Year ending June 2024 presentation

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Executive summary

Solid financial performance

Significant licence and contract extensions

Wider product offering

Progress to Net Zero

Bilsdale tower fully operational

Derisking the business

Business and financial summary

Arqiva at a glance

We enable mission-critical services in Media Distribution and Smart Utilities

	Media and Broadcast					Smart Utilities Networks	
Our End Markets	TV (DTT)	Radio	Digital Platforms	Satellite (Direct to Home)	Global Media	Metering Networks	Enterprise Networks
Market positioning	***Sole Provider*** *of digital terrestrial television broadcast transmission services in the UK*	***Sole Provider*** *of national radio broadcasting services and* ***c. 90% Market Share*** *in local radio*	***Market Leader*** *in the commercial MUX market, supporting leading broadcasters*	***Market Leader*** *in third party direct to home satellite distribution and content services*	***UK Market Leader*** *in global media distribution for broadcasters and media transformation services*	***Exclusive Provider*** *of energy smart meter connectivity in the North of England and Scotland* ***Leading Position*** *in water metering communications in the UK*	***Established Player*** *Enterprise-grade smart network management, monitoring and analytics*
Contract Length	*TV: c. 20+ years*	*Radio: 8-12 years*	*Digital Platforms and Satellite: 3-6 years*			*4-15 years*	
Orderbook[2]	*£2.4bn*					*£0.7bn*	

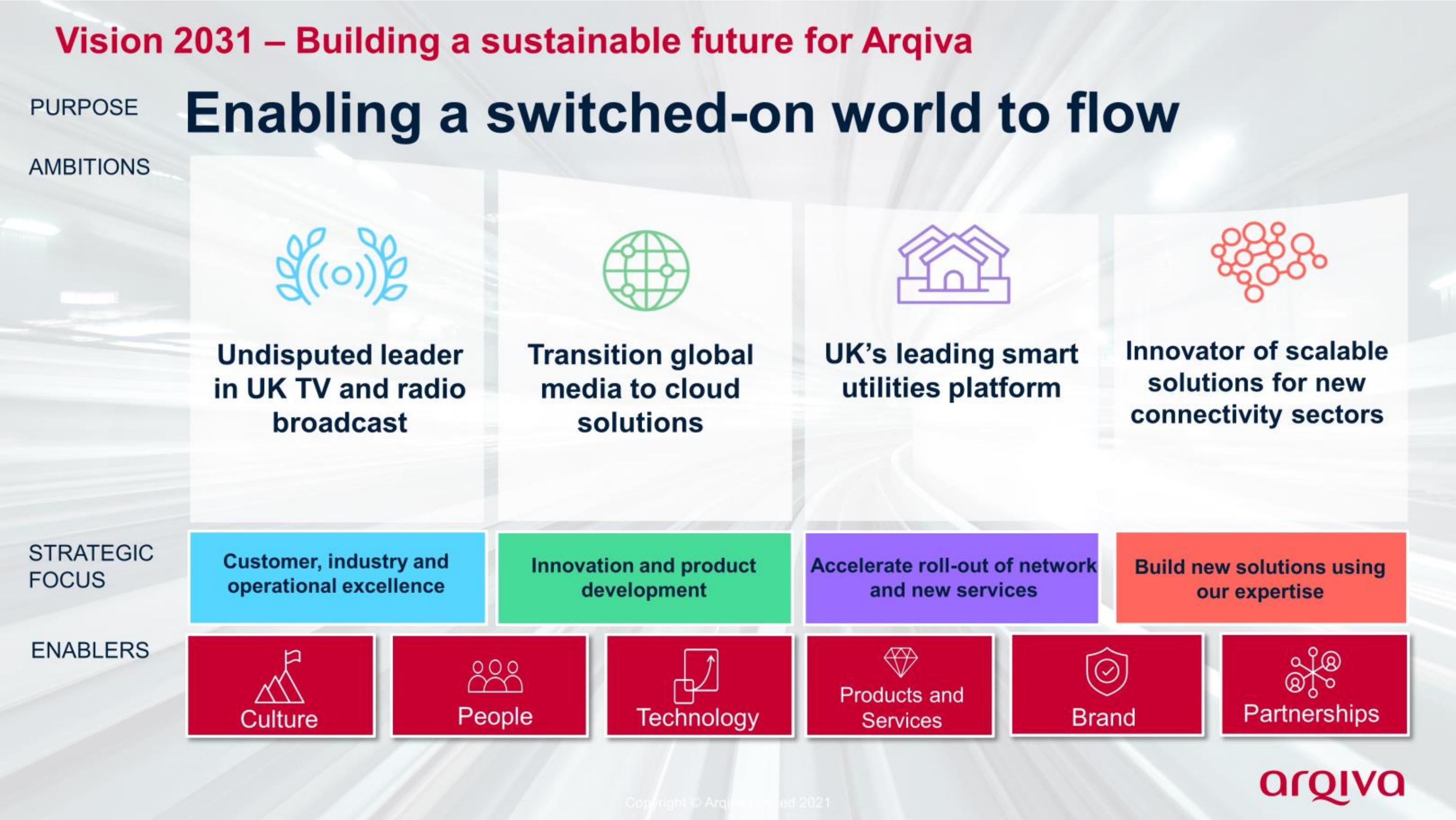
Impossible to Replicate Assets & Platforms

- ***1,154*** *TV transmission sites providing* ***98.5%*** *national coverage*
- ***497*** *analogue and* ***508*** *digital radio transmission sites[1]*
- ***0.9 GHz*** *leased capacity on* ***25*** *global satellites*
- *Licence holder for* ***4 out of 5*** *UK national commercial TV & radio MUXes*
- *over 5* ***million*** *installed smart energy and water meters*

Customers

Source: Company Information.
1 Sites may be used for more than one service
2 As of 30 June 2024

Strategic overview



Financial Summary

Strong traditional Media and Broadcast and Smart Utilities revenues offset by increased power costs, one-offs in prior year not repeating and pricing pressures

Key financials ABPL and AGPL (Junior and Senior)	Full year to June 24 results	Full year to June 23 results	Year on year change
Revenue (total)	£645m	£613m	↑ 5%
EBITDA (total)[1]	£309m	£337m	↓ 8%
Working capital movement	£(17)m	£(52)m	↑ 67%
Capital expenditure	£(71)m	£(65)m	↑ 9%
Operating cash flow after capital and financial investment activities[2]	£235m	£235m	→ 0%
Senior leverage[3]	3.06x	2.97x	↑
Senior Cashflow[4] ICR	4.17x	5.56x	↓

Notes
1. "EBITDA" refers to earnings before interest, tax, depreciation and amortisation and excludes exceptional costs
2. "Operating cash flow after capital and financial investment activities" reflect cashflows before interest and financing as detailed on page 16
3. For covenant reporting purposes senior leverage is calculated based on an EBITDA of £310m (FY23: £338m on a covenant adjusted basis)
4. For the purposes of senior cashflow ICR, cashflow is defined as EBITDA as per note 1 above less: maintenance capex, net corporation tax paid and issuer profit amount payable

Summary

- **Revenue up 5% year on year**
  - Regulated TV and radio broadcast revenues increasing with inflation
  - Increased change request revenues from Smart energy
  - Strong growth in water metering driven by roll out of additional network sites and device sales
  - Partially offset by pricing pressures on DTT multiplexes due to customer terminations and administration, although platform remained fully utilised
- **Reported EBITDA down 8% year on year**
  - Whilst revenues increased, margins came down due to:
    - increased power costs
    - high margin one-off project revenues recognised last year in relation to Cellnex & WIG transaction not repeating
    - increase in staff costs driven by annual pay rise and increased headcount as well as bonus accruals released last year not repeated
    - higher insurance premium and licence fees reflecting a migration to cloud-based applications
- **Decrease in working capital outflow** predominantly driven by one-off working capital outflows in the prior year not repeating in FY24.
- **Operating cash flow after capital and financial investment activities unchanged driven by**
  - improvement in working capital and additional cash inflows from disposal of surplus business assets, offset by
  - higher investment in growth capex for future grow, lower operating profits above and final insurance proceeds lower than a prior year
- **Senior financial covenants ratios**
  - Senior leverage marginally higher due to lower EBITDA and new senior bond raised at the start of FY24
  - Lower ICR due to lower EBITDA and higher interest cost due to new debt at a higher rate and inflation impact of index-linked swaps

Highlights from the year – Media and Broadcast

Business	Update

DTT and multiplexes	• Broadcast TV remains the dominant platform for TV viewing and TV advertising market showing signs of recovery in 2024
	  ○ Average daily minutes of broadcast TV viewing at 2.5 hours, increasing to 5.5 hours for those aged 75+
	  ○ A third of UK households rely solely on DTT
	  ○ Broadcast TV ad spend is forecasted to grow 3.9% in 2024 despite the economic headwinds
	• Regulatory developments bringing closer certainty over the future of broadcast TV
	  ○ The Media Act strengthening public service broadcasters
	  ○ Ofcom report on future of TV highlighting the importance of providing long-term certainty to TV viewers and investors
	• World Radiocommunication Conference secures DTT's existing access to spectrum
	  ○ Next review takes place in 2031, and concentrated on the upper part of the DTT spectrum band
	• Strong platform resilience with national commercial muxes operating at full capacity despite financial challenges faced by some customers

Radio	• Highest number of radio listeners in the past 20 years
	  ○ 51 million adults listening each week across devices for an average of 20.6 hours each week
	• National DAB multiplexes remain at full capacity with strong demand into the future
	  ○ 80% of Digital One radio multiplex capacity already secured to 2035 amounting to over £200m of new contracts value
	  ○ Strong interest in local DAB multiplex with large renewals signed during the year

Global Media and Satellite	• Platform operating at near full capacity • 5 new contracts signed and securing circa 90% of renewals, with contracts as far out as 2029

Highlights from the year – Smart Utilities Networks

Business	Update
SGN Hybrid Connectivity	• 5-year contract with SGN to deploy fully managed hybrid connectivity service for 230 sites • Connecting existing SGN devices to the command-and-control systems and building secondary communications routes
Anglian Water	• In 2020 Arqiva awarded a smart meter deployments of 1.1m meters by 2025, with network support contract running to 2040 ○ As of June 2024, over 900,000 meters installed

Thames Water	• Continued delivery of smart metering network
	  ○ Achieved a delivery of over 1 million meters milestone in 2024
	  ○ Largest smart water metering network in the UK

Smart Energy	• The network covers 99.5% of eligible premises in Northern England and Scotland • There are currently over 3.5m million communications hubs operating on the network representing 25% of the total UK installations • Strong relationship underpinning a pipeline of future capacity expansion work

Other	• Ofwat released draft determinations for the water companies' investment plans in 2025-2030 regulatory period
	  ○ Supports a rollout of 10 million smart meters dedicating £1.5bn expenditure allowed
	  ○ Proposing a performance-based regime that supports Arqiva's high quality metering proposition
	  ○ Considerable increase in wastewater management and environmental programme expenditure
	• Expanding Arqiva's smart connectivity capabilities to new technologies and service offerings

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Highlights from the year – Corporate

Business	Update
Management changes	• Nicola Phillips joined at the start of FY24 to lead the legal function • Mark Steele appointed as Interim Chief of Operations replacing Adrian Twyning • Dom Wedgewood led changes to the technology function increasing focus on product development to better compete in chosen markets • Sean West will be leaving the Group in the 2025 and a process has commenced for his replacement

Sustainability	• Progressed the sustainability strategy achieving Net Zero in scope 1 and 2 emissions by 2031
	  ○ 20% of planned demand reduction projects have now been completed
	  ○ At year end purchasing 100% of the residual electricity needs are purchased from renewable sources
	• Arqiva named Britain's healthiest workplace in the category of large organisations (1000+ employees)

Bilsdale Fire	• Bilsdale tower is now fully operational with radio services going live in January • A full insurance amount of £42m claimed and service credits settled with the affected customers
Senior debt refinancing	• £262m of senior debt maturing in FY24 refinanced by the £250m 5-year senior bond alongside the $118m USPP debt raise in the prior year • Senior credit rating affirmed by S&P/Fitch at BBB+/BBB
Pension buy-in	• Arqiva Defined Benefit Pension Scheme completed the insurance backed buy-in of its remaining liabilities therefore de-risking the Group from funding of future contributions

Detailed financials

Income statement summary (1)

(£m, FY-end 30 June)	Total		
	2024	2023	%
ABPL and AGPL (Junior and Senior)			
Revenue	**648**	**629**	**3%**
Cost of sales	(231)	(195)	(18)%
Gross Profit	**417**	**434**	**(4)%**
Operating expenses	(108)	(97)	11%
EBITDA	**309**	**337**	**(8)%**
Exceptional revenue	(3)	(15)	(80)%
Exceptional costs	(8)	(7)	(14)%
Depreciation	(88)	(92)	(4)%
Amortisation	(19)	(13)	46%
Exceptional other income	16	20	(20)%
Other income	10	8	25%
Operating profit	**217**	**238**	**(9)%**

Key highlights

- **Revenue up 3% year on year** Traditional TV and radio have remained stable with inflationary increases due to contracted RPI indexation, partially offset by pricing pressures on DTT multiplexes and customers entering administration, although platform maintained 100% utilization. Smart Utilities revenue have risen due to increased volumes of device sales and network connectivity across water and energy metering contracts.
- **Gross profit down 4% year on year,** revenue growth offset by increased power costs, one-off high margin project revenue in prior year not repeating and changes in a product mix
- **Operating expenses 11% up year on year** as a result of pay increase reflecting the wider cost of living wage inflation pressures; headcount increase to support business growth and reduce reliance and spend on higher cost contract staff. This also includes higher insurance costs and on off releases in prior year not repeating
- **EBITDA down 8% year on year** despite increase in revenue lower EBITDA is due to changes in gross profit and operating expenses
- **Negative exceptional revenue of £3m** in relation to revenue not recognised for customer service credits as a result of the Bilsdale fire.
- **Exceptional costs down year on year** with costs predominantly related to the final year of restoration activities related to the Bilsdale fire incident. Further exceptional costs relate to restructuring and severance as the Group restructures its technology function, legal and consultancy fees in relation to the pension 'buy-in'
- **Depreciation down year on year due to** a reduction in accelerated depreciation compared to the prior year due to the completion of the 700 Mhz clearance programme in FY23.
- **Amortisation up year on year** due to an increase in intangible assets following the Group's investment in transforming its core software application platforms
- **Exceptional other income** down due to stage payments received from insurers in relation to the Bilsdale fire.
- **Operating profit down 9% year on year** due to increased amortization charge and reduced insurance proceeds in relation to the Bilsdale fire incident (Exceptional other income) but offset by lower customer service credits.

Income statement summary (2)

(£m, FY-end 30 June)	2024	2023	2024	2023
	ABPL (Junior)		AGPL (Senior)	
Operating profit	**217**	**238**	**217**	**238**
Interest receivable and similar income	5	4	5	3
Net bank loan and other interest	(113)	(101)	(67)	(55)
Other net interest	(31)	(34)	(26)	(30)
Other gains and losses	(11)	(28)	(7)	(25)
Profit/(loss) on ordinary activities after external interest	**67**	**79**	**122**	**131**
Interest payable to parent undertakings	(182)	(165)	(202)	(187)
Loss on ordinary activities before taxation	**(115)**	**(86)**	**(80)**	**(56)**
Tax	10	15	12	6
Loss for the financial year	**(105)**	**(71)**	**(68)**	**(50)**

ABPL key highlights

- **Net bank loan and other interest up £12m year on year** reduction in debt offset by coupon increase with inflation in relation to the index-linked swaps and a higher interest rate of the refinanced debt.
- **Other net interest broadly consistent year on year**
- **Interest payable to parent undertakings up £16m (non-cash) year on year** due to compounding interest accrued on outstanding balances.
- **Other gains and losses of £11m** – arises from negative fair value movements in respect of derivative contracts.
- **Accounting loss before tax of £115m** includes £329m of non-cash items including depreciation, amortisation, other gains and losses, interest payable to parent undertakings and other net interest charges. Excluding the non-cash charges results in an adjusted profit of £214m (2023: £241m).
- **Tax credit of £10m** due to an increase in deferred tax asset recognised principally in respect of the adjustment associated with the prior years taxable profits arising from treatment of interest expenses on the sale of the Telecoms business and revised HMRC guidance

Cashflow summary

(£m, FY-end 30 June)	2024	2023	2024	2023
	ABPL (Junior)		AGPL (Senior)	
EBITDA	*309*	*337*	*309*	*337*
Exceptional costs and other	*(9)*	*(7)*	*(9)*	*(7)*
Working capital	*(17)*	*(53)*	*(17)*	*(52)*
Net cash inflow from operating activities	**283**	**277**	**283**	**278**
Net capital expenditure and financial investment	(71)	(65)	(71)	(65)
Interest received	2	2	2	1
Proceeds on disposals of tangible assets	5	1	5	1
Receipt of insurance stage payment	16	20	16	20
Operating cash flow after capital and financial investment activities	**235**	**235**	**235**	**235**
Interest paid and financing charges	(107)	(100)	(60)	(55)
Payment of lease liabilities	(25)	(27)	(25)	(27)
Principal accretion on ILS	(53)	(147)	(53)	(147)
Debt issue costs and fees	(3)	(20)	(3)	-
Net cash flow before financing	**47**	**(59)**	**94**	**6**
Movement in external borrowings	(72)	(149)	(72)	26
Financing - parent undertakings	-	-	(47)	(10)
Settlement on close out of swap instruments	10	-	10	-
(Decrease)/increase in cash	**(15)**	**(208)**	**(15)**	**22**

ABPL key highlights

- **Operating cash flow after capital and financial investment activities unchanged year on year** Lower EBITDA in the year offset by improvement in working capital, as results of one-off working capital outflows in the prior year not repeating. Other cash flows include higher net capital expenditure as a result of increased investment in assets to deliver future growth and final insurance settlement received in respect of the Bilsdale site fire lower than last year
- **Capital expenditure up £6m year on year** See overleaf
- **Net interest paid** has risen due to increased interest charges as a result of a new senior bond entered into in July 2023. The increase was more than offset by swap close-out proceeds of £10m
- **Accretion payments down** on index-linked swaps due to lower levels of inflation compared to 2023
- **Debt issue costs and fees** relates to senior debt refinancing completed at the start of the year
- **Movement in external borrowings** reflects debt amortisation payments, a net change in term debt following the refinancing and a full repayment of amounts drawn on the Working Capital Facility

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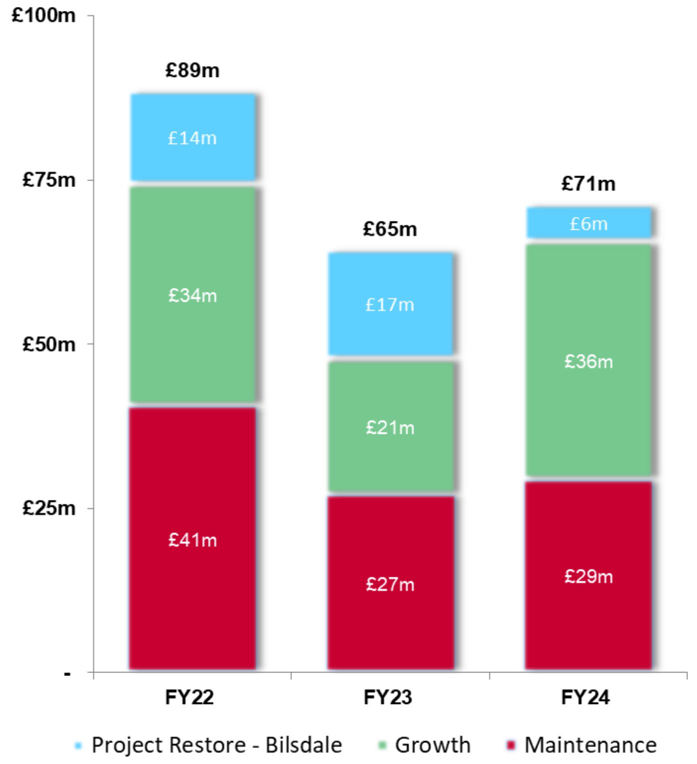
Capex



Note - Growth capex also includes cash sales of fixed assets and change in capital creditors as shown in the table opposite

Capex breakdown:

	FY24	FY23
• Energy metering – DCC	£7m	£3m
• Water metering	£10m	£8m
• Other capex	£20m	£14m
Contracted and non-contracted growth capex	**£37m**	**£25m**
• Capital creditors/accruals	£(1)m	£(4)m
Net Growth capex (as per chart)	**£36m**	**£21m**
Maintenance transformation	-	£3m
Maintenance capex	£29m	£24m
Total maintenance capex	**£29m**	**£27m**
Bilsdale – Project Restore	£6m	£17m
Total capex	**£71m**	**£65m**

Growth capex increase driven by additional investment in the Smart Utilities side of the business, to deliver on growth in this sector, with further rollout of devices and increased network acces and functionality.

Maintenance capex includes expenditure associated with structural projects such as mast strengthening, and IT.

Bilsdale restoration was completed during the year with final services going live from the new mast in January 2024, re-establishing service coverage for the region. Expenditure in relation to capital works on the Bilsdale transmitter site included the rebuild of a permanent mast following the fire in August 2021.

Covenant reporting and guidance

	30 June 2024		30 June 2025
	September 2023 certificate (projected)	September 2024 certificate (actual)	September 2024 certificate (projected)
EBITDA*	£315m	£310m	£316m
Senior net debt	£990m	£949m	£929m
Senior leverage *(default threshold at 6.0x)*	3.14x	3.06x	2.94x
Senior ICR *(default threshold at 1.55x)*	4.14x	4.17x	4.29x
Senior DSCR *(default threshold at 1.05x)*	2.52x	2.49x	2.48x

Key highlights

- **Senior leverage and ICR ahead of guidance for year ending 30 June 2024** due to stronger cash flows and a continued amortisation of group's debt
- Whilst commercial performance was exceeding guidance, EBITDA is affected by a change in IFRS16 accounting adjustment
- Projected covenants point to continued strong covenant ratios

Note – All financials are reported as per covenant reporting definitions
*"EBITDA" refers to earnings before interest, tax, depreciation and amortisation and is reported as per covenant reporting definitions.

Capital structure

Arqiva debt position

£m	Jun-23	Jun-24	Maturity	Structure	Leverage
Public Bonds (BBB+/BBB)[1]	253	227	Dec-32	WBS Platform	
Public Bonds (BBB+/BBB)[1]	164	164	Dec-37 (exp. Jun-30)		
Public Bonds (BBB+/BBB)[1]	-	250	Jun-45 (exp. Jun-28)		
USPP Series 3 – GBP tranche	157	152	Jun-29		
USPP Series 4 – GBP tranche	82	69	Dec-29		
USPP Series 5 – USD tranche[4]	95	95	Jun-31		
EIB Loan	172	-	Feb-38 (exp. Jun 24)		
Institutional Term Loan	90	-	Feb-38 (exp. Dec 23)		
Working Capital Facility	15	-	Jul-26		
TOTAL DRAWN SENIOR DEBT[2]	**1,029**	**957**			**3.1x[3]**
Junior Debt	450	450	Mar-28		
TOTAL DRAWN DEBT	**1,479**	**1,407**			**4.5x[3]**

Strong financial position and liquidity

- **£72m** reduction in Group's debt
- **£355m** of bank facilities remain fully undrawn and available
- Nearest bullet debt maturity in 2028
- Senior credit **rating affirmed** by S&P/Fitch at **BBB+/BBB**

Note – all values are reported at their carrying value unless specified otherwise
1. S&P / Fitch
2. Total drawn senior debt on this page represents gross debt. On a covenant reporting basis, gross debt is adjusted for finance leases and the deduction of total cash balances, to give net debt
3. Gross debt leverage as at the end of Jun-24 based on EBITDA as per 30 June 2024 senior debt compliance certificate
4. Sterling equivalent of US $118m, swapped into sterling at an exchange rate of 1.241 USD to GBP

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Swap portfolio

All mandatory breaks have been removed

Summary Terms	Inflation Linked Swaps	Interest Rate Swaps
Overview	ILSs convert fixed rate liabilities into inflation linked liabilities which align with the characteristics of the underlying business	IRSs convert floating rate liabilities into fixed rate liabilities
Notional amount	£682m	£198m
Maturity	2027	2029 (amortisation matching the underlying floating rate USPP notes)
Mandatory breaks	None	None
Ranking	Super senior to senior debt (but carries no voting or enforcement rights)	Pari passu with senior debt
Structural Features	Coupon and principal amounts accrete with RPI. Accretion payments are collared and paid down annually	N/A
Fair value	£172m	(£22m)[1]

1. Represent in-the-money asset position

Any questions?