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22 July 2025

Sky to acquire Discovery NZ

Sky today announces it has agreed to acquire 100% of the shares in Discovery NZ Limited (Discovery NZ) from Discovery Networks Asia-Pacific Pte Ltd (a subsidiary of Warner Bros. Discovery, Inc.) (WBD) for \$1 on a cash-free, debt-free basis. Completion of the sale is expected to take place on 1 August 2025.

Discovery NZ owns and operates:

- Broadcast-video-on-demand (BVOD) streaming platform ThreeNow
- Free-to-air linear channel Three
- And a range of other linear and free ad-supported streaming television (FAST) channels in New Zealand.

Sky expects the acquisition of Discovery NZ to:

- Deliver Sky revenue diversification and uplift of c.\$95m on an annualised basis, with ~25% from digital sources
- Add to Sky's existing audience a growing digital audience via ThreeNow, a BVOD platform that recently recorded its 12th straight quarter of viewership growth
- Grow Sky's combined total linear television advertising revenue share to ~35%¹ and total digital television advertising revenue share to ~24%²
- Deliver material cost synergies primarily across Sky's content and broadcasting infrastructure
- Deliver a pathway to achieve incremental, underlying free cash flow from FY26 and sustainable EBITDA growth of at least \$10m from FY28.

Sky Chief Executive Sophie Moloney said: "This is a compelling opportunity for Sky that directly supports our ambition to be Aotearoa New Zealand's most engaging and essential media company. It positions us to scale faster, accelerates our growth, and further diversifies our revenue streams, particularly in advertising and digital. We are acquiring a business with complementary operations that is a strong strategic fit for Sky, in an accretive way for our shareholders.

"In particular, acquiring the established and fast-growing ThreeNow BVOD platform adds an important missing component to Sky's portfolio, without incurring the significant brand and

¹ ASA Advertising Turnover Report 2024, noting Newshub restructure took place in mid-2024.

² Based on actual Sky and DNZ data and ASA Advertising Turnover Report 2024.

platform development costs and inherent revenue risks associated with building a BVOD service ourselves. The combined portfolio will give Sky significantly increased scale, diversity and mass reach that will unlock more opportunities in advertising and maximise the return on our investments in content through a strengthened, multi-platform approach.”

Michael Brooks, Managing Director Australia and New Zealand for WBD, said: “This is a fantastic outcome for both WBD and Sky. The continued challenges faced by the New Zealand media industry are well documented, and over the past 12 months, the Discovery NZ team has worked to deliver a new, more sustainable business model following a significant restructure in 2024. While this business is not commercially viable as a standalone asset in WBD’s New Zealand portfolio, we see the value Three and ThreeNow can bring to Sky’s existing offering of complementary assets. The transaction includes a significant and ongoing content supply agreement for WBD’s premium content, for the mutual benefit of both parties.”

Sophie Moloney said: “Notwithstanding the ongoing challenges faced by the Discovery NZ business, Sky is uniquely placed to give effect to this opportunity to accelerate our growth strategy.”

On completion, Discovery NZ’s balance sheet³ will be clear of certain long-term obligations, including property leases and content commitments, and will include assets such as the ThreeNow platform, a portfolio of content rights acquired in the normal course of business and clear of content payables, and a normal level of other net working capital (subject to a customary post completion adjustment process).

This transaction structure enables a pathway to achieving positive underlying free cash flow from year one. Longer term, the transaction is expected to deliver sustainable EBITDA growth of at least \$10 million by FY28.

A structured transition plan will be in place to facilitate a smooth integration. This includes the provision of transitional services by WBD on commercial terms for 12 months post completion, and a contribution towards integration costs. The net integration costs for Sky are expected to be approximately \$6.5m. Juliet Peterson, Vice President, Head of Networks, will continue to lead the Discovery NZ business, reporting to Sophie Moloney.

Irrespective of this transaction, Sky remains confident in achieving its 30cps dividend target for FY26.

Sophie Moloney commented: “I am excited by the possibilities this transaction unlocks for our business, by delivering transformative scale in advertising and digital, and significantly advancing our revenue growth strategy. We look forward to welcoming the excellent and highly-regarded Discovery NZ team to Sky, and to working together to deliver on the opportunities this transaction presents for our customers, partners and shareholders.”

Sky and Discovery NZ gave the Commerce Commission confidential advance notice of the transaction. The Commission looked at the commercial circumstances and advised the parties that it did not intend to consider the acquisition further.

³ The DNZ balance sheet will be subject to fair value acquisition accounting, to be completed in due course.

An investor presentation has been released to the NZX and ASX with further detail on the acquisition.

Ends

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