Sky Annual Meeting 2024

Chairman's Address

Good morning fellow shareholders. As your chairman, Philip Bowman, it is my pleasure to welcome you to Sky's 2024 Annual Meeting.

My Chairman's Letter in the FY24 Annual Report gave a concise summary of events during the year, and also commented on the key priorities for FY25. I will comment briefly on the FY24 Financial Results, then touch on two key priorities I mentioned in this letter to shareholders, before providing the usual update on capital management matters.

FY24 performance

Against a very difficult economic backdrop your company delivered a solid performance in FY24 reporting all key metrics within the Market guidance ranges provided - albeit with revenue at the lower end.

At the time of first releasing the Market guidance in August 2023, we were aware of the potential challenges ahead for the local economy given the impact of rising inflation and borrowing rates on employment and disposable incomes. For many households and companies, the challenge turned out to be significantly greater than initially anticipated, as economic pressures intensified during the second half of the year. It is encouraging that a combination of strong management and the resilience of Sky's business model allowed the Company to deliver these results against this difficult backdrop.

Under Sophie's leadership, the Sky team demonstrated a disciplined performance with revenue growth of 1.6%, driven by strong execution on a number of initiatives (including strong growth in advertising market share). This revenue growth was combined with expenses increasing by just 0.8% - a long way below the prevailing rate of inflation. reflecting management's focus on cost control. Together, these factors delivered an expanded margin performance and growth in EBITDA. NPAT was down slightly, largely due to increased depreciation as we rolled out the new Sky experience which many more of our customers are now enjoying.

Importantly, free cash flow grew strongly. As well as funding investment in improved customer experience, this allowed your Board to significantly increase the dividend paid to you as shareholders. Your company concluded the year in a healthy financial position, with a strong balance sheet, cash on hand of $38 million and a bank facility successfully renegotiated on more favourable and flexible terms – reflecting Sky's much-improved financial position and outlook.

Whilst your company has performed well, we are mindful of the disruption and change within local media sector. While not immune, we are somewhat insulated due to the steps we have already taken to respond to industry changes, and through a more diverse revenue profile.

Maintaining a strong and vibrant local media ecosystem is vitally important both nationally and at a community level. The value and cultural importance of local voices, stories and perspectives should not be underestimated. I would highlight Sky's longstanding and deep investment in local sporting codes, the impact of which is perhaps not always fully appreciated but is of vital importance to the local sports landscape. Over recent years, our commitment to the local creative sectors through Sky Originals – especially in partnership with NZ on Air - has grown to be an important part of our content strategy as a New Zealand focused business. We are extremely pleased with the audience response and external recognition that our commissioned productions are generating, with several of our recent titles nominated in the upcoming NZ TV Awards. These include Dark City - The Cleaner, which has been nominated in six categories.

Importantly, the strategic steps we have taken to expand Sky's product and revenue base in a fiscally prudent way see us well positioned in a global context. Internationally the 'dash to digital' has led to challenging debt levels, industry consolidation and in some instances a choice to deepen local partnerships with existing customer relationships rather than going direct to consumer at this time. Your Board and management believe this bodes well for local providers with a well-established and unique market position – such as the one that Sky holds in this country.

Sky remains an organisation in change, but one that over the past few years has developed a strong record of delivering on the initiatives it has set out to achieve, and of grasping new opportunities at pace. This greater agility is important in the context of the two significant priorities that I mentioned in my FY24 letter to shareholders.

Firstly: **migration to a new satellite**

As we announced to the market In August, we were advised that the new Optus 11 satellite, expected to be in service from 2025 was experiencing further manufacturing delays. As a result, this spacecraft is now unlikely to be in service until 2027.

At the same time an updated fuel assessment resulted in the end of useful life of the current Optus D2 satellite being brought forward by seven months, to May 2025.

We have a long-standing agreement with Optus that provides Sky with security of supply over satellite services to 2031, and the need to migrate to a new satellite was always anticipated and planned for. However, this news has required a significant acceleration of our efforts to meet the new timeline and an increase in costs which are largely offset by financial support from Optus.

Optus have provided two satellite path options to replace Optus D2, both with challenges and opportunities. We are currently progressing both of these paths in parallel, and Sophie will provide more details on the options and the overall migration programme in her address.

From a Board perspective, and for you as fellow Sky investors, the migration to a new satellite in this expedited timeframe is not without risk. The process will take careful navigation by Sophie and her team alongside our expert partners. For this reason, the migration programme is the core priority for Sky over the coming six months, and your Board is providing significant oversight, guidance and challenge.

A second significant matter for Sophie and her team is the **negotiation with New Zealand Rugby** and SANZAAR, to renew the current rights agreement which runs through to December 2025.

We have entered these discussions in a significantly improved position to when we last negotiated the SANZAAR rights in 2019. We have a much better understanding of the value our customers place on this content, derived from extensive analysis of what they choose to watch and how much they are willing to pay. Sky is committed to continuing the positive relationships we've built with New Zealand Rugby over more than three decades, producing and delivering the rugby that New Zealanders love to watch and helping to grow the game across the country. At the same time we recognise our customers cannot and should not be expected to take on a disproportionate share of the cost of funding New Zealand Rugby's business.

These negotiations are confidential to the parties, and we do not have further information to share at this juncture, other than to note that while the Exclusive Negotiating Period concluded at the end of October, we remain in constructive dialogue with representatives from NZ Rugby Commercial, against the backdrop of significant potential change in the governance of NZ Rugby.

We continue to bring a constructive and future-focused mindset to the negotiating table and will look to achieve an outcome that reflects the value that our customers and shareholders place on this partnership.

Before I turn to board matters, I will briefly mention that, like other New Zealand listed companies, your Board and Management have worked to deliver Sky's first climate-related disclosure. We acknowledge the important intent behind the new regime and support the role it serves to ensure appropriate preparation and action on climate impacts. At the same time, the heavy compliance and financial burdens, and punitive overlay are real. We therefore welcome the External Reporting Board's recent consultation moves. Ultimately, this work should lead to improved outcomes for businesses, society and our environment and we are committed to playing our part.

Those of you who are avid readers of our Annual Reports will be aware of the role Sky has played for many years in the 'ESG' space, including proactive steps to improve our environmental outcomes, our commitment to helping girls and women to 'See The Possible' through showcasing women in sport, and broadcasting and championing the use of te reo Māori on our screens. We will continue to report to you on these initiatives where we are making a difference, alongside the mandated climate report.

Turning now to board matters, and our **capital management** programme.

As you have seen, we are delivering strong dividend growth and remain on target to achieve our target of 30 cents per share (fully imputed) by FY26. The 26.7% increase delivered in FY24 reflects both the strong free cash flow generation of the business and the Board's confidence in the future as economic conditions improve and further initiatives are delivered by Management.

Adding to this, $16.9 million was deployed in FY24 to buy back shares which reduced the number of shares on issue by 4.3%.

Summarising all this activity, the total amount of cash returned to shareholders over the course of FY23 and FY24 was approximately 89 cents per share.

The current buyback remains in place with $7.8 million available to deploy. However, from time to time, Sky must pause Market activity when it is engaged in significant negotiations that are potentially price sensitive. Given the ongoing negotiations with NZR, we are not currently in market buying back shares. That said, your Board maintains its view that Sky's shares remain under-valued, with the share buyback a tangible means for us to communicate this to the market whilst also delivering value for shareholders.

Once the satellite migration and negotiations with NZR have been concluded, it will be appropriate to review further capital management opportunities, including the option to introduce a prudent amount of leverage to the balance sheet.

Board acknowledgements

Over the past 12 months your Board has worked diligently in its stewardship of your company, providing advice and constructive challenge to Management against the challenging micro-economic environment. As with any good Board, Directors can, and do, bring different views and debate can be intense.

Shortly, you will be asked to consider the resolution to be put to the meeting regarding a proposed increase to the Director Fee Pool. I will reserve my comments on this subject for that part of the meeting, however, will make the point now that Sky is a complex business, your directors are effective and hardworking, with an exceptional mix of international and local expertise, and I am privileged to lead them.

Management

I would like to take this opportunity publicly to thank Sophie, her executive leadership team and the wider Sky team for their significant contribution on behalf of customers, business partners, and each other. In doing so, the Sky team delivered another year of positive performance for shareholders.

Closing comment

There are both exciting and challenging times ahead. Management is focused on refining and executing a clear strategy, and under Sophie's leadership is well equipped to address the challenges and deliver the opportunities that will present.

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