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SKY AGM – CHIEF EXECUTIVE’S ADDRESS
for immediate release, 17th October 2019

Attached is the Chief Executive’s address and slide presentation for SKY’s AGM to be held at 10.30am today at The Generator, 12 Madden Street, Auckland.

ENDS

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Sky AGM 17 October 2019

Martin Stewart, Chief Executive

Prepared remarks

I am delighted to be here and to address you at my first Sky AGM.

I set myself some priorities when I joined Sky, and the first one was to build an outstanding leadership team. I think we have managed to achieve that, and I'm pleased to introduce you to the great team who will take Sky into the future.

Financial overview

You will have seen the Results from our announcements in August, so today I will simply provide a short recap.

The important context is that the world is changing, and so are we. We're transforming and building a new business.

And the Results demonstrate that we're heading in the right direction.

The adjusted results were better than the guidance we provided in February. Given the disrupted market that we are operating in, adjusted earnings of \$97.4 million was a solid result.

We have returned to growth by embracing streaming. It was pleasing to report a 16% growth in streaming and commercial revenues.

You will have seen that we made the decision to write off \$670 million of the goodwill asset on our balance sheet. This is a non-cash adjustment and those of you who have followed our business for a while will know that it came about as a result of the INL transaction some 14 years ago.

We made some other key decisions in the last six months, like the decision to stop the IVP Project in order to focus our attention on streaming. This resulted in a \$38m write-off, but we're confident that our refocused technology plans will allow us to achieve our wider ambitions.

Also, in accordance with normal audit practice we reviewed our considerable content portfolio and concluded that certain shows will not provide value in the future. We therefore decided to write off the \$6 million carrying value of those shows.

We are making changes to our organisation as part of our transformation to become more adaptable and responsive, and some of that has resulted in redundancy and consultancy costs of \$5 million.

We are continuing to observe good cost control as we rebalance to a streaming future. In the last financial year our capex was slightly below the 5-year average.

We also strengthened our balance sheet, reducing debt levels by a further \$43m during the year, with \$88m drawn down against our banking facility at June 30th.

Since then, we have acquired RugbyPass for US\$40m with US\$10m paid for from our banking facility, USD\$20m paid for by way of new share issue and the remaining US\$10m only to be paid after an earn-out period and achievement of agreed KPIs.

As Philip outlined, we are asking our shareholders to invest in our growth and as a result did not declare a final dividend to go with the fully imputed interim dividend of 7.5 cents per share.

As we look to transform your business, we do anticipate some higher operating costs as we invest to reinvigorate our brand, connect with customers and reshape our organisation to be fitter, faster and more responsive to the needs of our customers and partners.

Strategy overview

This leads me on to our strategic direction.

Our ambition is for Sky to be in the hands of every New Zealander.

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

A new approach was needed in order to achieve that growth, and there are four things that we relentlessly focus on:

1. Our Customers

First and most important is our customers. By being clear on our customer promise, and delivering on it every time to build trust and confidence in our brand. This is a never-ending task.

2. Our Content

Through trusted partnerships and our own original content, we deliver the best sport and entertainment content to New Zealanders.

In a world where more and more content is being produced, it is unrealistic to expect us to gain all of the rights, but we are using our deep understanding of what New Zealanders want to watch to deliver the content that matters most.

3. Our People

We are making changes where they are needed, and we're focused on the culture, capability and capacity of our people to thrive and succeed.

4. Our Products

Delivering great content to our customers on all available platforms and devices is the key to our future.

Underpinning that work are some important principles:

- We are investing in the right areas – we know we need to 'invest to grow', but we are also very focused on prudent expenditure and prioritising the right projects
- We are genuinely open to wholesaling and partnering
- We are ambitiously looking at adjacent markets and new revenue streams to keep prices as low as possible for customers and to make us less reliant on any single content or product.

Priorities for the next 12 months

We have some clear priorities for the next 12 months:

- **Keep delivering on our promise to customers:** We will deliver our content to our customers on whatever platforms and devices they want, when they want it. Around Sky we use the term 'love the base' a lot – we are relentlessly focused on improving our customers' experiences with Sky, at all levels. We've already done things like removing the HD fee, increasing the number of HD channels, and making it easier for customers to 'self-serve' if they prefer digital customer care. We're investing more in consumer insights and research to truly hear our customers' voice, and finding better ways to recognise and reward customer loyalty.
- **Extend our lead as New Zealand's premier streaming provider:** Our streaming services are a core focus. Sky Sport Now and NEON are in market now and the teams responsible for marketing and delivering them have very clear performance targets. We have also established a dedicated and highly-skilled team who are developing some exciting new initiatives in the digital space. I know there's a lot of talk about streaming at the moment, and there's no question it is the future. Sky is determined to retain our position as the premier New Zealand service for streaming

sport and entertainment content. We will be revealing more about our Sky Digital programme in the coming months.

- **Win the rights that matter:** It's been a big week in this regard, not only with the revolutionary SANZAAR rights deal but also our securing of top international cricket events through our deal with the ICC. I was also pleased to announce the Sevens, NZ Open golf and Cricket Australia deals in the last few weeks. There are more to come, and we will continue to be focused on securing the rights that matter to our customers and that make long term sense for our shareholders. I remind you that we approach all of these negotiations from a position of strength – we have the largest paying subscriber base in New Zealand, we're the only player that can reach every kiwi across streaming, DTH and free-to-air, we have world-leading production and broadcast capability, and a team that knows how to ensure high quality, high reliability delivery.

I realise that might sound a bit sport-centric, and it's not meant to. Securing the entertainment rights that matter to our customers is just as important to us. We will be making some changes to our family offer in the next couple of months, including a new Sky Movies Family channel and the introduction of award-winning children's channel CBeebies from the BBC. We offer our customers the best content from many of the world's leading studios, and we have great new deals to announce very soon.

- **Build on our commitment to local content:** Tex outlined some of the things we are already doing on Prime, and in the coming months you will see more from Sky and Prime in the originals and local space. Telling New Zealand stories and reflecting our culture is a key differentiator for a local business like Sky in the competition against the global players.
- **Continue evolving and simplifying our business:** we need to keep innovating and evolving, and to do that we need to be a simpler, faster, flatter, more collaborative and data-driven organisation.
- **Keep delivering on our Home of Sport commitment:** we are about the whole game, and that means supporting all levels of kiwi sport. That's why you've seen us increase our support for women's teams, including some like the White Sox and Tall Ferns who have struggled to attract funding, and why we're actively involved at community and grassroots sport levels as well as the high performance end. We have some superb local sport initiatives to share with you in the near future. Our sport partners know they can rely on us to nurture and showcase their sports at all levels.



That 'whole game' commitment to New Zealand Rugby was a key part of our successful bid. As I said at the announcement this week, our shared commitment to growing the game is part of the deeper new partnership that is focused on creating value for both New Zealand Rugby and for Sky.

Our pitch to New Zealand Rugby talked about us being 'Stronger Together', and that is true of the Sky team too. We are working at pace and making considerable changes, but we are doing it as a team who have come together to re-energise Sky for the future. We are committed to growth and to transforming Sky into a long-term sustainable multi-media, multi-platform entertainment business that balances the needs of our customers and the desires of our content partners, and delivers on behalf of our shareholders.

End.