

# SKY 2015 AGM

**SPEAKING NOTES**  
October 2015

## 1. CHAIRMANS ADDRESS

Before we review operating results, I want to acknowledge two long serving directors retiring at this AGM.

Firstly, Robert Bryden who has been on the SKY board for 25 years.

Previously the managing director of Todd Capital, Robert represented one of the original investors in SKY and he has been a valuable contributor to the company over many years. Robert has participated in all of the very significant decisions that have shaped the SKY TV you see today

- The roll out of SKY's 3 channel UHF network in 1990 and move to a multi-channel satellite platform in 1997,
- the winning of the rights to broadcast the All Blacks and establishment of a Super Rugby competition in 1995 and the acquisition of a number of other key content contracts over the years,
- the merger of INL and SKY in 2005,
- launch of MYSKY and a new digital HD TV station in 2006,
- and the more recent move into the internet distribution of content with products like SKY GO, Neon and Fan Pass

Robert has made an outstanding contribution to your company over many years.

The other long standing director retiring today is Humphry Rolleston. Humphry became a Director of SKY in 2005 but has

had a much longer association with the company having been an independent director of Independent Newspapers Limited (INL) since 1999 until their merger with SKY in 2005. INL were a major shareholder of SKY from 1997 to 2005, owning 67% of SKY shares prior to the merger. Humphry is a very astute business man and have all benefited greatly from his practical and principled approach to business.

The board is very grateful for both Humphry and Robert's experience and service over many years and wishes them well for the future.

Susan Paterson recently joined the Board bringing, a wealth of experience in corporate governance across many sectors.

The Board is also in the process of appointing at least one more director. Following that appointment the Board will review the Board's skill matrix and consider whether an additional appointment is appropriate. It is with this in mind and the importance of being able to attract and retain quality, experienced directors that we have sought an increase in the size of the Director fee pool at this AGM.

I am pleased to report that SKY had another successful year in 2015.

This is despite a very challenging market with rapidly changing technologies and new competitors.

For the year ended June 30 2015 we reported record revenue of \$928 million.

Net Profit after tax increased to a record \$171.8m and we announced a final dividend of 15 cents per share, and a total dividend of 30 cents per share for the year, up from a total of 29 cents the previous year.

These strong financial results are despite an overall reduction in subscribers. At 30 June we had 48% penetration of New Zealand homes and 851,561 subscribers.

John Fellet, via video recording this year, will soon present a summary of SKY's operating performance.

This company has been built from the opportunities that arise from changing technologies and customer preferences, and these changes are continuing with the improved speed and reliability of the internet. I'd now like to briefly talk about what the company has been doing to stay relevant and thrive in this environment.

Our focus places the customer at the front of key decisions. What do they want and expect, how can we deliver value and convenience?

I'm pleased to let you know that despite delays we are now well into an extended trial of the new On Demand service.

In a nutshell, for MY SKY customers, this means a new software download to all boxes. The download takes place over the satellite, the customer is not required to do anything.

Once received, customers are presented with a brand new interface to SKY. The programme guide is updated, it will appear in high definition, with new features to enhance the viewing experience. You will have an opportunity at the conclusion of the meeting to experience this first hand.

Features include improved presentation of recorded content, stacking shows from a series under one title. Search capability that we plan to enhance further over time.

The key feature is On Demand. Once connected to the internet a vast collection of catch up and box set shows for the channels subscribed to is available to watch. Along with recent pay per view movies to download at the touch of a few buttons.

For customers with our older non MY SKY boxes there is welcome news with every box being swapped, free of charge for a new version. This new decoder will be internet connectable with new software, offering On Demand content and giving the customer the choice to turn on MY SKY recording functionality at the push of a button.

This development will deliver more value to our customers, helping them discover and enjoy content and ultimately derive more value from their monthly subscription.

Several thousand customers are currently trialling the new service and everything is going well. The internet connection rates have exceeded our expectation and a full roll out to all MY SKY customers is on track to be completed by Christmas.. The swap

out of non MY SKY boxes will take around 18 months and will commence next week.

Last year we launched SKY GO which lets SKY customers view content on other screens such as phones, tablets and PC's. There have now been over 335,000 downloads of the apple and android apps. It is also available at [skygo.co.nz](http://skygo.co.nz) with catch up content.

FAN PASS is a service targeted at non SKY customers launched early this year, offering standalone season or part season passes to Super Rugby, the NRL and Formula One.

Recently we began offering day or week passes to our SKY Sport 1, 2, 3 and 4 channels through FAN PASS. At \$14.99 a day or \$19.99 a week we believe this service will have appeal to a new market of New Zealanders.

Early results are positive, since launch 8 weeks ago, the app has been downloaded more than 13,000 times and more than 17,000 FAN PASSES have been purchased.

NEON a monthly subscription video on demand service launched early this year also.

We believe NEON has the strongest content line up in New Zealand with recent release movies and quality drama from world class production houses like HBO that is often fast tracked.

NEON is being marketed directly by SKY and through two telecommunication partners – Vodafone and 2 Degrees. We are very pleased with the rate of growth we are seeing.

SKY has recently begun marketing a telecommunications bundle with Vodafone. SKY customers who take one of the qualifying internet subscriptions receive \$10 off their SKY monthly account.

This is a new offering that we plan to promote extensively with our newly internet connected SKY boxes.

Unfortunately, in the short term the cost of these new services is greater than the revenue opportunity and I will talk about that later.

SKY is proud to give back to NZ communities.

We created SKY NEXT. A programme helping 18 up and coming young athletes.

We sponsor nationwide Special Children's Christmas Parties.

And we continue to support the Christchurch Earthquake appeal trust. This year we provided funds to the Denton Oval cycling track and facilities damaged in earthquakes.

SKY also supports the Starship foundation. This year we became a 5 Star Supporter and a key sponsor of the national Air Ambulance service. This is a vital service we are proud to get behind.

## **PLAY VIDEO**

Your board and the management team lead by John Fellet are committed to continuing to grow shareholder value and.

on behalf of all members of the SKY board. thank you for your continued support.

To the SKY team of more than 1200, chief executive John Fellet, the senior management team, all SKY staff and contractors, thank you for your continued hard work in delivering another strong result this year.

We will now see a Video presentation from SKY's CEO, John Fellet.

## **2. CHIEF EXECUTIVES ADDRESS**

**JOHN FELLET VIDEO WITH POWERPOINT SLIDES**

**Peter to return to lectern.**

One matter not addressed in John's video was the company's Guidance for 2016. Giving Guidance is particularly difficult this year as we are still in the middle of one of the more popular Sporting events we carry on our Sports service, and with the All Blacks playing so well, there is a lot of interest. In the past we have seen some customers disconnecting from SKY following the Rugby World Cup, usually to return in March as the winter sports seasons commences.

As I mentioned earlier, the delivery of new services including Neon, FanPass and SKY ON-Demand has increased costs ahead of attracting a critical mass of subscribers. Further the 2016 year will also see an increase in programming costs for the Rugby World Cup, the new SANZAR Rugby agreement, the new Disney and Discovery channels and a general escalation of content costs with the entry of new competitors.

#### **PUT UP GUIDANCE SLIDE**

So, based on what we know today, the Board's Guidance for 2016 is on this slide.

### **3. BUSINESS OF THE MEETING**

**Peter Macourt**

Now to the business of the meeting

#### Receipt of Accounts

I would like to formally record the receipt of the annual financial statements, together with reports of the directors and auditors for the year ended 30 June 2015 by the meeting.

#### General Discussion

We have some time now for general discussion before we consider the resolutions to be put at today's meeting.

So, I now invite you to ask any questions regarding the 2015 financial statements, the directors' report or any general discussion from the floor in accordance with our speaking procedures.

Please raise your hand if you have a question and we will bring a microphone to you.

<Question and answer session>

#### **4. RESOLUTIONS**

We will now put resolutions to the meeting.

##### Appointment of Auditors

The first resolution to be considered by this meeting is:

To record the reappointment of PriceWaterhouseCoopers as auditors of the Company and to authorise the directors to fix the auditors' remuneration.

Can someone please move the resolution?

<moved>

Can someone please second the resolution?

*<seconded>*

I now invite discussion on the resolution.

*<discussion>*

I now ask shareholders to vote on this resolution by marking your voting papers.

*<pause>*

Thank you. We will move to the next resolution.

### Election of Directors

The second resolution to be considered by this meeting is:

to re-elect Susan Paterson as a director.

Ms Paterson, who was appointed by the board prior to the annual meeting, retires in accordance with NZX listing rule 3.3.6 and ASX listing rule 14.4 and, being eligible, offers herself for re-election. Details of Susan's experience and qualifications are detailed in the Notice of Meeting

Can someone please move the resolution?

*<moved>*

Can someone please second the resolution?

*<seconded>*

I now invite discussion on the resolution.

*<discussion>*

I now ask shareholders to vote on this resolution by marking your voting papers.

*<pause>*

Thank you. We will move to the next resolution.

### Special Business

The third resolution to be considered by this meeting is to approve an increase in the total maximum amount payable by way of directors' fees from \$750,000 per annum to \$950,000 per annum (being an increase of \$200,000 per annum), such sum to be divided amongst the directors in such a manner as they see fit .

As I mentioned earlier, the Board believe it is necessary to increase the cap to ensure we can attract the appropriate calibre of Director to replace the highly experienced retiring Directors and provide the capacity to appoint an additional Director if required.

As you will be aware, the Directors and their associated persons cannot vote on this resolution, although they will vote any directed proxy votes as directed in their voting instructions.

Can someone please move the resolution?

*<moved>*

Can someone please second the resolution?

*<seconded>*

I now invite discussion on the resolution.

*<discussion>*

I now ask shareholders to vote on this resolution by marking your voting papers.

*<pause>*

Ladies and gentlemen, representatives from Computershare are moving around the room and will collect your voting papers for counting. Please make sure you have completed and signed your voting paper and hand your paper to one of these representatives. SKY will notify the Stock Exchange of the outcome of the resolutions as soon as results are available.

## **5. CONCLUSION OF THE MEETING**

Ladies and gentlemen, all resolutions to be considered by this meeting have been put and voted on.

As there is no other business before this meeting, I declare the meeting closed. Thank you for attending SKY's 2015 Annual General Meeting today.

Light, game day refreshments will be available in the foyer following a final video sharing a little of SKY behind the scenes. I hope you can stay to meet my fellow Board Directors and SKY's senior management team and take a look at our new look SKY in the foyer.

Good afternoon.



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**SKY**

# **SKY TELEVISION**

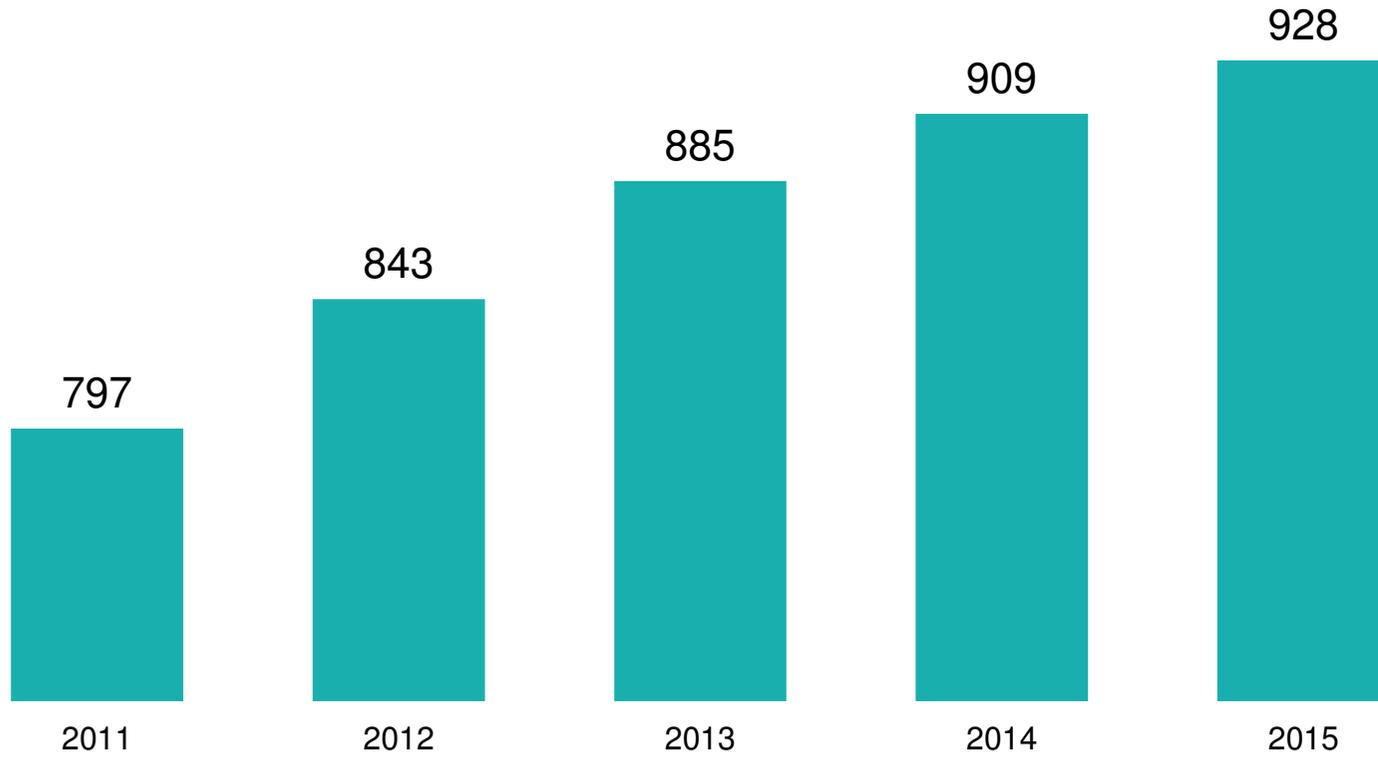
**ANNUAL GENERAL MEETING**

**2015**

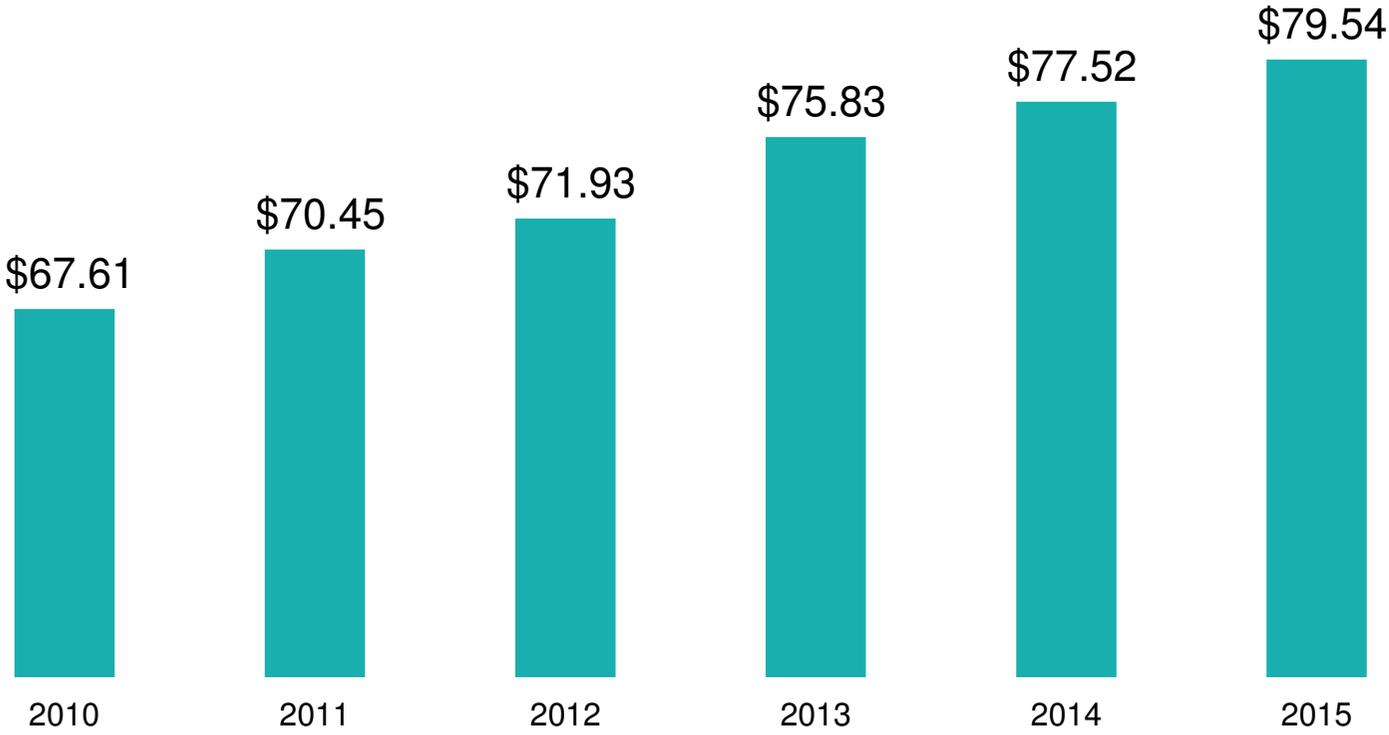
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# REVENUE

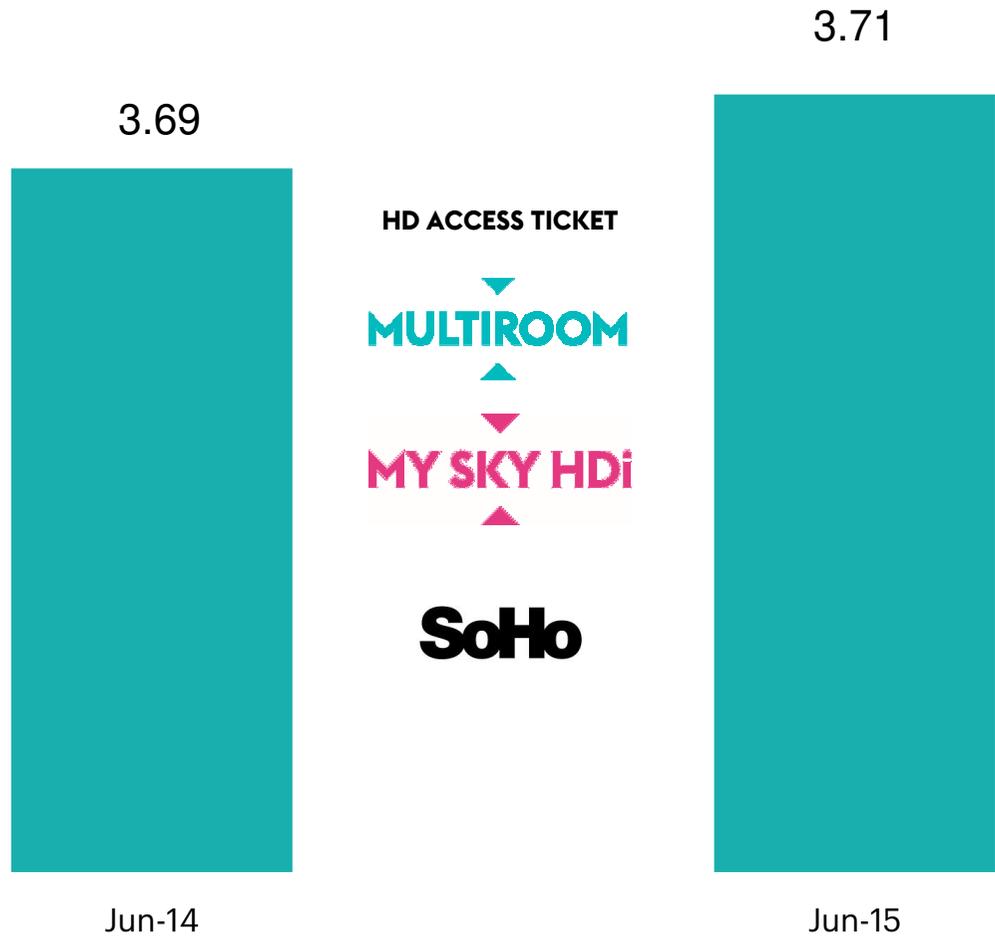
Millions



# TOTAL ARPU

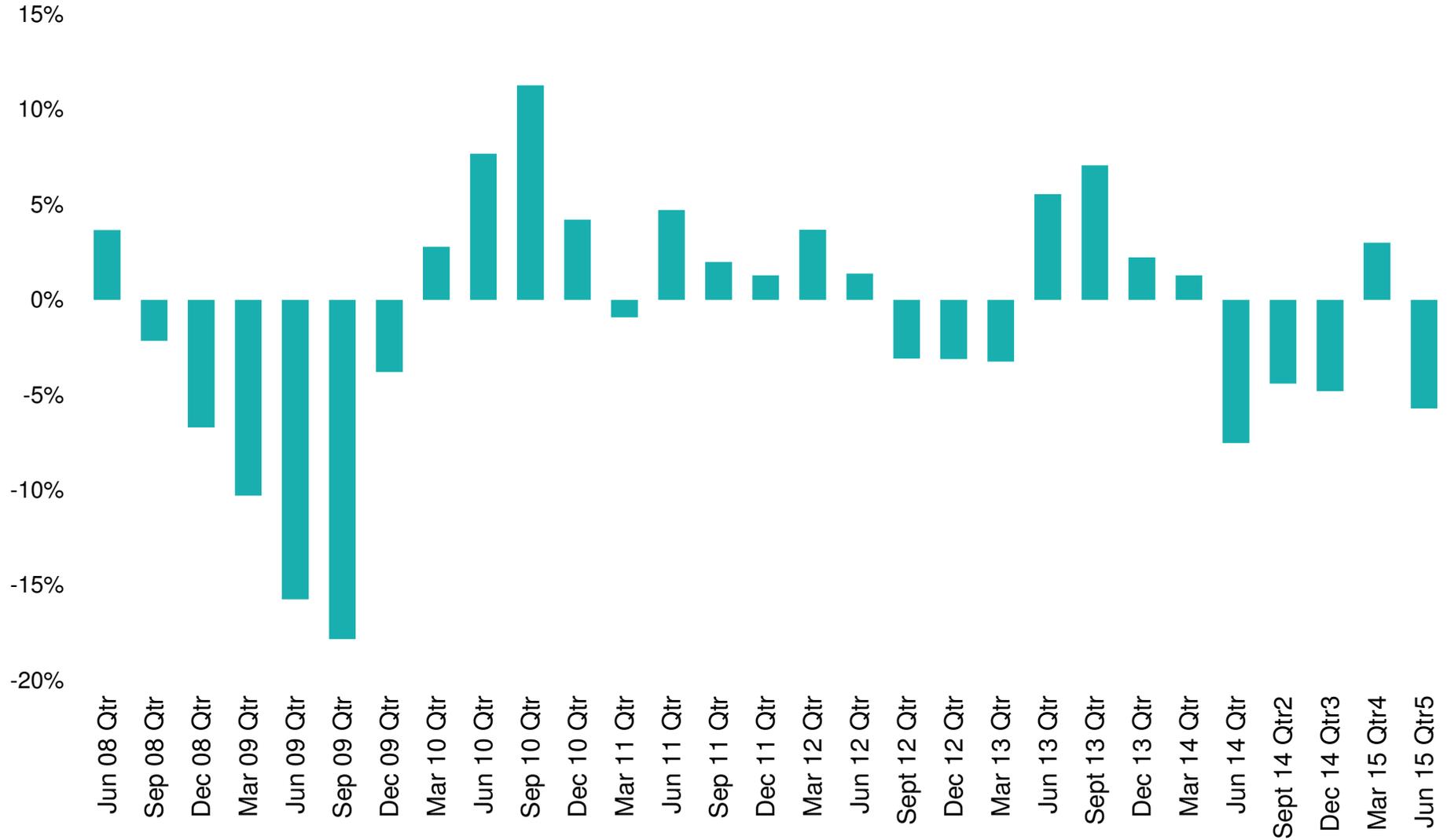


# SKY PREMIUM PRODUCTS RATIO



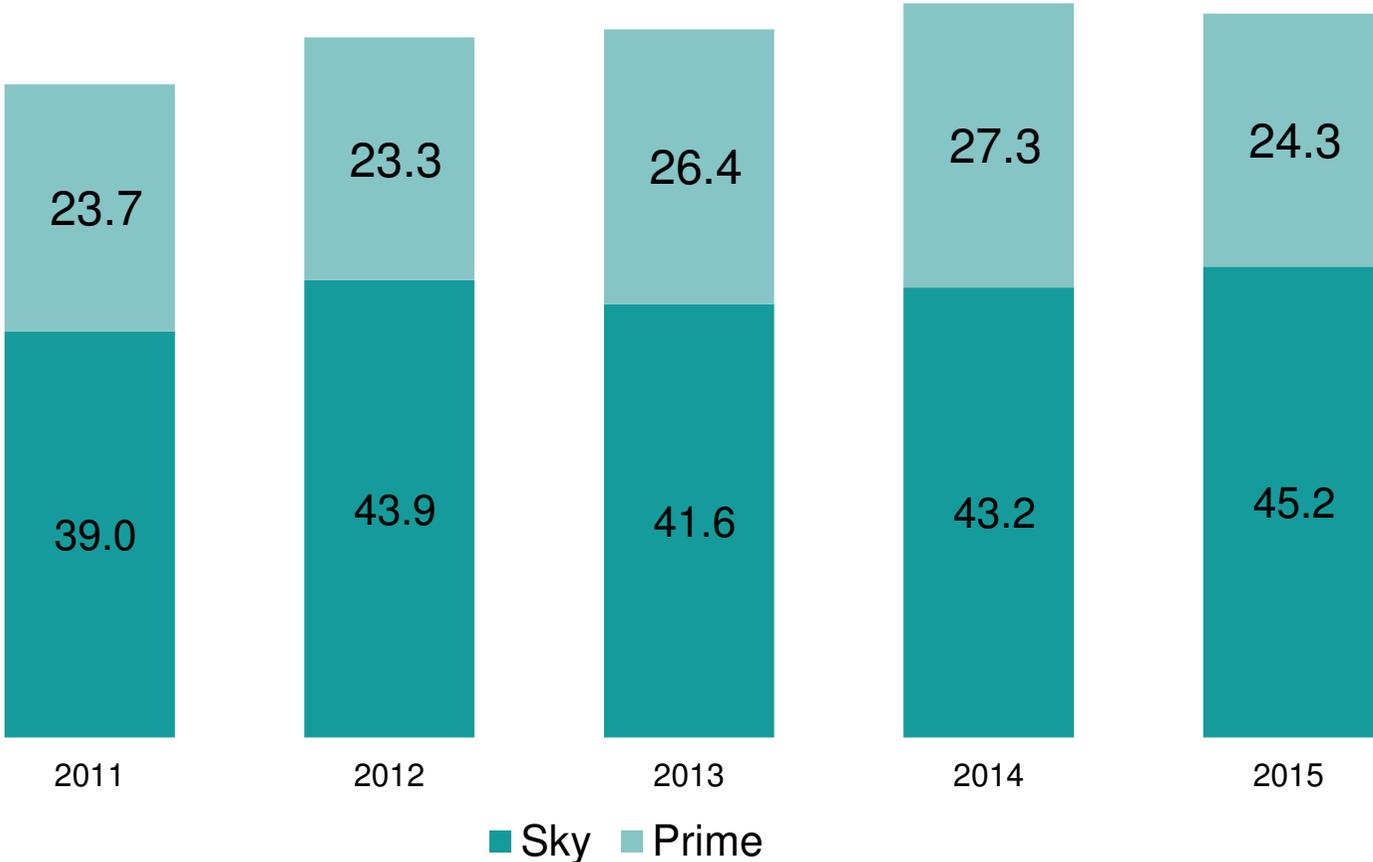
# TOTAL TELEVISION ADVERTISING REVENUE

(YOY QUARTERLY CHANGE)



# ADVERTISING REVENUE

Millions

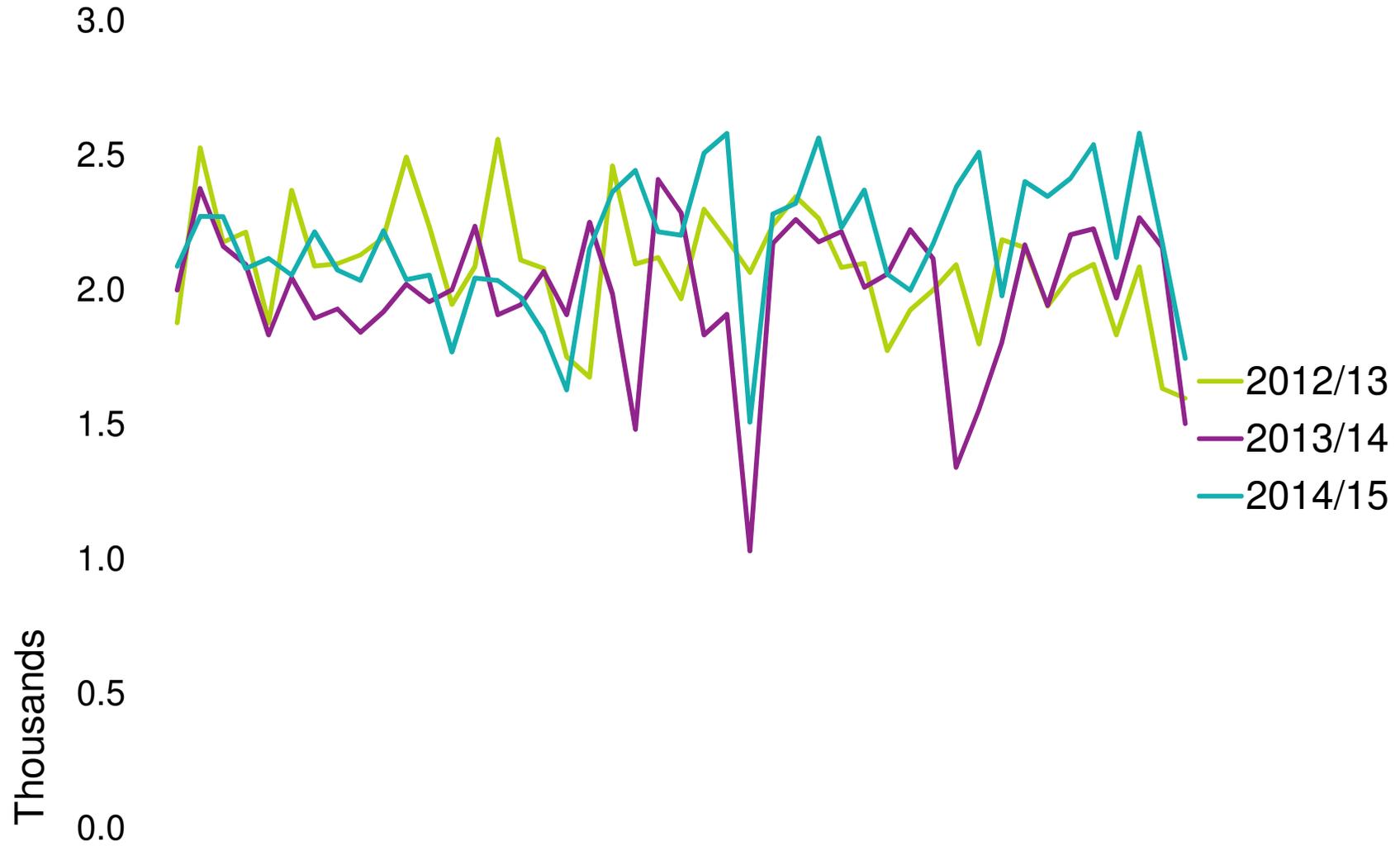


# THE YEAR END POSITION

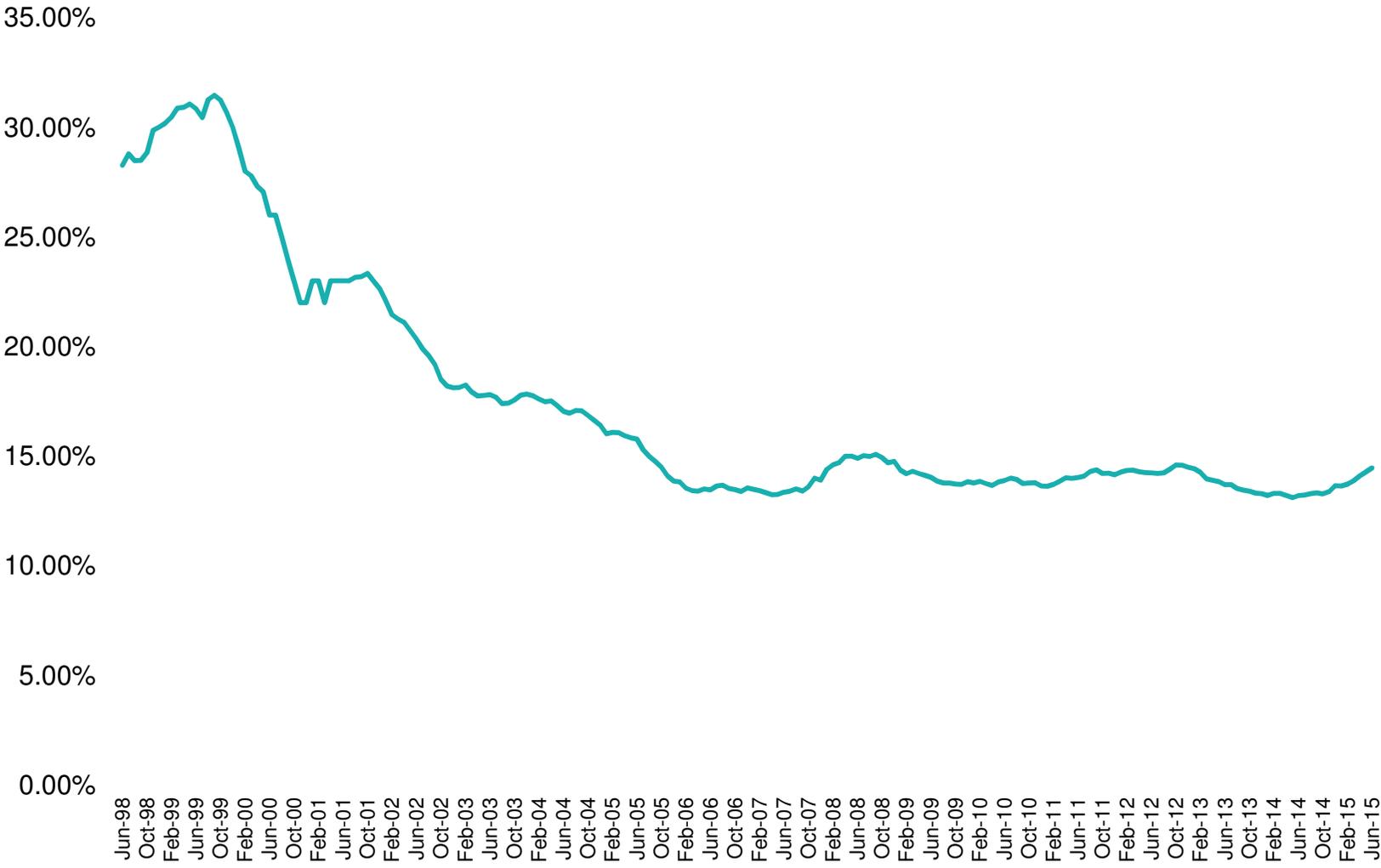
	June 2014	June 2015	% Change
Residential Digital	287.1	221.6	(22.8%)
Residential MYSKY	504.7	549.9	9.0%
Commercial & Other	73.3	80.1	9.3%
<b>TOTAL SUBSCRIBERS</b>	<b>865.1</b>	<b>851.6</b>	<b>(1.6%)</b>

# TOTAL DISCONNECTS

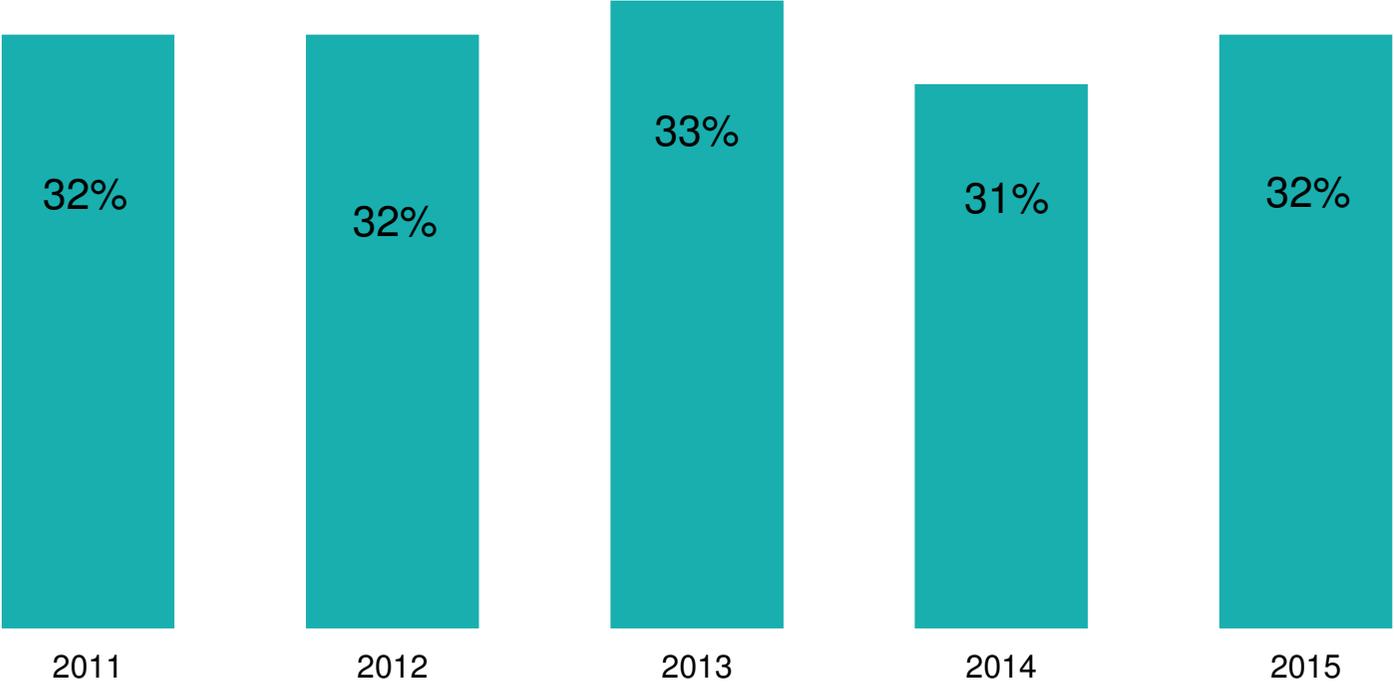
(WEEKLY FOR THE YEAR ENDING JUNE 15)



# MOVING ANNUAL CHURN

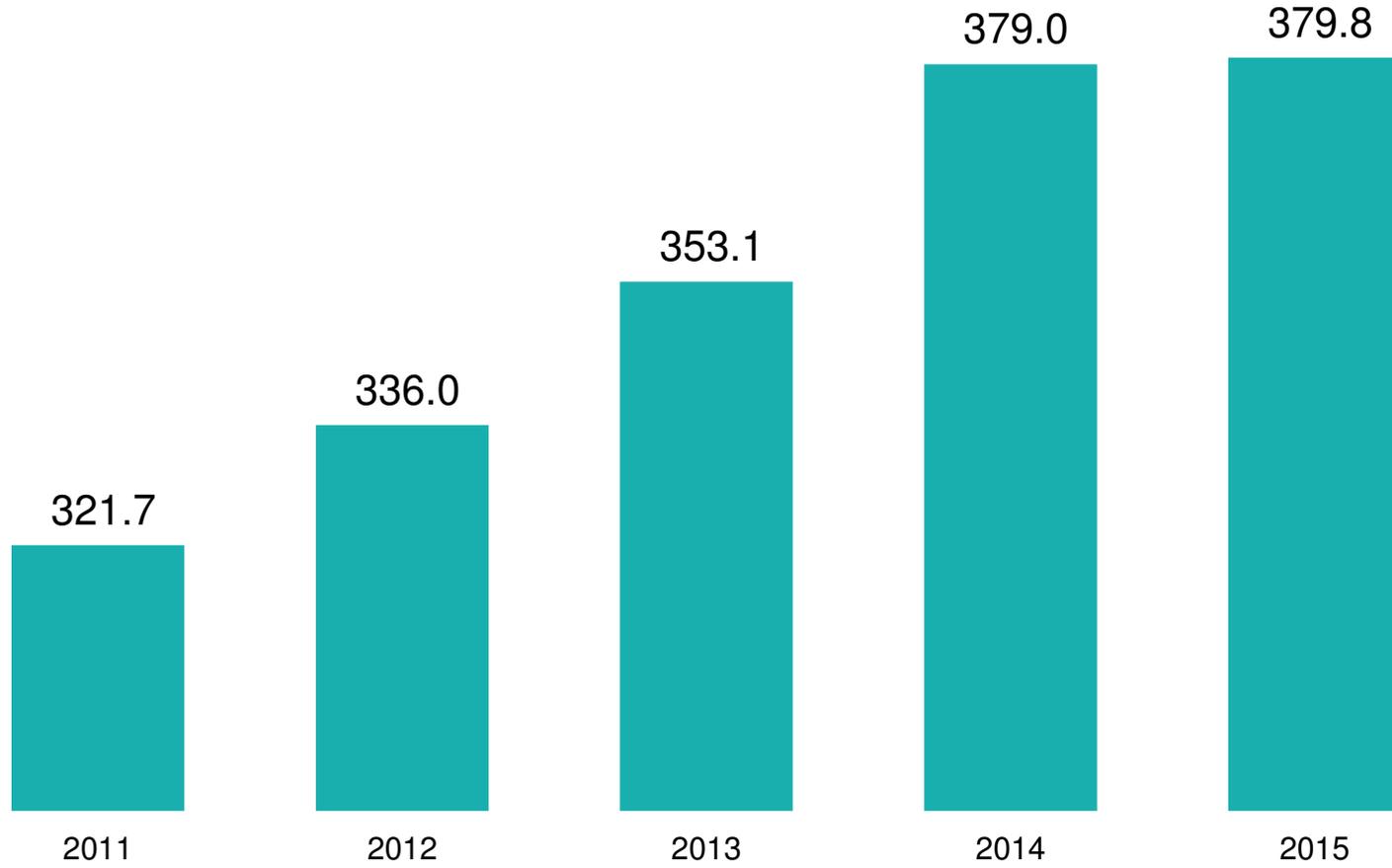


# PROGRAMING COSTS % REVENUE



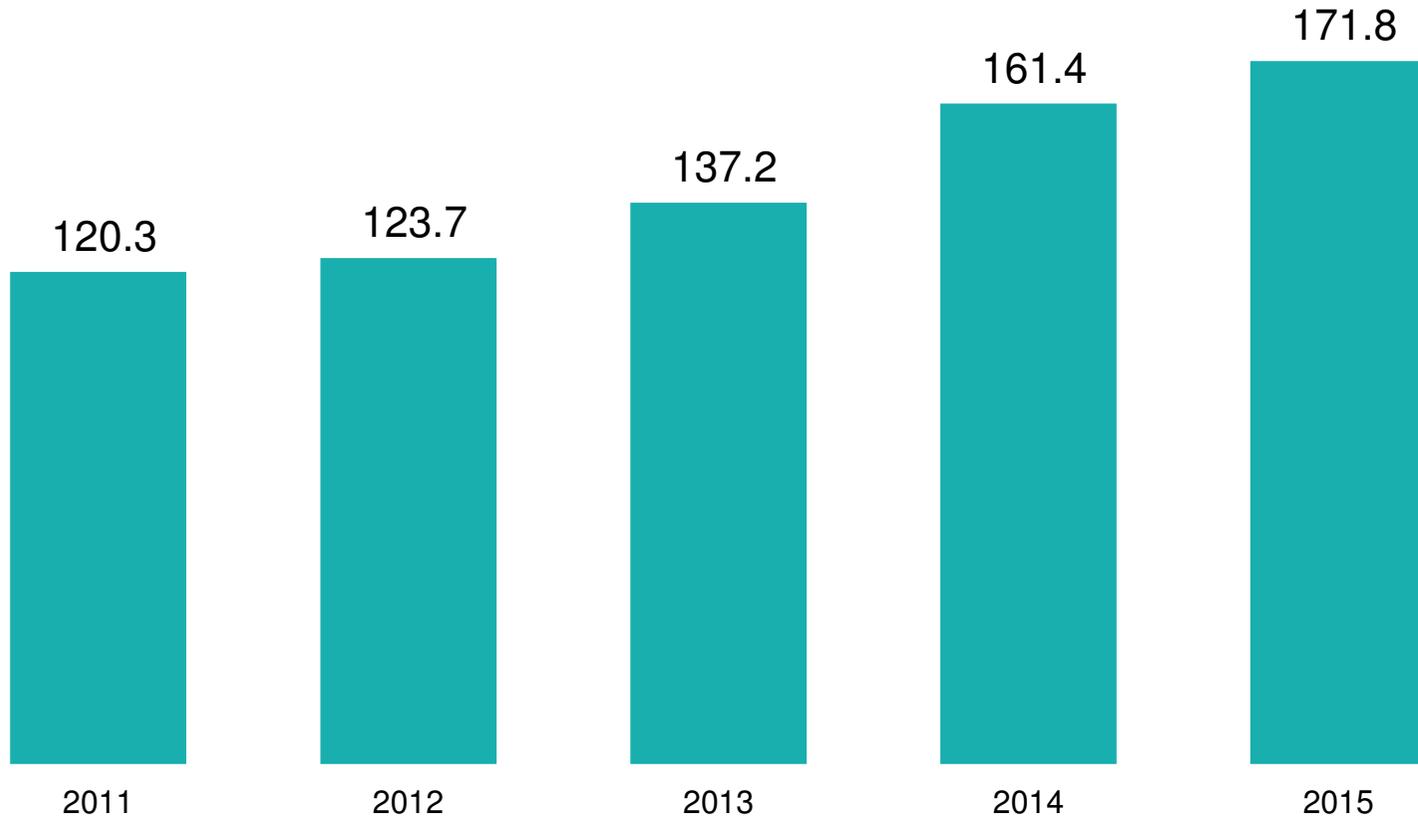
# EBITDA

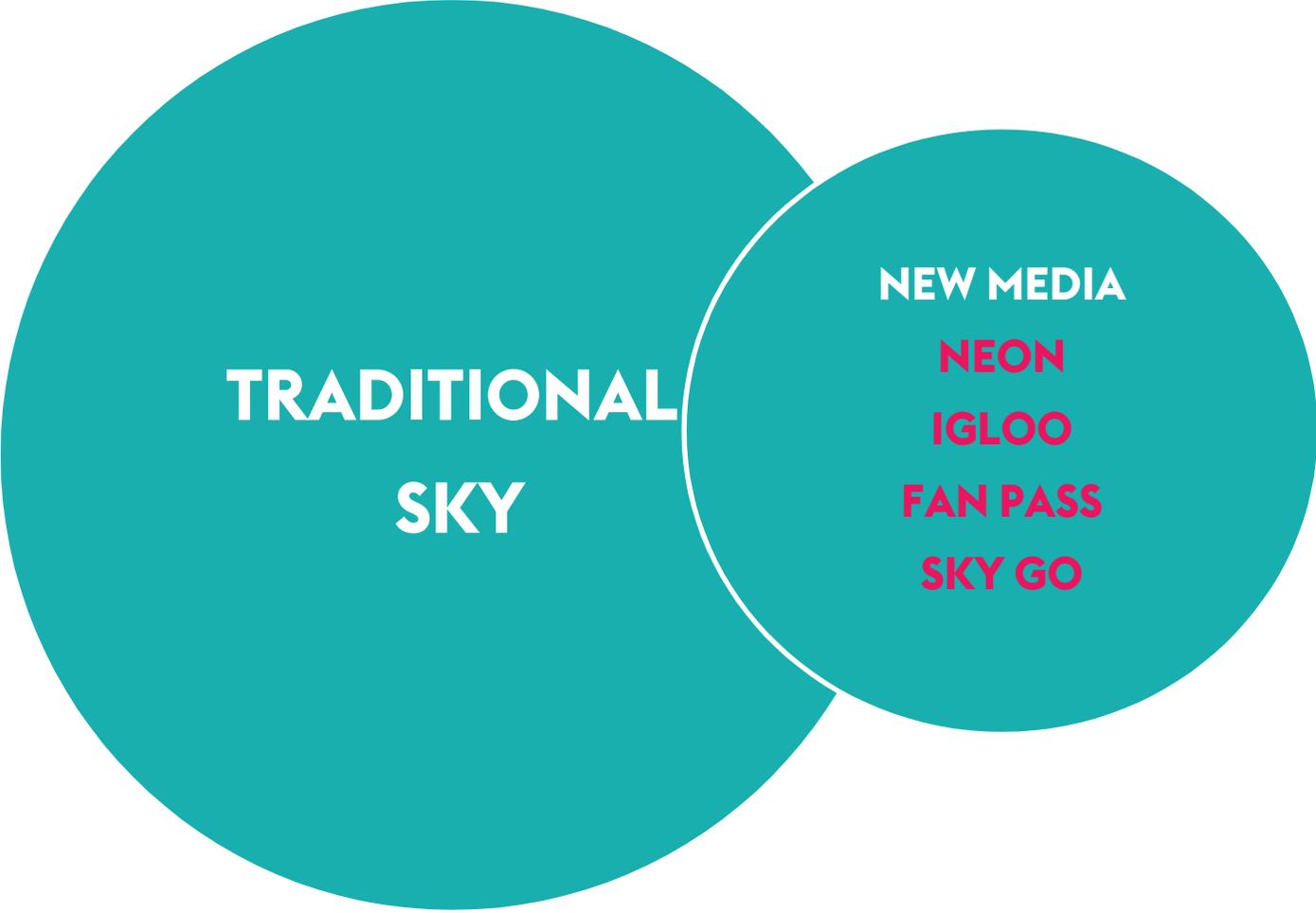
Millions



# NET PROFIT

Millions

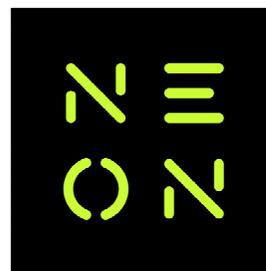




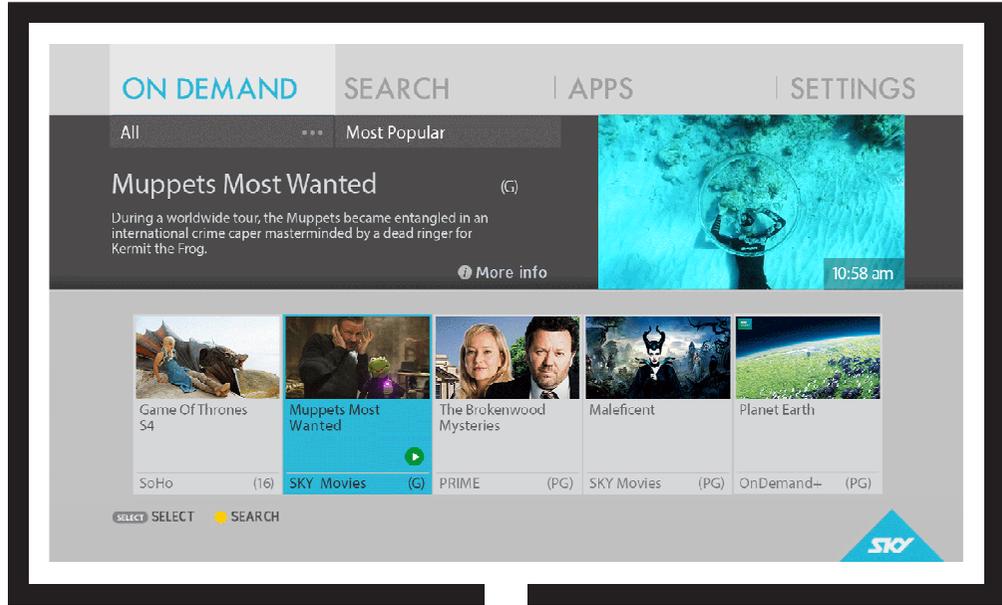


Game of Thrones. ©2015 Home Box Office, Inc. All rights reserved. HBO® and all related programs are the property of Home Box Office, Inc.

**SoHo**



**SKY**





MOVIES

TV SHOWS

MY WATCHLIST

MY ACCOUNT

SEARCH 



**IN YOUR WATCHLIST**

Rogue:  
Season 1

 **PLAY**  
EPISODE 1

 **MY WATCHLIST**

< 1 / 4 >

LATEST MOVIES >



**SKY**



**COME WITH US**





**FAN PASS**  
Powered by SKY SPORT



HOME

SKY SPORT 1-4

SEASON PASS

ABOUT

SUBSCRIBE | MY ACCOUNT | SIGN OUT

# 2015 NETBALL WORLD CUP

7 - 16 AUG



SKY SPORT 1-4  
**DAY PASS**  
\$14.99  
sky sport

SKY SPORT 1-4  
**WEEK PASS**  
\$19.99  
sky sport

**COME WITH US**





**COME WITH US**





Rio 2016 <sup>TM</sup>



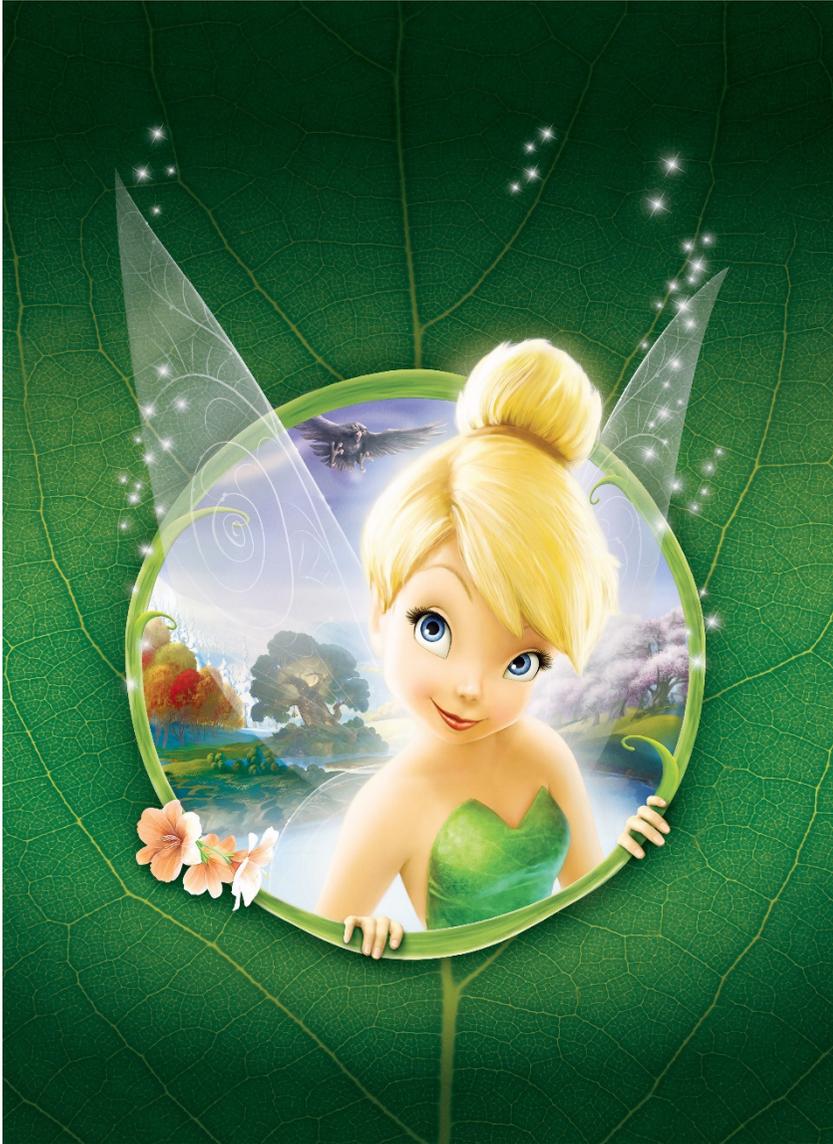


# RUGBY WORLD CUP 2015

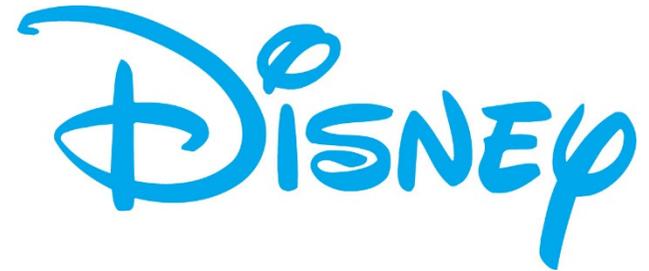




**SKY**



Tinkerbell ©Disney. Available on SKY Movies Disney from July 2015.

The classic Disney logo in blue, featuring the word "Disney" in its signature script font. A vertical blue line is positioned to the left of the logo.

**COME WITH US**





**VIACOM**  
INTERNATIONAL  
MEDIA NETWORKS

**nick.**

**nickjr.**<sup>TM</sup>



**COME WITH US**





American Chopper: Senior vs Junior.



Oprah: Where are They Now.

**COME WITH US**



# GUIDANCE

Analysts' FY16 forecasts for SKY and guidance is:

	Actual FY15	SKY FY16 Guidance
\$m		
Revenue	928	928-938
EBITDA	380	335-345
EBIT	264	235-245
NPAT	172	153-158
CAPEX	115	125-130

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**SKY**

# **SKY TELEVISION**

**ANNUAL GENERAL MEETING**

**2015**

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