



MARKET RELEASE

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Spark New Zealand delivers strongest revenue growth in three years

- **Stand-out performance in mobile, securing 5.5% growth in high-margin mobile service revenue**
- **Continued growth in cloud, security and service management**
- **Tightened focus on core through divestment of Lightbox and CCL's network assets and merger of cloud and ICT businesses Revera and CCL**
- **Completed a substantial capacity upgrade across Spark's wireless network**
- **Customer and culture performance metrics continue to climb off the back of the Company's shift to Agile ways-of-working and long-term investment in IT and network infrastructure**

Spark New Zealand today announced revenue growth of 4.0% to \$1,824 million for the half year to 31 December 2019. This was achieved through particularly strong performance in mobile, with high-margin mobile service revenue up 5.5%, translating to a market share increase of 1.2pp to 40.1%¹ – its highest level since 2012.

Revenues were also buoyed by cloud, security and service management growth (up 12.3%), the introduction of Spark Sport and a moderation in the rate of legacy voice declines (down 11.6%), as fixed-line voice becomes a smaller part of the business.

Operating expenses increased as the benefit of cost-out activities were reinvested to partially fund current and future revenue growth. This included the launch of cloud and business transformation consultancy Leaven, the growth of Spark Sport, the acquisition of Now Consulting as part of data analytics business Qrious and the launch of emerging technology business, Matr.

Reported EBITDAI² grew 2.2% to \$500 million, driven by strong revenue growth momentum and a determined focus on execution and cost management.

Net profit after tax grew 9.2% to \$167 million, primarily driven by growth in EBITDAI and lower depreciation and amortisation expense.

Spark Chair Justine Smyth said the Company's shift to Agile ways-of-working and its long-term investment in IT and network infrastructure was delivering better experiences for its customers and people and supporting robust performance.

"We are heading into the final six months of a three-year strategy that has been transformative for Spark. Our move to Agile ways-of-working continues, with ongoing incremental gains in our speed to market, customer understanding and focus, and in building a high performance and inclusive culture.

"We have made significant investments in Spark's network infrastructure, which has improved our competitive advantage, and diversified our business beyond traditional telecommunications into growth segments like digital services and sports streaming.

¹ Market share estimates vs. prior year, sourced from IDC

² Earnings before interest, tax, depreciation, amortisation and investment income



“It is pleasing to see this hard work translating into improved customer experiences. Our customer satisfaction scores are already ahead of full-year targets and fewer customers are needing to contact us to troubleshoot, with total customer care interactions³ down 15% over the last 12 months,” said Justine.

CEO Jolie Hodson said Spark had strong market momentum and was making good progress delivering a wireless future for New Zealand.

“We are heading into the second half with great momentum and some stand-out performances across our core segments.

“We outperformed our growth targets in mobile, with a shift to unlimited and high value plans. We made a deliberate decision to limit wireless broadband sales in the lead up to the Rugby World Cup, as a conservative measure to ensure customers had a great viewing experience while we introduced our new streaming service. Our capacity was more than sufficient, so we expect this to be a one-off and connection growth to return to trend in the second half.

“We were the first-to-market rolling out 5G services in heartland New Zealand, and our longer-term rollout plans will benefit from the early auction of spectrum, with the process due to start in March 2020. 5G will be a big part of how we will continue to create a wireless future for New Zealand, and we have some exciting projects in the pipeline for 2020, including our support of Emirates Team New Zealand.

“We have also tightened our focus on our core business by finalising the divestment of Lightbox and CCL’s network assets and completing the merger of our cloud and ICT businesses Revera and CCL.

“This groundwork stands us in good stead as we work to close out the financial year and look ahead to the next three years,” said Jolie.

Spark will release details of its next three-year strategy, encompassing the period out to and including FY23, at an Investor Day on 2 April 2020. The evolved strategy will build on the momentum and foundational capabilities the Company has established through the successful execution of its current strategy.

Spark announced an H1 FY20 total dividend per share of 12.5 cents, 75% imputed. Subject to no adverse change in operating outlook full-year FY20 EBITDAI, capital expenditure and dividend guidance remains unchanged; including FY20 dividend per share guidance of 25.0 cents, at least 75% imputed.

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³ Total customer care interactions include voice, chat and virtual assistant interactions.