

AGM SCRIPT – CEO’S REMARKS - FINAL 13 OCT

Good morning everyone. I am Martin Stewart, and it is my pleasure to address you today. I join Philip in thanking you for your support in 2020, and I also thank my leadership team and all of our Sky people for their hard work and dedication throughout the year.

And what a year it has been.

As Philip said, we started the 2020 Financial Year with a clear strategy, a renewed purpose and huge enthusiasm for the work ahead. We set about delivering on our ambitious plan to transform our business, by accelerating streaming, managing costs and creating a platform for growth.

In the first half of the financial year we made steady progress against our strategy, as well as achieving significant transformation within the business.

And then COVID-19 hit.

As we reflect on the year and report to you, our shareholders, on how we have performed, I hope you will agree that we have soundly navigated the COVID-19 challenges, and we have made a positive start to Financial Year 2021.

You will have seen the details when we released our Results and Annual Report on the 10th of September, so I will only focus on the key points.

- Revenue was \$747.6m, which is towards the upper end of the revised guidance range. We have slowed revenue loss in our satellite segment and we reported a pleasing 35% increase in streaming revenue.
- Our operating profit before impairment was \$44.9m. As Philip mentioned, the non-cash write-down in goodwill of \$177.5m resulted in a reported loss after tax of \$156.8m.
- We have a strong balance sheet, and we generated \$82.7m in free cash flow whilst also investing for the future.
- And we closed the year with 990,000 customers, which is more customer relationships than Sky has ever had at year end. We were very pleased to achieve significant growth of 153% in streaming customers, closing the year with 404,000. While those streaming numbers dropped to 315,000 by 31 August, due to the way we recognised former Lightbox customers following the Neon merger, it’s important to note that there was minimal revenue impact from that change due to the commercial arrangement we have in place with Spark for those customers.

We are well set up to deliver on our refreshed strategy in 2021, with strong opportunities for growth ahead.

Let me take you through our plan.

We have four key strategic pillars. In our 'core' business, we are focused on **growing our entertainment and sports streaming services** while continuing to **strengthen our significant satellite business**.

In our 'new growth' areas, we are launching **Sky Broadband** and **expanding our reach into the global rugby market** with RugbyPass.

In the last year:

- We successfully launched our new **Neon service** – with an attractive price point, superb content slate, and great user experience – and as a result we have seen our conversion from free trial to paid subscriptions increase by 27%. I said at the AGM last year that our goal was to extend our lead as New Zealand's premier streaming provider, and our refreshed Neon service has cemented our position as the leading local supplier of paid entertainment streaming services.
- Our sport streaming service **Sky Sport Now** is making great strides – with double digit growth each month since live sport returned after the lockdown ended in May.
- We are achieving better retention of our **satellite customers**, with churn down to 13%, which is low by world standards, and lower still in our direct customer relationship at 11%. Our Sky Go companion app is highly valued by our satellite customers, as it lets them view their Sky content on the go, and we plan to launch our enhanced Sky Go service in the second half of this financial year.
- During the financial year 2020 we renewed our contract with satellite provider Optus, which will deliver a better technical solution with lower pricing and greater contractual flexibility to ensure we can optimise capacity and cost into the future.
- **Sky Broadband** is being trialled in staff homes, and it's going very well. We're about to extend the trial to a group of customers, with full launch in 2021. Our entry into the broadband market will allow us to broaden customer relationships and add significant value to them.
- Our acquisition of RugbyPass in August 2019 expanded our **reach into the global rugby market** and opened up new avenues for future growth. While the current uncertainty surrounding the availability of international rugby has slowed progress in the streaming side of the business, we are progressing our plans in the audience side of the business and continue to see potential for future growth.

As Philip mentioned, we undertook a significant organisational transformation in the last financial year, and as a result we are a leaner, more responsive and more collaborative business. It's never easy restructuring an organisation, and we have farewelled more than 200 Sky team members this year. I would like to take the opportunity to thank each and every one of them for their contribution to Sky over many years, and to wish them well with future endeavours.

As we implement our growth strategy in the coming year, we will continue to keep a firm focus on costs, a theme that you will hear regularly from us. The faster-than-expected return of live sport following the COVID restrictions has been welcome news for everyone, and while it will have an impact on our operating expenses, we will continue to flex our cost profile in line with revenue.

As we outlined at our Results presentation in September, based on our current assumptions regarding the sporting calendar and whilst noting there is ongoing uncertainty, we have raised our outlook for the 2021 Financial Year. We now expect results of:

- Revenue of between \$660-700m
- EBITDA of between \$125-140m
- NPAT of between \$10-20m
- And Capex will fall within a range of \$45-55m.

We are confident of our ability to navigate the ongoing impact of COVID-19 and to deliver on our refreshed growth strategy.

And on that note, I'm pleased to invite Bernadine back for a chat about Sky's future.