



## Sky 2021 Annual Shareholder Meeting – 28 October 2021 Chief Executive's Address

Thank you Philip and good morning everyone. I'm Sophie Moloney and it is my privilege to address you today as your Chief Executive.

I join Philip in thanking you for your support in the past year, and I welcome the opportunity to share with you our plans for the business in the coming period, as well as our review of the past year.

We're on a transformation journey here at Sky, and we are clear on the game plan for success. My focus – and that of my entire team – is to execute on that plan with determination.

I have a few things to share with you today in that regard, but first I'll take a few moments to recap on FY21.

You will have seen the details in our Results presentation in August, and in our Annual Report, so I will only focus on some key points.

We were pleased to report strong EBITDA and NPAT that were both slightly above the increased guidance range provided to the market.

As noted on this slide, revenue was \$711 million, EBITDA was \$186 million, and Net Profit after Tax was \$47.5 million, with operating costs of \$538 million – which was a pleasing 8% improvement on the prior year.

As the Chair indicated, the strong results were in part due to underlying operating improvements, and in part from one-off items including the sale of OSB (our outside broadcast unit) as well as some Covid-related content cost savings. Adjusting for these items, our Net Profit after Tax was still ahead by 15% against the prior year.

And I am proud to say that we ended the year with a superb 955,168 customer relationships, of which well over half a million are our valuable Sky Box customers.

But my key message at the half year – and now – is that while the results are good, we can and must do better. This coming year is an inflection point for Sky (of the positive kind) as we look to transform the business, absorbing higher programming rights fees and, at the same time, growing revenues and reducing operating costs. More on that shortly.

Our four key Strategy pillars involve Our Customers, Our Content, Our People and of course our Financial Performance, which I have just touched on. Let's briefly look at the year's achievements in the other three areas, starting with our Customers.

Customers:

- FY21 saw us deliver pleasing growth of 16% in our underlying customer numbers.
- We have made significant progress towards stabilising our Sky Box base, with 15% growth in customer activations and further positive improvement in customer churn as the Chair has

already mentioned.

- At the same time, we've also seen a continuation of the impressive growth in our streaming services with a 57% increase in streaming customers on a like-for-like basis, with both Neon and Sky Sport Now going from strength to strength.
- And, earlier this year, we had the highly successful launch of Sky Broadband, 'built for entertainment', with customer satisfaction scores remaining very positive right through the first billing cycle. Maintaining high levels of satisfaction on broadband really matters. In a highly competitive market customers have options. A strong focus on execution excellence has meant we are exceeding our customers' expectations, as we look to build a sustainable, long-term business.

Content:

- Turning then to our content.
- It's been immensely satisfying to have secured key, strategically-important rights deals - with (among others) the NRL and NZRL on the sports side and Warner Media/HBO on the entertainment side, the latter being secured just in time for the Level 4 lockdown.
- For the first time in a long while we are in a position where there are no significant content rights renewals looming.
- We have secured the rights that matter for our customers, and it's great to be heading into a period where our focus is on delivering our superb content to our customers and adding value to our partners, rather than chasing down significant rights deals.
- I can safely say that our success in renewing and securing these multiyear deals is not just about the size of the cheque, it's also about Sky's credibility as a trusted, multi-platform, content partner.
- But, rather than hearing it from me, please hear directly from some of those key partners.

One exciting aspect of the Warner deal that we just heard about from Michael is an agreement between Sky Originals and the NZ-based arm of Warner Brothers International to collaborate on four co-productions. It's great to be able to work together with a globally recognised brand to produce quality local content and to support the New Zealand creative sector.

This continued investment in Sky Originals confirms the important role we have to play – as a local kiwi business – in creating content ourselves. Telling New Zealand stories, for and about New Zealanders, is a special privilege for Sky Originals and for our free-to-air channel: Prime.

We are grateful for the funding support Prime and Sky Originals receive from New Zealand on Air, and look forward to more collaborations in the coming period as Sky refocuses its efforts on this vital free-to-air channel available to all New Zealanders.

People:

Last but certainly not least, let's talk about our People:

- I was impressed and inspired by the way our teams handled the Covid-19 disruptions in the FY21 year, and of course we're back dealing with similar restrictions now. The drive to continue to deliver for our customers and to 'keep the show on the road' is truly humbling.
- While there is more to be done, we are making good progress towards being a place where our crew are empowered to do their best work.
- That has included the collaborative process with our crew to create our Sky values, and there remains a real focus on becoming a more inclusive workplace.
- In terms of people being able to do their best work, it was hugely exciting to see the success of our creative promos team at the Promax ANZ Awards late last week with multiple entries picking up richly-deserved recognition! Those of you who watched our FY21 Results will have seen our 'More' video that was one of the promos that received a gold Promax at the Awards.

As I reflect on FY21, I firmly believe we have the runway we need to succeed.

And, on that note, let's start looking ahead at our Financial Performance and targets for FY22 and beyond, starting with revenue.

FY22 is the first time in a number of years that we are talking about a return to revenue growth at Sky.

Our target for the coming year is revenue growth of up to \$35 million, which is a strong step towards the 3-year goal of \$75 to \$100 million annually by FY24.

This revenue growth comes from improvements across the business from Sky Box and streaming, the recovery of Sky Commercial and Sky Advertising revenue, subject to the current Covid outbreak, and a significant contribution from new business revenues (including Sky Broadband).

We also expect to see streaming revenue growth outstripping the decline in Sky Box revenue for the first time in FY22. We remain very focused on stabilising and then, with our new box, growing the Sky Box base.

A second key focus in FY22 is reducing our operating costs and doing so in a sustainable and permanent way.

We noted in the Results presentation that we are targeting at least \$10-15 million of non-programming cost savings per annum within three years, and I have challenged myself and the team to ensure that is the minimum we deliver.

Reducing our cost lines (including capex) is a crucial part of our transformation journey as we strive to secure sustainable free cash flow levels which can lead to better capital management and shareholder returns as the Chair also referenced in his earlier remarks.

Right now, we are undertaking a rigorous exercise to test every dollar we spend at Sky. I have brought in the former CFO of Foxtel, James Marsh, to provide an expert external eye as we drive ourselves to re-examine every cost line, especially any and all third party spend. I have been impressed with the way Foxtel has achieved sustainable cost management without compromising on their customer promise, and I am pleased to be able to tap into that experience to explore what we can achieve here at Sky.

It is my expectation that we will have completed the scrutiny of the budget by the end of the quarter, and I will share any findings and deeper cost savings at that time as appropriate.

In any event, as the Chair mentioned in his address, despite the curve ball of Covid-19, we are tracking well after the first quarter of the financial year and remain on track to meet our Guidance.

The third key focus area for FY22 – to support revenue growth and a lower cost operating model – is the delivery of our new Sky Box. This is a crucial part of our strategy to be the preferred content aggregator in the New Zealand market, and we are on target to have it in customer homes in the middle of the 2022 calendar year.

It's much more than a box upgrade – it's the centre of Sky's new connected entertainment experience that seamlessly brings together all Sky and free to air content alongside popular content Apps.

The combination of Satellite and internet technology delivers the ultimate in high-quality, reliable video and audio, to every connected home in New Zealand.

And, having access to all of your favourite sports and entertainment in one place, with one remote (that can be activated by voice), is the game-changer that our customers tell us they're looking for.

Here, we have a sneak peek for you on what the new Sky Box will look like from the outside...

I am sorry this is a virtual meeting today, as I was hoping to show you this prototype in the flesh so to speak but this image will have to suffice. This is the form factor we've already signed off – our customers helped choose the fresh white finish.

I might add that I had the opportunity to listen to the recent Foxtel strategy presentation and noted the emphasis they are placing on their new iQ5 box to super-serve their satellite base. While our strategies are not identical, as the markets we serve have unique characteristics, it is good to see our friends across the Tasman also focusing on strengthening the base with an impressive new box, and I look forward to providing further updates on our future technology roadmap in the next reporting cycle.

Before I close, I want to touch briefly on three additional areas that are important to us, and which I believe are important to you as our investors too.

The first is our commitment to being a good corporate citizen and continuing to give back to the communities in which we operate. There is much we already support through sponsorships and other mechanisms and I now want to see us bring these existing and new initiatives under an overarching programme of 'Sport for Good' and 'Sky for Good'. This is not about a big above the line spend but about the utilisation of our platforms, our talent and working closely with key partners for the greater good. I look forward to sharing more on these initiatives in the coming period.

The second is also about being a good corporate citizen in the environmental space. As I committed in my Annual Report letter, I have established a team to lead our sustainability journey, including reporting on our progress in FY22. I know that commitment to reporting and improving on environmental factors is valued by many investors, (as well as our customers and staff) and we commit to doing a better job of letting you know what Sky is doing in this important area.

The third is about rewarding our loyal customers – some of whom have been with us since we launched 31 years ago! Like much of what we now do, we have asked our customers (through our Sky Nation panel) what they would value in this space, and in the coming period we will deliver a series of initiatives to thank and recognise those Sky Box customers who are the strategic strength of our business.

Just as it is important to thank our customers for their ongoing loyalty and support, I want to acknowledge and thank our people for their commitment and hard work. In particular, I'd like to thank Andrew Hirst for ably fulfilling the CFO role on an interim basis as we undertook a recruitment process. And, as we recently announced, I am delighted to have secured Tom Gordon as our new Chief Financial Officer who will join the Sky team in December.

May I also take a moment to thank each of our Board members for their guidance, strategic input and dedication to our business, and my personal thanks to the Chair, in particular, for his superb support to me no matter the time of day or night!

Finally, and perhaps most critically, I confirm my belief that if we deliver value to our customers, our crew, and our partners, we will in turn deliver value to you, our investors. I am absolutely committed to executing on our plan and achieving or exceeding the outcomes we have outlined today, and I want to thank you all for your continued support.

And now back to you, Chair.

ENDS