Sky Annual Meeting 2024

Chief Executive's Address

Thank you, Philip and tēnā tātou katoa, good morning everyone.

What we've just seen is a brief taster of the content Sky has the privilege to share with customers every day. It is apt that this clip includes some of the many highlights from our Olympics coverage, where we brought the challenges and triumphs of our athletes in Paris to supporters back home in Aotearoa New Zealand.

This was an important brand moment for Sky, as we delivered these incredible scenes to New Zealanders, across all of our platforms, in a very real expression of our Purpose:

To share stories.

To share possibilities.

To share joy.

Behind the scenes it takes an incredible amount of planning, hard work and dedication across the business to deliver in this way – and I couldn't be more proud of the way our teams in Paris and back home performed.

I mentioned in my letter to shareholders a favourite quote from Patrick Lencioni: *"Not finance. Not strategy. Not technology. It is teamwork that remains the ultimate competitive advantage, both because it is so powerful and so rare."*

Teamwork is indeed one of Sky's most powerful competitive strengths and through it, we've been able to deliver for customers, partners, each other, and for you, our investors, in FY24. We will see this in action again in the year ahead, particularly as we work through the migration to a new satellite which I will come on to.

This time last year I shared with you our Purpose, our Ambition, and the strategic pathways that would drive future success. One year on, we see that clarity of purpose has supported operational outcomes that underpin our financial performance.

On the financial performance of your business, my focus continues to be on driving margin to support our free cashflow generation and, as Philip touched on, our dividend yield. . While the share price doesn't yet reflect our confidence in the free cash flow generation of this business, the dividend yield does as we head towards our FY26 target of 30 cents per share.

In addition to noting our three-year targets in August, I also referenced our delivery against the three key priorities of Lifting employee engagement; Rolling out the new Sky Experience; and Generating new revenue streams. In the interests of time today, I won't step through them all again, but I encourage you to read about the achievements in our Annual Report if you haven't already. The short point is we've delivered significant uplifts and improvements against each of these priorities as is depicted on the accompanying slide.

It took a huge amount of team work to secure those uplifts, and because we are a business that is about staying the course, despite the macro-economic challenges, these key priorities remain in focus into FY25.

In addition, we have added a fourth priority: to **deepen content engagement**.

We know we have some incredibly engaging content, in fact, by the closing ceremony of the Olympics in Paris, New Zealanders had collectively watched more than 58.3 million hours of our coverage – which is quite a statistic!

- Our continued focus is on securing the right content, at the right price, and to ensure we are measuring the performance of each investment through content engagement metrics.
- On this front, we're very pleased to have secured an expanded partnership with BBC as showcased with the launch of BBC First on 1 October which is already engaging our loyal box customers, myself included!
- More recently on the sporting front, we signed a new 3-year deal with the A-Leagues just as the local competition is heating up.
- And a couple of weeks ago we announced a new partnership with Warner Brothers Discovery, confirming Sky as the exclusive home of Max in New Zealand, with the new Max-branded content already engaging customers on both Neon and the New Sky Experience since the launch on 30 October.

In highlighting these 4 priorities, I do want to point out that, had we known about the seven-month acceleration required to migrate satellites at the time we were setting our FY25 priorities, this critical project would have been front and centre on this page – and now it is!

Despite the ability to deliver via IP, satellite connectivity remains a vitally important delivery mechanism for this country and for our higher ARPU customer base.

Since becoming aware of this acceleration, we've been very clear with our team that Project Migrate is our number one priority until it's delivered by May 2025 and so is to take precedence over any other plans where there is contention on resources.

Of course, where there is no contention, our teams are delivering to plan. As an example, in keeping with the priority to accelerate advertising, our Ad Sales team delivered an important milestone this last month, with the introduction of digital ad insertion on Sky Sport Now.

Reflecting on the other 3 key priorities for FY25 and how these are effectively encapsulated by Project Migrate:

- I believe there is no better opportunity for **employee engagement** than having a single galvanising focus as a team – which this project certainly gives us!
- Continuing to deploy our **New Sky Experience** is a vital part of our mitigation strategy **–** with the IP-only operating mode on the roadmap for delivery early next year; and
- From a content perspective – we will not only be utilising our creative and story-telling abilities to communicate with customers but also to ensure they can continue to **deepen their engagement with our content** throughout this time.

So, where are we at with Project Migrate?

As Philip mentioned, our current Optus D2 satellite will reach the end of its useful life in May, and we have expedited our migration to a new one.

As we advised the market back in August, Optus has offered us two satellite options and we are actively preparing for them.

Both have challenges and opportunities.

- Our **preferred option** is a satellite that is able to be moved to the same position in space as our existing D2 satellite, at 160 degrees East, and therefore allows a smoother customer transition as there is no change to the current satellite signal location.
- However, there are some dependencies and events that must occur in order for that spacecraft to be made available to us.
- This work is being undertaken by our satellite provider Optus, and on the current plans we should have confidence in this option by the end of January.
- While the process of getting this satellite ready for service is a business-as-usual activity, it still carries some risk.
- We are therefore running a **dual pathway programme,** and preparing for use of another Optus-provided satellite in parallel.
- It is readily available to us now but in the different location, of 156 degrees East, and therefore requires us to undertake a programme to ensure that every customer home can 'see' the signal from the new location.
- This is something we've previously anticipated such that the majority of our customers already have a dual signal device attached to their satellite dish, to point to the two locations.
- What we need to do is to test the signal with the satellite at the 156 degrees East location. For those customers who have an internet-connected Sky Box, we can do this remotely without our customers needing to do anything.
- For those customers who don't have an IP-connected Box, we are now in the process of communicating with them to ensure they are able to receive the signal through a test channel on their Sky Box. If they can't see the test channel, we will schedule and deploy technicians to each home to get them set up.
- As many of you who are customers will know and perhaps have experienced, technicians visiting Sky homes to check dishes and satellite signals is a very standard, business-as-usual activity.
- Of course, if a customer has a more complex home set up or is living in a multi-dwelling unit in a block of flats or similar then it may take a longer visit to resolve any signal issues.
- The good news is that – especially with the support of our new Downer outsourced partnership – we have more than enough capacity to meet the demand based on the test results we've achieved to date.

- In this scenario, we will be relying on our customers to engage, and you will see us ramp up communications as we work to reach everyone over the summer period.

To summarise, there are two options we are pursuing. And to give comfort, while there are varying degrees of complexity risk and cost, either option provides us with assurance of satellite supply, and we are currently progressing both pathways until we have certainty of supply to move ahead with our preferred option.

From a cost of delivery perspective, as shared in our cover release today, we have commercial arrangements with Optus which mean this programme will remain largely cash neutral by the end of FY26.

While the preferred option comes at a lower upfront cost, the final cost of the alternative option cannot yet be precisely quantified. Accordingly, we have taken a conservative approach to forecasting, including significant contingency, and have thereby increased the upper limit of our Satellite Migration capex to $20m, from the capex envelope of $10m to $15m outlined at our year end results.

As a reminder, satellite migration capex is excluded from our FY25 Capex Guidance, and the important news is that whichever the scenario, the dividend is protected.

Before I close out, I will share a few comments on the performance of our business this financial year.

- General revenue pressures have continued in the first half as New Zealanders take a cautious approach to spending.
- As a result, we are seeing some softening in customer and advertising revenues. We're also rescheduling certain planned revenue-driving activities due to the focus on Project Migrate.
- I also note costs will be weighted to the first half, which is largely driven by our Programming line, given the timing of the Paris Olympics early in H1.
- And we have a one-off amortisation acceleration relating to the exciting agreement with Warner Brothers Discovery as announced last month.

Rest assured, we remain disciplined as always with a number of initiatives underway across revenue and cost lines.

The guidance provided at the time of our full year results is unchanged, noting that the one-off accelerated amortisation is excluded, and we have a firm path and conviction on our dividend guidance of at least 21 cents per share.

Thank you

I am incredibly proud of how we performed in FY24 and the proof it provides of what we can deliver together as a team.

My sincere thanks go to our hard working and dedicated Board. I don't underestimate how fortunate we are to have such incredible depth of experience to draw on for me and my Executive team. This is visibly on display both in a Board context and within each of the Board committees. The balance of challenge, advice and support you provide is truly appreciated – thank you.

To my Executive Team and the wider Sky crew – you are making a positive difference every day: please know this and please keep it up!

To our shareholders – thank you for your trust in our team and your support of our business. Acknowledging the way we have reshaped and reinvigorated Sky these past few years, despite the challenges, leaves me in no doubt of our determination as a team to deliver on our priorities in FY25 for the benefit of our customers, our partners, and, of course, for you, our shareholders.

Thank you.

ENDS