

Sky Network Television

Results Presentation

For the six months ended 31 December 2023



22 February 2024

Agenda

- ▶ HY24 Overview
- ▶ Operational Performance
- ▶ Financial Performance
- ▶ Capital Management
- ▶ Outlook and Guidance
- ▶ Questions



Results Summary

Delivering on our growth plans

REVENUE

\$392.7m

HY23: \$378.6m¹ **+4%**

EBITDA

\$81.7m

HY23: \$73.5m **+11%**

CUSTOMER RELATIONSHIPS

1,020,609

HY23: 1,053,287 **-3%**

NET PROFIT AFTER TAX

\$29.0m

HY23: \$26.2m¹ **+10%**

INTERIM DIVIDEND

7.0cps

HY23 6.0cps **+17%**

CAPEX

\$36.9m

HY23: \$40.2m **-8%**

Key Achievements

... as execution momentum builds



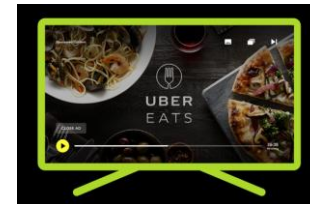
Delivered exceptional sporting content



Delivered targeted savings from FY23 initiatives



Significantly lifted employee engagement



Expanded Advertising capability



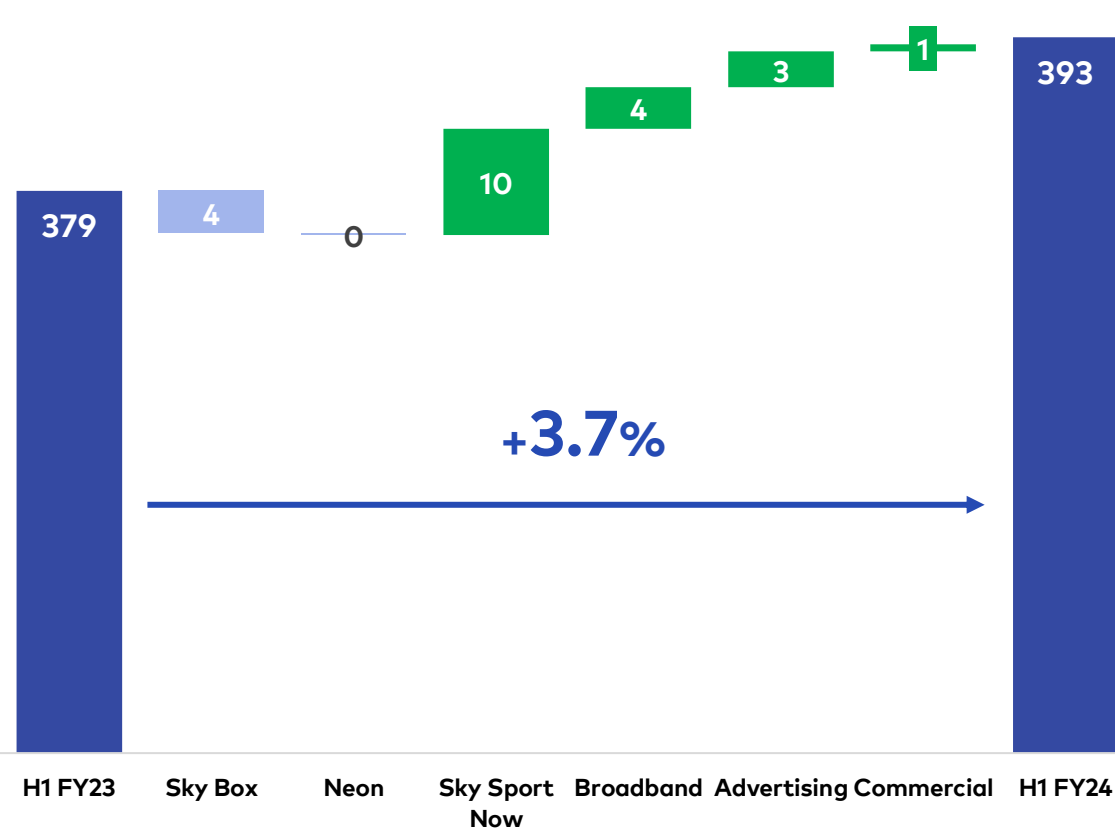
Market launch of Sky Pod and **Rebrand** of Sky Open



Optimised capex, shortening period of higher investment

Revenue Bridge

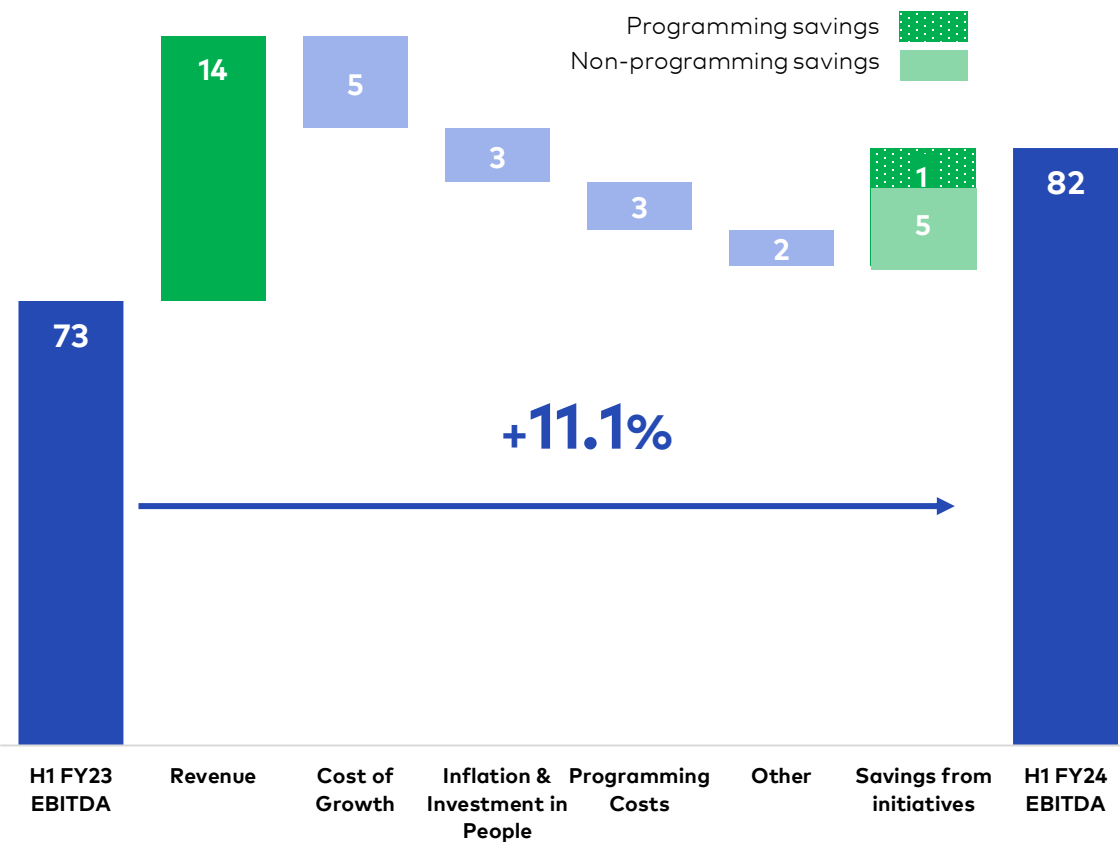
Key growth engines driving revenue increase



- Revenue growth of 3.7% driven by:
 - Significant increase from Sky Sport Now (+45%)
 - Strong growth in Advertising in a challenging market (+12%)
 - Continued growth in Broadband (+45%) at an increased margin
- Sky Box and Sky Pod revenue softened, with some benefit from the migration of VTV customers. Neon revenue on par with prior period despite challenges from content delays

EBITDA Bridge

Cost increases largely linked to revenue growth; savings delivered



- Cost of growth reflects largely variable costs related to revenue growth in Broadband, Advertising and Sky Sport Now
- Some inflation impact on salary and other costs. Positive decision to invest in people
- Known step-ups in content costs partly offset by savings from rights and production decisions, under-delivery of acquisition-driving content, and impact of one-off events in the prior period
- Key initiatives delivered significant ongoing savings:
 - \$3m in net savings from FY23 organisational change, and on target for \$6m annually
 - Additional permanent savings from outsourced logistics partnership, lower property costs and procurement efficiencies

Executing on FY24 Priorities

1 Lift employee engagement

- Deep investment in leadership and cultural capability
- Greater focus through development of Sky's Purpose
- Robust planning and prioritisation

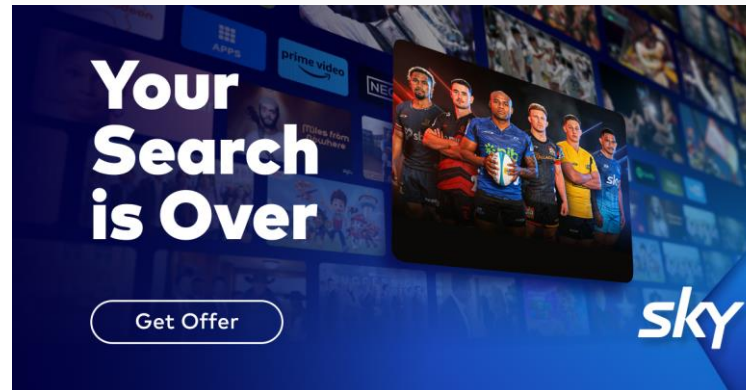
Double digit lift in engagement



2 Roll out new Sky experience

- Launched Sky Pod to wider market
- Deliberately slowed rollout of new Sky Box to focus on enhancements
- Significantly improved features, performance and customer care

Confident in new rollout settings



3 New revenue streams

- Strengthened Advertising
- Created new integration formats and added new customers
- Developed digital revenue capability

Unlocking new revenue opportunities









Multi-platform strategy a key competitive advantage

OUR AMBITION: Aotearoa NZ's most engaging and essential media company

Largest
Media company

Reaching 4 in 5
New Zealanders each month¹

1 million+
Paid customer relationships

Sky Box & Sky Pod	Sky Sport Now	Neon	Commercial	Broadband	Sky Open
<p>501k households</p> <p>Valuable, high ARPU², long tenure base</p> <p>New products providing opportunity</p> 	<p>206k customers</p> <p>Unrivalled #1 in sports streaming</p> <p>High ARPU with strong growth</p> 	<p>277k customers</p> <p>Only locally-curated SVOD³</p> <p>Digital advertising opportunities</p> 	<p>6.5k businesses</p> <p>#1 provider to commercial premises</p> <p>High ARPU and significant market share</p> 	<p>30k households</p> <p>Growing fibre broadband business</p> <p>Positive contribution from FY23</p> 	<p>3.3m reach⁴</p> <p>Free to access</p> <p>Showcasing Sky content and maximising its value</p> 



Delivering unrivalled content to a significant audience

OUR PURPOSE: Share stories. Share possibilities. Share joy.

Leading

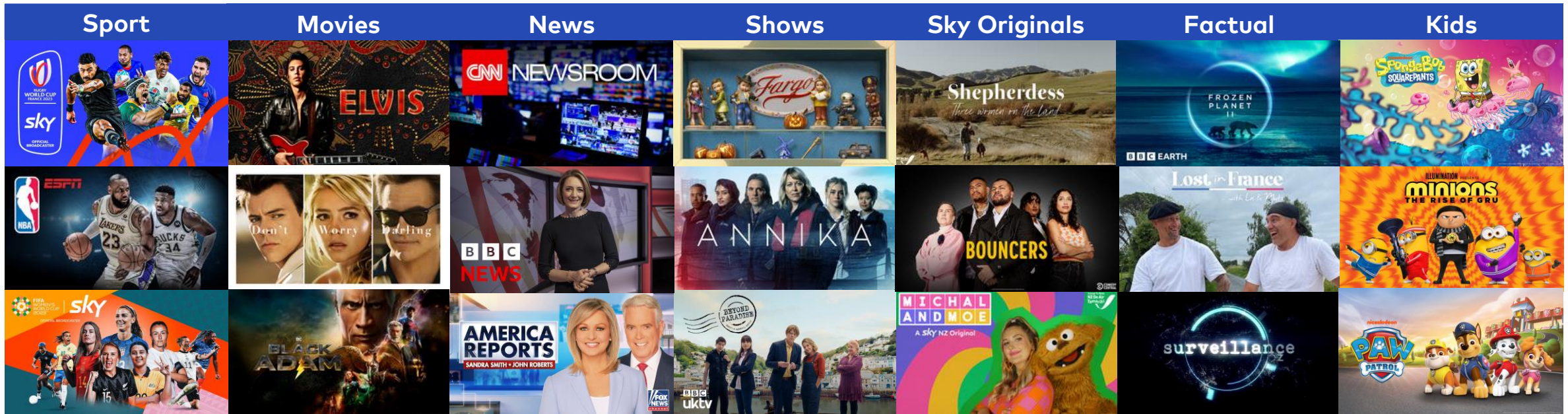
content aggregator for customers and partners

#1 in Sport

across Box/Pod, Streaming & Free-to-Air

Most

global and local partners in sport and entertainment



Operational Performance

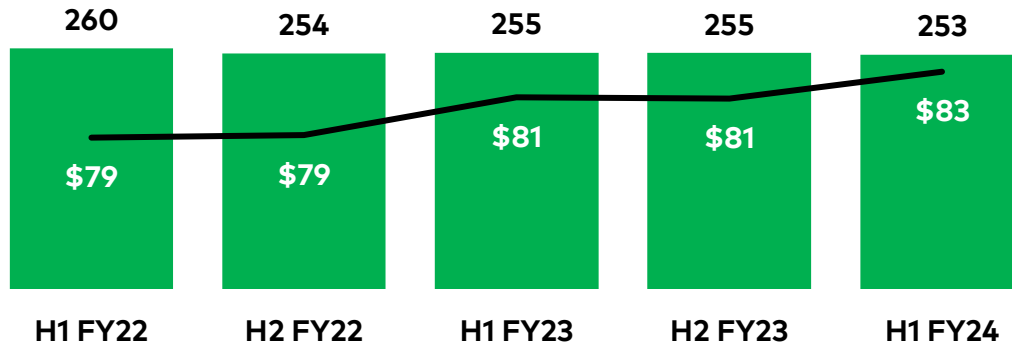


Sky Box and Sky Pod

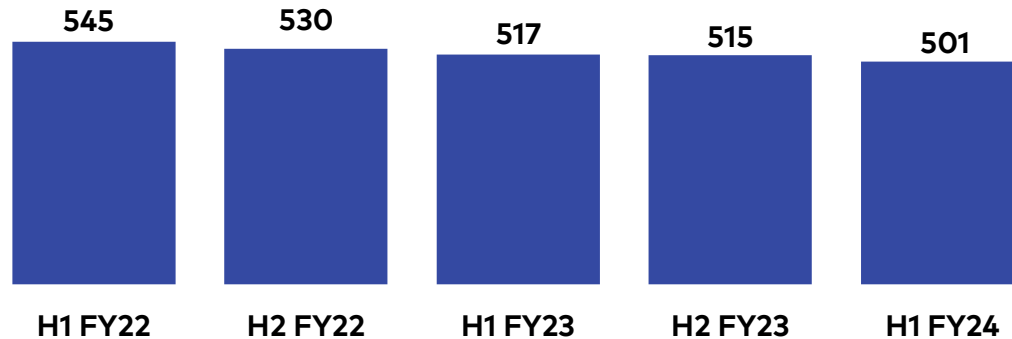
High value base generating significant revenue



SKY BOX REVENUE¹ (\$m) AND ARPU²



SKYBOX/POD CUSTOMER RELATIONSHIPS (000)



- Revenue softened 0.8% year on year with stronger ARPU and positive impact from migrating VTV customers largely compensating for lower customer numbers
- Average revenue per customer rose 1.8% (to \$82.56) driven by:
 - Impact of 9% sports pack increase (Mar 23) and 10% increase in entertainment pack (Oct 23)
 - Higher average sport penetration
 - Positive impact of reduced discounting
 - Despite some spin down from non-sport packages
- H2 will benefit from 11% increase in sports pack pricing (Feb 24)



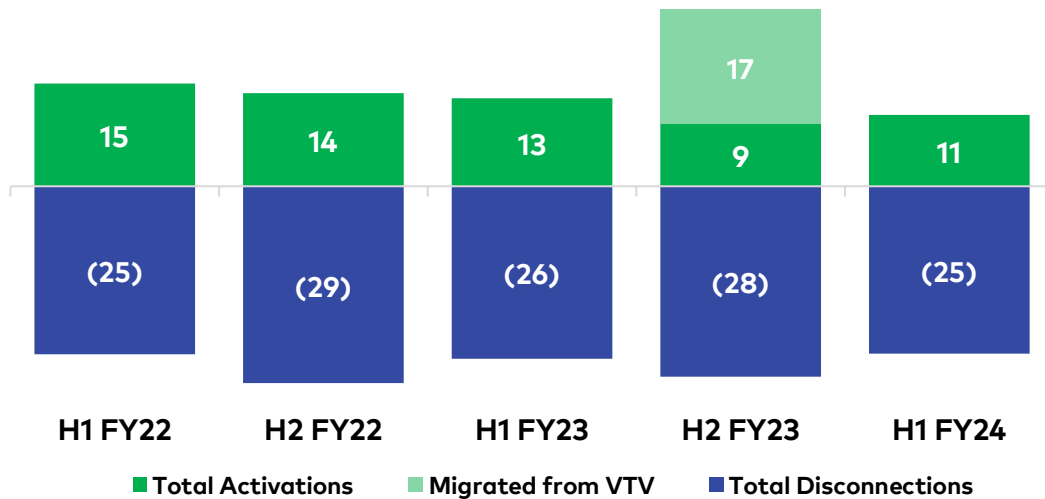
1. Sky Box and Sky Pod access fee is included in Sky Box revenue but excluded from ARPU. Sky Box revenue and ARPU data previously presented at H1 FY22 included contribution from Sky Broadband, now reported separately. 2. Sky Box ARPU is the monthly average revenue calculated as the average for the period.

Sky Box and Sky Pod

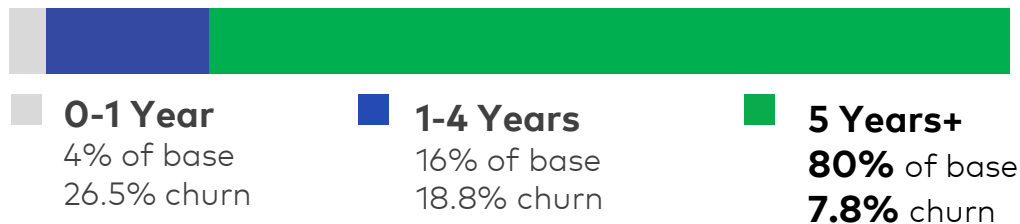
Marketing recommenced; strong focus on margin continues



SKY BOX CUSTOMER ACQUISITIONS / DISCONNECTIONS (000)



SKY BOX TENURE



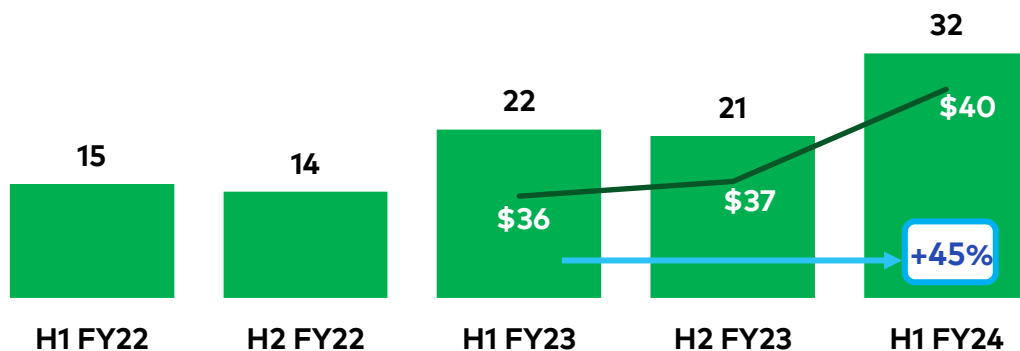
- Continued focus on margin, with acquisition and retention discounts 45% lower than H1 FY23 and 67% lower than H1 FY22
- 58k Sky Boxes in use by existing and new customers at 31 Dec 2023
- Deliberate decision to slow the rollout of the new Sky Box
- Disconnections in line with the prior H1 run rate showing continued resilience
- Annualised churn of 9.8%, consistent with prior period, with a 4ppt improvement in year one retention

Streaming – Sky Sport Now

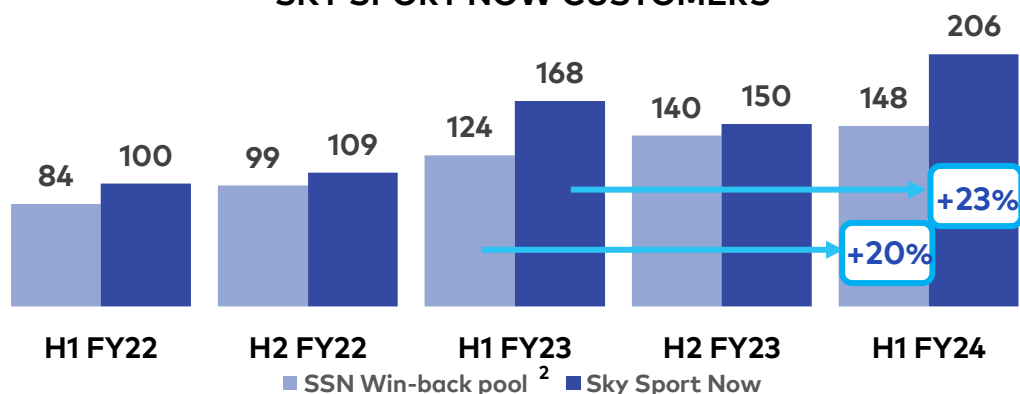
Substantial, 45% increase in revenue as fan base builds



SKY SPORT NOW REVENUE (\$m) AND ARPU¹



SKY SPORT NOW CUSTOMERS



- Significant customer and revenue growth driven by strong content line-up throughout H1, including high value events such as Rugby World Cup
- Strong engagement³ rising to 81% (from 75% in H1 FY23) including a record weekly high of 96%
- 25% of year end customers were new to Sky Sport Now, with strong retention and win-backs
- Revenue and ARPU growth included full period impact of 12.5% increase for monthly and annual passes and part-period impact of 25% rise in weekly passes (Aug 23).
- H2 will benefit from 11% increase in monthly pass to \$49.99 (Feb 24)



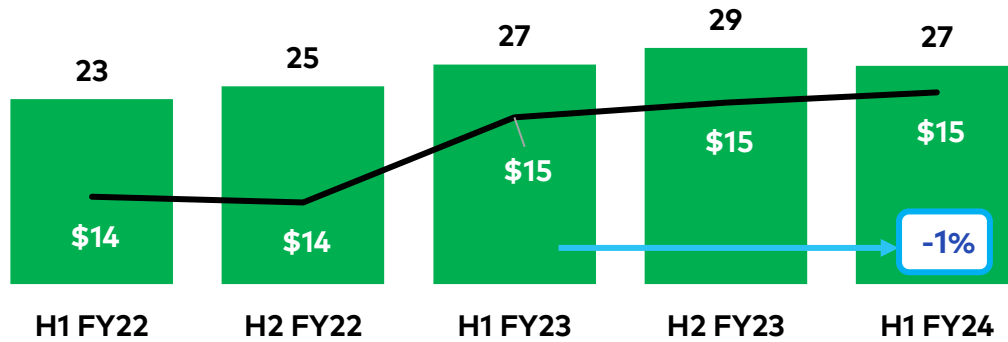
1. ARPU is based on recurring subscribers (removing the impact of transactional passes), includes PPV 2. The win-back pool includes customers that have subscribed to Sky Sport Now in the past 18 months but were not included in the active base at the end of the period. 3. Engagement is defined as customers that viewed content during a month, using a 6-month weighted average

Streaming - Neon

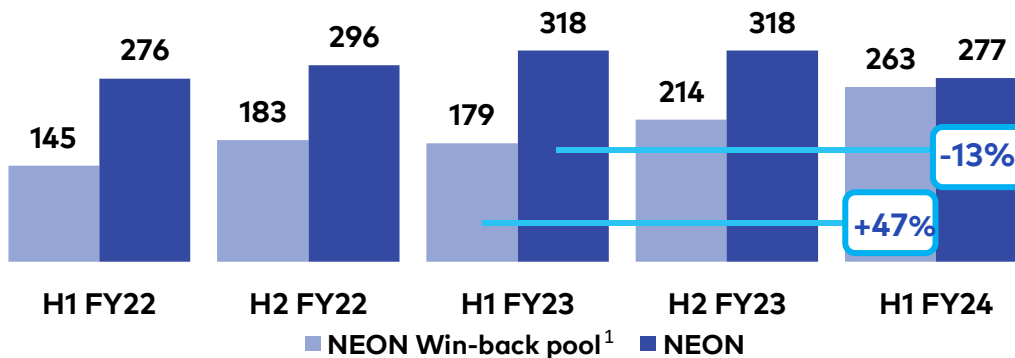
Strong retention focus ahead of content returning



NEON REVENUE (\$m) AND ARPU



NEON CUSTOMERS (000)



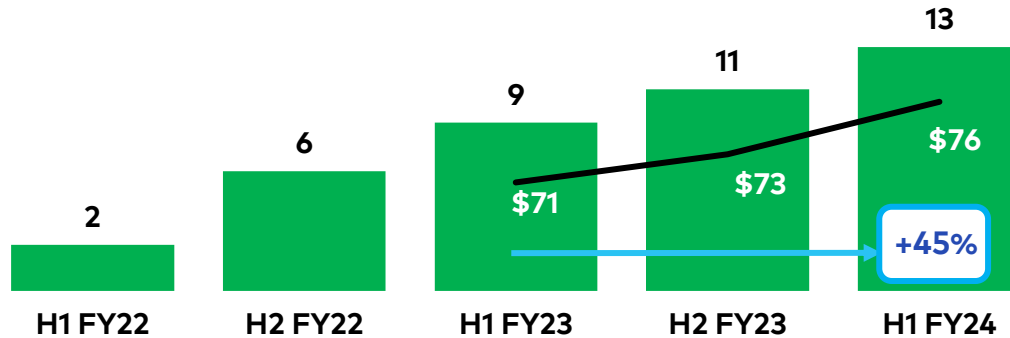
- Customer numbers impacted by reduced delivery of acquisition and retention driving content, due to industry strikes
- Gradual return of key titles will provide significant win-back opportunity
- Two tier product strategy enabled repositioning/launch of Neon as NZ's first SVOD to offer Advertising (from Jan 2024): Neon Basic (now Basic with Ads) moved to HD delivery and light, non-interrupting ad load; Neon Standard moved to static ads on pause

Sky Broadband

Margin expansion continues; attachment on sales reaches 14%

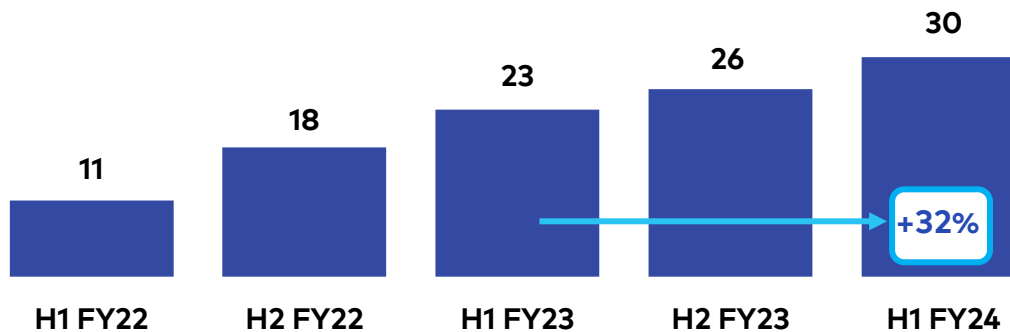
skyBROADBAND

BROADBAND REVENUE¹ (\$m) AND ARPU¹



- Revenue uplift of 45% delivered alongside margin improvement
- Attachment to Sky Box increased to 6%, and to 14% for new customer acquisitions. Achieving positive NPS impact for Sky Box customers
- 1 Gbps plan remains popular at over 50% of base with Fibre 50 option now at 9%

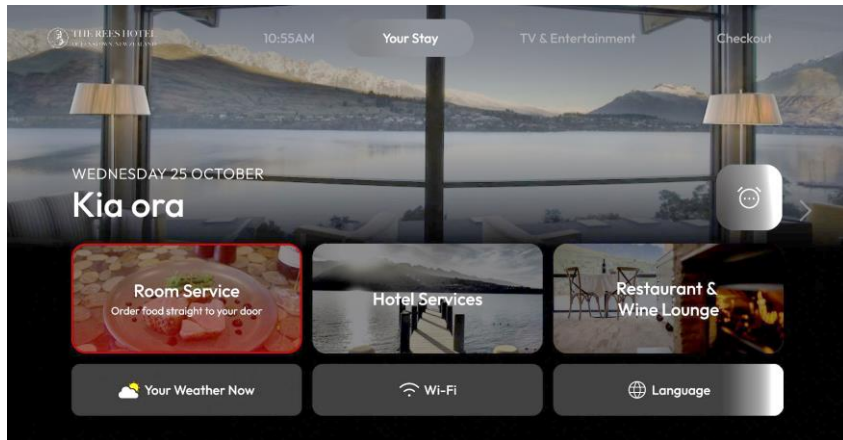
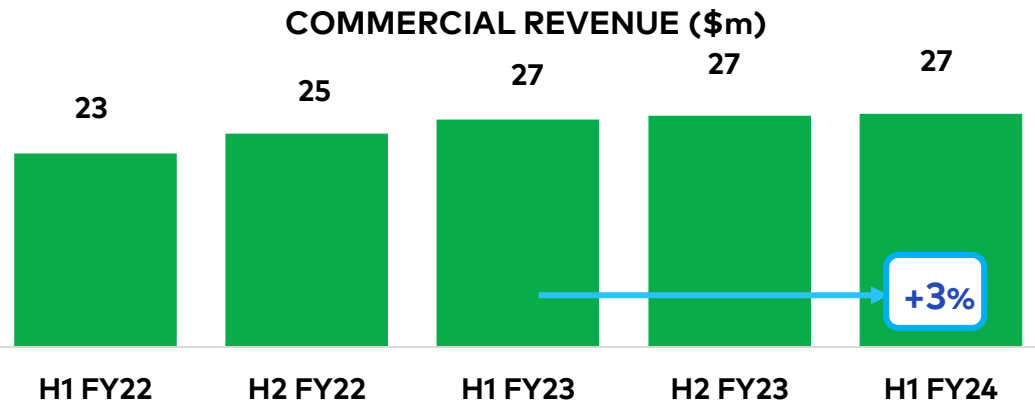
BROADBAND CUSTOMERS (000)



1. Includes add-ons such as land line, calling plans, Wi-Fi boosters and static IP fees.

Commercial

Innovation and positive sector trends providing opportunity



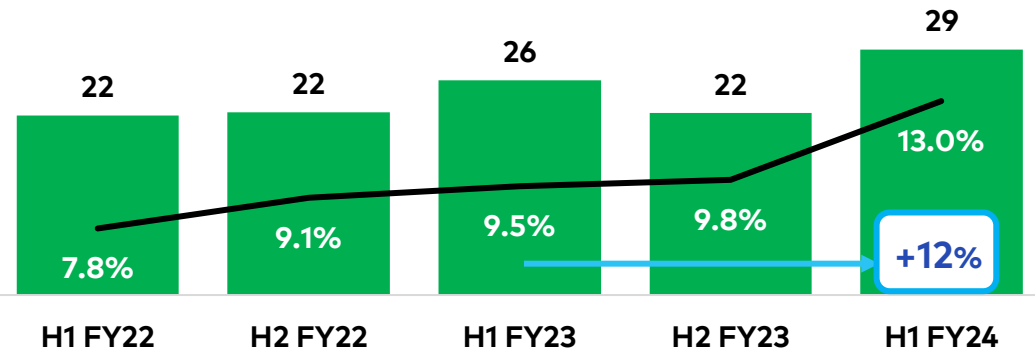
skyBUSINESS

- Accommodation segment benefitted from rising tourist numbers
- Opportunities include launch of Sky's premium accommodation solution through exclusive partnership with Hibox, digital upgrades and strengthening build rate
- Licensed premise segment delivered higher ARPU, including impact of value-based price rise (Mar 23)
- Small price increase for Retail customers (Mar 23). New market opportunity available through a commercial Sky Pod offer

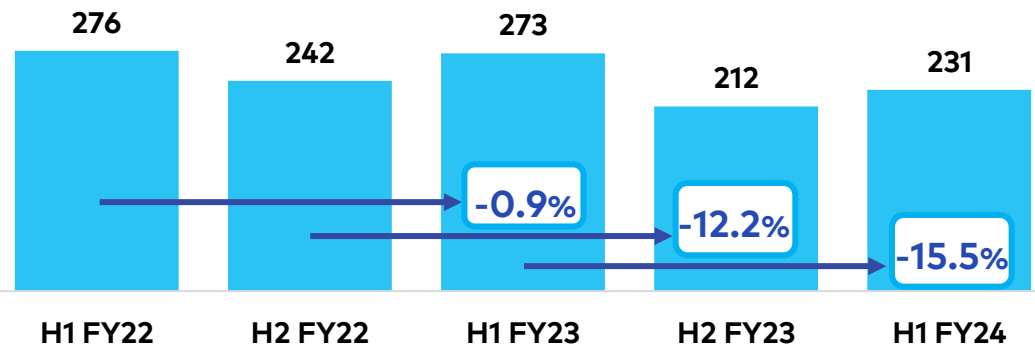
Advertising

Growing market share as H1 revenue expands

ADVERTISING REVENUE¹ (\$m) and REVENUE SHARE² (%)



TOTAL MARKET REVENUE AND HY CHANGE² (%)



sky SALES

- Revenue market share grew 37% (+3.5ppts) compared to a 15.5% fall in total TV (linear) advertising spend
- Revitalised offering generated additional value from content by creating new integration opportunities and formats e.g. UBER Rugby World Cup campaign
- Neon digital opportunity developed at pace in H1 and launched in Jan 2024. Attracting over 50 top-tier brands to the first SVOD opportunity in New Zealand



Financial Performance



Financial Performance

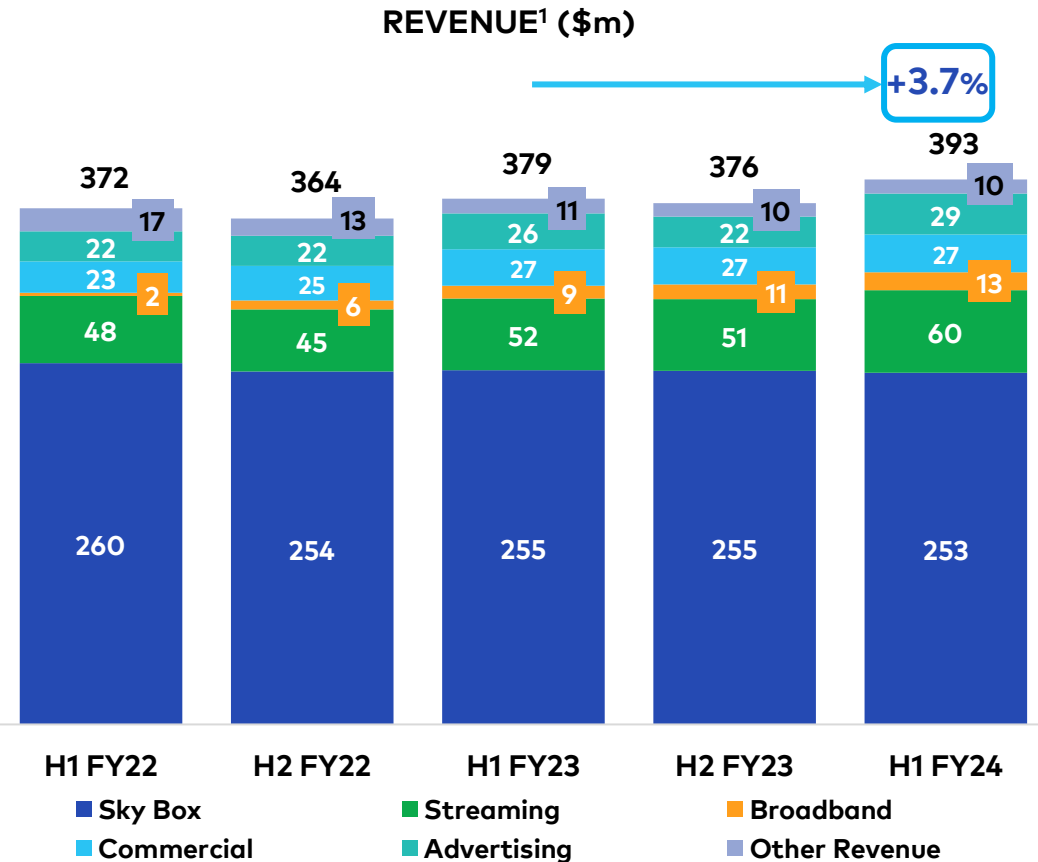
Positive performance across all key metrics

\$m	H1 2024	H1 2023 ¹	% change
Revenue	392.7	378.6	↑ 3.7%
Operating Expenses	311.1	306.7	↔ 1.5%
EBITDA	81.7	73.5	↑ 11.1%
Depreciation & Amortisation	41.2	36.0	↑ 14.3%
Net Profit after Tax	29.0	26.2	↑ 10.5%
Capex	36.9	40.2	↓ (8.1%)
Free cash flow before distributions	6.8	2.0	↑ 247.1%

- Positive financial performance, with Revenue, EBITDA, NPAT and CAPEX tracking in-line within guidance
- Continued revenue growth included price rise impact on ARPU and strong performance in Sky Sport Now, Advertising and Broadband in the current half year and VTV fee impact in the prior period
- EBITDA growth of 11.1% largely driven by revenue growth and delivery of targeted savings
- NPAT growth at a slightly lower rate than EBITDA due to increased depreciation
- Two small adjustments made to prior half numbers, with minimal net impact to P&L (<\$0.1m)

Revenue

Strategy execution delivers continued growth trajectory



- Strategic focus on growing revenue is delivering sustained positive trajectory - 3-year CAGR of 3.5%
- Strong growth in newer revenue categories (Streaming, Broadband and now Advertising) broadening revenue base
- Consistent performance in Sky Box underpinning revenue strength

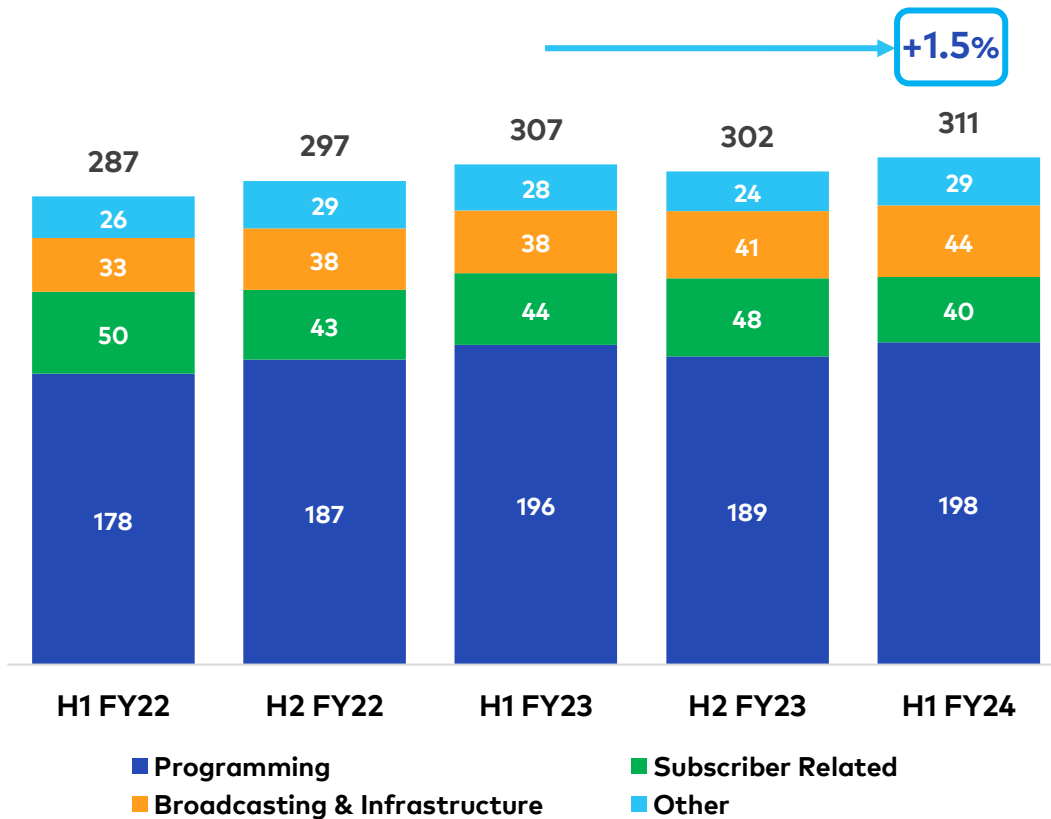
1. Comparative balances have been restated as set out in note 14 of the Interim Financial Statements.



Expenses

Targeted savings delivered as planned

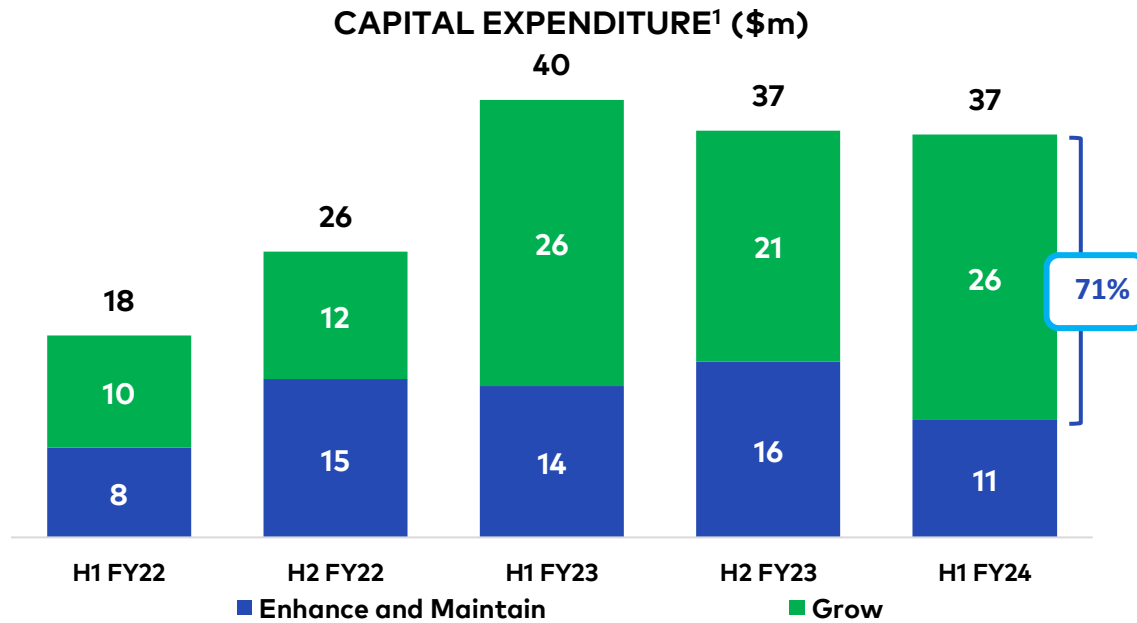
OPERATING EXPENSES¹ (\$m)



- Programming costs increase of \$1.7m year on year included full period impact of known rights wins and renewals (NRL, World Rugby, Formula 1) and one-off events (e.g. ICC World Cup) largely offset by:
 - data driven content choices
 - optimisation of programming operations
 - lower entertainment costs due to content delays, and
 - non-repeated events in the prior period (e.g. Commonwealth Games, FIFA Men’s World Cup)
- Subscriber related costs significantly reduced through partial outsourcing of customer care and fully outsourced logistics
- Broadcasting and infrastructure includes cost of growth in Broadband, Streaming and new Sky Box
- Other includes increase related to growth in Advertising and investment in people

Capital Expenditure

Growth focused investment accelerates



- Investing at scale to enable rollout of new products to customers through increased spend in growth focused capex
- Capturing efficiencies through optimising new Sky Box logistics. 95% self-install rate achieved in H1 benefits FY24 spend and will lead to reduced capex intensity during FY25
- Other growth category spend includes development for new product features and advertising technology

	H1 FY22	H2 FY22	H1 FY23	H2 FY23	H1 FY24
CAPEX / Revenue %	5%	7%	11%	10%	9%
Growth Spending %	55%	45%	65%	57%	71%

Free Cash Flow

\$71.5m of cash from operations enabling investment and returns

\$m	H1 2024	H1 2023 ¹	Impact on FCF %
EBITDA	81.7	73.5	11.1%
Adjustment for non-cash items	0.8	1.2	(31.1%)
Other	0.5	1.6	(71.6%)
Movement in working capital	(11.5)	(6.7)	71.8%
Cash generated from operations	71.5	69.6	2.7%
Net financing	(1.6)	(2.1)	(25.7%)
Tax	(7.0)	(10.2)	(31.4%)
Capex	(41.4)	(40.2)	3.1%
Leasing	(14.7)	(15.2)	(3.4%)
Free cash flow before distributions	6.8	2.0	247.1%
Net capital return and share buyback ²	(1.2)	(70.5)	(98.2%)
Dividends ³	(14.3)	(13.8)	3.4%
Free cash flow after distributions	(8.7)	(82.3)	(89.5%)
Opening cash and cash equivalents	56.1	138.9	(59.7%)
Closing cash and cash equivalents	47.4	56.6	(16.3%)

- 2.7% growth in cash generated from operating activities
- Working capital movement largely reflects prior period content payments. Expected to stabilise into FY25
- Higher capex cashflow in H1 2024 relates to timing of payments
- Total distribution to shareholders and other capital management of \$15.5m included \$14.3m final FY23 dividend payment and \$1.2m used to purchase Sky shares
- Cash balance remains strong at \$47.4m with an undrawn facility of \$150 million



Looking Ahead



Capital Management Update

Dividend uplift and confidence in cash generation driving additional capital management action

Dividend Policy	<p>Interim dividend increased to 7.0 cps (+17%)</p> <p>FY24 guidance increased to at least 17.5 cps (+17%)</p>
Share Buyback	<p>New on-market buyback for up to \$15 million (immediately following the completion of the current programme)</p> <ul style="list-style-type: none">• Current buyback programme to recommence shortly with scheduled close date of 31 March 2024• Sky's strong financial position and cash generation provide scope for additional capital management

Outlook and FY 2024 Guidance

\$m	FY 2024 guidance ¹ (24 Aug 2023)	FY 2024 guidance ¹ (updated 22 Feb 2024)
Revenue	765 - 795	765 – 780
EBITDA	150 – 165	unchanged
NPAT	45 – 55	unchanged
Capex ²	75 - 90	unchanged
Dividend	at least 15 cps	at least 17.5 cps

- Updated FY24 Revenue guidance reflects a gradual return of acquisition driving content for Neon and increased economic headwinds
- FY24 EBITDA and NPAT expectation remain in line with earlier guidance
- As signaled, FY24 capex guidance excludes one-off satellite mitigation costs (now expected to be \$8m), with further spend in FY25. Equivalent Optus rebates will flow through leasing line in FY25 and FY26
- While capex will remain elevated, the impact of optimisation initiatives will begin to reduce capex intensity during FY25
- FY24 dividend guidance increased by 17% to at least 17.5 cents per share

3-year Targets (to FY26)

Revenue growth
+3% - 4% p.a.

EBITDA Margin
21% - 23%

Programming
47% - 49%
of revenue

Capex returned to
7% - 9% of revenue

Employee engagement
+14pts

Customer NPS
+19pts

Double the FY23 dividend

Questions



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