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Strong first half performance as expanded Sky builds momentum

Sky Network Television Limited (Sky) today reports a strong financial performance for the six months ended 31 December 2025, in its first reporting period since the acquisition of Discovery NZ (now Sky Free).

The combined Group (which includes Three and ThreeNow) strengthened its unrivalled position in sport, significantly refreshed its entertainment strategy, and continued to execute the integration of Sky Free at pace. Despite subdued economic conditions and softness in consumer and corporate spend, it improved underlying earnings by 29%.

Reflecting confidence, the Board has declared an interim dividend of 15.0 cps, fully imputed, an increase of 76.5% on HY25. This represents a ~50% payout of the dividend guidance for the full year of at least 30 cents per share.

HY26 Financial Highlights

- **Underlying Revenue:** $415.4m, up 8%, driven by the acquisition of Sky Free
- **Underlying EBITDA:** $78.2m, up 29%, through lower programming costs and disciplined cost management
- **Underlying NPAT:** $19.3m, up 77%
- **Statutory NPAT:** $52.4m, including gain on bargain purchase of Sky Free and Optus compensation
- **Free Cash Flow:** $87.1m (vs $7.5m in HY25), contributing to closing cash balance of $100m
- **Interim Dividend: 15.0 cps**, fully imputed, up 76.5%

A reconciliation of underlying to statutory results is included in the 2026 Interim Report.

CEO Commentary

Sky Chief Executive Sophie Moloney said Sky's half year performance reflects the disciplined execution of Sky's multi-year strategy and the financial and strategic benefits of the Sky Free acquisition.

"The first half of FY26 marks an important step forward for Sky. The combined business is already demonstrating the increased reach and revenue diversification we sought, while also maintaining strong cost control."

"Although the economic environment remains challenging, Sky is well positioned for earnings growth from FY27."

"The Discovery NZ acquisition was a well-structured deal for Sky. It's not often you get to acquire an asset for $1 and significantly strengthen the balance sheet at the same time - as is also evidenced by the gain on bargain purchase of $34.4m we report today, reflecting the fair value of the assets acquired."

"Integration is advancing as planned, with strong progress on early synergy capture, delivering $3.2m in the first half, of the previously indicated $3 to $5 million for FY26."

"While an integration of this scale is complex, our technology team is 'match fit' from the significant satellite migration last year and making good progress towards our August 2026 timeline. From a crew perspective, bringing teams together across Sky and Sky Free is an important milestone for our combined business, but also one that we're approaching with care and respect for our people."

"As showcased this week at Sky's first unified Content Upfront for advertisers and the local content community, we now have a single advertising sales proposition in market, providing a unique offering for agencies and brands."

While linear advertising revenue was softer than expected, the acquisition means:

- **Revenue market share** boosted to 35% of the linear TV segment.
- **Total advertising revenue** more than doubled and includes 20% from the fast-growing digital segment.
- 62% increase in **Sky's digital audience**, now reaching 1.2m viewers weekly with Sky's linear audience now reaching 2.6m viewers each month[1].
- Significant uplift in digital audience diversity with growth in 18-24 year and female audiences of 71% and 87% respectively. Linear audiences in these categories grew by 154% and 37% respectively.

Deepening content engagement: controlling our content destiny

Sky continues to improve content economics and customer value through data-driven content deal-making.

"We have a deep understanding of what audiences value and we've moved to secure it in a way that makes sense for shareholders."

Key milestones for the half year included:

- **Reset of NZ Rugby agreement**, improving economics and securing an expanded content slate for the next five years.
- **Renewal of Formula 1** rights.
- Extension of **exclusive Olympic Games rights** through to Brisbane 2032.
- **Entertainment strategy refresh**, including an expanded long-term partnership with Paramount, the disciplined decision not to renew HBO Max content on a co-exclusive basis beyond June 2026, and increased financial flexibility to enable better control of Sky's entertainment content destiny.

[1] Source: Digital Nielsen CMI, Q4 2024 – Q3 2025. Linear Free to Air - Nielsen TAM, AP5+ Average monthly reach for July to Dec 2025.

- Continued shift towards **locally curated channels** and **stronger local commissioning.**
- Content costs returned within Sky's **47–49% of revenue** target range.

Operational Commentary
Revenue growth of 8% against the prior year included the initial five-month contribution from Sky Free that doubled Advertising revenue, and continued growth in Streaming and Broadband. Excluding Sky Free, revenue was down 1.3%.

While Sky Box revenue was softer against the prior year, improved customer churn and higher average revenue per user (ARPU) slowed the decline to 6%.

Sky Sport Now's growth continued, with revenue up 8% supported by 17% customer growth. Neon revenue increased by 5%, however customer numbers fell by 18% to the lowest level since December 2020.

A 27% growth in Sky Broadband customer numbers supported a pleasing 37% increase in revenue, and Sky Venues (formerly Commercial) delivered stable revenue, despite sector challenges.

Capital management
Free cash flow was significantly higher than the prior period, supported by improved operations, lower capex, favourable working capital timing and acquisition-related cash items. This contributed to an increased cash balance of $100m at 31 December 2025.

Reflecting confidence in full-year performance and the stronger-than-usual weighting of cash generation to the first half of the year, the Board has declared an interim dividend of 15.0 cents per share, fully imputed, an increase of 76.5% on HY25[2].

Sky will review broader capital management options following the successful integration of Sky Free and will update shareholders at the Annual Results announcement in August.

FY26 Outlook and Guidance[3]
Sky expects trading conditions to remain challenging in the near term.

With the Sky Free integration well underway and year one synergy delivery on track, Sky is transitioning to Group-level guidance, including the 11-month contribution from Sky Free and, consistent with its usual practice at half year, narrowing full year ranges:

- **Revenue:** $820m – $835m
- **EBITDA:** $145m – $160m
- **Capex:** $62m – $68m
- **Dividend:** at least 30 cps (unchanged)

"Although the economic environment remains uncertain, earnings growth is expected to continue from FY27, and we remain confident in our ability to deliver at least $10m of incremental EBITDA by FY28 through delivery of synergies across the group."

[2] This represents ~50% of the reconfirmed full year guidance of at least 30 cents per share.
[3] Subject to no adverse change in operating conditions, including future economic headwinds. Guidance excludes one-off items associated with: the Sky Free acquisition, Optus satellite migration, accelerated amortisation and transformation initiatives.

Sky was pleased to see Sophie Moloney recognised as the Deloitte Top 200 Chief Executive of the Year in December, reflecting the momentum in the business as the Sky team continues to execute on its strategy to deliver for customers and shareholders alike.

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