



Financial results

August 2019



The world is changing and we're building a new business

Challenging year, however, FY 19 Performance Better than Guidance

- Adjusted earnings exceeded guidance at \$97.4m
 - Growth in streaming subscribers greater than loss in DTH
 - Cost base reviewed and changes implemented to offset pressures from DTH margins
-

One Off Accounting Items

- \$670m goodwill impairment charge - non-cash and doesn't impact bank covenants
 - \$38m IVP write-off reflecting focus on streaming
 - \$6m content write-off
 - \$5m redundancies and strategic consultancy in FY19
-

Reinvesting to Grow

- FY 19 no final dividend
-

We are listening, and moving faster than ever before



SKY SPORT NOW

Significantly improved New Zealand's premier sport streaming service

SKY SPORT

Supercharged Sky Sport
With 12 new sport channels all in HD, including our own Sky Sport News channel and show

BUILT A NEW LEADERSHIP TEAM

PURCHASED GLOBAL STREAMING BUSINESS
RugbyPass

CUSTOMER VALUE

Enhanced our customer value by:
Removing the HD fee, improving Sky Go, upgrading more channels to HD and increasing storage on MySky boxes. Removing the extra charge for the Rugby Channel

WOMEN'S SPORT

Enhanced our Commitment to women's sport
More broadcasting, more visibility and direct support

PRODUCTION

Invested in our production
With a new studio and sets, more talented presenters, more Spidercam action, the introduction of te reo commentary on Sky Sport and closed captions on key Sky Sport matches

WON

Won key broadcasting rights
Across cricket, international rugby, football, basketball, netball, motorsport, international tournaments and more

RUGBY LEAGUE

Deepened our support of Rugby League in New Zealand
And sponsored the Kiwis, Kiwi Ferns and Junior Kiwis and Warriors Women

GRASSROOTS RUGBY

Celebrated 21 years of broadcasting grassroots rugby
And enhanced our 1st XV rugby coverage

NEON

Enhanced NEON
With user experience improvements and recommendations

MORE MOVIES

Launched a new movie premiere every night on Sky Movies
Plus 1,000 movies On Demand

BASKETBALL

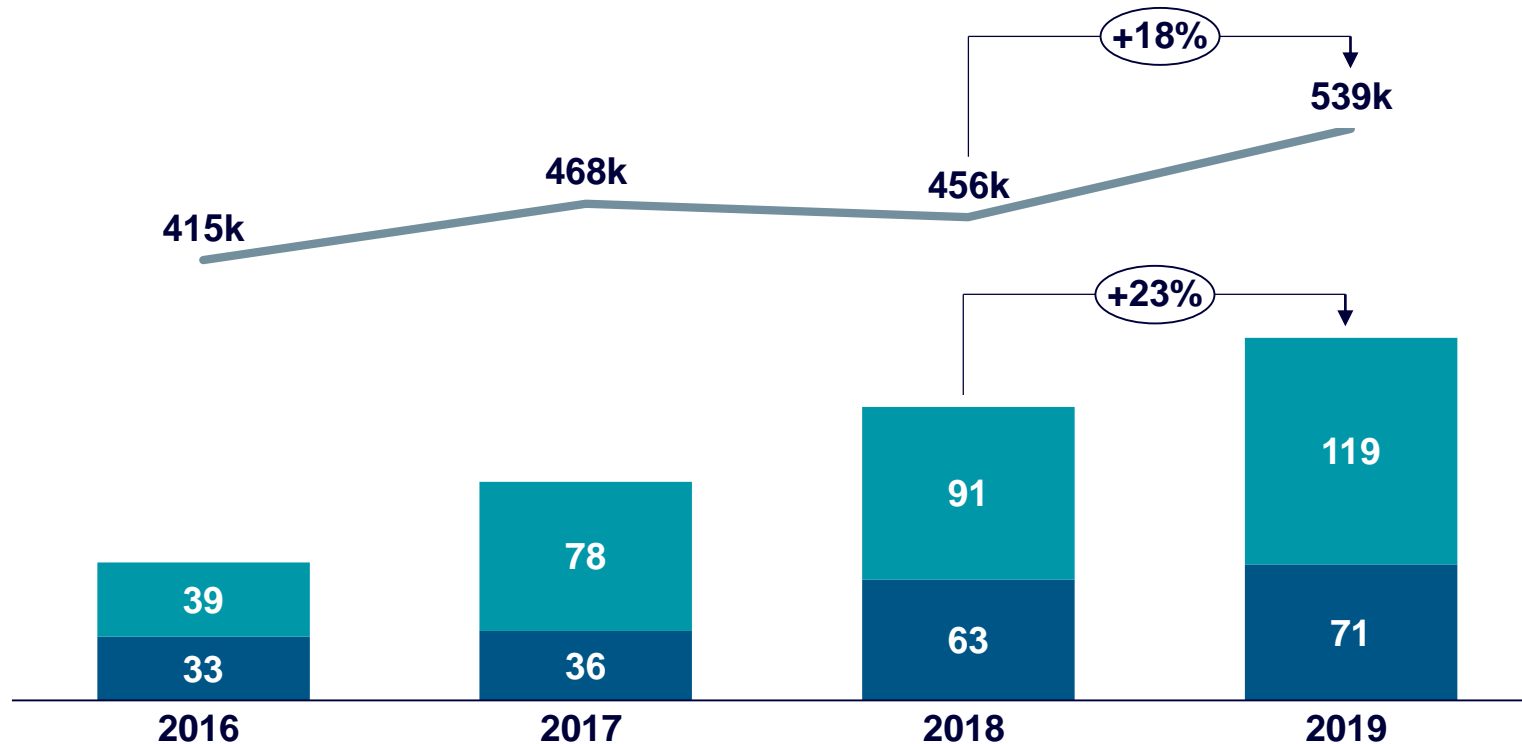
Deepened our support of Basketball in NZ
And became the official sponsor of the Sky Sport Breakers

FINANCIAL RESULTS

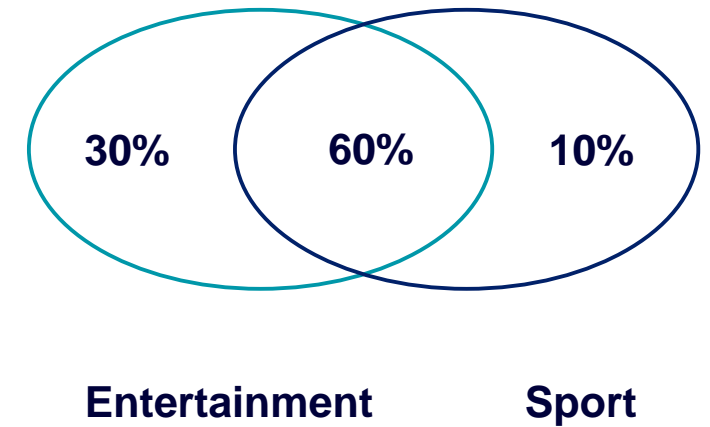
30 JUNE 2019

NZ'ers continue to evolve their content preferences and how they watch the content

Streaming users



Subscriptions by content



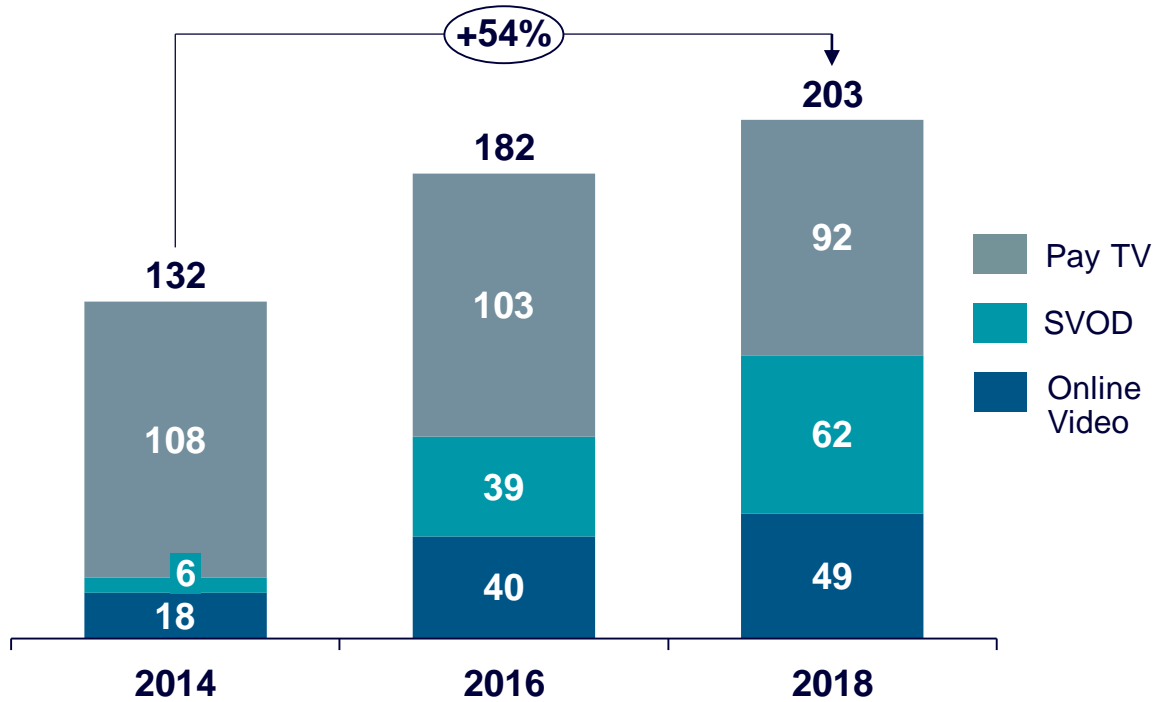
— Streaming subscribers

■ Streaming requests per user per year

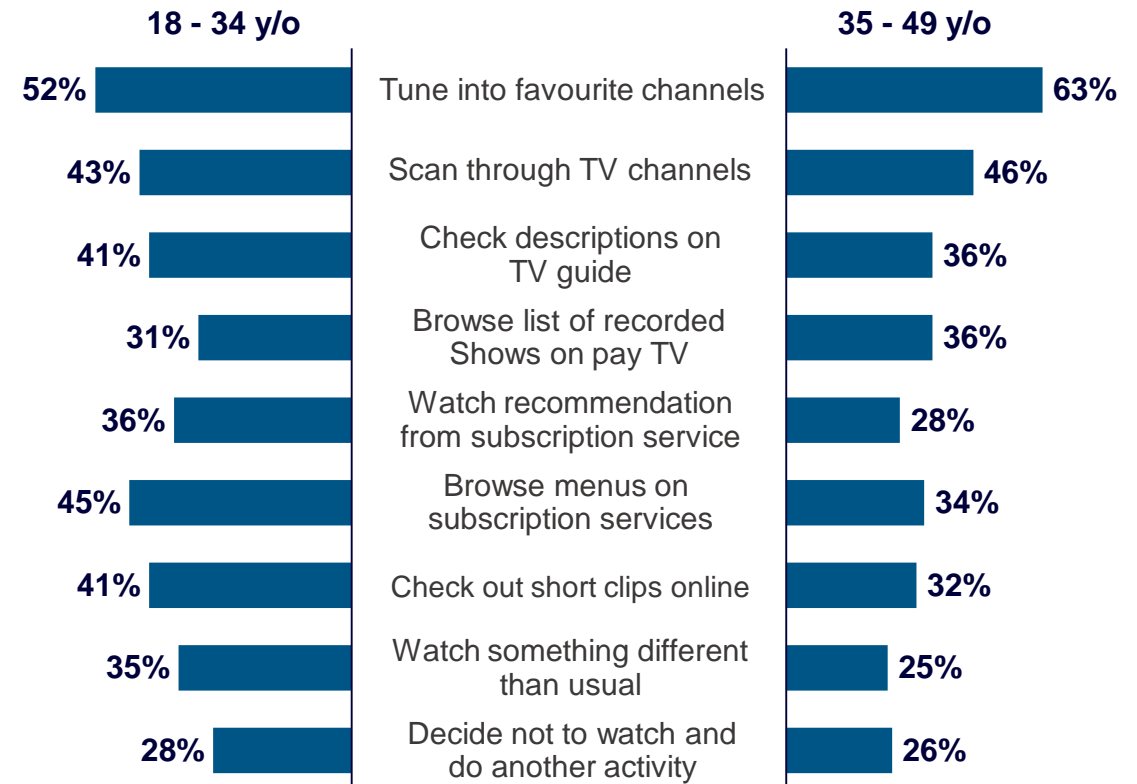
■ VOD downloads per user per year

Subscription streaming growth is growing overall viewing

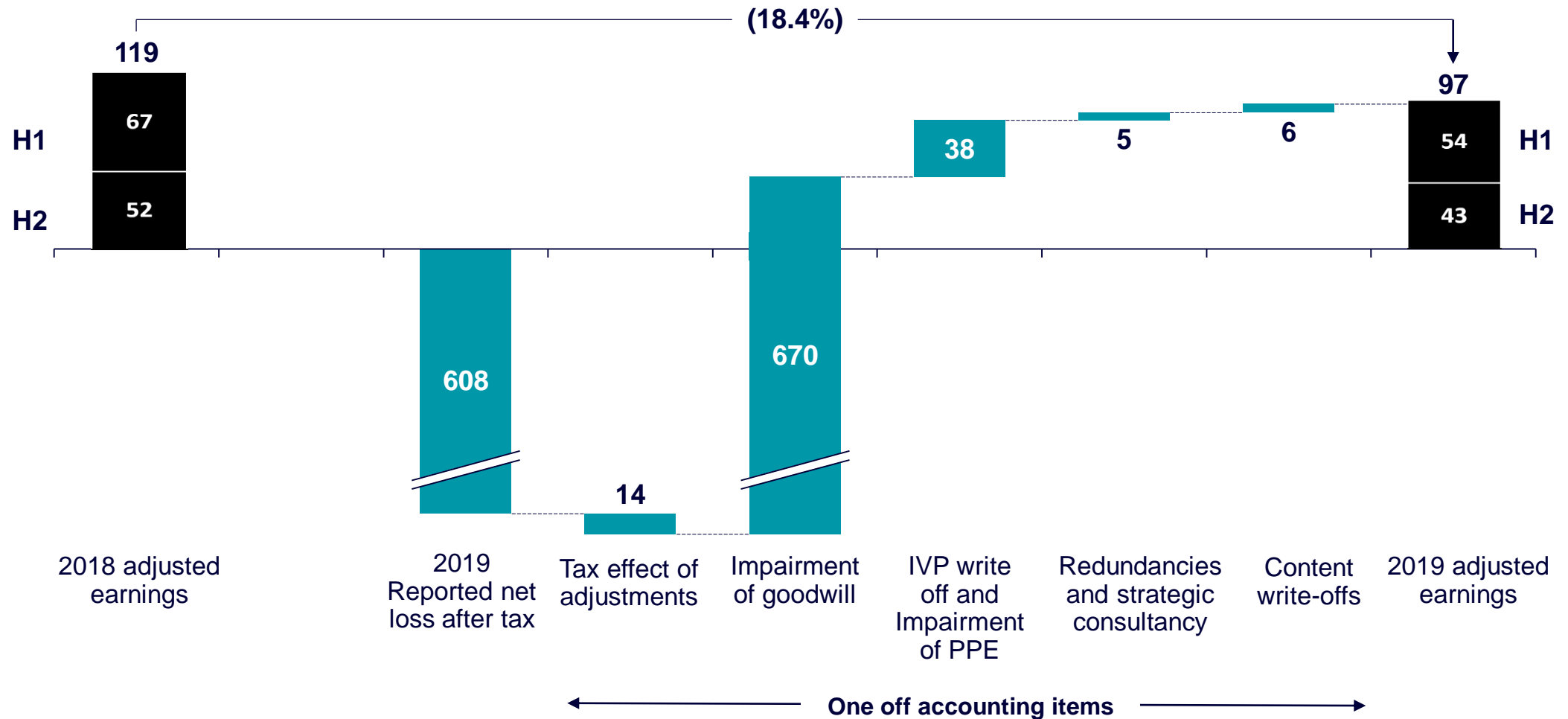
Time spent viewing content per day (minutes)



How consumers are finding content



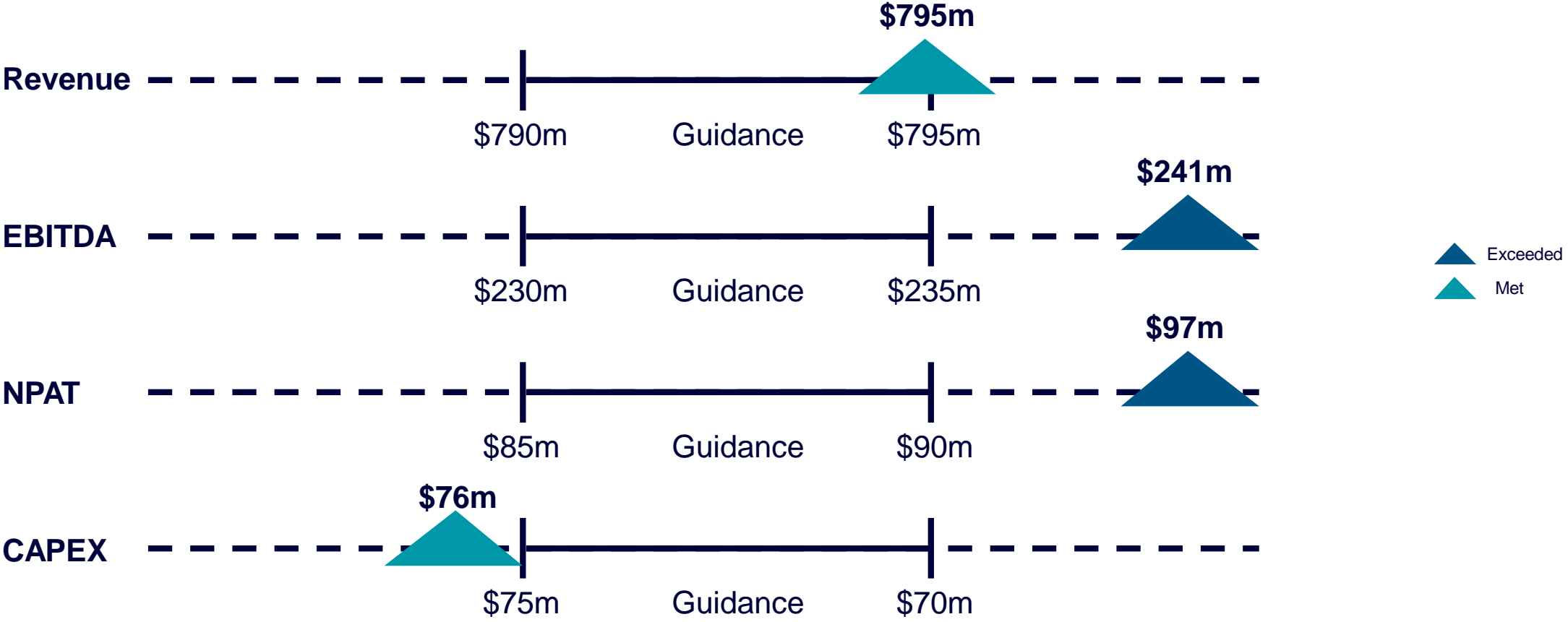
Improved performance in the 2nd half of FY19 after adjusting for one off accounting items



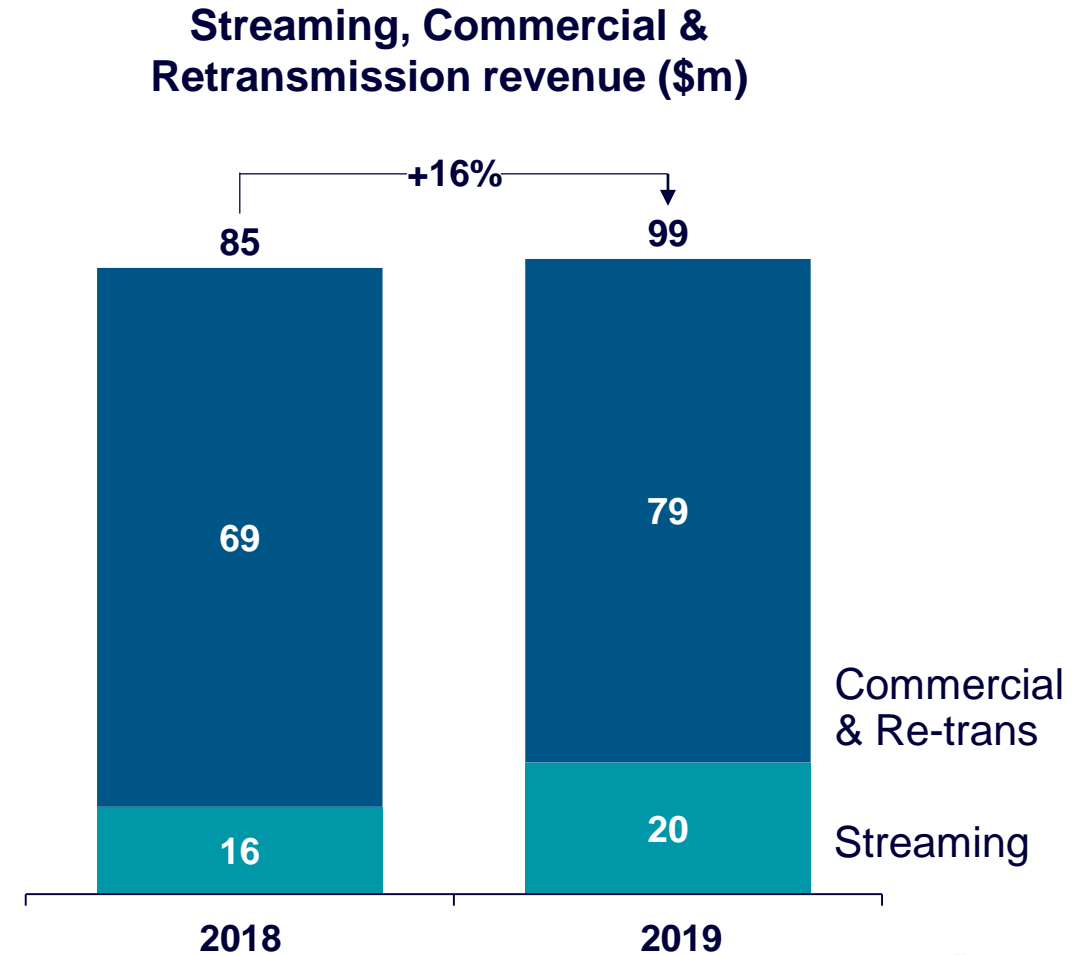
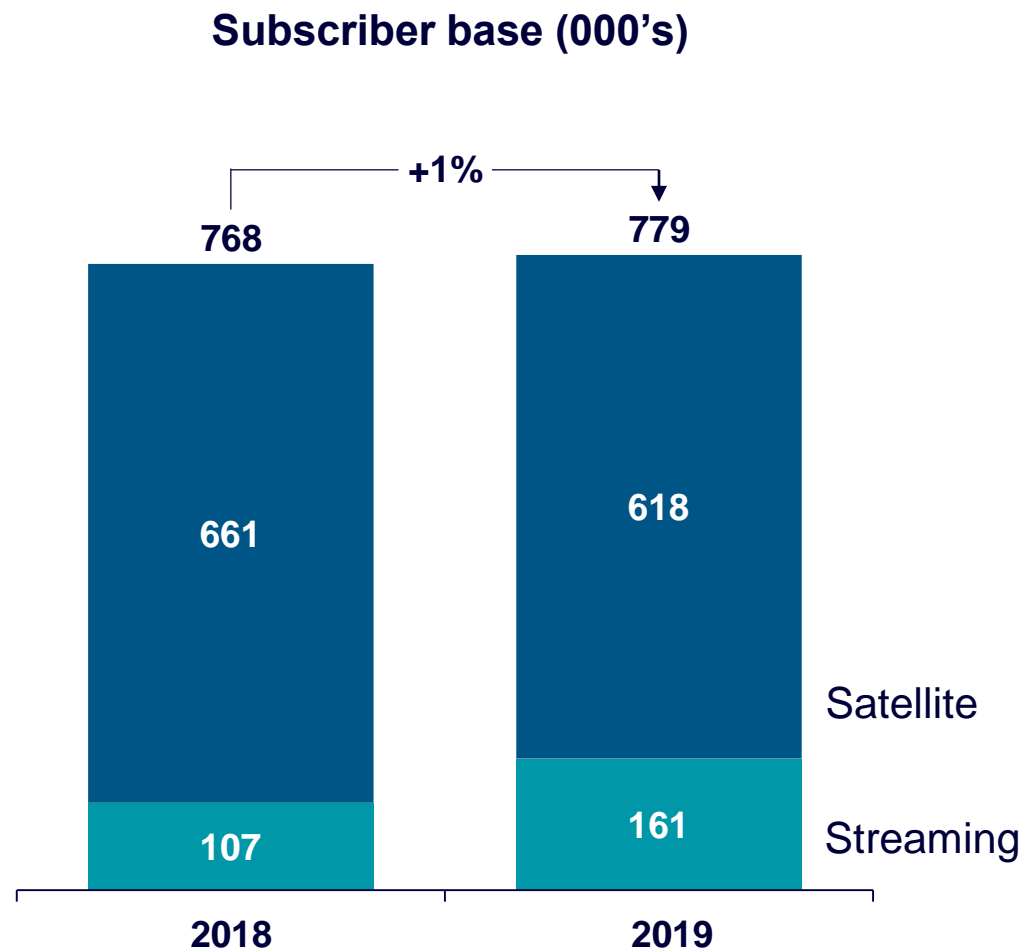
Adjustments to help you understand the performance of the business

Item	FY18	FY19	Commentary
Goodwill	(\$360.0m)	(\$670.0m)	<ul style="list-style-type: none"> • A non-cash adjustment, driven by accounting standards • Market and strategy changes, customer focused, investing in partners • At 31 December 2018 no impairment; now forecasting lower Satellite subscribers and ARPUs, and greater content costs
Technology	-	(\$38.2m)	<ul style="list-style-type: none"> • IVP announcement – focus on fast growing streaming services • Future will contain a mix of IP and satellite delivered services • IVP expensive to complete and minimal points of differentiation • Not all effort wasted but written off as per accounting standards
Content	-	(\$5.7m)	<ul style="list-style-type: none"> • Library contained some shows that didn't resonate with customers therefore decision not to repeat the content, thus write off required
Consultancy & Redundancies		(\$5.2m)	<ul style="list-style-type: none"> • One off consultancy and senior leadership team redundancies.

We met or exceeded guidance on all metrics on an adjusted basis

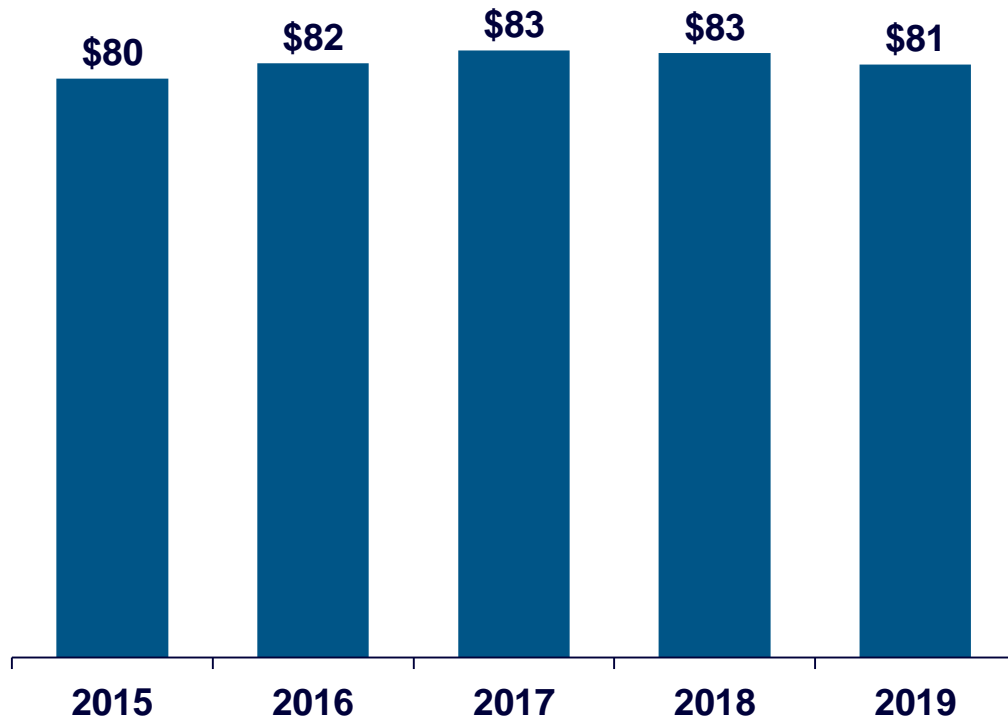


16% growth in streaming and commercial revenues

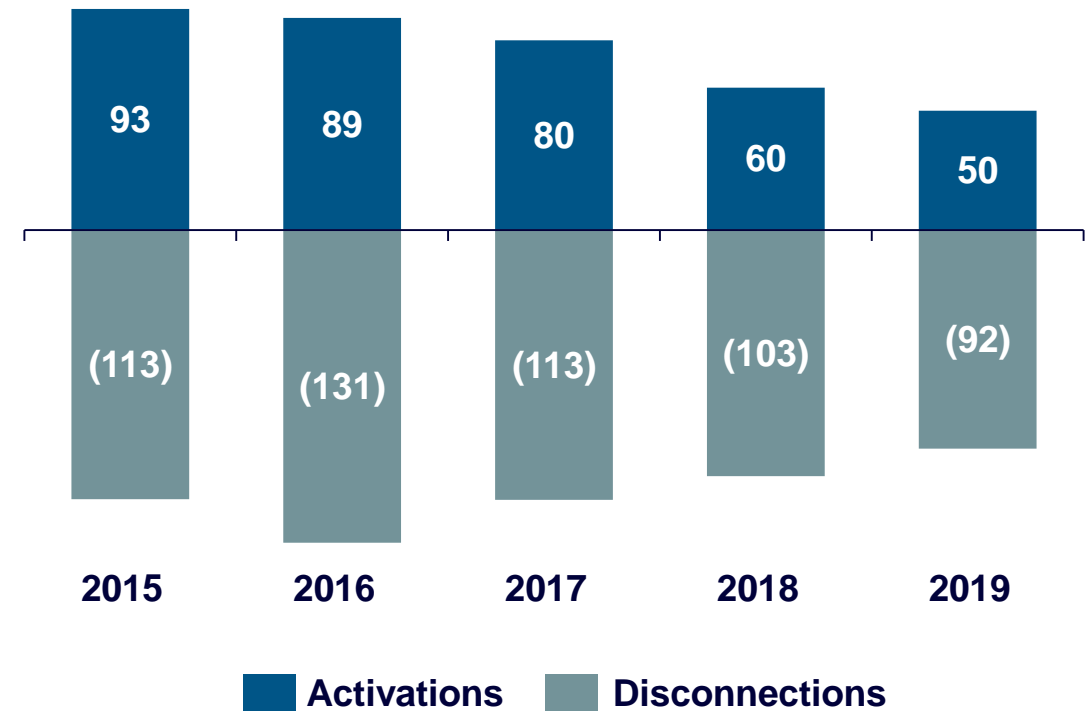


Satellite revenue declined by \$64m as a result of lower ARPU and continued subscriber loss

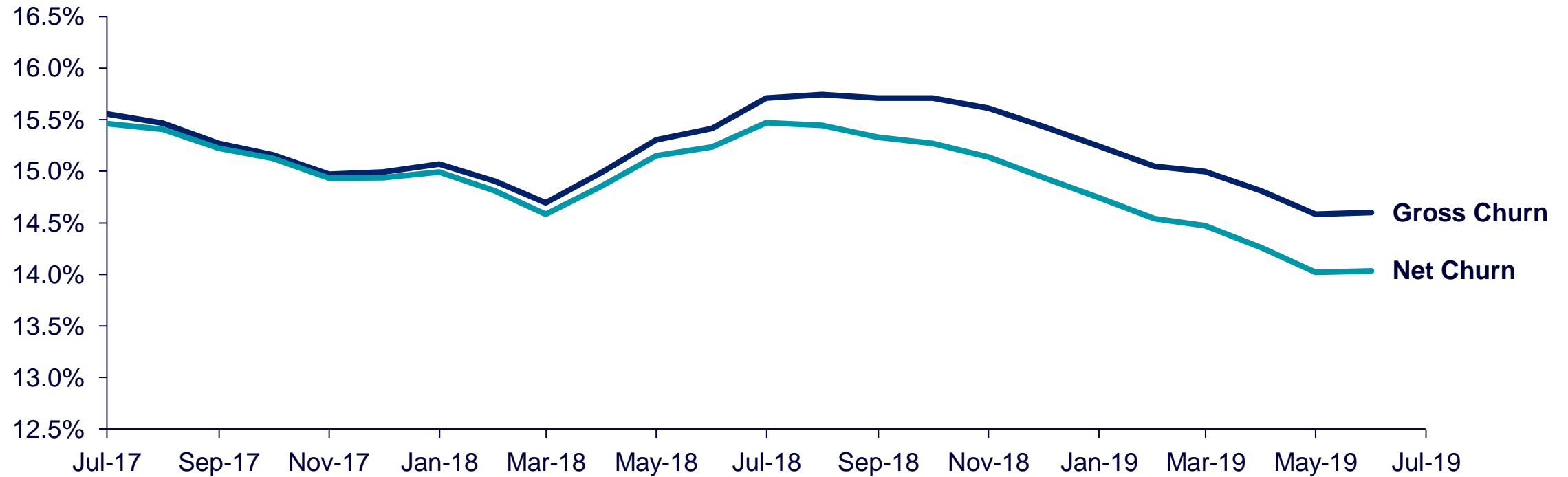
Satellite subscription ARPU



Satellite subscriptions (000's)



FY19 Satellite annualised net churn closed at lowest position since July 2015



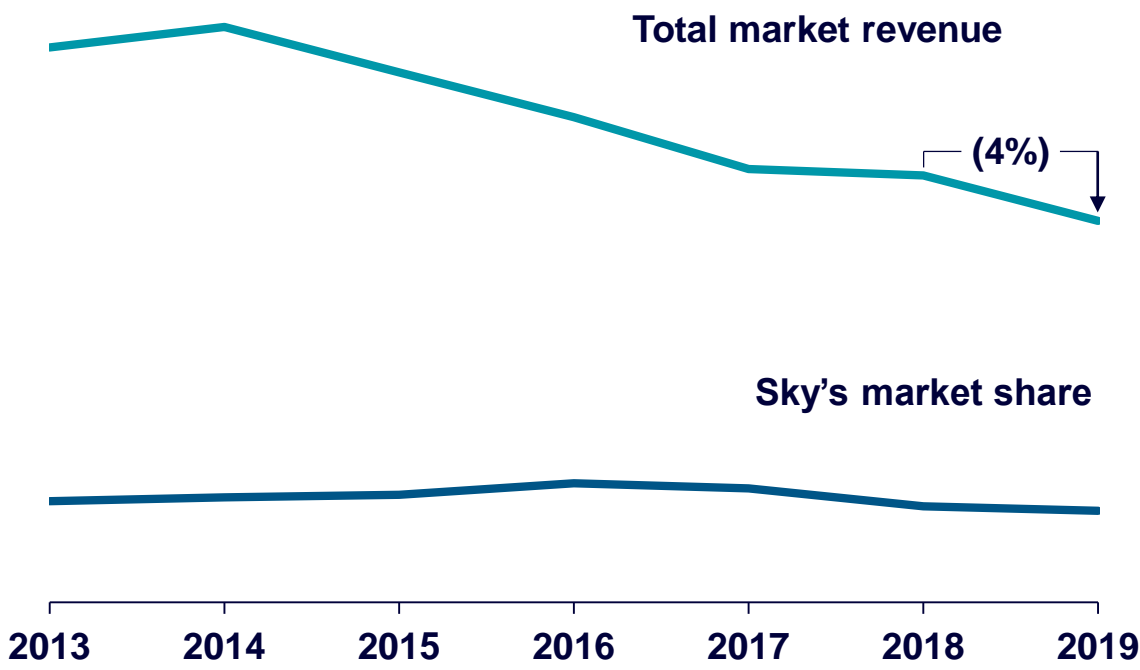
Gross churn = total disconnects

Net churn = total disconnects excl. reseller and retransmission (Vodafone TV) conversions

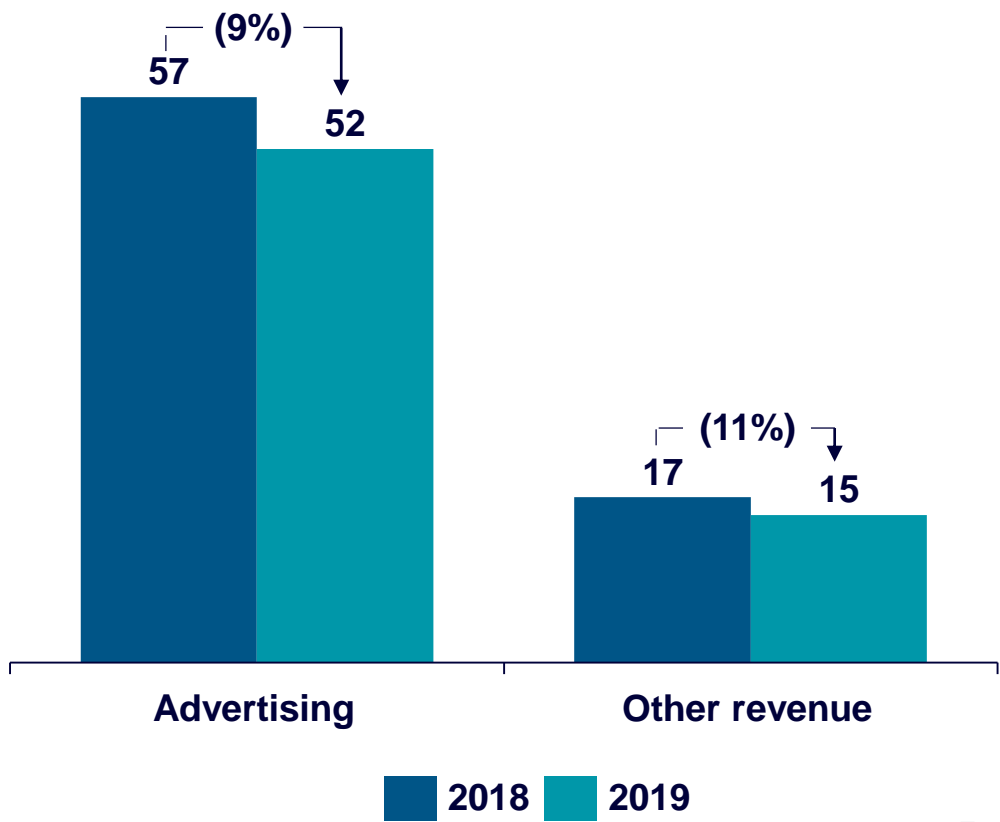


Non subscriber sources of revenue continue to prove challenging

Advertising market



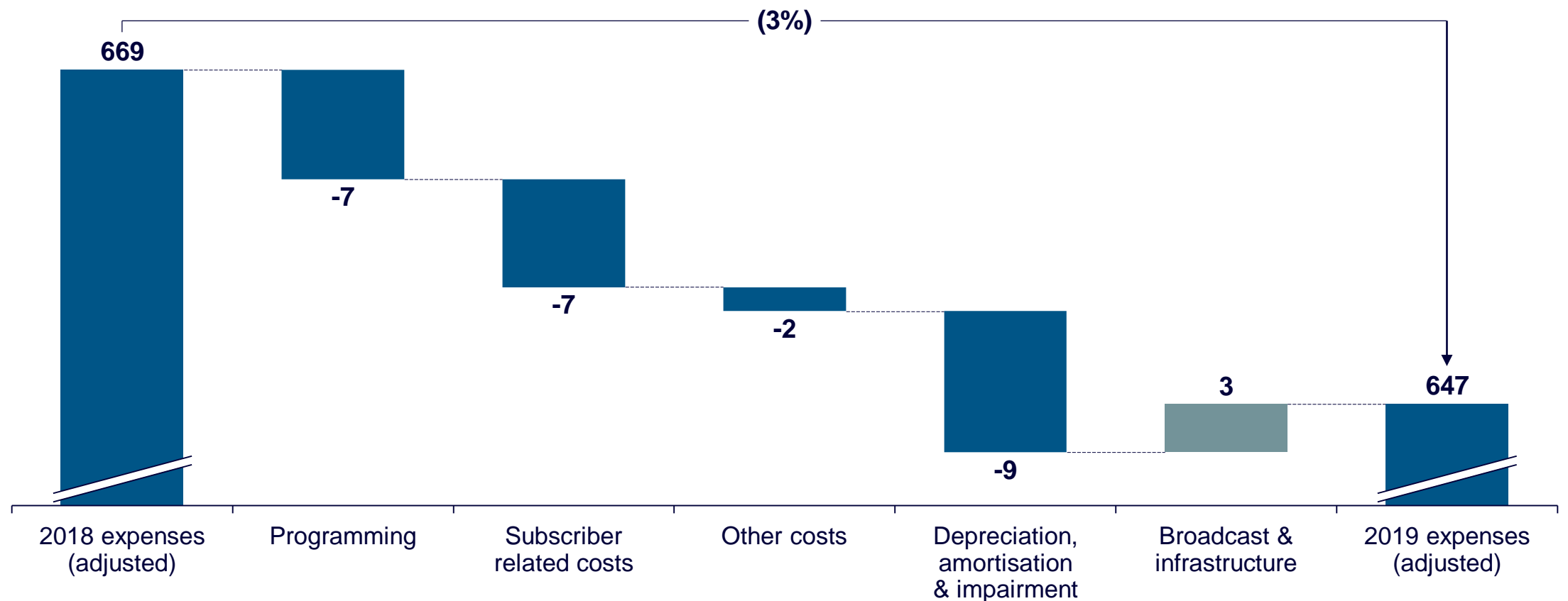
Non-subscriber revenue (\$m)



Source: PWC quarterly comparison report June 2019

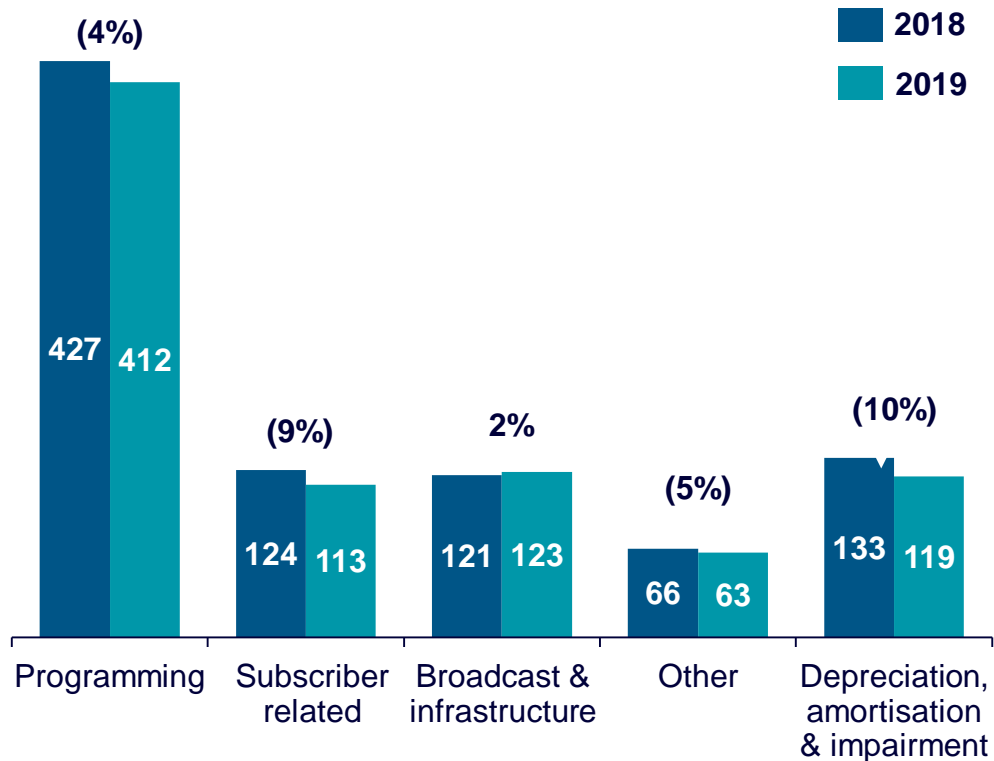


Management remain focused on controlling costs as we transition to a streaming future

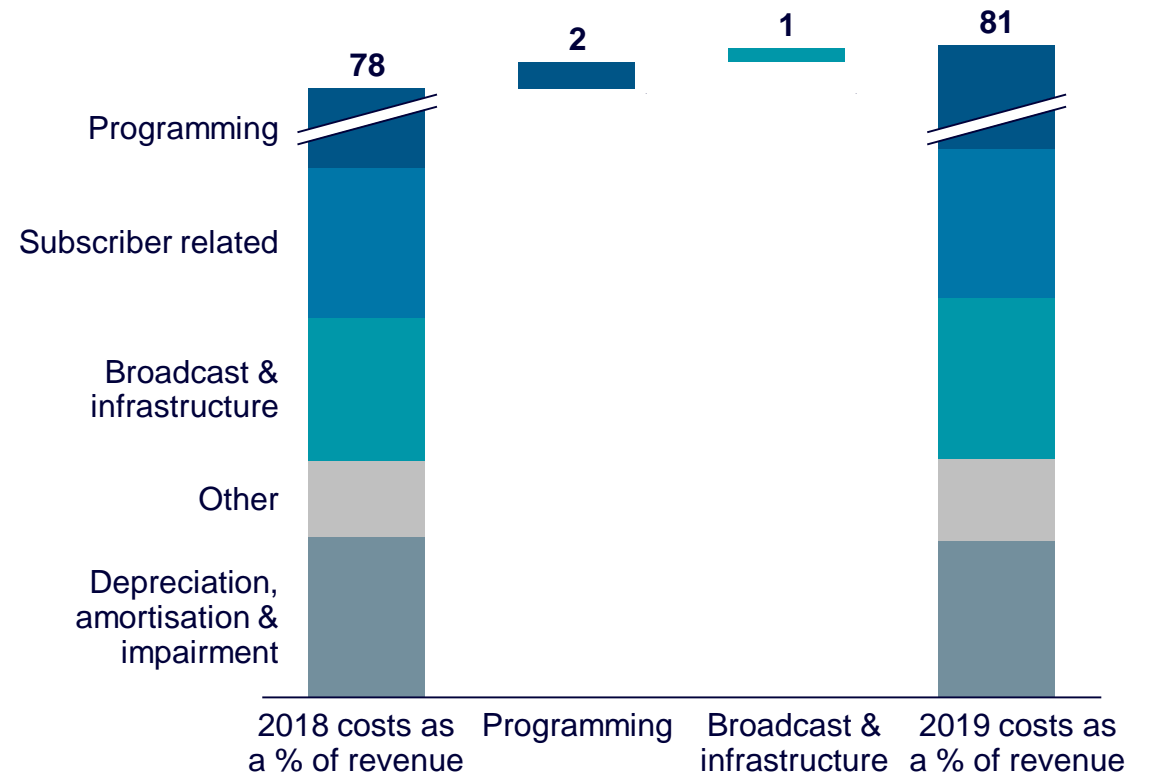


Our costs continue to move toward directly adding value to customers and partners

Expenses per subscriber (\$)

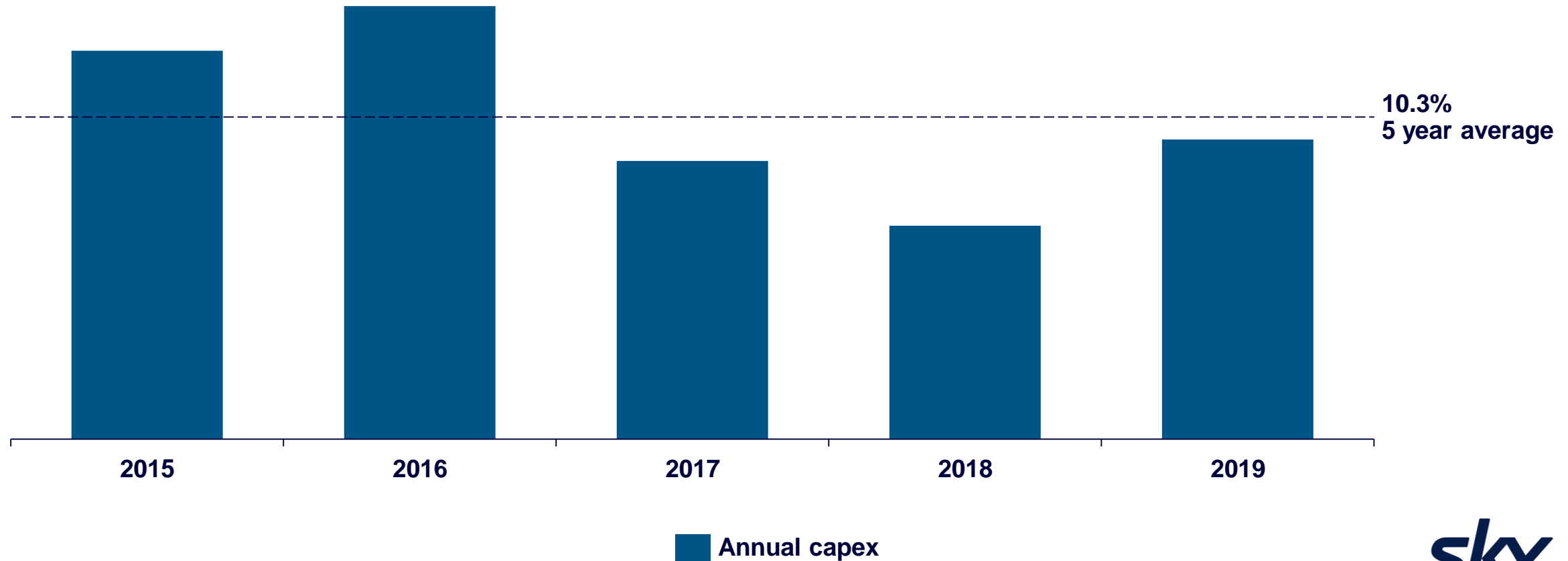


Expenses as a % of revenue



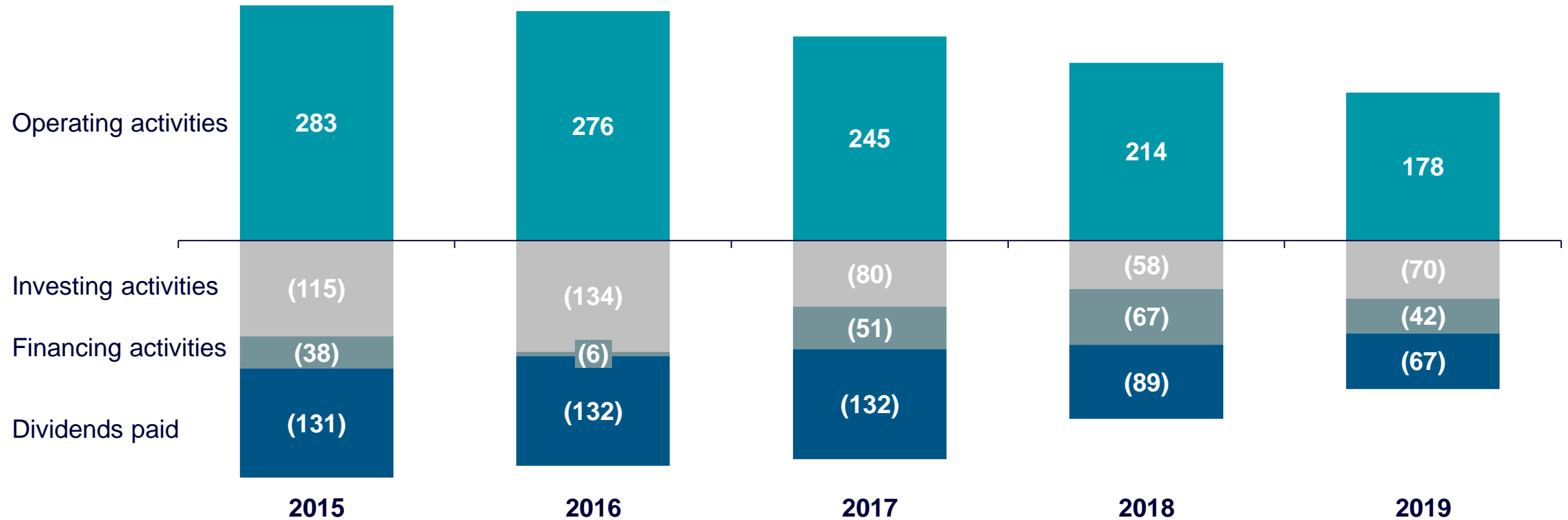
Reducing CAPEX as we focus on streaming

Capital expenditure as a % of revenue

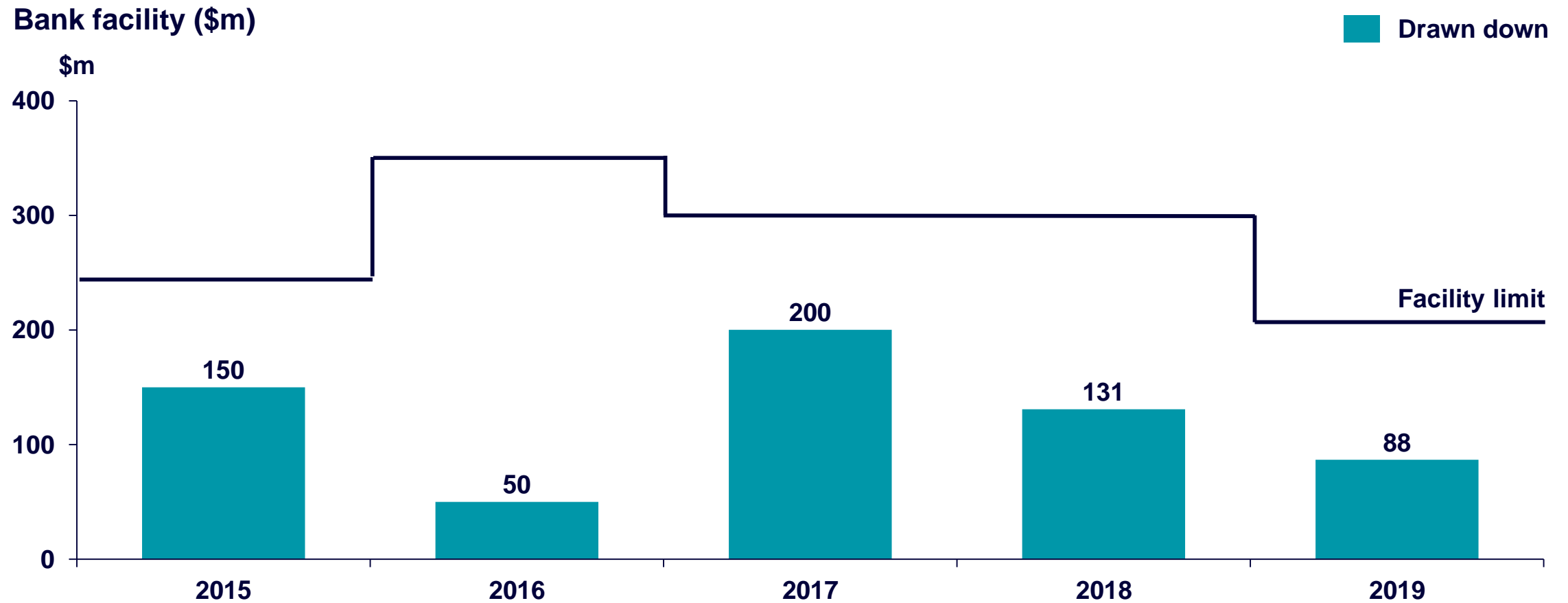


We paid down a further \$43m of debt during the year

Cash flow activities (\$m)



We have sufficient headroom to navigate transition



IFRS 16 changes effective 1 July 2019

IFRS 16: Leases

In NZD	2020
Depreciation	\$28.7m
Interest	\$4.5m
Total expense	\$33.3m
Lease payment (previously reported in opex)	\$40.3m

- Previously all costs relating to finance leases were reported in EBITDA
- From FY20 all finance leases will be reported in Depreciation and Interest
- This will impact the reporting of lease costs relating to the Satellite transponder, buildings, motor vehicle and equipment
- Table indicates lease costs to be incurred in FY20 and how they will impact reporting

Outlook for the year ahead

Consumer preferences are changing – and we're evolving with them

- Our focus is on growing customer numbers – particularly in capturing market share in streaming services
- Current trends, such as ARPU pressure, are expected to continue through FY20
- We are anticipating higher content costs across entertainment and sporting rights
- We are focussed on controlling costs and redeploying our human and financial capital to areas that create customer value such as content and enhancing our delivery platforms
- We are investing for the future, focussing on new value pools to supplement the existing NZ satellite and streaming subscription market

The Road Ahead



sky

A New Team To Lead Into The Future



MARTIN STEWART
CHIEF EXECUTIVE



BLAIR WOODBURY
CHIEF FINANCIAL OFFICER



SOPHIE MOLONEY
CHIEF LEGAL, PEOPLE AND
PARTNERSHIPS OFFICER



STEVE BAYLISS
CHIEF MARKETING OFFICER



TEX TEXEIRA
DIRECTOR OF SPORT AND BROADCASTING



CHAZ SAVAGE
CHIEF REVENUE OFFICER



TRAVIS DUNBAR
DIRECTOR OF ENTERTAINMENT CONTENT



CHRIS MAJOR
DIRECTOR OF EXTERNAL AFFAIRS



JUSTIN TOMLINSON
ADVISOR FOR DIGITAL PRODUCTS
AND TECHNOLOGY

New Chairman for Sky Board

Welcome Philip Bowman as Chair from 1 September



- Led several major global companies
- Served on board of numerous public and private companies
- Knowledge of media sector, including as Director of Sky UK

Strategic Pillars for Growth

Our customers

Being clear on our **customer promise** and delivering on it every time to rebuild trust and confidence in our brand.

A truly customer and data led business.

Our content

Through **trusted partnerships** and new complementary products we deliver great sports, entertainment and original production to New Zealanders.

Our people

Doing right by our people by focusing on our capability, capacity, culture and community.

Investing in our future

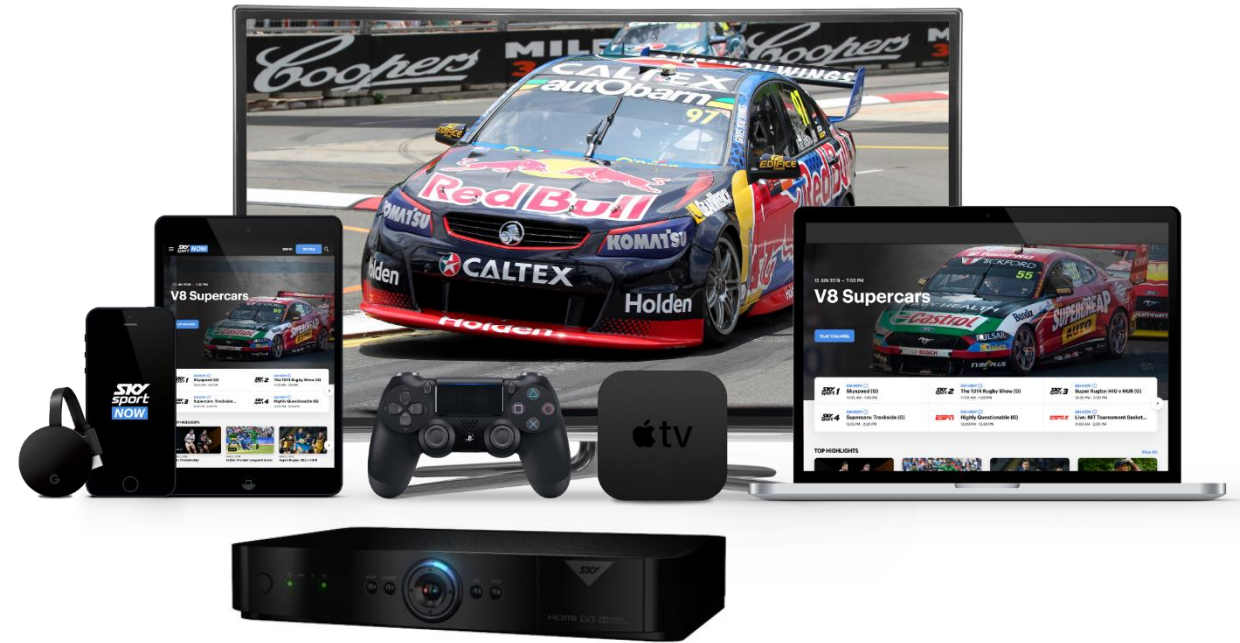
Delivering great content to our customers on all available platforms and devices.

We'll continue to provide service and premium **quality broadcasting**.

We'll have a **laser focus on streaming** to satisfy customer demand for greater flexibility.

In the hands of all New Zealanders – how we will do it

- Super-serving our DTH customers.
- Growing our streaming services – Sky Sport Now & NEON
- Delivering free-to-air on Prime: our window into the world of Sky content.
- Delivering Sky through Vodafone TV.
- Open to and pursuing other partnerships.



NZ's premier sport streaming service



Bledisloe Cup

17 August 2019

55,000

New Zealanders successfully streamed on
Sky Sport Now and Sky Go



**RUGBY
PASS.COM**

Premier online destination for global rugby fans.

RugbyPass aligns with our core strategic pillars of streaming,
great sports content and reaching new audiences.

40

40 million visitors to
RugbyPass sites a
month

120

Opportunity....
120 million rugby fans
around the world

62

Streaming SANZAAR
rugby in 62 countries

sky

Our goal is to grow our business by accelerating our focus on streaming services while continuing to super-serve all Sky customers.

Our ambition is for Sky to be in the hands of every New Zealander, in ways that work for them.

