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Sky delivers strong result for FY21; firm focus on continued turnaround in FY22

Sky New Zealand has reported a strong result for the 2021 financial year, delivering revenue of \$711.2m, EBITDA of \$186.4m and NPAT of \$47.5m, including several one-offs.

Key points of today's announcement:

- Significant customer base of 955,168 customers, with further stabilisation of valuable Sky Box base and 57%¹ increase in streaming
- Strategically important rights wins in FY21
- Key role as 'preferred content aggregator' in New Zealand
- FY22 seen as an inflection point as Sky absorbs higher rights costs and further transforms the operating model of the business
- Continued permanent reductions in operating costs in FY22 and beyond
- Guidance for FY22 includes revenue growth for the first time since 2016

Commenting on the results, Chair Philip Bowman noted: "The results for FY21 have exceeded the Board's earlier expectations and, as signalled at our recent Investor Day, also modestly outperformed guidance, despite this being raised twice after the start of the fiscal year. Part of this outperformance arose from underlying operating improvements, and part from one-off items. The delivery of these results suggests that Sky's transformation strategy is beginning to bear fruit, and it also reflects the hard work of the Sky team."

Chief Executive Sophie Moloney said: "I am grateful for the strong work of our team and the successes secured, which include:

- **Securing more of the rights that matter** most to our customers: particularly NRL and NZ Rugby League, Discovery, ViacomCBS, Foxtel and ESPN;
- Significant progress towards **stabilising our valuable Sky Box customer base**, with a reduction of 3.8% YOY, compared to 5.4% in previous year;
- Continued **growth in our streaming services**, with 57% increase in streaming customers on a like-for-like basis, including 39% growth in Neon since the merger with Lightbox, and 134% in Sky Sport Now;
- A successful **launch of Sky Broadband**, partnering with Disney to give Sky Broadband customers a value-adding 12 month Disney+ subscription;
- The kick-starting of our **new Sky Box development and deployment** with a target of mid 2022 for first installations in customers' homes;
- Solid progress with cultural change and making Sky a place where every employee can be themselves and is empowered to do their best work.

¹ Excluding bundled Lightbox wholesale at FY20

Sophie Moloney said: “The financial result for the year is very positive, although I maintain my view (as expressed at the Interim result) that while it’s good, we still need to do better.”

“As we look to FY22 and beyond, we are at an inflection point for Sky. We have a clear strategy and we have secured more of the rights that matter to our customers. While acquisition of these rights come at a significant cost, we see the current pricing in this rights cycle as the zenith across sport and entertainment. Our focus is to make best use of those rights across all of our multiple platforms (Sky Box, streaming and free-to-air), to engage current customers and attract new ones.”

In FY22 and beyond Sky will continue to sharpen its focus on managing operating costs and working smarter to achieve sustained efficiency gains. Having achieved a net \$15m of annualised savings in the last two years, Sky aims progressively to achieve a minimum of \$10m-\$15m per annum of further non-programming cost savings by FY24.

Sky has released guidance for FY22 as part of the Results presentation which demonstrates that Sky will remain profitable and continue to generate positive free cashflow, whilst retaining a strong balance sheet underpinned by a significant undrawn bank facility. Revenue guidance for FY22 of \$715m to \$745m indicates that Sky expects to grow the top line for the first time since 2016 and generate EBITDA of \$115m to \$130m and NPAT of \$17.5m to \$27.5m. When considering these core metrics, it is important to look through the one-off costs and revenues of FY21, noting that they include the sale of OSB assets and RugbyPass adjustments, and one-off content savings because of COVID-19 cancellations and delays. FY22 also includes key content rights step-ups, including SANZAAR and costs associated with the Tokyo Olympics (originally budgeted in FY21).

Sophie Moloney says: “Our FY22 guidance speaks to the stage we are at in Sky’s turnaround. While we have made good progress, we are not yet at our destination, but we do have a clear game plan for success.”

“Sky’s strategy plays to our strengths: we have a clear role as a preferred content aggregator in the New Zealand market with a high ARPU customer base. Our ability to reach New Zealanders right across the country, the reliability of our service, and our multi-platform approach across satellite, streaming and free-to-air makes us a strong partner for global and local players.”

“Our new Sky Box will reinforce that preferred aggregator position even more, with a hybrid box that offers our customers great functionality, a superb range of content across Sky channels, and access to a range of apps and SVOD services – all conveniently in one place and, importantly, with one remote.”

“Growing revenue is an important part of the strategy, and our ambition is to achieve revenue growth of \$75m to \$100m annually by 2024. That will be achieved across Sky Box and streaming, the ongoing recovery of Sky Commercial and Sky Advertising towards pre-COVID levels, and new business revenues (including Sky Broadband and RugbyPass).

“At the same time, we must make further permanent reductions to operating costs in a focused and sustainable way. We need be able to move, more effortlessly and more effectively, to meet customer demand.”

Sky is committed to recycling capital to reinvest in areas of the business that create the most value for customers and shareholders. In line with this approach, Sky has successfully completed the sale of OSB in FY21 and is currently marketing three properties at its Mt Wellington site.

In a separate announcement today, Sky has also announced details of a share consolidation to reduce the number of shares on issue following recent issuance of new shares. Every 10 Sky shares held at 5pm (NZT) on 16 September 2021 will be consolidated into 1 share.

Ends

Authorised by James Bishop, Company Secretary

Sky will host a webcast briefing at 11:00am (NZT) to discuss the results. Details on how to participate are available here: <https://www.nzx.com/announcements/377337>

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