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Sky completes acquisition of Discovery NZ Limited

Sky is pleased to confirm the completion of its acquisition of 100% of the shares in Discovery NZ Limited (Discovery NZ) for $1 on a cash-free, debt-free basis.

Sky Chief Executive, Sophie Moloney commented: "The acquisition of Discovery NZ positions us to scale faster, accelerates our growth, and further diversifies our revenue streams, particularly in advertising and digital. We have acquired a business with complementary operations that is a strong strategic fit for Sky, in a manner which is value accretive for our shareholders."

Sky notes the recent filing of Discovery NZ's financial statements for the 12 months to 31 December 2024 in which Discovery NZ reported an after-tax loss of $77.6 million. These 2024 accounts reflect a period in which Discovery NZ completed a significant restructure of its business, including the closure of Newshub, that has substantially reduced the ongoing cost base.

When assessing Discovery NZ's 2024 accounts, it is important to consider the underlying performance of the continuing operations. For this reason, Sky has provided a presentation which reconciles Sky's due diligence analysis of Discovery NZ's reported result for 2024 with the expected financial performance of the continuing operations immediately following the acquisition by Sky. This reconciliation narrows the reported EBITDA loss to a proforma $9.0 million EBITDA loss[1]. In addition, the presentation shows a pathway to delivering at least $10 million of incremental EBITDA by FY28 as a result of assumed synergies across both Sky and Discovery NZ of at least $19 million p.a.

Importantly, content rights acquired at completion clear of payables reduces net working capital requirements in the first 12-18 months, giving Sky a cash flow benefit and runway to deliver on these synergies over the next 2-3 years.

Sophie Moloney added: "Sky is uniquely placed to capitalise on this opportunity and to give New Zealanders even more content they love. The transaction structure enables a pathway to deliver positive underlying free cash flow from year one. While there may be short term (FY26) bottom line noise resulting from non-cash accounting impacts, longer term, significant cost synergies are available across the highly complementary operations of both businesses - particularly in programming and broadcast infrastructure. As a result, we expect to deliver sustainable incremental EBITDA of at least $10 million by FY28."

ENDS

[1] Subject to fair value accounting of the acquisition (e.g. items such as content and the platform), to be completed within 12 months).

Authorised by: Kirstin Jones, Company Secretary

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