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Investor Update

7 December 2021

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Our Strategy

WHAT MATTERS MOST:	Our Customers
WHAT DO WE DO:	**We connect New Zealanders with the sport and entertainment they love, in ways that work for them, right across the country**

WHAT WE'RE FOCUSING ON:	**CUSTOMERS**	**CONTENT**	**PEOPLE**	**FINANCIAL**
	Nurture and grow our Sky Box and Streaming customers	Be the preferred partner for rightsholders, content creators and distributors	Be a place where our crew are empowered to do their best work	Grow revenues and reduce operating costs

THE "BEDROCK" OF OUR BUSINESS:	Rapid and sustained execution, and enabling our people to succeed	Being an efficient, adaptive and profitable business

Faster progress and substantial savings

- ✓ Acceleration of transformation – and robust review of Sky's cost base
  - Substantial savings identified for FY22, with immediate boost to EBITDA and NPAT forecasts
  - Upgraded guidance delivers 27% increase in midpoint of previous EBITDA, and 96% increase in NPAT forecast
  - Full year impact of $40m to $45m p.a. of permanent annualised cost savings
  - More permanent savings targeted for FY23 and beyond
- ✓ Cost reset, combined with growth in revenue, will deliver significant levels of free cash flow, helping to inform capital management strategy
- ✓ Property sale progressing well
- ✓ Strong Executive Leadership Team in place to ensure delivery of outcomes

Delivering $40-$45m of additional savings in FY22[1]

Following business-wide initiative to reset the cost base

What we've done

- Transformational reset across all operating and capex cost lines throughout the business
- Non-programming opex review of every cost line, with a particular focus on third party spending
- Focus on Programming cost covering both rights and production, including a strategic 'from the ground up' review of sports production
- Capex roadmap simplified to focus on strategic deliverables
- Wide consultation within the business to capture and test initiatives

What it means

- Delivering additional opex cost savings of $35m (net) in FY22, ($26m recurring and $9m one offs) with an annualised impact of $40m - $45m p.a.
- Expecting capex savings of $5 - $10m in FY22
- Minimal one-off cost associated with achieving savings, estimated to be $0.5m in FY22
- Data and insights testing confirms minimal impact on customer experience or revenue lines
- Targeting further recurring savings to be delivered from FY23 through identified medium to longer-term transformation initiatives

[1] Compared to previous FY22 forecasts that included $5-$10m of targeted opex savings

Resulting in additional recurring savings[1]

With further recurring savings from FY23

Forecast savings

$m	FY22 savings[1] (recurring)	FY22 one-off savings (incl Covid related)	Total FY22 savings	FY22 savings[1] p.a. (recurring/annualised)
Programming costs	$13	$9	$22	
Non-Programming costs	$17		$17	
Variable costs (due to growth)	($4)		($4)	
Total opex savings	**$26**	**$9**	**$35**	**$40-$45**
Capex	$5-$10		$5-$10	
Total savings	**$31-$36**	**$9**	**$40-$45**	

[1] Compared to previous FY22 forecasts (including $5-$10m in opex cost reduction target advised 25 August 2021 at FY21)

Significantly outperforming previous targets

Exceeding 3 year targets in year 1, and with more to come

FY22 targets

	Previous[1]	Revised target
Non-programming opex savings	\$5m- \$10m	\$22m - \$27m[3]
Programming costs[2] to revenue	50% - 55%	46% - 48%
Capex cost to revenue	7% - 8.5%	6% - 7%

Non-programming cost savings - permanent

- Broadcasting and Infrastructure (B&I) savings include vendor rationalisation and streamlined applications net of variable cost increases due to continued customer growth
- Marketing strategy consolidated across the business, creating a more cohesive approach and reducing agency spend. Sales activity retargeted to optimise acquisitions, reduce discounting and lower the cost to acquire

Programming cost savings – permanent

- Strategic reset of sports production coverage against Sky's content strategy and audience opportunity, to align spending with what matters to customers
- Recent content rights wins including HBO and NRL/NZRL see Sky entering a period of lower renewals. Remaining spend to drive incremental growth in customers and revenue

One off savings

- Programming cost savings include negotiated reductions in rights costs and production savings across a number of sports codes due to Covid related cancellations and postponements
- Non-programming cost savings include B&I rebates

[1] Provided 25 August 2021, Sky FY21 Results Presentation (slide 31). [2] Programming costs includes both rights and production costs. [3] Revised target includes original \$5-\$10m FY22 target plus \$17m additional FY22 opex savings

Property Update

Sale of Sky's Mt Wellington properties progressing well

- Negotiations with the preferred party for the sale of Sky's Mt Wellington properties are progressing well
- An announcement of the terms of sale is expected to be made shortly when negotiations and signature of a definitive agreement are complete
- Sky's footprint at the Mt Wellington site will significantly downsize through a long-term leaseback on the building known as Studio One

FY22 Guidance

Cost and revenue performance has driven a significant guidance uplift

$m	FY22 guidance[1]	Revised FY22 guidance[1]
Revenue	715 - 745	725 - 745
EBITDA	115 - 130	150 - 160
NPAT	17.5 – 27.5	40 – 48
Capex	50 - 60	45 - 50

- Revenue guidance midpoint raised following solid growth in core retail subscriber revenues above the level of shorter-term impact from recent Covid restrictions
- Guidance excludes the impact from any expected gain on sale of the Mt Wellington properties
- The Board is reviewing Sky's capital structure and has mandated external financial, legal and tax advisers to assist in determining the most appropriate capital management strategy, including the future dividend policy
- The outcome of this review will be presented, as previously advised, when Sky reports first half results on 24 February 2022, subject to Board approval and the successful completion of the sale of its Mt Wellington properties

[1] Based on the Company's best estimates of the realisable savings which are subject to delivery, and no adverse change in operating conditions, including future economic impacts flowing from Covid-19, or any extraordinary items or accounting changes (e.g. the potential impact of SaaS).

Questions