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Sky delivers solid full year results, lifting full year dividend

Sky Network Television Limited (Sky) has today released Full Year Results with all metrics within the revised Market Guidance ranges provided in February this year¹ and with a 15.8% increase to the fully imputed FY25 dividend.

Delivered in the context of a challenging economic environment and a complex satellite migration, along with the completion of number of important projects including the necessary preparation to successfully acquire Discovery NZ, this is a solid result.

As was the case at the Half Year, Sky's results include a number of one-off items (largely non-cash or expected to be cash neutral) that make it more difficult to assess more positive underlying performance of the business during the period. Adjusted numbers² have therefore been provided to enable a like-for-like comparison.

Key points (financials provided on an adjusted basis³)

- Revenue of \$755.1 million, (down 1.5%)
- EBITDA of \$148.5 million (down 3%)
- Sky's free cash flow funded FY25 dividend of 22 cents per share (fully imputed), representing a year-on-year increase of 15.8%.

Chief Executive Sophie Moloney said: "The results we report today have been delivered against the backdrop of our satellite migration challenges as well as the continued pressure on household wallets for many New Zealanders. I am grateful for the tenacity of my team to not only achieve results within the February Guidance ranges, but for also continuing to deliver on several important projects and milestones during FY25.

"These include securing key content rights, increasing our Advertising market share and introducing new features like Digital Ad Insertion (DAI) for Sky Sport Now, increasing the penetration of our new Sky Experience to 37% of our Box base, and of course the significant diligence work that led to the acquisition of Discovery NZ.

"In breaking news, this morning's signing of a new five-year partnership with New Zealand Rugby (on behalf of the SANZAAR Unions) is also a major achievement. It ensures we can continue to deliver every big moment of rugby to our customers, and it includes a necessary reshaping of

¹ Noting that guidance was provided on an underlying basis, excluded one-off items.

² Non-GAAP financial measures.

³ Non-GAAP financial measures. Information regarding one-off adjustments is available on page 45 of Sky's 2025 Annual Report and within the investor presentation that forms part of this announcement.

this important deal while also ensuring Sky achieves our target of 47 to 49% of content costs as a percentage of revenue.

“We have made good progress against the other targets in this second year of our three-year targets. Progress on capex intensity and employee engagement targets are already consistent with our FY26 ambition, and while Revenue and EBITDA Margin remain challenging, and will likely be at the lower end of the range, they are still held in our sights. Customer NPS has improved since the completion of the satellite migration, and – very pleasingly – we are firmly on track to deliver on the dividend target of 30 cents.

Financial performance

The one-off items for the period include satellite migration (largely cash neutral by FY26), accelerated content amortisation and lease modification (both non-cash), and organisational transformation and transaction costs associated with the Discovery NZ acquisition. It is therefore appropriate to discuss Adjusted numbers⁴ when assessing Sky’s performance against the prior year.

Adjusted revenue of \$755.1 million was at the lower end of guidance (reported \$750.7 million), largely reflecting the prolonged impact of challenging economic conditions and delays in revenue-generating initiatives due to the necessary prioritisation of satellite migration.

All key ‘growth engine’ revenue lines continued to increase, with Sky Sport Now growth of 16%, Broadband up 34% and Advertising increasing by 7% year on year. However, this was not sufficient to offset a Sky Box revenue reduction of 5.8% and modest decline of 2% for Neon.

Sky’s prioritisation of the rollout of the new Sky Experience is important in this context, with significantly lower churn from those customers with the new Sky Box (less than half that of the classic Box), given the benefits it brings by unlocking video on demand and content discoverability. It also has a lower cost to serve, and with the pathway to add revenue from digital ad replacement.

Disciplined cost management saw an \$4.8 million reduction in adjusted expenses to \$609.4 million (reported \$637.8 million). This included a \$7.3 million saving in programming cost and was achieved whilst continuing to invest to grow Streaming, Broadband and Advertising. As a result, adjusted EBITDA of \$148.5 million (reported \$120.6 million), while lower than the prior year, was at the mid-point of guidance.

Adjusted net profit after tax of \$41.1 million (reported \$20.6 million), was down year on year, as expected, due to higher depreciation, following a period of accelerated capital expenditure as we invested in new products. With the elevated period now behind us, underlying capital expenditure of \$65.2 million (reported \$78.4 million), marked a return to the target level of between 7% to 9% of revenue.

Free cash flow generation remained strong, with reported free cash flow of \$24.8 million, 4.6% higher than the prior year, and underlying free cash flow down slightly on last year at \$36.7 million.

⁴ Non-GAAP financial measures. Information regarding one-off adjustments is available on page 45 of Sky’s 2025 Annual Report and within the investor presentation that forms part of this announcement.

Project Migrate

Sophie said: “FY25 brought one of the most complex operational challenges in our history: the accelerated migration to a new satellite following Optus’ advice that the existing D2 satellite was reaching end-of-life earlier than anticipated. With more than 450,000 customers relying on satellite delivery, and 62% of our FY25 revenue earned through our Sky Box business, this project became a top priority. While the migration was far from straightforward, it was successfully achieved in April 2025.”

Sky has provided additional information on the expected financial outcome of the satellite migration programme, noting this is expected to be largely cash neutral by the end of FY26. Across FY24 and FY25, this included \$17.7 million in capital expenditure and \$7.3 million of one-off EBITDA impacts (from foregone revenue and incremental costs), partly off-set by capex rebates received to date from Optus of \$10.2 million.

A final capex allocation of between \$2 and \$4 million will complete the programme in FY26, with a further \$6.1 million of capex rebates and \$8.2 of compensation for revenue and cost impacts will be received in FY26 to bring the programme to a largely cash neutral outcome.

Dividend and Capital Management

Sky remains in a healthy fiscal position, with ongoing sustainable free cash flow generation, \$32 million of cash on hand, and a strong balance sheet, including a \$100 million undrawn bank facility.

The Board’s confidence in the long-term outlook for the business and continued strong cash flow generation have supported an increased final dividend of 13.5 cents per share (fully imputed). This brings total dividends for the year to 22 cents per share, fully imputed, that equates to 82.5% of the adjusted free cash flow and represents a year-on-year increase of 15.8%.

Sky’s most recent buyback programme expired on 31 March 2025, having paused in June 2024 in the lead up to annual results, and continued on pause in November 2024, due to ongoing NZR negotiations.

The Board has resolved to pause further capital management actions in the short term as Sky prioritises the integration of Sky Free (formerly Discovery NZ) and Sky, with this decision to be reviewed periodically as transaction synergies are delivered.

Acquisition update

Sophie said: “Three weeks in, we’re excited by the opportunities the acquisition of Sky Free unlocks. It positions Sky to scale faster and to grow and further diversify our revenue streams, particularly in advertising and digital, and it delivers some of the ‘missing pieces’ for our future success, including the successful and growing BVOD service ThreeNow.”

“Successfully integrating Sky and Sky Free and starting to optimise the synergies this presents across both businesses is now a key priority for FY26 and beyond. Planning is well advanced, aided by a thorough and detailed diligence process, and with a strong governance framework and appropriate Executive oversight whilst ensuring no distraction to the ongoing delivery of FY26 priorities.”

In FY26 Sky Free is expected to deliver positive proforma underlying free cash flow, with an 11 month gross revenue contribution of approximately \$85m from advertising and revenue-share arrangements and with capex of between \$3 – 4 million. By FY28 Sky sees potential for at least \$10m p.a. of incremental EBITDA on a Group basis.

A Purchase Price Accounting (or PPA) process will commence shortly and as part of this, will determine the fair value of assets acquired, such as content. The outcome will have a Profit and Loss impact in FY26 although no impact on cash flow, and we note this is expected to result in a one-off ‘bargain purchase’ gain.

Outlook and Guidance

In light of the PPA process, Sky has provided guidance on a ‘stand-alone’ Sky-only basis.

This guidance reflects Sky’s expectation that economic conditions will remain challenging, at least in the near term. While FY26 includes a six-month impact from the new NZR deal, the first year reduction will be more muted as a portion of the final payments under the existing deal flow through to FY26. While Sky will continue to be disciplined in cost management, we will reinvest in marketing, customer experience and people after a challenging FY25 and to lay the groundwork for acceleration from FY27.

This sees stand-alone FY26 Guidance⁵ for Sky of Revenue of between \$745 to \$770 million; EBITDA of between \$142 - \$162 million and Capex⁶ of between \$60 and \$70 million. Sky will no longer provide guidance on net profit after tax as it is not considered a meaningful metric for market valuation purposes.

Sky’s dividend guidance of at least 30 cents per share (fully imputed), reflects the target set in FY23 to double that year’s 15 cps dividend in three years and will represent an increase of 36%.

Sky expects to provide a further update to the Market on the business as a whole at the Half Year, assuming the PPA process is completed.

ENDS

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⁵ Revenue and EBITDA guidance are subject to no adverse change in operating conditions, including future economic headwinds. EBITDA guidance excludes one-off costs associated with transformation initiatives, transaction fees and net integration costs.

⁶ Capex guidance excludes a final allocation of \$2 - \$4 million for satellite migration.