Year ending June 2022 presentation

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Executive summary

Extension of TV and Radio multiplex licences to mid-2030s

EBITDA of £341m ahead of guidance

Refinancing of £625m junior notes

CEO and executive team changes

Change in shareholder

Completing the TSAs following the telecoms business sale

Business and financial summary

Arqiva at a glance

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

Our End Markets	Media Distribution					Smart Utilities Networks	
	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*** *With £12m revenue from contracts with enterprise customers*
Contract Length	*TV: c. 20+ years* *Radio: 8-12 years* *Digital Platforms and Satellite: 3-6 years*					*4-15 years*	
Orderbook[2]	*£2.8bn*					*£0.5bn*	

Impossible to Replicate Assets & Platforms

- ***1,154*** *TV transmission sites providing* ***98.5%*** *national coverage*
- ***497*** *analogue and* ***508*** *digital radio transmission sites*[1]
- ***1.0 GHz*** *leased capacity on* ***25*** *global satellites*
- *Licence holder for* ***4 out of 5*** *UK national commercial TV & radio MUXes*
- *c.* ***3 million*** *installed smart energy and water meters*

Customers

BBC, Channel 4, itv, global, wireless, BAUER, UKTV, itv, Discovery Channel, Freesat, BT, sky, Eurosport, Disney, Thames Water, love every drop anglianwater, Northumbrian Water living water, Data Communications Company, UK Power Networks

Source: *Company Information.*
1 Sites may be used for more than one service
2 As of 30 June 2022 and reflects in-year change to how the order book is reported internally

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Strategic overview

Vision 2031 – Building a sustainable future for Arqiva

PURPOSE

Enabling a switched-on world to flow

AMBITIONS

Undisputed leader in UK TV and radio broadcast	**Transition global media to cloud solutions**	**UK's leading smart utilities platform**	**Innovator of scalable solutions for new connectivity sectors**

STRATEGIC FOCUS

Customer, industry and operational excellence	**Innovation and product development**	**Accelerate roll-out of network and new services**	**Build new solutions using our expertise**

ENABLERS

Culture	People	Technology	Products and Services	Brand	Partnerships

Experienced management team

Experienced management team with strong track record and continuity going forward

Shuja Khan 20+

CEO

- Joined Arqiva in January 2020
- **Cable & Wireless** Chief Commercial Officer 2017-18
- **Liberty** Global Vice President, Transformation 2016-17
- **Virgin Media** Various commercial leadership roles between 2010-16

Sean West 20+

CFO

- **Arqiva** CFO since May 2019, having joined as Director of Treasury and Corporate Finance in 2015
- Senior corporate finance and treasury positions at ICG and Land Sec
- Fellow of the Association of Corporate Treasurers

Katrina Dick 20+

Chief Legal Officer

- Joined **Arqiva** in April 2022 with experience in energy, retail, health construction and professional services
- Previosly interim GC at **Anzo** and regional GC at **Vice Media**
- Other senior roles in media and broadcasting sector

Adrian Twyning 10+

Chief of Operations

- Joined Arqiva in March 2021
- **Dixons Carphone**: number of senior operations roles leading large-scale operations and business transformation
- Senior operation roles at British Gas leading 4,000 field operations team

Clive White 30+

Chief Technology and Transformation Officer

- Joined Arqiva in 2018
- **RSA (UK)**: led design/implementation of their transformation journey.
- Several transformation related roles at **Lloyds Banking Group**, **Accenture**, **AT&T Global Network Services** and **BSkyB**

Vivian Leinster 20+

Chief Simplification Officer

- Joined Arqiva in June 2020
- **MS Amlin**: Chief People Officer at specialist insurance provider
- Previously spent four years as People Director at **Bupa UK**, and 10 years in a variety of senior generalist and specialist HR roles at **BT**.

Peter Baker 20+

Executive Director, Smart Utilities Netwroks

- Appointed to **Arqiva** as interim Director of Smart Utilities Networks in June 2022
- Previous roles include Head of Finance, Insurance and Professional Global markets at **Vodafone Business**
- Leadership roles at **CGI**, **Cable and Wireless** and **Colt Technology Services**

Chris Alner 20+

Executive Director, Media and Broadcast

- Appointed to **Arqiva** as interim Director of Media and Broadcast in June 2022
- Working almost exclusively in the media and entertainment industry for two decades
- Previous roles have included positions at **Disney**, **MTV** and **BT Vision**

Note: Number of years represents industry/specialism experience

Financial summary

Managed reductions in programme delivery offset by Smart Utilities growth and cost efficiencies

Key financials ABPL and AGPL (Junior and Senior)	Full year to June 22 results	Full year to June 21 results	Year on year change
Revenue (total) Revenue (continuing ops.)	**£606m** £606m	**£623m** £618m	↓ **3%** 2%
EBITDA (total)[1] EBITDA (continuing ops)	**£340m** £340m	**£334m** £332m	↑ **2%** 2%
Working capital movement	**£24m**	**£75m**	↓ 68%
Capital expenditure	**£(89)m**	**£(86)m**	↑ 3%
Operating cash flow after capital and financial investment activities[2]	**£252m**	**£324m**	↓ 22%
Senior leverage[3]	**2.93x**	**2.44x**	↑
Senior Cashflow[4] ICR	**5.76x**	**5.16x**	↑

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 £341m (FY 21: £332m 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 down 2% year on year from continuing operations**
  - TV and radio broadcast remain stable
  - Offset by natural reduction on the 700MHz Clearance programme
  - Lower revenues due to terminations and pricing pressures on UK DTH, managed media service and multiplex products
  - Expected decrease due to completion of TSA's post the Telecoms sale
  - Increase in revenue from the Smart Utilities business due to ramp up of activity on water metering contracts driven by strong device sales
  - Increase in energy metering from incremental change requests
- **Reported EBITDA up 2% year on year from continuing operations**
  - Reductions in revenue set out above
  - Offset by margin improvements resulting from cost savings in satellite capacity, managed services and staff costs as well as changes in product mix
  - Partially offset by increases in IT and network and consultancy costs
- **Decrease in working capital inflow** predominantly driven by the recognition of one-off deferred income associated with the sale of the towers business in the prior year not repeated
- **Operating cash flow after capital and financial investment activities lower**
  - Lower working capital inflows due to one-off deferred income recognised in the prior period not repeated
  - Impact of increased exceptional costs predominantly due to restoration and service support for Bilsdale
  - Increase in capex due to Bilsdale offset by completion of projects
- **Senior financial covenants ratios**
  - Senior leverage impacted by lower cash balance held by the senior group due to payments parent company
  - Improved ICR due to increased EBITDA and lower interest charges

Highlights from the year – Media Distribution

Business	Update

DTT and multiplexes	• Strong underlying long-term support for DTT platform well into 2030s and beyond
	  ○ DCMS has announced an extension of all national DTT MUX licences, including Arqiva's two DTT MUX licences to 2034
	  ○ Launched the Broadcast 2040+ campaign to safeguard digital terrestrial TV and radio to 2040 and beyond
	• TV advertising on the DTT has rebounded strongly post-pandemic with a substantial increase in TV advertising spending
	  ○ TV advertising investment in the UK was £5.5 billion in 2021, up 24%
	  ○ Online-born businesses invest £1.1 billion in TV advertising, an increase of 42%
	• Strong platform resilience, national commercial muxes operating at full capacity despite two channels RT and Ideal Shopping going into liquidation
	  ○ Ideal Shopping contract was replaced and extended with the successor Ideal World and new contracts signed with UKTV for Drama +1, That's TV and EarthX alongside the renewals with Narrative, PBS and Gem
	  ○ Closure of COM7 interim MUX in June 2022, as expected, created opportunities for national COM5 and COM6

Radio	• Strong regulatory and government support for both analogue and digital radio
	  ○ DCMS extended DAB multiplex licences, Digital One (100% owned by Arqiva) and Sound Digital (40% Arqiva ownership) to 2035
	  ○ The Government's Radio and Audio Review support the need to protect spectrum for analogue radio to 2030 and beyond with no analogue switch-off within this period
	• Both national DAB multiplexes remain at full capacity
	• Strong recovery in radio advertising spend post pandemic

Satellite capacity	• In June 2022, as planned, returned transponder capacity to Eutelsat, representing material cost savings over the coming years

Highlights from the year – Smart Utilities

Business	Update
Anglian Water	• Continued delivery of smart metering network for Anglian Water to support a deployment of 789,000 meters across 24 planning zones by 2025, followed by network support to 2040 ○ As of June 2022 over 367,000 meters installed

Northumbrian Water	• Arqiva has been selected by Northumbrian Water to deliver an initial roll-out of a smart metering network in Essex
	  ○ The initial five-year contract saw Arqiva building and monitoring the fixed network infrastructure for 11,000 domestic meters.
	  ○ The contract was extended for further 28,000 meters and for 15 years which will be followed with formal procurement for 270,000 meters

Thames Water	• Continued delivery of smart metering network that enables the collection, management and transfer of metering data for Thames Water
	  ○ Contract renewal for 10 years
	  ○ Expansion to Thames Valley with 11 sites and c. 108,000 meters by 2025
	  ○ Over 780,000 meters installed as at 30 June 2022 and well over 18 million meter readings being delivered per day

Smart Energy	• The network covers 99.5% of premises in Northern England and Scotland as planned • There are currently over 2 million communications hubs operating on the network representing 20% of the total UK installations • Green service delivery status with strong pipeline for incremental change requests

New PoCs and water trials	• Leveraging our relationship with utility customers we have developed and trialling a number of proofs of concepts (PoCs) including:
	  ○ Hybrid connectivity PoC with SGN
	  ○ Engaged with Thames Water on Leakage as a Service PoC
	  ○ Sewer Level Monitoring PoC trial has commenced with Anglian Water
	• In Midlands, Arqiva continues to participate in a multi-vendor, multi-technology smart water metering evaluation trials with a major water company
	• Participating in RFI launched by Southern Water for 1.2m meters

Highlights from the year - Corporate

Business	Update
CEO and management changes	• Shuja Khan replaced Paul Donovan as a CEO • To drive business' growth and simplification two new commercial Executive Director roles and a Chief Simplification Office role was created
Separation	• Following the sale of Telecoms business, Arqiva has completed and exited all Transitional Services Agreements by the end 2021 as planned
Transformation	• The Transformation Programme has delivered releases across Site Management Platform (Siterra), Service Management (ServiceNow) and Financial Management (Oracle ERP) platforms • Programme expected to complete later this year
Bilsdale Fire	• Bilsdale fire broke in August 2021 • Freeview TV services to around 99% of impacted households have been restored • Permanent replacement of the tower is expected in early 2023

Detailed financials

Income statement summary (1)

(£m, FY-end 30 June)	Total			Continuing Ops		
	2022	2021	%	2022	2021	%
ABPL and AGPL (Junior and Senior)						
Revenue	**606**	**623**	**(3)%**	**606**	**618**	**(2)%**
Cost of sales	(179)	(209)	14%	(179)	(207)	14%
Gross Profit	**427**	**415**	**3%**	**427**	**412**	**4%**
Operating expenses	(87)	(80)	(9)%	(87)	(80)	(9)%
EBITDA	**340**	**334**	**2%**	**340**	**332**	**2%**
Exceptional revenue	(8)	-	(100)%	(8)	-	(100)%
Exceptional costs	(30)	(26)	(15)%	(30)	(26)	(15)%
Depreciation	(158)	(169)	(7)%	(158)	(168)	(6)%
Amortisation	(13)	(10)	(30)%	(13)	(10)	(30)%
Loss on disposal	(2)	-	(100)%	(2)	-	(100)%
Exceptional other income	5	-	100%	5	-	100%
Other income	8	9	(11)%	8	9	(11)%
Operating profit	**142**	**140**	**1%**	**142**	**138**	**3%**

Key highlights

- **Revenue down 3% year on year and down 2% from continuing operations** Core TV and radio have remained strong and stable with inflationary increases due to contracted RPI indexation as well as increases on Smart Utilities due to the ramp up of water contracts driven by device sales and energy metering change requests. These increases are offset by expected reduction from the 700MHz Clearance programme and completion of TSAs following the Telecoms business sale as well as the full year impact of terminations and pricing pressures from the prior year across UK DTH , managed media service and multiplex products.
- **Gross profit up 4% year on year from continuing operations** despite the reductions in revenues, margins have improved due to cost savings including satellite capacity, reduction in billable labour due to headcount and changes in product mix.
- **Operating expenses 9% up year on year** due to increases in IT licences and network maintenance as well as consultancy costs as the Group pursues its simplification journey.
- **EBITDA up 2% year on year from continuing operations** despite the decreases in revenue due to changes in products mix and mentioned costs savings
- **Exceptional deduction of £8m to revenue** in relation to service credits for customers as a result of the Bilsdale fire.
- **Exceptional costs up year on year** with two thirds related to restoration costs following Bilsdale fire incident. Further exceptional costs relate to restructuring and severance as the Group embeds changes in the organisational design and corporate finance costs related to strategic shareholder projects.
- **Exceptional other income** up due to stage payment received from insurers in relation to the Bilsdale fire.
- **Depreciation and amortisation down year on year in total** due to reduction in accelerated depreciation from the prior year particularly in connection with assets replaced under the 700MHz clearance programme following programme completion partially offset by increased accelerated amortisation on software assets in the year due to the Group's IT transformation.
- **Operating profit up 3% year on year from continuing operations** due to EBITDA increase and lower depreciation charge offset by increase in exceptional costs

Income statement summary (2)

(£m, FY-end 30 June)	2022	2021	2022	2021
	ABPL (Junior)		AGPL (Senior)	
Operating profit	**142**	**140**	**142**	**140**
Interest receivable and similar income	3	1	2	1
Net bank loan and other interest	(93)	(96)	(51)	(54)
Other net interest	(36)	(37)	(32)	(35)
Exceptional gain on disposal of discontinued operations	-	1,038	-	1,038
Other gains and losses	(78)	(75)	(78)	(75)
Profit/(loss) on ordinary activities after external interest	**(62)**	**971**	**(17)**	**1,015**
Interest payable to parent undertakings	(151)	(136)	(181)	(180)
Profit/(loss) on ordinary activities before taxation	**(213)**	**835**	**(198)**	**835**
Tax	57	22	54	22
Profit/(loss) for the financial year	**(156)**	**858**	**(145)**	**858**

ABPL key highlights

- **Net bank loan and other interest £3m down year on year** due to the reduced debt principal amounts following repayments made on amortising debt instruments
- **Other net interest broadly consistent year on year**
- **Interest payable to parent undertakings up £15m (non-cash) year on year** due to compounding interest accrued on outstanding balances.
- **Exceptional gain on disposal of £1,038m in the prior year** recognised in relation to sale of the Telecoms business for circa £2.0bn net of disposal costs and deferred income generated in relation to future services
- **Other gains and losses of £78m** – arises from negative fair value movements in respect of derivative contracts. Prior year includes £8m loss on exit and recouponing of swap arrangements in the year and £56m of related debt repayment costs not repeated.
- **Accounting loss before tax of £213m** includes £446m 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 £233m (2021: £1,199m).
- **Tax credit of £57m** due to an increase in deferred tax asset recognised

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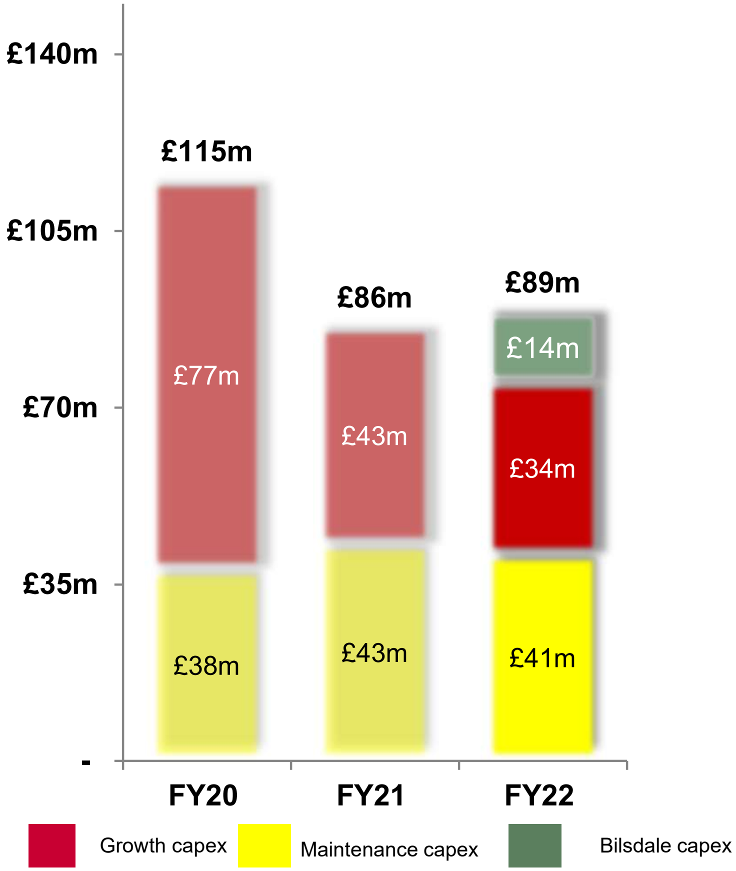
Cashflow summary

(£m, FY-end 30 June)	2022	2021	2022	2021
	ABPL (Junior)		AGPL (Senior)	
EBITDA	*340*	*334*	*340*	*334*
Exceptional costs and other	*(28)*	*2*	*(28)*	*2*
Working capital	*24*	*75*	*24*	*75*
Net cash inflow from operating activities	**336**	**411**	**336**	**411**
Net capital expenditure and financial investment	(89)	(86)	(89)	(86)
Receipt of insurance stage payment	5	-	5	-
Operating cash flow after capital and financial investment activities	**252**	**324**	**252**	**324**
Disposal of subsidiary net of cash disposed	-	1,820	-	1,820
Net interest paid and financing charges	(94)	(104)	(52)	(62)
Payment of lease liabilities	(29)	(48)	(29)	(48)
Principal accretion on ILS	(90)	(14)	(90)	(14)
Break costs on early debt repayment and derivatives	-	(56)	-	(56)
Refinancing costs	-	-	-	-
Cash (outflow)/inflow on redemption of swaps	-	(513)	-	(513)
Net cash flow before financing	**39**	**1,410**	**81**	**1,452**
Movement in external borrowings	(23)	(1,261)	(23)	(1,261)
Financing - parent undertakings	-	-	(272)	(42)
Increase/(decrease) in cash	**16**	**149**	**(214)**	**149**

ABPL key highlights

- **Operating cash flow after capital and financial investment activities down £72m year on year** increased EBITDA performance has been offset by lower working capital inflows due to one-off deferred income recognised in the prior year related to Telecoms business sale not repeated and higher exceptional outflows driven by Bilsdale restoration and support costs as well as corporate finance projects
- **Capital expenditure up £3m year on year** See overleaf
- **Disposal proceeds in the prior year** includes cash consideration received on sale of Telecoms business to Cellnex net of cash disposed and deferred income generated in relation to future services
- **Net interest paid and accretion up £66m year on year** Lower interest charges due to lower debt principal has been offset by higher accretion payment related to inflation-linked swaps
- **Break costs on debt repayment and redemption of swaps** reduced outflows from the prior year included significant deleveraging and exit or recouping of associated derivative instruments utilising the Telecoms sale proceeds
- **Movement in external borrowings** reflects debt amortisation payments and working capital facility drawdowns.

Capex



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

Capex breakdown:	**FY22**	**FY21**
• 700 MHz Clearance	£2m	£6m
• Energy metering – DCC	£11m	£16m
• Water metering	£5m	£3m
• Other capex from continuous operations	£14m	£19m
Contracted and non-contracted growth capex	**£32m**	**£44m**
• Capital creditors/accruals	£2m	£(1)m
Net Growth capex (as per chart)	**£34m**	**£43m**
Maintenance transformation	£13m	£20m
Maintenance capex	£28m	£23m
Total maintenance capex	**£41m**	**£43m**
Bilsdale – Project Restore	£14m	-
Total capex	**£89m**	**£86m**

Growth capex decrease driven by 700MHz Clearance programme coming to an end, and an IT refresh project for the smart utilities and one-off radio re-engineering projects in the prior period not repeated

Maintenance capex includes expenditure associated with structural projects such as mast strengthening, IT and transformation. Transformation has decreased following peak programme activity in the prior year. This has been offset by increase in network portfolio maintenance.

Bilsdale expenditure in relation to capital works on the Bilsdale transmitter site including the erection of temporary masts, relay works and site improvements following the fire in August 2021.

Covenant reporting and guidance

	30 June 2022		30 June 2023
	September 2021 certificate (projected)	September 2022 certificate (actual)	September 2022 certificate (projected)
EBITDA*	£334m	£341m	£342m
Senior net debt	£714m	£1,000m	£1,000m
Senior leverage *(default threshold at 6.0x)*	2.14x	2.93x	2.92x
Senior ICR *(default threshold at 1.55x)*	5.60x	5.76x	5.25x
Senior DSCR *(default threshold at 1.05x)*	2.70x	2.76x	2.86x

Key highlights

- **Senior ICR and DSCR better than guidance for year ending 30 June 2022** due to better EBITDA performance
- Senior leverage driven by higher net debt figure due to cash distributions to partially fund a prepayment of the existing junior notes on 30 September 2022
- Projected covenants reflect resilient trading performance against the challenging macro-economic environment

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.

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Capital Structure

Arqiva debt position

£m	Jun-22	Maturity	Structure	Leverage
SENIOR				
Public Bonds (BBB+/BBB) [1]	280	Dec-32	WBS Platform	
Public Bonds (BBB+/BBB) [1]	164	Dec-37 (exp. Jun-30)		
USPP Series 3	175	Jun-29		
USPP Series 4	89	Dec-29		
EIB Loan	172	Feb-38 (exp. Jun 24)		
Institutional Term Loan	90	Feb-38 (exp. Dec 23)		
Capex and Working Capital Facility	34	Jul-24		
TOTAL DRAWN SENIOR DEBT[2]	**1,003**			**2.9x[4]**
JUNIOR				
Junior Notes (B- / B1)[3]	625[5]	Sep-23		
TOTAL DRAWN DEBT	**1,628**			

Junior Debt Refinancing

- **£625m Junior Notes have been redeemed on 30 September** by a combination of:
  - £175m cash reserves
  - £450m Term Loan maturing in Mar-28

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. Fitch / Moodys
4. Gross debt leverage as at the end of Jun-22 based on EBITDA as per 30th June 2022 compliance certificate
5. Will be fully redeemed on 30 September and replaced by a £450m Term Loan maturing in March 2028

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Swaps 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	£421m
Maturity	2027	IRSs structured to match the maturities of floating rate debt (2024-2029)
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 paid down annually	N/A
Fair value	£346m	(£32m)[1]

1. Represent in-the-money asset position

Any questions?