

Results Presentation

For the 6 months ending 31 December 2019

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Achieving positive momentum

In the half year to December 2019 Sky:

- Retained content rights that matter to NZ fans, particularly Rugby
- Delivered pleasing growth in streaming customers
- Opened the door to new growth opportunities, in NZ and globally
- Repositioned to be a leading New Zealand multimedia organisation, transforming rapidly to meet current and future needs of customers



Connecting New Zealanders with the sport and entertainment content they love, in ways that work for them

A focus on super-serving all customers: streaming and satellite

Retaining rights that matter

Fuelling sport in New Zealand, and nurturing the next generation of sports fans

Creating opportunities for new growth areas, including in international markets through RugbyPass

PLATFORM FOR GROWTH

Content that Kiwis have loved in the past six months



Rugby Championship



Super Rugby



ICC Cricket World Cup



Netball World Cup



Supercars Championship



Sky Sport Breakers



Black Ferns



Mitre 10 Cup



Kiwis



ANZ Premiership | Super Netball



Fed Cup | ASB Classic



NRL Premiership



Progress highlights

ACCELERATED FOCUS ON STREAMING

- ✓ **Launched Sky Sport Now**, streaming our 12 sport channels in HD with weekly and monthly options. The most comprehensive sport streaming service in NZ, streaming 52,000 hours of sport since August launch
- ✓ **Improvements to Neon**, including platform stability, content, and better pricing
- ✓ **Established Sky Digital team** to develop groundbreaking new digital platform and services

Progress highlights

CONTINUED TO SUPER-SERVE ALL SKY CUSTOMERS

- ✓ **Enhanced Sky Go** with new features, including casting to the big screen and download-to-go

25% increase in Sky customers choosing to stream content on Sky Go
- ✓ **Launched Sky Sport News**
- ✓ **Offered 12 sport channels on Sky Sport**
- ✓ **Doubled** My Sky storage allowing customers to store more of their favourite moments
- ✓ **Increased number of HD channels**

Progress highlights

RETAINED THE RIGHTS THAT MATTER

- ✓ **Rugby** – six years of SANZAAR + enhanced relationship with NZ Rugby
- ✓ **Netball NZ**
- ✓ **ICC Cricket** (including Men's and Women's World Cups)
- ✓ **Cricket Australia**
- ✓ **Commonwealth Games**
- ✓ **Olympics** – Tokyo 2020, Paris 2024 + Winter and Youth Olympics

Progress highlights

FUELLING KIWI SPORT AND NURTURING NEXT GENERATION OF SPORT FANS

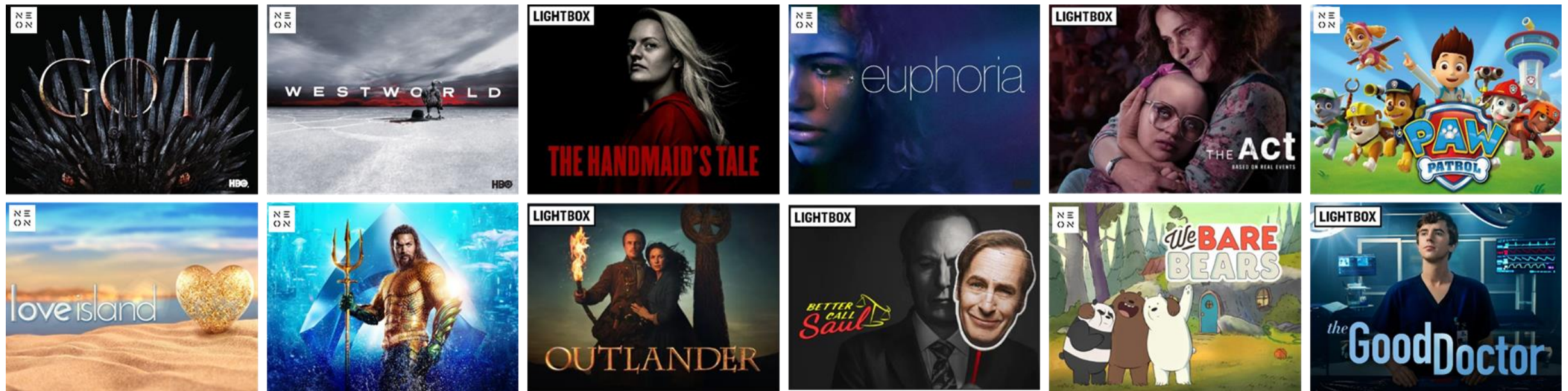
- ✓ **\$10m investment in the Sky Sport Next** programme over three years. 50+ sports supported, and 157,000 unique viewers in the first quarter
- ✓ **Support** for a number of teams, including Sky Sport Breakers, Wellington Phoenix, Kiwi Ferns, Warriors Women, Future Warriors, Tall Ferns and White Sox
- ✓ **Sponsorship of Sky Stadium** in Wellington, with great new fan experiences to come

Progress highlights

CREATED OPPORTUNITIES FOR GROWTH

- ✓ **Acquisition of Rugby Pass**, the largest online rugby network in the world
- ✓ **Increased our breadth and depth of relationships** with other businesses in NZ to drive awareness, engagement and revenue – e.g. Spark (RWC and Lightbox), TVNZ (Olympics), NZME (Rugby and Press Box), Vodafone (Vodafone TV)
- ✓ **Purchase of Lightbox**, to create a super-charged entertainment streaming service combining all of the superb Neon & Lightbox content

Bringing Neon and Lightbox together will create the leading locally-delivered streaming service for New Zealanders



On growth trajectory

**925,000 customers in February 2020:
all time high for Sky**

On track for 1 million customers by 2021

- The progress achieved in the last 6 months underpins that we are moving in the right direction
- Striving for customer satisfaction and developing growth opportunities

First Half Highlights – The numbers

- EBITDA of \$89.7m
- NPAT of \$11.9m
- CAPEX of \$33.2m within the target band of 7-9% of revenue
- Investment of \$45.3m for the acquisition of RugbyPass comprising acquisition \$15.6m in cash, \$24.4m in Sky shares and a further \$5.3m in cash contingent on meeting certain performance targets
- Delivered streaming revenue growth of 39%
- Grew total customers to 795,000, with 74% increase in streaming customers
- Improved satellite customer churn to 13%, compared to 15% last year
- On transformation journey with sharper customer focus and operational rigour

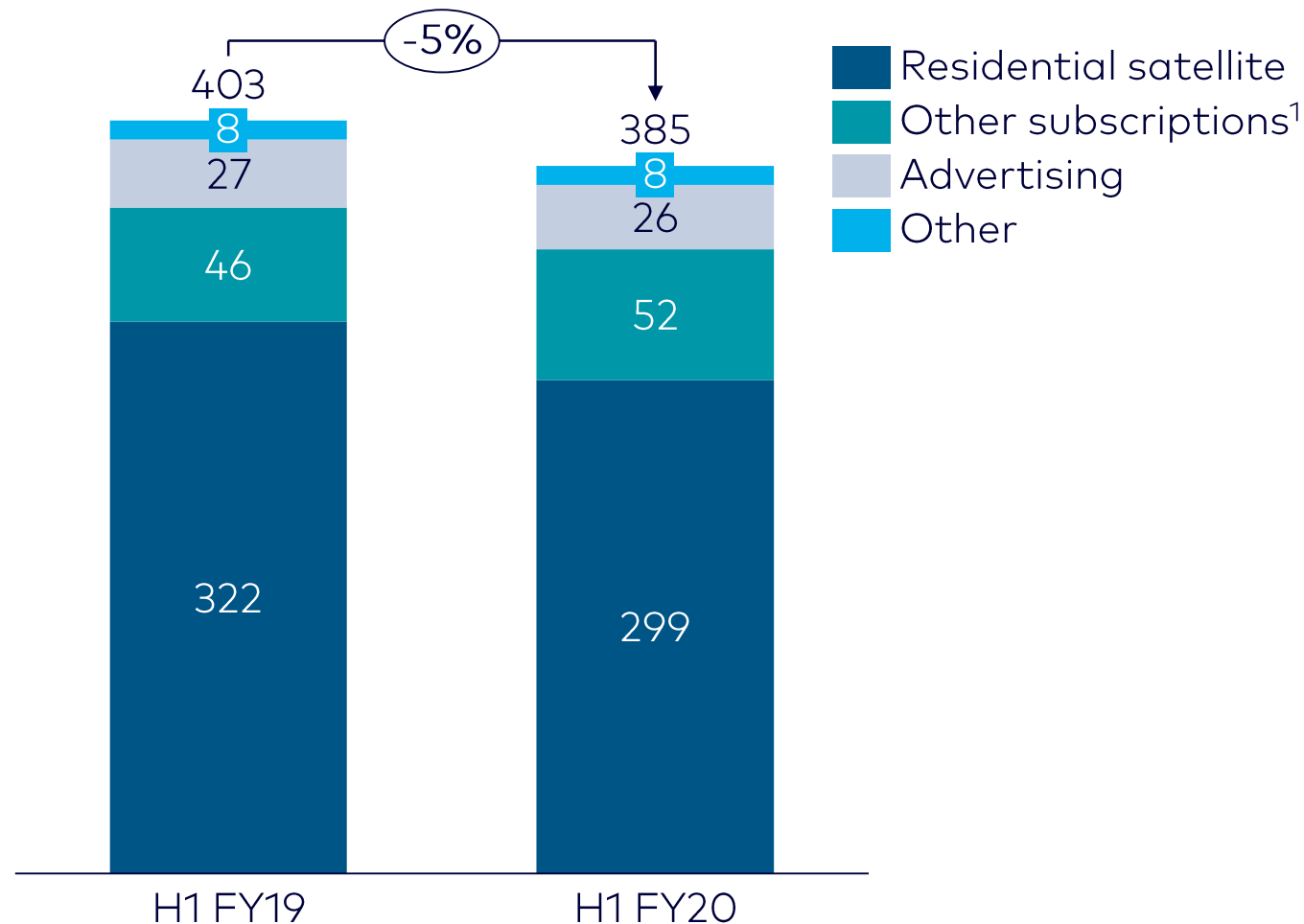
Financials

Financial Performance

\$m	H1 FY20	H1 FY19	Var vs H1 FY19
Revenue	384.8	403.0	(18.2)
Operating Expenses	295.1	274.7	(20.4)
EBITDA	89.7	128.3	(38.6)
Depn & Amort	61.3	47.3	(14.0)
EBIT	28.4	81.0	(52.6)
Interest	8.8	6.5	(2.3)
Tax	7.7	20.9	13.2
Profit after tax	11.9	53.6	(41.7)

- Signs of slowdown in revenue loss: 5% from H1 FY19 to H1 FY20 vs 8% from H1 FY18 to H1 FY19
- Operating Expenses impacted by \$12m one off costs, including: redundancy-related costs of \$7m, consultancy of \$3m and \$2m of satellite reservation fee

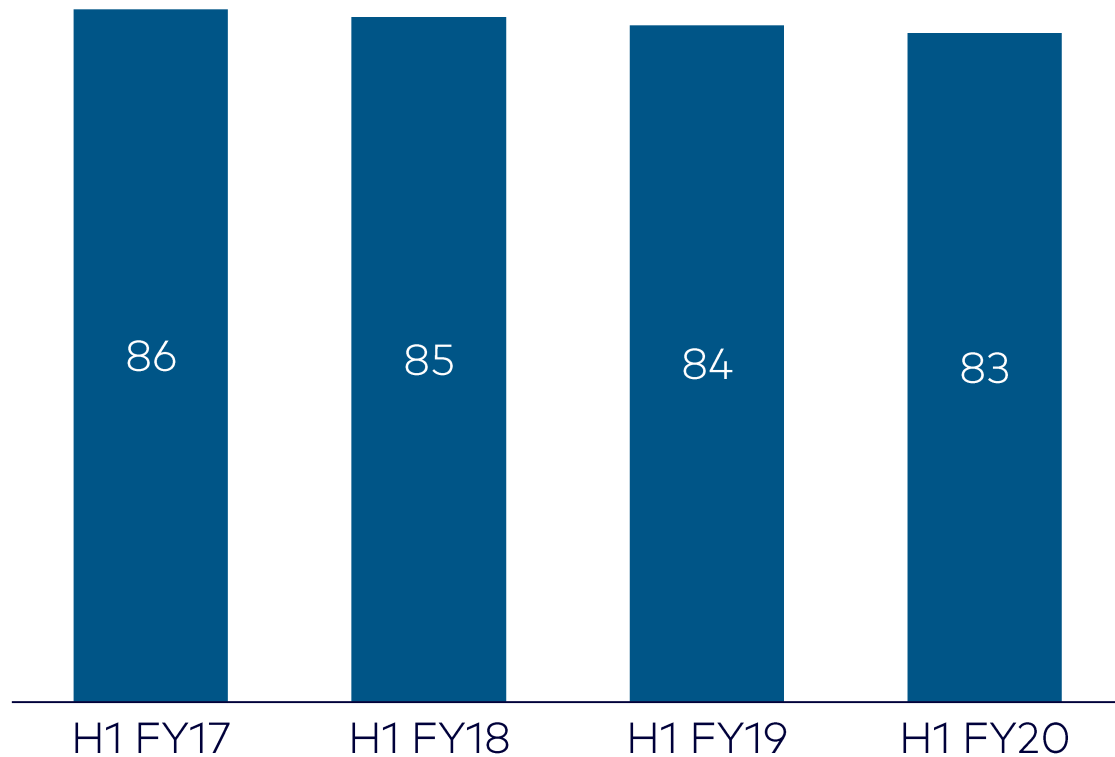
Streaming revenue continues to grow and satellite trends improving



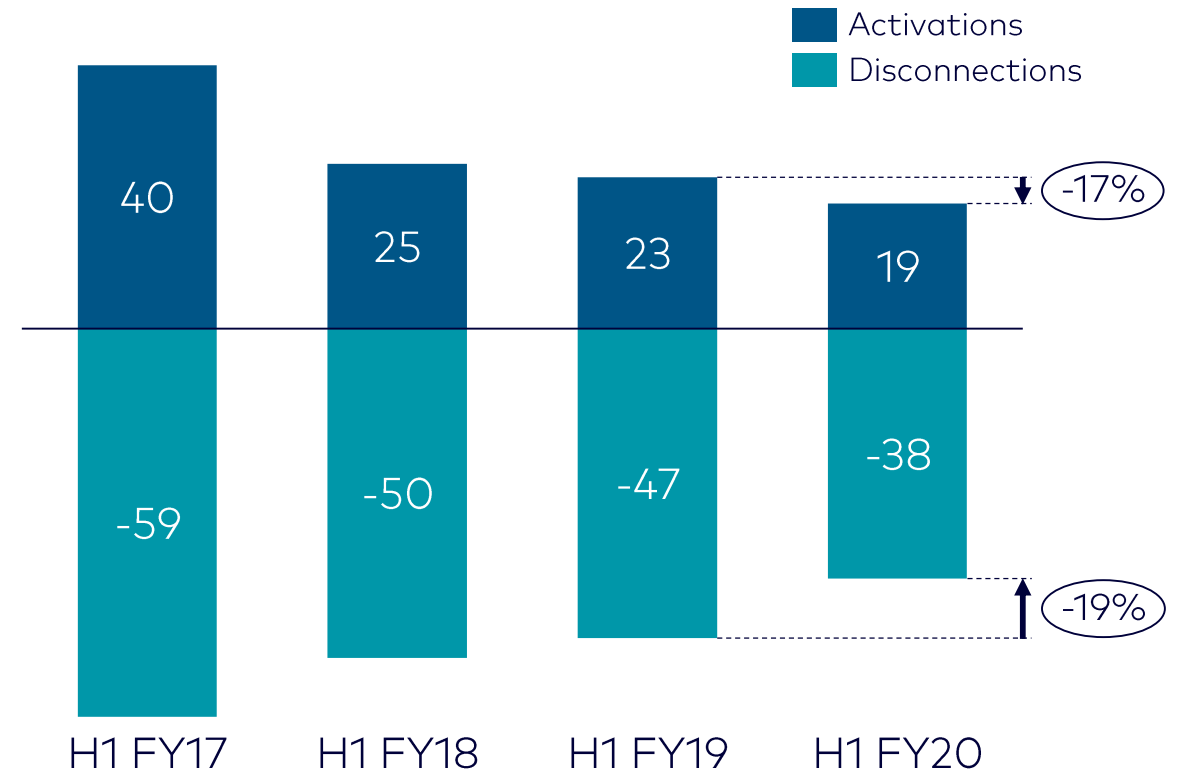
- Growth in streaming and commercial revenues gaining momentum, up 14% compared to an 8% increase in the prior period
- Satellite revenue declined 7% between H1 FY19 and H1 FY20 vs 10% between H1 FY18 and H1 FY19, mostly due to impact of lower subscriber numbers.
- Advertising revenue flat despite challenging market conditions

Subscriber churn reducing. Focused on growing activations

Satellite subscription ARPU¹



Satellite subscriptions (000's)²



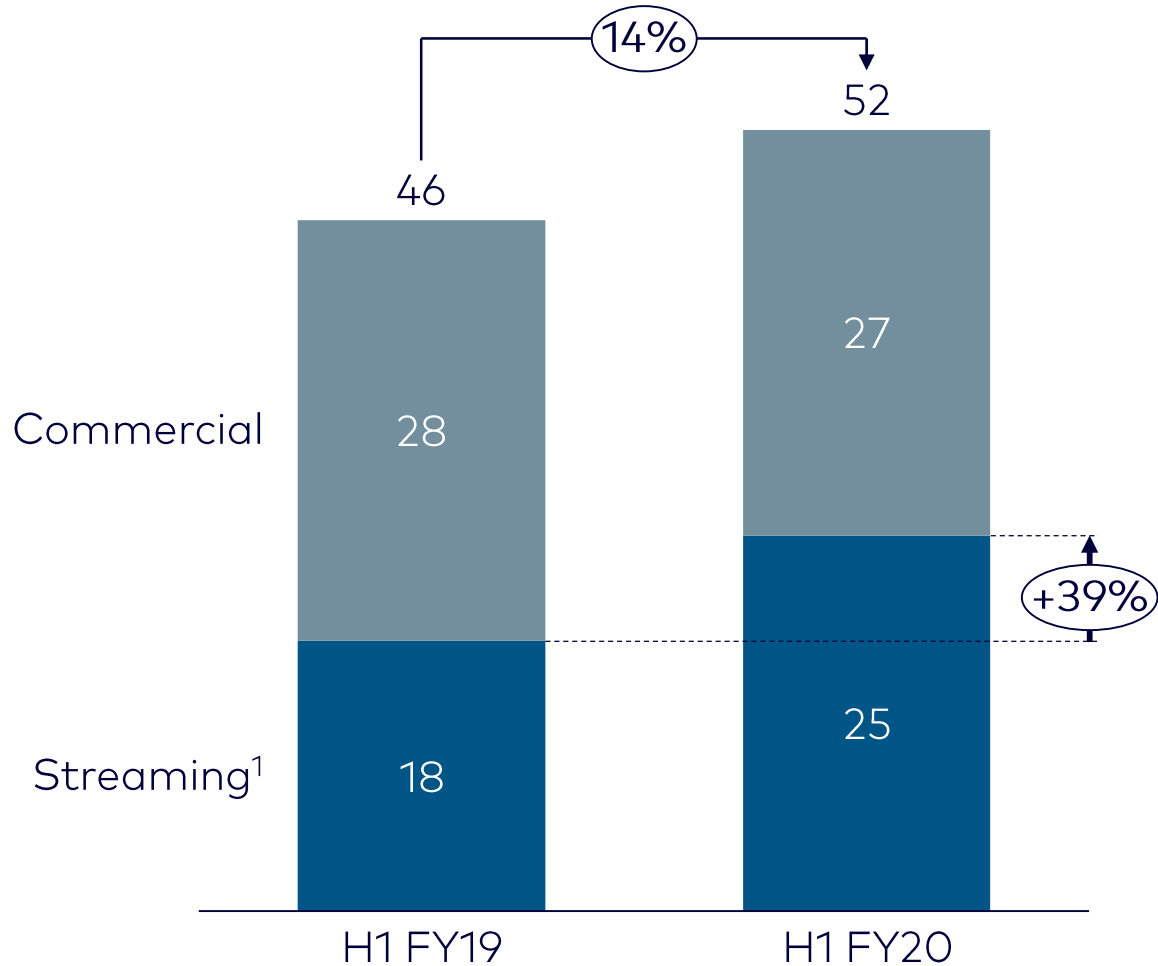
¹ Satellite subscription ARPU is for Sky residential customers only. Calculated as the average for the six month period

² Activations and Disconnections information is for Sky residential customers only

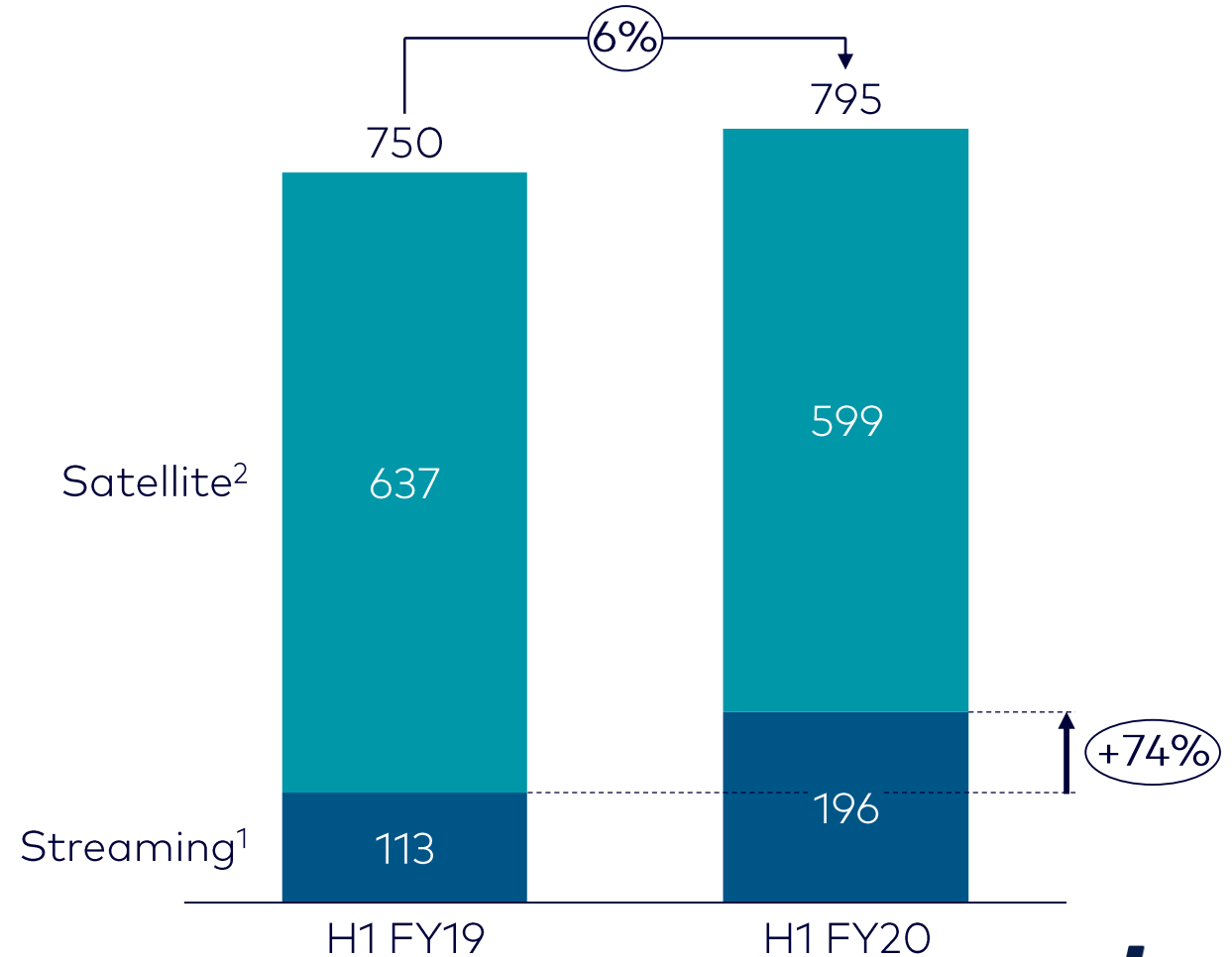


74% growth in streaming subscriber base

Streaming & Commercial revenue (\$m)



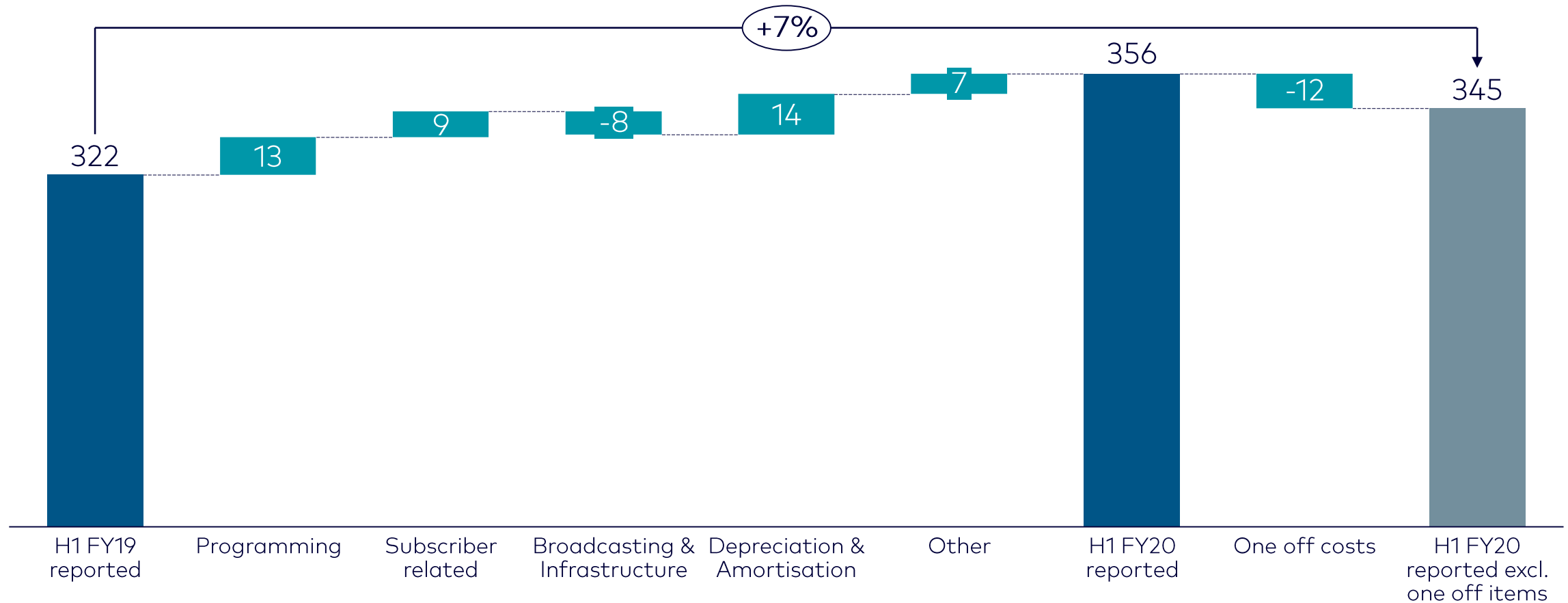
Subscriber base (000's)



¹ Streaming comprises Neon, Sky Sport Now, RugbyPass and Retransmission
² Satellite comprises Sky Residential, Commercial and Reseller customers



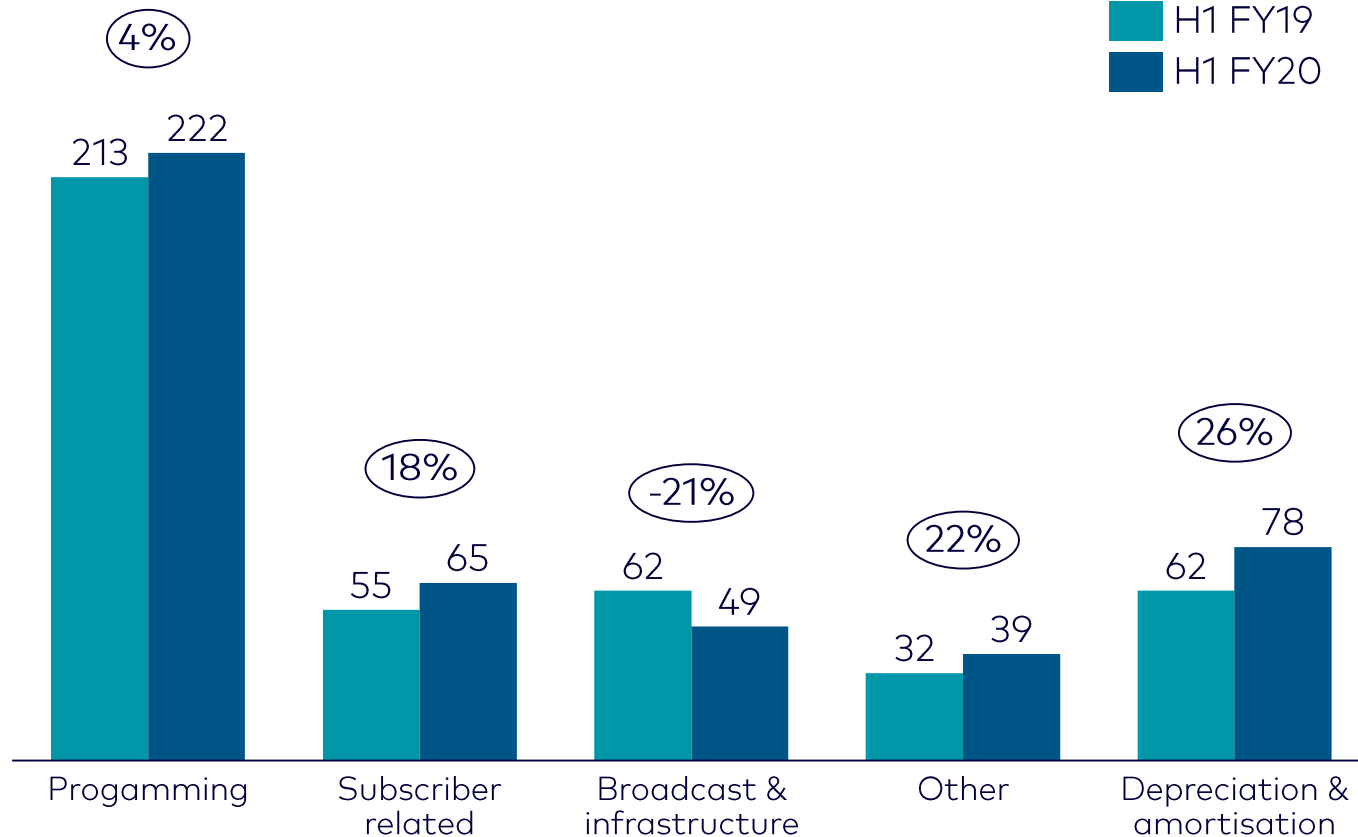
Higher costs as expected after investing for growth



- \$12m one-off costs included: \$7m redundancy, \$3m consultancy, \$2m satellite reservation fee

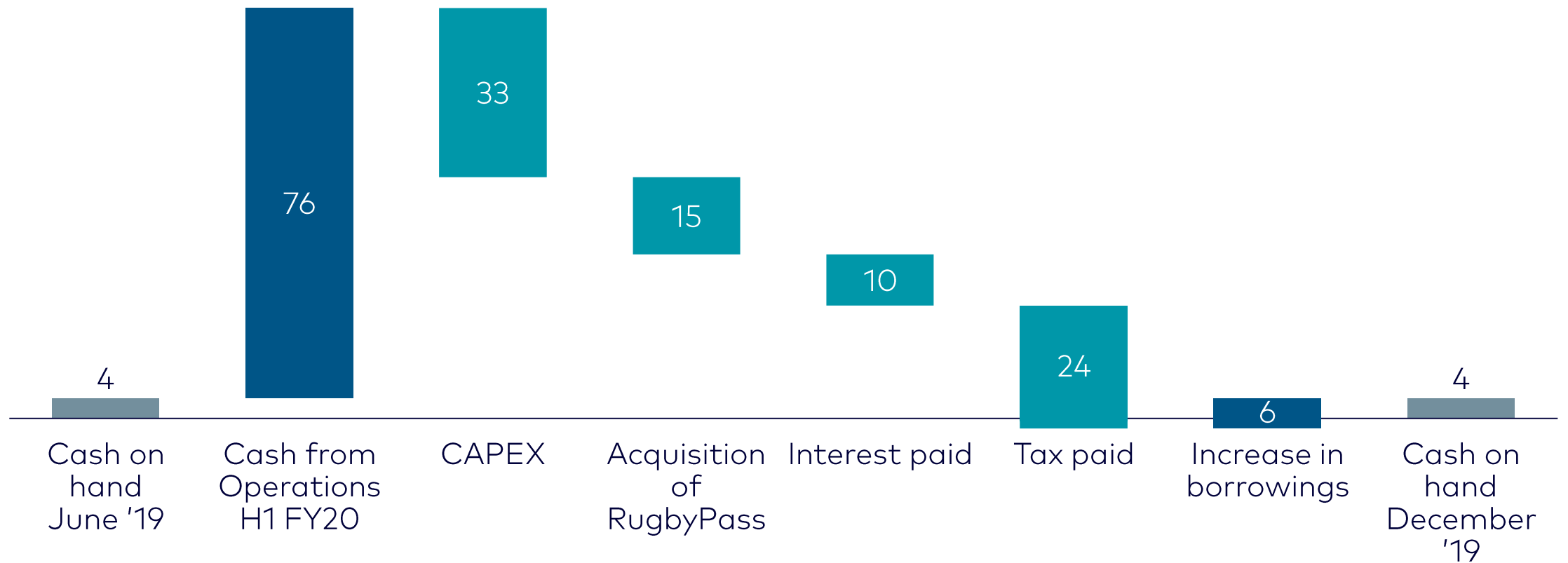
Reinvestment in rights that matter and growth initiatives impacted on costs

Per subscriber expenses
\$ per subscriber

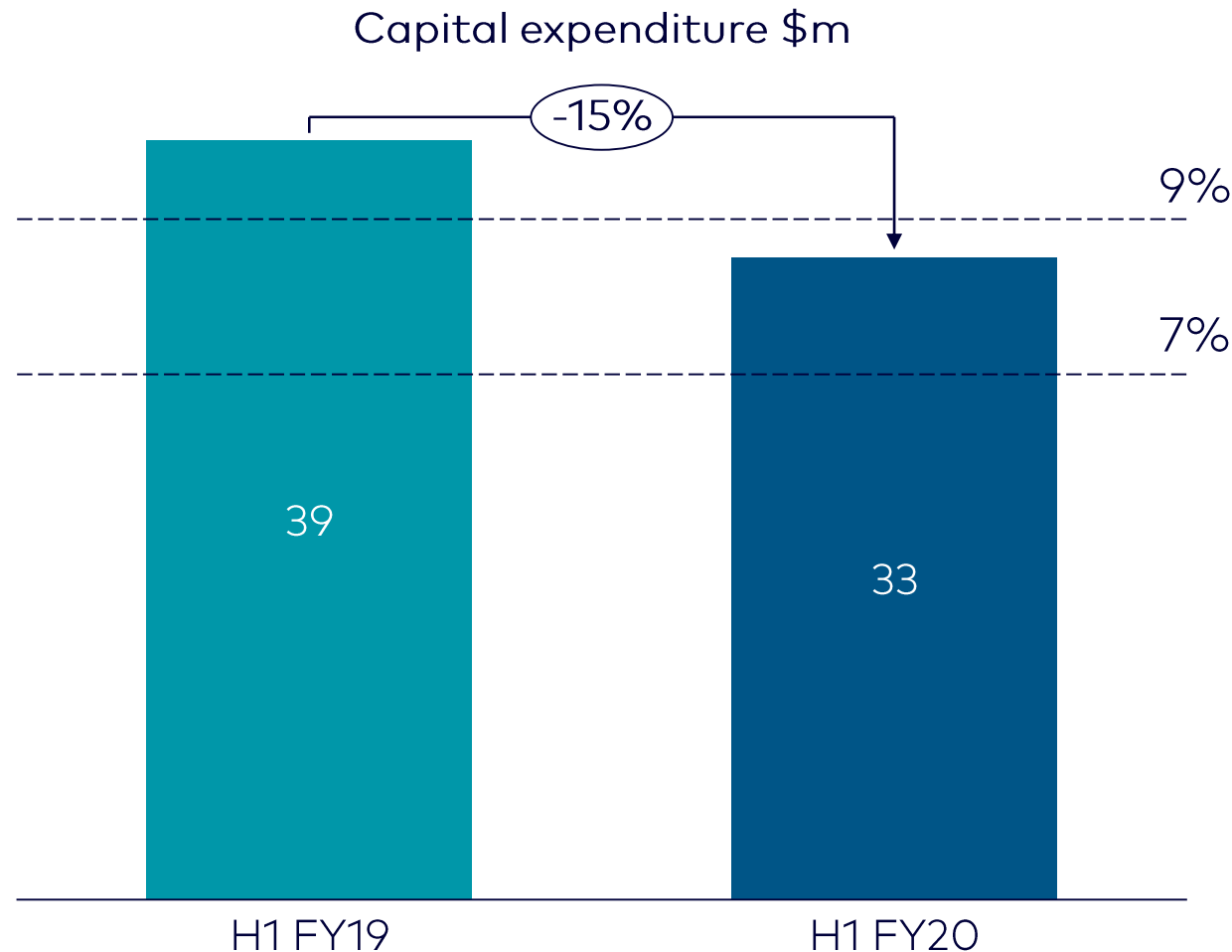


- Programming expenses grew by 4% due to rights increases and additional production costs
- Subscriber related increases includes new marketing following period of underinvestment
- Broadcast and infrastructure declined as a result of IFRS-16 with corresponding increase in Depreciation & Amortisation
- Other includes redundancies and consultancy

\$76m of cash generated in H1 FY20 and reinvestment in growth



CAPEX within target range and Sky continues towards a lighter capital model



- H1 FY20 CAPEX includes \$8m enhancing streaming platforms, \$7m for satellite installations and \$6m for enhancing our broadcast capabilities including HD expansion
- H1 FY19 included CAPEX associated with the IVP programme

A look ahead

On growth trajectory to 1 million customers by 2021

Significant target, and a further record for Sky

Initiatives to achieve it include:

- Successful launch of super-charged new entertainment streaming service by middle of 2020, merging Neon and Lightbox
- Growing paying RugbyPass customers, capitalising on the 30 million+ people who experience RugbyPass content every month
- Successful launch of ground-breaking new digital products, as part a technology roadmap that will meet the needs of all New Zealanders

Increased number of customer relationships offers a wealth of opportunity to deliver new services

Guidance

Market guidance – November 2019

Revenue between \$750m to \$770m

EBITDA between \$170m to \$190m

Current expectation for FY 2020

✓ Revenue expected within guidance range

✓ EBITDA expected within guidance range

Questions