



MEDIA RELEASE



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SKY Television increases underlying profits and controls costs

**Strategic commitment to satellite delivery as well as a strong suite of online products to
REACH ALL KIWIS**

Highlights:

- Underlying net profit of \$119.3 million (before Goodwill impairment), an increase of 2.6% on previous year
- Savings in operating costs of \$47 million
- EBITDA of \$286 million, down 2.2% on FY17
- Shareholder dividend of 7.5 cents per share
- 768,000 customers across satellite and OTT services
- Strategic commitment to satellite delivery as well as a strong suite of online products:
our content reaches all New Zealanders

SKY Television has today released its results for the financial year to 30 June 2018. Chief Executive John Fellet said that “The results for the year are pleasing. We have managed to increase underlying profits and control costs while implementing a transformational strategy that ensures we keep delivering our great content to New Zealanders in ways that they want.”

“SKY is building up a strong suite of online products to meet the needs of all New Zealanders, both now and in the future, while continuing to deliver to our core customer base, particularly those who don’t yet have access to fast internet.”

“It’s a careful balance, but strategically important. Our sport partners know they can rely on SKY to deliver their content to all of their New Zealand fans, in ways that work for each individual. They know SKY won’t leave any fan behind.”

Financial results

SKY has continued to deliver a solid underlying profit while implementing the strategy. In the financial year to 30 June 2018, SKY’s underlying net profit after tax is \$119.3 million, an increase of 2.6% on the previous year.

The SKY Board has agreed to reduce the carrying value of SKY's Goodwill asset from \$1.43 billion to \$1.07 billion. *Please refer to the attached explanation of Goodwill.* When the impairment charge is included in the 2018 results, there is a net loss of \$240.7 million for the year. This is a non-cash charge that has no impact on SKY's 2018 cash flows or bank covenants.

"The SKY management team has worked hard to take costs out of the business, and we are pleased to report costs are down \$47 million for the year."

SKY also retired \$69 million of bank debt in the year, and paid \$49 million in tax.

At 30 June SKY had 768,000 customers across satellite and online services. "In December we reported the loss of 46,006 customers for the first six months of the financial year, and it was pleasing to see that churn improved with a loss of only 11,049 in the second half. While it is too early to assess the full impact, the pricing and packaging changes in March 2018 have contributed to this improvement in churn."

"While we always report on churn, it is important to highlight that 768,000 customers choose to pay for SKY's services. By global standards, 40% market penetration for a Pay TV service is significant. Over the next few years we anticipate that more customers will transition from our satellite service to our online products, and our goal is to continue to serve them in ways that best meet their needs and budgets."

Strategic approach to delivering our great content

Mr Fellet said "Our industry is evolving into a world where internet delivery of content will eventually dominate, and we are well placed to transition with it. SKY's investment in Cisco's Infinite Video Platform (IVP) will allow us to offer a viewing experience that is dramatically different to today, and we are on track to deliver new products in the first half of 2019."

"But we know that many New Zealanders – around 240,000 households – don't currently have access to streaming-capable internet. Our significant investment in the satellite for over 20 years has ensured we have a robust and reliable platform, and we will continue to use it to serve all New Zealanders until the evolution to online delivery is complete. Delivering live sport to our nation of rugby, netball, cricket, league, golf, tennis, football and motorsport fans is a responsibility we do not take lightly. Recent experience around the world suggests it will be some time before internet delivery of live sport meets the expectations of all sport fans, and the satellite will keep doing the heavy lifting in the meantime".

Great content

"Our core purpose is delivering great content to New Zealanders. Our strategy is to have exclusive deals with all the best studios and the sports that we know New Zealanders love to watch. Our sport portfolio alone involves over 791 contracts. SKY has the depth and breadth of content to ensure our customers always have something great to watch."

-ENDS

Background – Goodwill asset

The SKY Board has agreed to reduce the carrying value of SKY's goodwill asset from \$1.43 billion to \$1.07 billion. The goodwill asset arose on the merger of Independent Newspapers Ltd (INL) and SKY in 2005, and reflected the difference between the fair value of SKY's assets at the time and the price that INL shareholders agreed to exchange their shares in INL for SKY shares.

The SKY Board is required to assess the fair value of intangible assets at each reporting period, and indicated in the Interim Results in March that it would reassess the carrying value of goodwill once there was more information about the impact of the new pricing regime and product offerings on churn, subscriber numbers and ARPU. The Board has decided to impair the asset by reducing the book value by \$360 million.

The impairment charge reduces the net book value of SKY equity at 30 June 2018 to \$1.03 billion (\$2.64/share) compared to \$1.33 billion (\$3.41/share) at 30 June 2017. SKY shares closed at \$2.60/share on 29 June 2018.

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