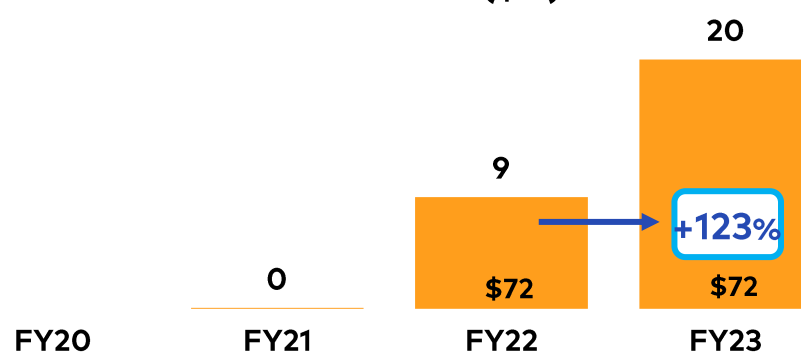
Positive contribution from award winning Sky Broadband

skyBROADBAND

BROADBAND CUSTOMERS (000)



BROADBAND REVENUE¹ (\$m) AND ARPU¹



- Achieving a positive contribution from FY23
- Attachment to Sky Box increased to 5.0% (and 10% on Sky Box acquisitions). Growth slowed in H2 as sales resources redeployed to higher margin activity
- High take-up of high speed 1Gbps plans at 52% and strong attachment of add-ons such as voice/calling plans at 26% contributing to high ARPU, despite growing popularity of lower speed plans, including 50/10 package introduced March 2023
- \$6 line fee increase passed on from November 2022 with a further \$5 increase to take effect from 1 October 2023
- Winner of Canstar Blue 'Most Satisfied Customer' Award 2023



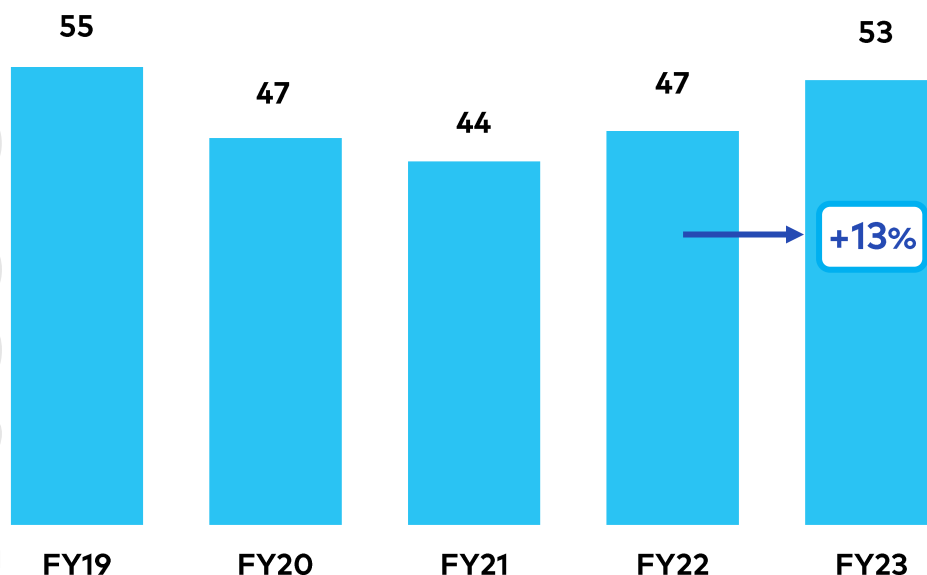
**MOST SATISFIED CUSTOMERS
BROADBAND 2023**

Commercial

Moving from rebound to growth

skyBUSINESS

COMMERCIAL REVENUE (\$m)



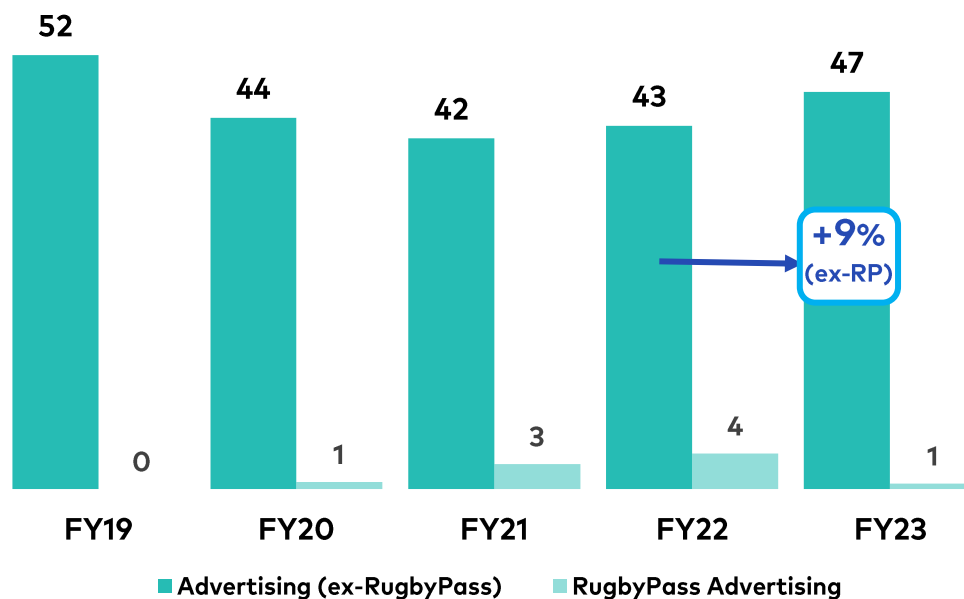
- Commercial revenue strengthening with monthly revenue now above pre-Covid levels
- Licensed premises sector delivered growth in customer numbers, revenue and ARPU, supported by strong sports content including pay-per-view events. Further step-up in value-based tiered pricing from 1 March 2023
- Accommodation sector now stabilised. FY23 includes first full 12 months of normal billing for Covid-impacted customers since H2 2020. New developments and upgrades expected to flow through
- Business customers proving resilient with growth in rest home sector and strong rebound in gyms and quiz business

Advertising

Revenue share growth an opportunity to maximise content value

skySALES

ADVERTISING REVENUE (\$m)



- Sky's revenue market share¹ rose to 9.5% from 8.3% year on year.
- Annual revenue rose 9% driven by strong content and a refreshed approach (compared to a decline of 5% in total market spend)
- Leadership in place with new sales enablement roles to follow by Q2 FY23
- While the wider market may face short-term headwinds, Sky sees an opportunity to grow new revenue streams and further improve market share through:
 - New digital revenue from introducing advertising to streaming platforms in H2 FY24
 - Expanded integration and brand-funded content opportunities across entertainment and sport properties
 - Refreshed free-to-air offering with the launch of Sky Open
 - Collaborations with media and publisher partners

Financial Performance



Financial performance

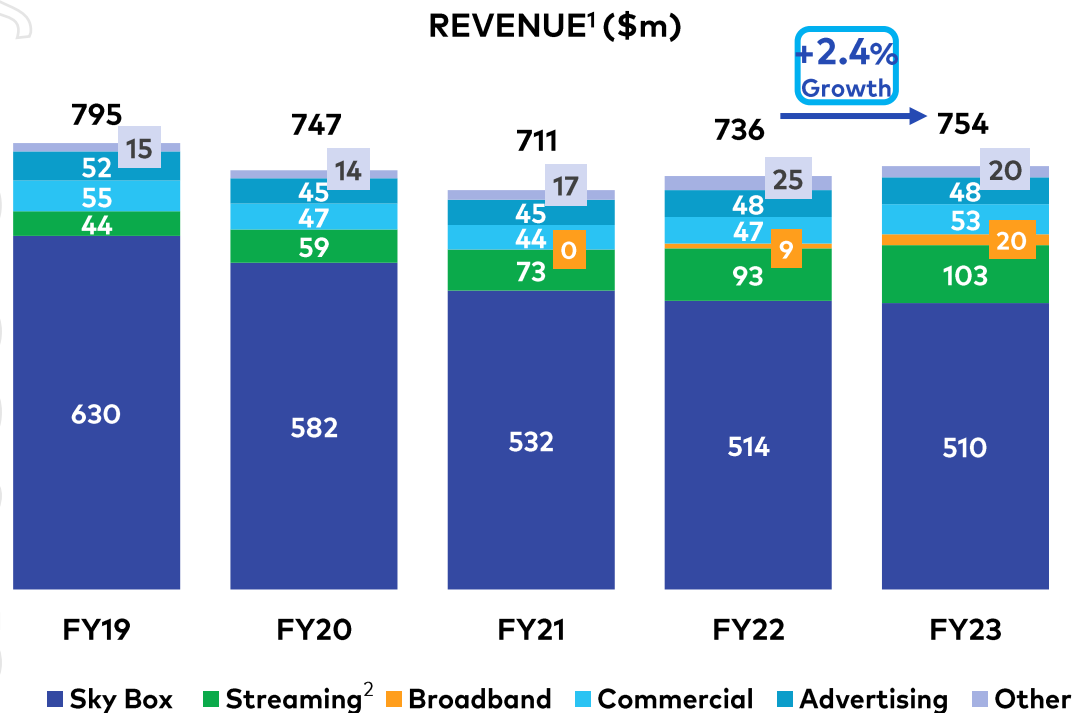
Key financial metrics within guidance, capex just above

\$m	FY23 Guidance	FY23 Adjusted Reported	FY22 Adjusted	Adjusted % inc/(dec)
Revenue	750 - 760	753.1	754.1	736.1 2.3%
EBITDA	150 - 160	156.4	148.5	153.7 1.8%
Net Profit after Tax	55 - 60	56.7	51.0	49.2 15.2%
CAPEX	65 - 75	77.4	77.4	44.7 73.2%

- Solid financial performance, with Revenue, EBITDA and NPAT all within guidance (on an adjusted basis, after removing RugbyPass and excluding one-off organisational change costs)
- Continued revenue growth, driven by improved ARPU across all products and continued growth in streaming customer numbers, albeit revenue was impacted by the delayed launch of the new Sky Box
- On an adjusted basis:
 - EBITDA of \$156.4m grew by 1.8% YoY, and was above midpoint of guidance
 - NPAT increased by 15.2% YoY, primarily due to lower depreciation on right of use assets following reassessment of the Optus lease term, and reduced depreciation of existing Sky Box fleet which is largely fully depreciated

Revenue

Second consecutive year of revenue growth

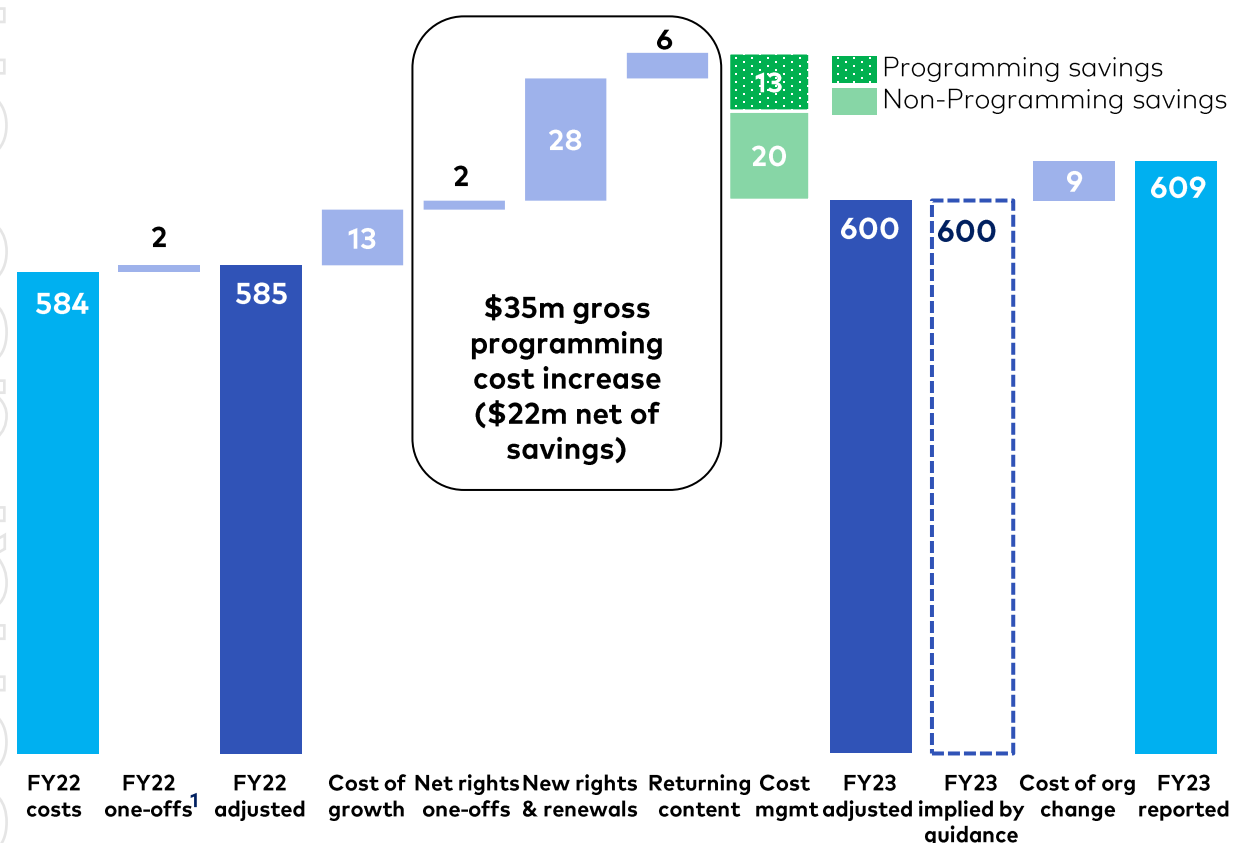


- Reported revenue growth of 2.4% year on year, rising to 4.5% on a comparable basis excluding:
 - \$10.1m impact of Vodafone TV platform fees on Streaming revenue in FY23 (\$4.0m in FY22). Migrated off the platform in March 2023. Excluding these fees, Streaming revenue growth of 16% on a like for like basis
 - one-off revenue in FY22 from on-sold programming rights, including Olympic sub-licencing to TVNZ
 - removing RugbyPass from both years

Expenses

Costs held to a net \$15m increase; \$33m of savings achieved

EXPENSES BRIDGE FY22 – FY23 (\$m)

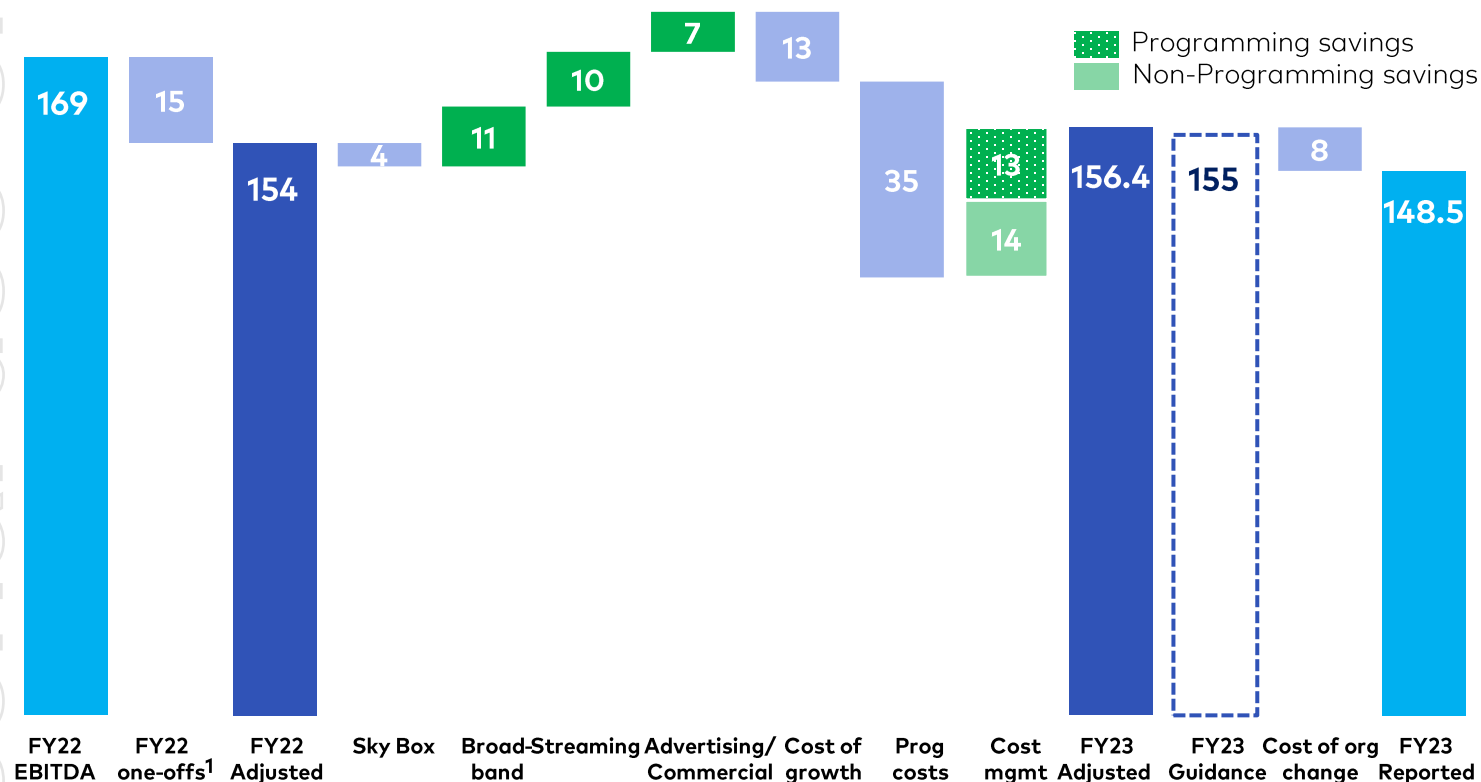


- \$33m of cost savings, including programming savings of \$13m
- Cost of growth of \$13m relates to Sky Broadband and streaming growth, and establishing new 3PL partnership with Pacificomm
- Gross programming cost increase of \$35m as compared to \$40m indicated at FY22 year-end. After taking into account \$13m of content savings, net increase of \$22m
- Net rights one-offs of \$2m reflects the year on year impact of one-off events between FY22 and FY23
- New rights and renewals increase of \$28m includes NRL renewal from Jan-23 and a step-up in second year of Warner/HBO deal that was renewed in 2021, new rights for Premier League (from Aug-22) and Formula 1 (from Jan-23), and roll-off of tail of equitable rights reductions in FY22
- Returning content of \$6m reflects production costs following the return of home games for New Zealand teams post Covid

EBITDA bridge

Delivered in line with midpoint of guidance

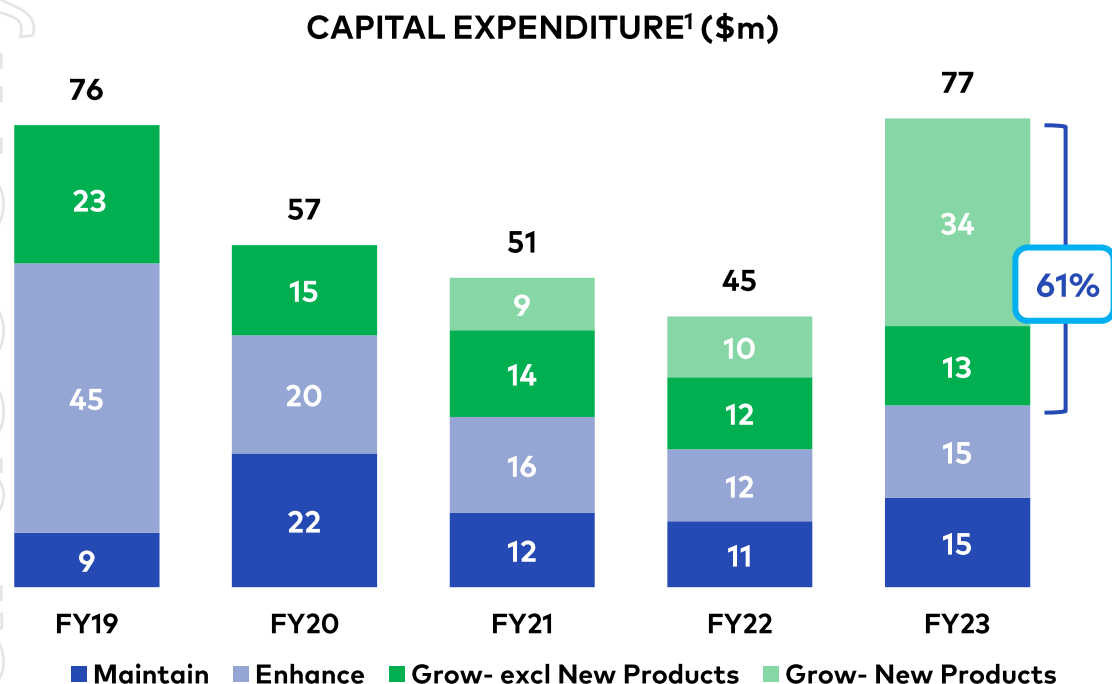
EBITDA BRIDGE FY22 – FY23 (\$m)



- Streaming revenue growth again outweighed decline in Sky Box revenues
- Net revenue growth of \$23m across Sky Box, broadband, streaming & advertising. Note: this was net of \$6m YoY increase for Vodafone TV platform fees (ceased March 2023)
- Cost management of \$27m includes full year impact of savings implemented in FY22, as well as on-going cost reviews during FY23. The \$14m of non-programming savings is net of the reduction in Other revenue, primarily due to Olympics sub-licensing in FY22
- \$8m cost of organisational change includes redundancy costs, career transition support, consultancy costs, and establishment costs for Sky's new outsource partners, as well as the FY23 loss for RugbyPass (as asset held for sale, sold in October 2022)

Capital expenditure

Increased focus on investment for growth



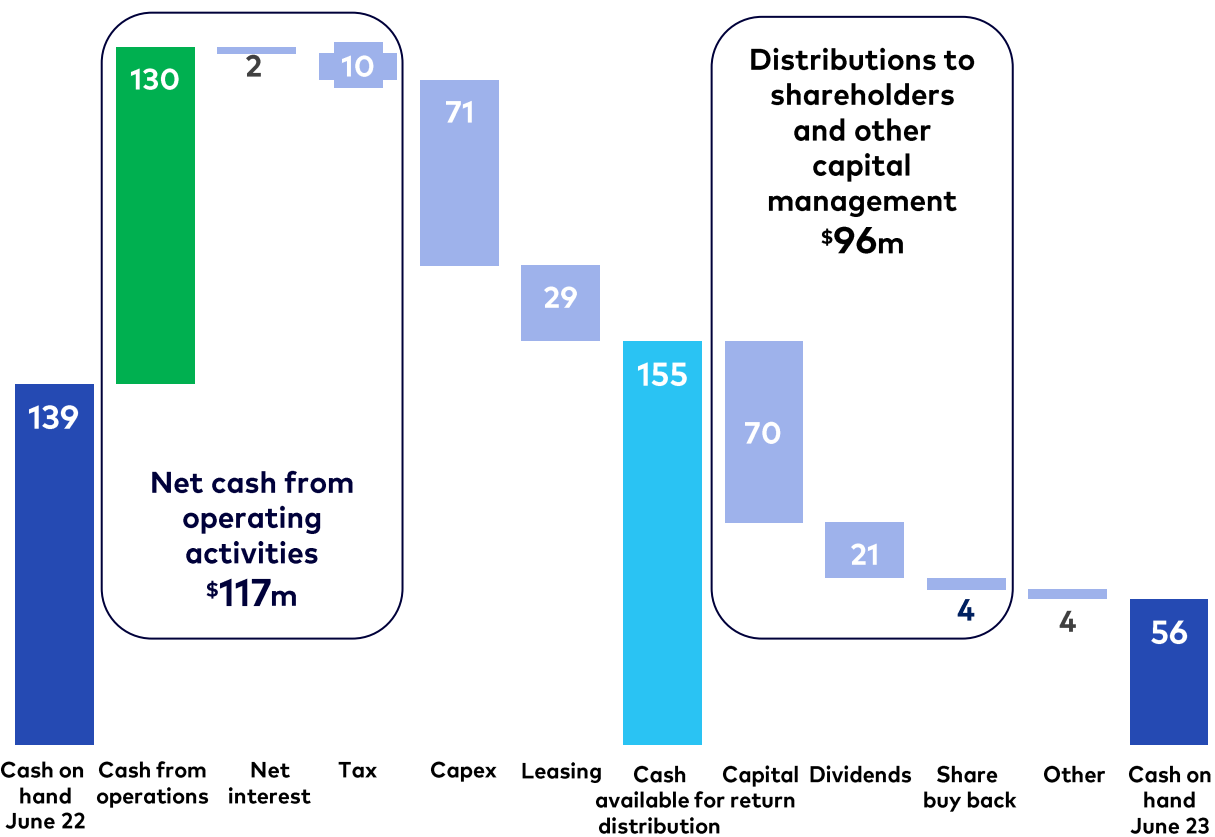
- Capex as a percentage of revenue rose to 10.3% driven by investment in "grow – new products" spending, including new Sky Box and Sky Pod devices and software development
- Continued focus on growth projects, being 61% of total spend (up 12ppts year on year) reflects this development programme and building inventory ahead of new product rollout. Capital investment is expected to remain high into FY24 and FY25, with depreciation also expected to increase as a result
- Post the accelerated rollout phase, capex is expected to return to within the long-range target range of 7-9% of revenue in FY26
- Year-end inventory of new Sky Boxes ahead of deployment to customers' homes was approximately 50k

	FY19	FY20	FY21	FY22	FY23
CAPEX/Revenue %	10%	8%	7%	6%	10%
Growth Spending %	30%	26%	45%	49%	61%

Free Cash Flow

\$96m in distributions and other capital management activity

CASHFLOW BRIDGE FY22 - FY23 (\$m)



- \$117m of cash generated from operating activities, broadly in line with FY22 (\$120m)
- Free cash flow available for distribution of \$16.5m (or \$24.4m adjusted for one-off items)
- Increase in capex to \$71m (vs \$45m in FY22) reflects the investment in developing new products, and building inventory in preparation for accelerated rollout in FY24
- Leasing reduction reflects benefits from the renegotiation of the Optus lease from November 2021, partly offset by full year impact of leases at Mt Wellington and central Auckland sites
- Distributions to shareholders and capital management of \$96m consisted of capital return of \$70m, final FY22 dividend and interim FY23 dividend paid in September and March respectively, and \$4.5m deployed for the share buyback

Looking Ahead



Dividends & Capital Management

Confidence in cash generation and balance sheet strength

\$m	FY23
FY23 Free Cash Flow ¹	16.5
Add back one-off items	7.9
Adjusted Free Cash Flow²	24.4
FY23 Dividends	21.7
Cents per share (cps) *	15.0 cps
Dividend % of Adjusted FCF	89%
* Interim (March 2023)	6 cps
* Final (September 2023)	9 cps

Dividend update

- **FY23:** Free cash flow has been adjusted for one-off items in determining free cash flow available for FY23 dividends (as signalled at the time of the organisational change and in our guidance)
- **FY24:** Intention to exclude one-off capital expenditure associated with satellite mitigation and accelerated portion of investment in new Sky Box and Sky Pod when determining adjusted free cash flow available for FY24 dividends (in accordance with 60-90% Sky's policy)
- Reflects the Board's confidence in future cash flow generation and the strength of Sky's balance sheet (i.e. capacity to fund both significant capital investment as well as maintain dividends to shareholders)

Buyback update

- Share buyback initiated in March 2023 for a maximum of \$15m
- At 30 June 2023 a total of 1.7 million shares had been acquired for a total consideration of \$4.5m, with potential for a further \$10.5m of shares to be acquired before 31 March 2024

Outlook and FY24 Guidance

\$m	FY24 guidance ¹
Revenue	765 - 795
EBITDA	150 - 165
NPAT	45 - 55
Capex ²	75 - 90
Dividend ³	at least 15.0 cps

- Customer relationship growth expected to continue across Neon, Sky Sport Now and Broadband, with further stabilisation of Sky Box
- Revenue growth expected through customer acquisition, increased ARPU, Commercial growth and expanded opportunities in Advertising
- FY24 includes full year effect of NRL and F1 rights, the first year of the new World Rugby deal, partly offset by savings from non-renewals, recent renewals on more favourable terms, and permanent cost savings flowing through from FY23
- As a result, FY24 will be a year of EBITDA consolidation, as revenue growth is largely offset by cost of growth and final known step-ups in programming rights
- FY24 capex guidance excludes one-off capital expenditure related to satellite mitigation
- Guidance midpoints equate to capex as a percentage of revenue of 10.6%. The accelerated roll-out plan will result in a steeper, but shorter, period of elevated capex over FY24 and FY25, before returning to the long run target range of 7-9% in FY26

FY24 Priorities and 3-year Targets

FY24 Priorities

1. Lift employee engagement

2. Roll out new Sky experience

3. New revenue streams

3-year Targets (to FY26)

- ▶ Revenue growth (CAGR) **+3-4% p.a.**
- ▶ EBITDA margin **21-23%**
- ▶ Programming as a % of revenue of **47-49%**
- ▶ Capex returned to **7-9%** of revenue
- ▶ Employee Engagement (NPS) **+14pts**
- ▶ Customer NPS **+19pts**
- ▶ **Double the FY23 dividend!**

Questions

The Sky logo is displayed in a large, white, stylized font. The letters are bold and modern, with a slight shadow effect. The background is a dark blue gradient with a diagonal split.

Continuing to deliver today while investing in the areas that will see us **benefit in future years**

- ▶ Delivering on strategy with strengthened market position
- ▶ Demonstrating resilience during a period of pressure on household wallets
- ▶ Over 1 million customer relationships
- ▶ Unmatched 'biggest content bundle' - clear #1 in Sport and broadest range in paid entertainment - accessible across Sky Box, Streaming and Free-to-Air
- ▶ Lifting capex investment to accelerate rollout of the new Sky experience
- ▶ Confidence in cash generation profile driving commitment to maintain dividends

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