

# **INVESTOR REPORT FOR ARQIVA GROUP PARENT LIMITED**

## **SCHEDULE 7**

**Period ending 31 December 2024**

Date: 27 February 2025

## QUARTERLY INVESTOR REPORT

To: The Issuer Security Trustee, the Rating Agencies and the Paying Agents.

### 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**

New channels added in the first trading quarter saw DTT platform capacity utilisation reach 97%. We are in discussions with a number of large customers to extend contracts to the early 2030s and we expect to conclude those during the second half of the year.

##### **Radio**

Both national DAB multiplexes remain fully occupied with 80% of Digital 1 ("D1") multiplex capacity being contracted until 2035. The second national multiplex also has a significant number of contracts secured until its current licence end date of 2028. Demand for national and local DAB multiplexes remains strong, and we continue to secure contract renewals with large customers.

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

The DTH platform remains close to full capacity, supported by renewals secured to 2029. We continue to win a high proportion of channels new to market, including broadcast customers from the Indian sub-continent. We also delivered as a "Pop Up" for the 6th consecutive season the Amazon Prime Football Association Premier League channels for the Christmas period.

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

Arqplex, the Group's on-premise and cloud multiplexing deployment, is now in service, supporting multiple PSB and global customers to deliver their content to millions of people in the UK and internationally.

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 feeds for a large global media company outside the Americas via Arqade as well as deployments for many other global media groups. We now have over 700 channels accessible within the Arqade platform.

Arqads, Arqiva's addressable advertising solution, facilitates targeted ad insertion into television channels, enhancing the precision and relevance of television advertising to boost revenue generation. The product enables new customer services for Sky AdSmart with the Arqads platform hosting a portfolio of channels supporting two major media organisations to monetise their channels more effectively on the Sky Platform. Product features are in development to support targeted advertising on the Freeview TV platform, targeted to launch mid-2025.

We have recently launched our Streaming Optimisation product which allows the customer to optimise their use of Content Delivery Networks (CDN), delivering deeper insight via analytics with improved audience experience and cost savings through CDN switching and peer-to-peer networking. Response from the market has been very positive with several proof of concepts (PoCs) due to launch imminently and multiple live opportunities being pursued.

There remains an exciting and growing pipeline of potential customers across these comprehensive portfolio of new products, with bids active on several opportunities with UK and international customers.

##### **Position, Navigation and Timing (PNT) services (eLoran)**

In November Hellen Systems and Arqiva announced partnership to develop a commercial eLoran service in the UK. eLoran is a sovereign, independent, resilient terrestrial radio navigation system, providing an

alternative to the existing global PNT services. This announcement is a step forward in Arqiva's strategy to address vulnerabilities due to the UK's dependency on satellite-based PNT, particularly the Global Navigation Satellite Systems (GNSS). GNSS supports around £320 billion of UK GDP; improving the UK's PNT robustness, security and resilience will be key to mitigating vulnerabilities to the loss of satellite-based PNT. The eLoran framework has the potential to enable significant growth opportunities through the provision of alternative PNT services to critical national infrastructure industries such as utilities and energy, government, military as well as commercial users across the UK.

### **Government / Regulatory updates**

A forum to advise on the future of TV distribution has been launched by the DCMS Minister, Stephanie Peacock MP. The review will run for at least the next 12 months with the objective of providing clarity on the long-term future of the DTT platform. Arqiva is actively involved in the forum along with other stakeholders including broadcasters, infrastructure players and audience groups. This review builds on work completed by Ofcom published in May 2024 which set out options for the long-term future and highlighted the importance of a decision and providing certainty for industry stakeholders.

The government has also announced plans to review the BBC Royal Charter, with the current Charter set to expire on December 31, 2027. The government has committed to maintaining the current licence fee structure, adjusted annually for inflation, until the Charter's end in 2027. In parallel, Ofcom has outlined the terms for its 2025 review of public service media. The review will be conducted in two phases: the first will evaluate the performance of PSBs from 2019 to 2023, while the second will explore strategies to ensure the sustainability and relevance of public service media in the face of changing audience behaviours and technological advancements.

### **Smart Utilities Networks**

#### **Regulatory Environment - Water**

Ofwat have released its final determinations on water company business plans for Price Review 2024 (PR24) - the regulated price period between 2025-2030. PR24 will see investments quadruple, with 90% of this going towards meeting new environmental requirements.

Almost £12 billion of investment will be allocated to 'protecting our water and wastewater system', which includes £1.7bn on the further smart meter rollout with an additional ten million meters being delivered. Ofwat has set a 17% reduction target on leakage over 2025-30 and the overall investment will help companies to achieve this, using smart technologies and better data, including from expanding metering.

#### **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 resulted in Anglian awarding Arqiva a 20-year contract for the next regulatory period to rollout an additional 1.1m meters with 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.

#### **United Utilities**

United Utilities has awarded Arqiva a contract of at least 15 years to provide 1.1m meters in support of their AMP8 smart meter rollout programme. Arqiva will be the prime contractor in a new to market configuration providing the communication network, meters and consumer side installation services. The network deployed will cover the majority of the United Utilities region in the Northwest of England and will offer the potential of a further growth opportunity of 2m meters during AMP9 and AMP10.

#### **Affinity Water**

Arqiva has signed a 15 year contract with Affinity Water, to provide 0.4m meters in support of their AMP8 smart meter rollout programme. Arqiva will provide the communications network, managed service and meters. Affinity Water's overall programme for smart meters is 1.2m which will offer the potential for new growth opportunities during AMP9 and AMP10.

#### **Thames Water**

Since April 2015, Arqiva has delivered a smart metering network for Thames Water and in January 2025 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 joint plans for additional meters in areas we already serve as well as ways to support delivery of their full commitments in AMP8.

### **SGN Hybrid Connectivity**

Since the original 5-year contract was awarded by SGN earlier this year to provide connectivity solutions for 230 of their sites, Arqiva has expanded this contract to serve an additional 174 sites over the 5 year period.

### **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 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.

### **Corporate Update**

#### **CFO change**

Arqiva's Chief Financial Officer, Sean West, announced his resignation from the Group and will remain in post until the end of March 2025. Nathan Hodge, Arqiva's existing Group Finance Director, will act as interim CFO while a recruitment process for the permanent position is completed.

#### **Sustainability**

Arqiva continues to progress with its target to achieve net zero carbon emissions for scope 1 & 2 emissions by 2031, by reducing energy consumption across its broadcasting infrastructure. This year's scope 1 & 2 greenhouse gas emissions report underwent Limited Assurance to ISO 14064, and we saw a reduction of 1962 tCO<sub>2</sub>e representing a 4% reduction from prior year. Since April 2024, the Group satisfies its remaining electricity needs with renewable energy guarantee of origin certification. Arqiva has also published a standalone Sustainability Report which is available on Arqiva's website, under the Corporate Responsibility page.

#### **Investment Manager of Digital 9**

In December, the Group's 49% shareholder Digital 9 appointed InfraRed Capital Partners as its new investment manager, replacing Triple Point. As a result of this change, the Board saw the resignation of Diego Massidda and Andy MacLeod being replaced by Mike Osborne and James O'Halloran.

## Capital Expenditure

During the six-month period ended 31 December 2024 the Group incurred the following capital expenditure:

£m	Six months ended 31 December		Change
	2024	2023	
Growth Capex – contracted	13.1	10.9	2.2
Growth Capex – non contracted	5.2	3.6	1.6
Maintenance	14.9	14.5	0.4
Bilsdale – Project Restore	1.2	3.9	(2.7)
<b>Total Capex</b>	<b>34.4</b>	<b>32.9</b>	<b>1.5</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 has increased compared to prior year, primarily driven by accelerated water site build roll out and continued delivery of smart energy networks technology improvements.

Non-contracted growth capex has increased from the prior year period primarily due to the scale-up of product development to compete for new water smart metering contracts alongside system improvement work to simplify operations between Cellnex and Arqiva for site management.

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

Bilsdale (Project Restore) capital expenditure has reduced by £2.7m compared to prior year, as the project comes to an end with final site restoration activities including access and site improvements.

## **Financing**

The Group's senior debt continues to be rated BBB+/BBB by S&P/Fitch respectively.

## **Ratios**

We confirm that in respect of the investor report dated 27 February 2025, by reference to the most recent financial statements that we are obliged to deliver to you on a semi-annual basis in accordance with Paragraph 1 (Financial Statements) of Part 1 (Information Covenants) of Schedule 2 (Covenants) of the Common Terms Agreement:

Historic Net Debt to EBITDA for the relevant Test Period ending on (and including) 31 December 2024 was 3.09;

Historic Cashflow ICR for the relevant Test Period ending on (and including) 31 December 2024 was 4.63;

Historic Cashflow DSCR for the relevant Test Period ending on (and including) 31 December 2024 was 3.13 (together with (a) and (b) above, the **Historic Ratios**);

Projected Net Debt to EBITDA for the relevant Projected Test Period commencing on (but excluding) 31 December 2024 is 2.80;

Projected Cashflow ICR for the relevant Projected Test Period commencing on (but excluding) 31 December 2024 is 4.35; and

Projected Cashflow DSCR for the relevant Projected Test Period commencing on (but excluding) 31 December 2024 is 2.04 together with (d) and (e) above, the **Projected Ratios**).

We confirm that:

- a) each of the above Ratios has been calculated in respect of the relevant Test Period(s) or Projected Test Period(s) or as at the relevant dates for which it is required to be calculated under the Common Terms Agreement;
- b) no Ratings Downgrade Event has occurred;

- c) no Modified Net Debt to EBITDA Ratio Breach has occurred;
- d) no Default or Trigger Event has occurred and is continuing; and
- e) the statements set out in this Investor Report are accurate in all material respects.

Current Hedging Position

We remain in compliance with hedging covenants.

Yours faithfully,



---

CFO

Signing without personal liability, for and on behalf of

Arqiva Financing No 1 Limited as Borrower