

# **SCHEDULE 13**

## **Q1 QUARTERLY INVESTOR REPORT**

**ARQIVA FINANCING NO.2 LIMITED - £520,000,000 SENIOR  
FACILITIES AGREEMENT DATED 19 AUGUST 2022**

**Period ending 30 September 2024**

**Date: 28 November 2024**

## QUARTERLY INVESTOR REPORT

To: Agent

### GENERAL OVERVIEW

Arqiva is the UK's leading enabler of digital connected solutions across the Media Distribution and Utilities markets. It generates predictable earnings, supported by strong market positions, diverse revenue streams, long-life assets and long-term inflation linked contracts. The Group had a contracted orderbook of £3.1bn as at 30 June 2024.

### Recent developments

#### Media Distribution

##### **DTT Multiplexes**

During the period we expanded the COM5 platform with the launch of a new channel Sonlife, a US Global religious broadcaster. A further new channel for DTT Rewind TV also launched in the quarter with Al Jazeera leaving the platform. Added capacity means the DTT platforms are now at 97% utilisation at the end of the quarter.

##### **Radio**

Both national DAB multiplexes remain fully occupied with 80% of Digital 1 ("D1") multiplex capacity being contracted to 2035. The second national multiplex also has a large number of contracts secured until its current licence end date of 2028. We continue to see strong interest in national DAB and work to secure the large customers up for renewal on the local layer is progressing well.

The radio advertising market is expected to grow in 2024 and has seen a 5% year on year increase in H1 signalling the previous year's instability is coming to an end. Our customers' revenues in commercial radio are expected to grow by 2.3% this year according to Radiocentre. RAJAR measurements show that audience listening is primarily on DAB with 44% of all listening on that platform. There is significant activity to renew a number of DAB transmission contracts which are nearing completion and expected to complete in Q2.

AM site disposals continued last quarter as listeners migrate away from the AM platform however there are none scheduled for the rest of this FY and the remaining AM sites are expected to continue broadcasting for the next 4 to 5 years as a minimum, this is consistent with management expectations.

##### **Direct to Home (DTH)**

The DTH platform continue to remain close to full capacity. New channel launches were contracted targeting the Sky Eire market with Sky Sports Racing and Hearst Group, augmented with key renewals secured with Premier Sports, Penny Street and HSTV.

##### **Media Management Products**

Arqplex, the Group's cloud multiplexing deployment, is in service, supporting 5 disaster recovery systems for ITV. A second customer deployment for another Public Service Broadcaster (PSB) Arqplex system has been deployed and is due to be in service during this year.

Arqade, Arqiva's cloud-based video content exchange product launched in 2022, enabling media companies to interchange their content with multiple platforms efficiently across the world. We currently deliver all of NBC Universal Group's feeds outside the Americas (45 channels) via Arqade.

Arqads, Arqiva's addressable advertising solution, is powering new customer services for Sky AdSmart; development of features to support targeted advertising on Freeview is underway. The Arqads platform hosts a portfolio of channels supporting two major media organisations to monetise their channels more effectively on the Sky Platform.

There remains an exciting growing pipeline of potential customers across all of these products, and we are actively bidding for a number of formal opportunities with UK and international customers. To date we have secured a number of contracts for our new Arq portfolio of products.

## **Government / Regulatory updates**

In May 2024, the Media Act 2024 received Royal Assent. The Act introduced a range of provisions to modernise broadcasting regulation and support public service broadcasters including measures to provide public service broadcasters with the flexibility to fulfil their remit across a range of services, provide prominence for public service broadcasters on connected devices, broaden the scope of the listed events regime to apply to public service broadcasters on-demand platforms, reduce regulatory burdens for commercial radio stations, and protect radio's position on voice-activated smart speakers. Ofcom continues to put in place the processes to implement the changes brought by the Media Act.

In November 2024, the DCMS announced a Minister-led forum to take forward the discussion around the future of DTT and to inform the policy approach. This builds on the work by Ofcom which published a report on the future of TV distribution in May 2024. The DCMS forum is chaired by DCMS Minister Stephanie Peacock and will run for at least the next 12 months. Arqiva is involved in the forum along with other stakeholders including broadcasters, infrastructure players and social groups representing the interests of viewers.

Ofcom has also published renewed channel licences for ITV, Channel 4 and Channel 5 for a further 10 years. These licences will run until 31 December 2034. The licence renewal secures public service broadcasting on these channels for the next ten years and also supports the ongoing adoption of the DTT services supported by Arqiva.

## **Smart Utilities Networks**

### **Regulatory Environment**

Ofwat, the regulator of the water and wastewater sectors in England and Wales, released its draft determinations on water company business plans for price review 2024 (the regulated price period between 2025-2030). This indicates that over 10 million smart meters could be rolled out over the period, with total expenditure allowed of about £1.5 billion and setting requirements for data standards in smart water metering which aligns with Arqiva's high quality offer in the market. Ofwat issued a consultation on the draft determination and intends to issue its final determination in December 2024.

Following the General Election, the new Government announced several measures for the water sector aimed at cutting sewage spills and securing investment in upgrading infrastructure. These measures include securing agreement from Ofwat that funding for infrastructure is ringfenced; water companies making the interests of customers and environment a primary objective in their articles of association; the introduction of new consumer panels to hold water companies to account; and the strengthening of compensation for households and businesses when basic water services are affected.

The Government has also been progressing a Special Measures Bill for the Water sector which is currently about to commence its committee stage. This Bill will introduce a number of measures which include giving the water regulator new powers to ban the payment of bonuses if environmental standards are not met, bring forward a new code of conduct for water companies, introduce new powers to bring automatic fines, and require water companies to install real-time monitors at every sewage outlet with data independently scrutinised by water regulators. These developments present an opportunity for Arqiva's connectivity proposition beyond the smart meter across the water sector.

### **Anglian Water**

Since the award of the Anglian Water contract in June 2020, the Group has deployed over 1m meters. The pace of network rollout continues to accelerate and we are on track to complete all 1.1m meters before the end of the 2020-2025 regulatory period. Our performance to date has enabled Anglian, through a competitive process, to award Arqiva a 20-year contract for the next regulatory period to rollout another 1.1m meters and associated network. They have also increased their focus on adding sensors to the network with both sewer level and chlorine sensors being developed for trial this year.

### **Thames Water**

Since April 2015, Arqiva has delivered a smart metering network for Thames Water and in January 2024 achieved delivery of over 1.2m meters. This is the largest smart water metering network in the UK and has high coverage across the Thames Water London region. We continue to develop with them the plans for additional meters in areas we already serve as well as how they will deliver their full commitments in AMP8.

### **SGN Hybrid Connectivity**

Arqiva has signed a 5-year contract with SGN to provide connectivity solutions for 230 of their sites with ongoing discussions exploring a further expansion for their network and for solutions with other gas and electricity operators.

### **Other Smart Water Metering Procurements**

Ofwat's draft determination has confirmed the larger than expected opportunity for smart metering. Ofwat is also proposing a regime based upon the data performance of meters delivered rather than just the number of meters installed which is helpful to Arqiva's 'premium' positioning.

### **Beyond the Meter**

Ofwat's draft determination confirms the considerable increase in investment in both wastewater and WINEP (Water Industry National Environmental Programme). This signal increased requirements for various water sensors.

### **Smart energy metering rollout**

The Group's smart metering communication network in the North of England and Scotland continues to deliver in line with contractual SLAs and in doing so support the critical role of smart metering in enabling the UK energy transition. Currently there are 3.6m communications hubs operating on the network and we continue to see demand for smart meters, with strong continued drive from stakeholders and as consumers continue to seek to access the benefits of smart meters.

Arqiva is in the middle of technology development which will deliver enhancements to the platform to support the growth forecast in the next couple of years, with key deliverables already achieved and the next major milestone on track for Q3.

We continue to partner with the DCC to plan ahead for further developments to our service, in support of DCC's move towards an ex-ante regime, and to create certainty over the longer-term partnership.

### **Capital Expenditure**

During the three-month period ended 30 September 2024 the Group incurred the following capital expenditure:

<b>£m</b>	<b>Three months ended 30 September</b>		<b>Change</b>
	<b>2024</b>	<b>2023</b>	
Growth Capex – contracted	6.6	6.4	0.2
Growth Capex – non contracted	2.6	0.6	2.0
Maintenance	8.2	7.8	0.4
Bilsdale – Project Restore	1.0	2.4	(1.4)
<b>Total Capex</b>	<b>18.4</b>	<b>17.2</b>	<b>1.2</b>

Contracted growth capex primarily relates to the Group's major projects including the continued rollout and enhancement of the smart energy and water metering networks and delivery of broadcast services. This is broadly in line with prior year's expenditure. Water site builds are behind roll-put targets and M&B product developments are expected to be delivered later in Q2.


Non-contracted growth capex has increased from the prior year period primarily due to the scale-up of product development to compete for the water smart metering contracts. This also includes increased spend on managed services Media products alongside system improvement work associated with Cellnex transaction on former sites

Maintenance capex principally includes expenditure associated with structural projects such as mast strengthening, network transformation and IT. The spend is broadly in line with prior year.

£1.0m of capital expenditure has been incurred in the year in relation to capital works on the Bilsdale transmitter. This is lower than this time last year as the final restoration works continue to wind down. The major works of building a new mast were completed by the end of FY23. FY24 and FY25 costs incurred relate

to the final site restoration activities, including access and site improvements. The remaining capex spend will continue to wind down as the project reaches completion.

Yours faithfully,



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CFO

Signing without personal liability, for and on behalf of

Arqiva Financing No 2 Limited as Borrower