

Sky Annual Meeting Address 2023
Chief Executive's Address

Thank you, Philip and tēnā tātou katoa.

It's my privilege to present to you today in my third year as your Chief Executive.

I'll begin with our key performance highlights for FY23 and the achievements of the last three years. I'll then walk you through our new strategic story on a page and I'll conclude with our FY24 priorities, and an overview of our new three-year targets.

But first I want to reflect on the incredible moments of excitement that we have shared with New Zealanders in recent months.

How amazing to be able to share the thrill of the Football Ferns' historic win in the opening match of the FIFA Women's World Cup, the Warriors' fairytale run to the NRL elimination-finals, and of course the epic final for the All Blacks, even though it didn't turn out the way we all wanted. In the last couple of weeks we've also had the Black Ferns performing in the new Women's XV competition and the Black Caps fighting it out in the ICC Cricket World Cup. What a run of incredible content we have been able to share with all of Aotearoa, New Zealand.

Over 2 and a half million New Zealanders tuned in to coverage of the Rugby World Cup on Sky and Sky Open, and there were over 7 million streams across Sky Go and Sky Sport Now.

The combination of our unrivalled content, multi-platform approach and 100% coverage across the country continues to set us apart, and I am extremely proud of the Sky team and the compelling market position we have continued to carve out, together.

Turning to our FY23 results, we were pleased to see progress against our strategy translate into solid financial and operational outcomes for shareholders, including growth in our customer relationship numbers which rose by 2.5% to over 1 million, and revenue growth of 2.4%. Importantly, on a like-for-like basis revenue rose by 4.5% - a strong signal of Sky's resilience in the current economic climate, and with increased average revenue per user across all product lines.

After adjusting for one-offs, the underlying EBITDA of \$156.4 million was 1.8% higher than the previous period. Similarly, adjusted profit after tax of \$56.7 million was 15.2% higher than in 2022.

This result demonstrates our ability to deliver to our customers and shareholders today, while investing in the initiatives that will drive future value.

The continued growth trend in customer relationships sees us connecting more New Zealanders with our great content in the ways that works best for them.

The Sky Box continues to be valued and loved in hundreds of thousands of kiwi homes. While Sky Box numbers were slightly down year-on-year, disconnections remained stable. Looking at Sky Box revenue, we finished the year just -0.8% lower than in 2022, with increased average revenue per user and lower forgone revenue as we sharpened our focus on quality and margins.

Turning to streaming, in FY23 Sky Sport Now delivered an impressive 37% increase in customer numbers, and we achieved 8% growth for our entertainment service, Neon.

These increased customer numbers, combined with recent price rises, have delivered a 50% increase in Sky Sport Now revenue and a 19% rise for Neon.

Sky Broadband also delivered a steady performance in FY23, growing to 26,000 customers nationwide, and offering additional value for our Sky Box subscribers.

A key achievement during FY23 was becoming the preferred broadband partner for eight Summerset retirement villages, with an impressive 76% of residents choosing our service. And in a pleasing acknowledgement of our focus on customer care, Sky Broadband won the Canstar people's choice Most Satisfied Customers award for its quality performance during the year.

Our Commercial business has returned to pre-COVID levels, with revenue growth of 13%, and Sky's advertising revenue is bucking the sector trends, with 9% growth on a like for like basis, in a market that contracted by 5%. Our highly motivated team is delivering green shoots that support our growth ambitions to secure a greater portion of advertising budgets, and has already achieved an exceptional Q1 performance supported by the Rugby World Cup opportunity. As Philip said, while the advertising market continues to be challenged, we believe we can command a greater share of revenue by offering advertisers new digital products and deeper integration opportunities.

The launch of our new Sky experience was a key milestone in FY23, with the introduction of our new Sky Box and the Sky Pod, both of which bring a new experience with greater content discovery for our customers. As a reminder, the Sky Pod provides access to Sky's full range of content, without the need for a dish.

After only three months of promotion, by the close of FY23 we had 35,000 new Sky Boxes and 13,000 Sky Pods in use in customer homes.

While there were early teething problems with the rollout for some customers, these have been addressed on a prioritised basis by the team. Because we can continually update and refine the software, we have been able to resolve initial issues – such as split recordings and navigation responsiveness, as well as re-introducing valued features like the ability to remote record.

At the same time, we've been working to support customers adapting to what we acknowledge is a new and different experience. Our attention now turns to delivering on our programme of continuous improvement which is already seeing much higher satisfaction levels for our customers.

For those of you in the room, I encourage you to take a look at our showcase stands, where our crew will be pleased to show you the excellent features of these new products.

We aim to accelerate the rollout of the new Sky experience in FY24 so that more customers – both existing and new – can take advantage of these new features.

Customer care has also been a key area of focus, and the 40% boost to capacity in our call centres is delivering early benefits in significantly improved response times. I am delighted that the days of average wait times of over 20 minutes are behind us. Over the last three months our speed to answer is averaging at one minute.

We are extremely pleased with the results so far. Attracting and retaining customer care staff in our market was incredibly challenging and having our in-house care team working with our partner Probe has allowed us to strengthen our response.

Changes to the way we access technology capability through our international partner TCS, is also having a positive impact. The relationship enables access to specialist capability and capacity in key areas of technology and content operations in a more efficient and cost-effective way. Again, the collaboration between TCS and our in-house team is coming together well to deliver improved experiences for our customers.

Alongside delivering great outcomes for customers and shareholders in FY23, we have remained committed to making a positive contribution to our country and community, as a company with deep roots and relationships throughout Aotearoa New Zealand. What does this look like?

- We've tangibly demonstrated our commitment to the Environment through an ambitious recycling programme for older Sky Boxes that are being retired from the fleet.
- At the same time, the new Sky Boxes and Pods that replace them are significantly more energy-efficient which is a win for our customers and for the environment.
- We have included additional disclosure in this year's annual report that shows the continued emphasis on our very strong approach to corporate governance.
- We've also been active in playing our part in the Corporate Social Responsibility space. It is a privilege to be in the lives and homes of many New Zealanders, every day, and we take our role as a responsible and trusted broadcaster very seriously.
- We're very proud to be championing diversity on screen through our 'See your Possible' initiatives. And also recognise the importance of the tangible support we provide to our charity partners in ways that make a difference for them.

As I reflect on the past three years, I'm proud of what's been achieved while also being upfront about where things haven't gone to plan.

We were late in delivering our new Sky Box experience which has had flow on impacts to our overall subscriber numbers, associated revenue lines and on our capex profile as we look to accelerate the roll-out in FY24 and FY25.

So, yes, not everything has gone to forecast, and we have had to adapt and learn along the way.

With that acknowledged, at this point of our journey, I am pleased to confirm that we are now in a very strong position.

- Customer relationships are over one million, at a year-end high.
- We have market leading positions in our high tenure/high value Sky Box base, our commercial business, and our Sports line-up; as well as in our ability to deliver to the entire country via satellite and IP.
- We have locked in unrivalled content that sees us well positioned as New Zealand's leading aggregator for customers and makes us even more compelling for partners, including those in the advertising space.
- We've built our multi-product suite, delivering the new Sky Box and Sky Pod, and added new features to our streaming products.

- We successfully launched Sky Broadband in 2021 and much more recently we have reinvigorated our Free to Air offering through the launch of Sky Open.
- At the same time, we have reshaped the business to align our organisational design with our strategic priorities and progressed key initiatives to make Sky a great place to work.
- Perhaps most importantly, Sky has returned to revenue growth. After many years of revenue decline, we've delivered two consecutive years of growth reflective of the portfolio effect of our multi-product business. This is a significant achievement and one we will continue to build on.
- At the same time, our focus on removing cost throughout the business has allowed us to reinvest in areas such as content and technology that drive future performance.
- And, as Philip mentioned, we end the financial year with a strong balance sheet with no debt and access to a \$150m facility while continuing to pay a healthy dividend.

With this backdrop in mind, I'd now like to share with you our refreshed strategic story 'on a page' starting with our purpose and ambition statements.

As many of you will be aware, a company's purpose describes its reason for being; its 'why,' and is thereby intended to be a higher order description about the unique contribution that an entity makes for the country and communities in which it operates.

In the case of Sky, when we reflected on our origin story and what this company has done since that inception, we recognise the privileged and unique contribution to Aotearoa of being able to:

Share stories. To Share possibilities. To Share joy.

No other entity in this country can deliver the plethora of live and on demand programming across the number of platforms that we do.

Every day we see the impact of doing this for New Zealanders, and the refreshed articulation of our purpose has been a wonderful motivator for our crew in recent months. Now some of you might be thinking 'well that is all well and good, but how does that support the continued delivery of a profit and a return to shareholders?'

Leaving to one side the benefits of a highly-motivated crew, it's a fair question and is where the ambition statement comes in. It is a statement about how we see our competitive advantage in the market and, intentionally, has more of an edge to it.

Like the distillation of our purpose into a simple set of words, I'm really happy with the **simplicity and depth of our ambition.**

Which is simply this: 'to be **Aotearoa NZ's most engaging and essential media company.**' Let me share a little more context:

- **We are of this place.** We are grounded in Aotearoa New Zealand. Our primary focus is our local market and it's important for us to reflect the full diversity of this country, including the bedrock of te Ao Māori, back to all of our community. Our Sky Originals programme is part of this expression, and we are proud of the special local content that our team and creative partners produce, for and about the stories of New Zealanders.

- **We deeply engage our customers.** They are fans of the game and of the story, and we fuel their fandom. We are not like a news site or just a social media feed – our customers come to be deeply engaged; enthralled – choosing to give us their full attention.
- Our platforms and our **content are essential** to our customers and to our partners. We are the privileged access point in the lives of many New Zealanders, with more to come, and our partners value the insights we can share about our customer base.
- We are a media company. Not just a satellite TV broadcaster. We are inside and outside of the paywall. We are with our customers every day.

That's our ambition statement. We've been on this journey for some time and I'm confident we're heading in the right direction.

Being clear on how we're going to achieve our Ambition is also vital and this is where the strategic pathways come in.

We have five such strategic pathways in place to achieve this ambition:

1. Making Sky a great place to work;
2. Giving our customers content they love;
3. Meeting customers where they are, with a range of products;
4. Giving customers the experience they expect; and
5. Providing innovative solutions for our partners and clients on the advertising front.

In the interests of time I won't go into more detail here and simply noting that we have already made significant progress against all of them.

More specifically, for the current financial year, we have three key priority areas of focus:

1. **Lifting employee engagement**
2. Accelerating the roll out of the **new Sky experience**
3. And 3, building out **new revenue streams**.

Looking further ahead, at our Results announcement in August we shared with you **our new three-year targets** through to FY26.

These targets, as signed off by our Board, demonstrate the confidence we have in the future of Sky as we continue to execute on our strategy, and realise the return on the investment we are making into the future of the business to deliver free cash flow and dividend growth.

We have a clear line of sight on revenue across our portfolio of products, and expect to build on the trend we've established in recent times to **deliver growth of 3-4% per annum through to FY26**.

We're focused on **achieving EBITDA margins of 21 -23%**. This will come through that revenue expansion, and our ability to moderate costs allowing that to fall to the bottom line. Putting this into perspective, on the current revenue targets every percentage point of margin increase would deliver between \$8.2m and \$8.5m to the bottom line by FY26.

We are well positioned to **reduce programming costs as a percentage of revenue**, given our strategic investments to date. By FY26 we are targeting for this to be within 47% to 49% of revenue. We value what our customers value and have deep insights into what really matters to them. We know we don't need to own everything, and we also know where it makes sense to pay an exclusivity premium.

CAPEX is expected to return to between 7-9% of revenue after we have invested the amount required to accelerate the rollout of the new Sky experience. Once we're through the new Sky Box phase this will again drop to the bottom line as free cash.

We are also aiming to **increase our employee and customer Net Promoter Scores** – both important factors in delivering on our purpose and growing a successful and sustainable business.

The combined effect sees us **doubling the FY23 dividend** of 15 cents per share by FY26.

To finish, I am enormously proud of the achievements we have made against our strategy to date and the results this has delivered for our customers and you, our shareholders.

To the Sky crew, including my executive leadership team - thank you as always for your dedication to delivery that has enabled this positive progress.

To Philip and the Board, thank you for your commitment, your guidance, your good governance and your unwavering support for me and the Sky team.

I would also like to thank you, our owners, for your ongoing support. We are excited about the opportunities in front of us and look forward to delivering on these to unlock further shareholder value.

ENDS