Spark nz

Spark New Zealand

FY20 Results Summary

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Results overview

How we adapted and delivered in FY20

Delivered what we said we would – FY20 results within guidance

Adapted at pace to COVID-19, supporting our people, customers and New Zealand

Dividend of 25.0c and total shareholder return of 19% in FY20

Successfully delivered our 3-year plan, and developed a new path to FY23 that builds on our competitive advantage

FY20 snapshot

$1,113m
EBITDAI[(1)]
2.1% increase from FY19

$3,623m
REVENUE[(2)]
2.5% increase from FY19

40.2%
MOBILE SERVICE REVENUE MARKET SHARE[(3)]
1.0pp increase from FY19

+33
CONSUMER & SMALL BUSINESS iNPS
iNPS score up 10 points from FY19

30.7%
EBITDAI MARGIN
(0.2pp) decrease from FY19

$443m
CLOUD REVENUE[(4)]
10.8% increase from FY19

9,559
DIGITAL EQUITY
Skinny Jump connections – up from 3,016 in FY19

+66
EMPLOYEE NPS
People engagement score, up 25 points from FY19

[(1)] Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI) is a non-Generally Accepted Accounting Practice performance measure that is defined and reconciled to Spark New Zealand's Annual Report
[(2)] Operating revenue and other gains
[(3)] Market share estimates sourced from IDC
[(4)] Cloud, security & service management revenue

FY20 guidance delivered

	FY19 Actual	FY20 Guidance	FY20 Actual
EBITDAI	$1,090m	$1,100m-$1,120m	$1,113m
Capital expenditure	$417m	~$370m	$374m
Dividend per share	Ordinary 22.0c (75% imputed) Special 3.0c (75% imputed)	Ordinary 25.0c (at least 75% imputed)	Ordinary 25.0c H1 FY20 (75% imputed) H2 FY20[1] (100% imputed)

[1]Dividend Reinvestment Plan reinstated for H2 FY20 dividend. Shares issued under the Dividend Reinvestment Plan will be issued at a 2% discount to the prevailing market price as determined around the time of issue

FY20 highlights

WIRELESS

MOBILE

Only NZ mobile provider to grow service revenues, connections and total ARPU in FY20[(1)]

Service revenue growth of 3.9%[(2)] driven by Endless upsell, partially offset by COVID-19

YoY increase of 79k in pay monthly connections

Tripled customer base on Endless[(3)] mobile propositions

Secured 60MHz of critical 5G C-band spectrum

BROADBAND

~$74m[(4)] annualised gross cost reduction in access costs

Total YoY connection growth of 14k

22% of base now on wireless broadband

74% of base now on Unlimited or Unplan, up 9pp YoY

Kept New Zealand working, learning and connecting during lockdown

DIGITAL SERVICES

CLOUD, SECURITY AND SERVICE MANAGEMENT

Cloud, security and service management revenue up $43m or 10.8% YoY

Revera and CCL businesses successfully integrated

Launch of digital transformation consultancy business Leaven

CCL awarded strategic partner and service provider of the year[(5)]

Announced strategic partnership with Microsoft to drive adoption of Azure cloud technologies

(1) Market share estimates sourced from IDC
(2) H1 FY20 service revenue growth of 5.5%. H2 FY20 service revenue growth of 2.4% impacted by loss of roaming revenues due to COVID-19 border closures
(3) Endless plans are Spark's mobile plans with unlimited calling minutes, unlimited SMS and an allowance of data to use at the maximum available speed, after which they are able to continue using mobile data but at a reduced speed
(4) Estimated cost savings based on average wireless broadband volumes multiplied by the bundled UBA/UCCL input cost
(5) Hewlett Packard Enterprise annual partner awards for the Asia Pacific region

FY20 indicators of success

	Measures	Target 30 June 2020	Actual 30 June 2020
Build customer intimacy	Consumer and small business iNPS	8 point lift	Achieved
	Growth in mobile and broadband change transactions completed online	30%	Exceeded
Create a wireless future	Go-live of 5G for America's Cup (subject to spectrum)	Ready for July 2020 launch	Launched
	Preparation for commercial launch of 5G (subject to spectrum)	5G sites deployed to targeted geographical locations	Launched
	Growth in wireless broadband connections	+20k	+16k[4] - Not achieved
Create New Zealand's premier sports streaming experience	Rugby World Cup tournament	Successfully deliver the RWC tournament with platform availability of 99.9%	Delivered platform availability of 99.8%
Grow key markets	Mobile service revenue growth[1]	4% to 5%	Achieved
	Cloud, security and service management revenue growth	8% to 10%	Achieved
	Growth in number of connected IoT[2] devices	60%	Achieved
	Launch progressive rollout of new concept Spark retail stores	By end of September 2019	Completed
Mature Agile leadership	Percentage of Agile squads at or above level 3	85%	Achieved
Deliver best cost	EBITDAI margin	At least 31%	Achieved
Lead on sustainability	Transition to integrated reporting	For FY20 annual report	Achieved
	Number of school students participating in one of the Spark Foundation's programmes[3]	10k	Achieved

[1] Consumer and business segments only
[2] Internet of Things
[3] Measured as school aged children 5-18 years who participate in one of the Spark Foundation's digital inclusion or skills and capability programmes including Jump Digital Native Academy, Code Club, The Electric Garden and Like a Boss
[4] Impacted by stop sell in the lead up to RWC and during COVID-19 lockdown

Current 3-year plan successfully delivered

With strong market outcomes and industry leading returns

Outstanding customer experience	Significant improvements across most key NPS[1] measures – with many above +30.	Solid progress
Holding market share	Winning in mobile, growing connections and outpacing the market in mobile service revenue share growth. New Zealand's largest hybrid cloud provider. Return to broadband connection growth with focus on stablising revenues.	Achieved
Lowest cost operator	$228m gross cost reduction since FY17. Delivered through Quantum programme focused on digitisation, automation and simplification and ongoing focus on productivity and efficiency.	Delivered
Growing key markets	Sustained growth in mobile, cloud, security and service management. Broadband market remains challenging.	Achieved
Top decile culture	Employee NPS +66. Continue to mature Agile ways of working. Strong diversity and inclusion focus.	Achieved
Top 10 global telco ROI	Ranked #1 against international peers[2] for Total Shareholder Returns. Compound annual growth rate of 13%[3] Three-year[3] Return on Invested Capital 16% per annum. Ranked #2 against international peers[2].	

Revenue 0-2% CAGR	Achieved
EBITDAI at least 31% margin	Achieved
Dividend Sustainable total dividend of 25cps or above that is not supplemented by debt	Solid progress

[1]Net Promoter Score is an index ranging from -100 to 100 that measures the willingness of an employee or customer to recommend a company to others
[2]Pre-tax ROIC and TSR versus international peers: Verizon, BT Group, Telstra, Swisscom, Singapore Telecom, AT&T, Orange, KT Corporation, Vodafone Group, Telecom Malaysia
[3]Representing the last three reported years for each peer

New Sustainability Framework introduced

A POSITIVE DIGITAL FUTURE FOR ALL OF NEW ZEALAND

We will work **alongside New Zealand** to harness the **power of technology** and create a **positive digital future for all**.

Create a Sustainable Spark

Be bold in our business to have a positive impact on our **communities** and the **environment.**

- Invest in the capabilities of our people, equipping them to thrive in a digital future
- Reduce our footprint and meet our emissions target of -25% by 2025, investing in our fleet and infrastructure
- Be responsible, transparent and accountable for our social and environmental performance

Economic Recovery and Transformation

Help New Zealand **transform to a high productivity, low carbon economy.**

- Focus our infrastructure investment on supporting NZ’s recovery and transformation
- Support Kiwi businesses to adapt to become more productive, resilient and sustainable through technology
- Support New Zealanders to upskill and adapt to new ways of working

Champion Digital Equity

Champion **digital equity** so all New Zealanders have the opportunity to **thrive in a digital future.**

- Extend the reach of Skinny Jump to benefit more households – 20,000 by June 2021
- Partner alongside the Spark Foundation to address barriers to digital equity, including access, skills, trust and motivation
- Champion diversity and inclusion in our business and our communities

FY20 – a year characterised by its final quarter

The impact of COVID-19 was moderated by the fact it only materialised in New Zealand in the final quarter. Total negative EBITDAI impact of approximately $25m in FY20[(1)]

COVID-19 Impacts

- Loss of higher-margin roaming revenue
- Retail revenue reductions due to store closures
- Removal of overage fees on capped broadband plans
- Waived late payment fees and disconnections as a result of financial hardship
- No live sport globally, resulting in the Spark Sport platform being provided free of charge

COVID-19 Opportunities

- Increase in demand for collaboration products in support of shift to working from home
- Acceleration of digital transformation as customers looked to modern workplace tools
- Partnered with Ministry of Education to rollout Skinny Jump wireless broadband modems to ensure as many kids could participate in distance learning as possible

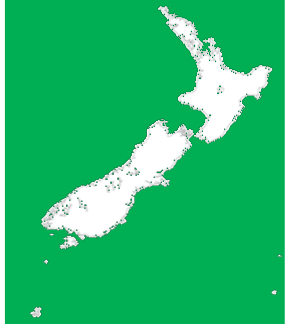
Spark will continue to respond and mitigate any COVID-19 impacts and reduce costs across the business while supporting our customers and the community to work, learn and connect

[(1)] The negative impact of $25m includes an additional $6 million expected credit loss provision primarily driven by the additional risk arising from uncertain future economic conditions. See note 1.3 of Spark's 2020 Annual Report

Our new context

COVID-19 impacts will materialise further in FY21

- IMF has predicted the largest global economic downturn since the Great Depression of the 1930s, this will have flow on impacts for New Zealand given our dependence on global trade and tourism.
- Tourism unlikely to return to historical levels for some time.



- New Zealand will enter a recession and unemployment is forecast to increase.
- The impact on small-medium businesses, many of whom are our customers, may be significant.
- This creates an environment of volatility and uncertainty, which has been further exacerbated by the resurgence of COVID-19.

- Billing collection risk as customers experience financial hardship and wage subsidies roll off.
- Mobile market growth likely to be slower, particularly roaming and mobile handsets.
- IaaS and SaaS[1] likely to benefit, but potentially some offset in other IT outsourcing programmes.
- Greater confidence to increase caps and drive wireless broadband uptake after strong network performance during lockdown.
- Cost reduction programs require acceleration in FY21.
- 5G rollout and sustainability focus on digital divide even more critical to support New Zealand's recovery.

[1] Infrastructure as a Service and Software as a Service

Macro trends are accelerating

A seismic shift of business and society from physical to digital.

Increasing pace of technology disruption and business transformation.

Exponential growth in data – data is the future currency.

Explosion of connected devices.

An unprecedented recessionary event requiring a period of nation building and a focus on affordability.

Greater emphasis on connectivity as a basic social need.

The next three years

We are not immune to COVID-19 impacts, but well positioned

Strong balance sheet

- Spark remains committed to its S&P A- credit rating and continues to have sufficient access to funding.

A leading network

- We have re-engineered our IT stack and invested in network capacity over a sustained period, while competitors are just starting the journey.

Diversified

- We have diversified beyond traditional telco services and operate as an end-to-end digital services company.

Agile

- Our flip to Agile is reaching maturity and has improved our speed to market, customer centricity and culture.

Supportive macro trends

- As New Zealanders and businesses embrace digitisation our opportunities increase, and our multi-brand strategy caters to value-conscious consumers.

The next three years

- Spark will share its **next three year strategy** at an Investor Briefing on 16 September 2020.
- The new strategy is an **evolution – building on the momentum** of the prior three years.
- It will be focussed on a set of **core capabilities** that will underpin growth in our **key markets** and in **new markets**.
- As New Zealand recovers from COVID-19, our sustainability strategy will be focussed on improving Spark's **sustainability performance,** supporting **economic transformation** and lifting **digital equity**.

A strategic focus on unconstrained capacity will underpin growth in wireless

1. Simplification and moving off legacy technology will pave the way for technology evolution, new revenue streams, and improved cost base and environmental performance.

2. 5G rollout will cater to customers with high data needs, underpin innovation and free up 4G spectrum to increase capacity in regional and rural areas.

3. Wireless broadband take-up will continue to grow as 5G delivers greater capacity and speeds over time.

4. Big data and AI driving enhanced customer experience, lower cost of acquisition and improving data insights and return on marketing investment.

Financials

Financial summary

Strong operational and financial results with all guidance metrics met. Impact of COVID-19 occurring in final quarter moderating impact on FY20 performance

$90m
2.5%

Revenue movement
vs. FY19

$67m
2.7%

Opex movement
vs. FY19

Return to top line revenue growth, up $90m or 2.5% YoY driven by:

- Increase in cloud, security and service management revenue of $43m or 10.8%;
- Excellent performance in mobile with growth in high margin service revenue of $32m or 3.9%;
- Growth in emerging revenue streams via Spark Sport and Qrious data analytics business.

Operating expenses up $67m or 2.7% YoY with $99m of gross cost-out benefits reinvested in support of revenue growth.

$23m
2.1%

EBITDAI movement
vs. FY19

$18m
4.4%

NPAT movement
vs. FY19

EBITDAI of $1,113m, up $23m or 2.1% YoY due to strong performance in key mobile and cloud markets.

NPAT growth of $18m or 4.4% YoY primarily due to:

- EBITDAI growth, and lower tax expense[1]; partially offset by:
- Lower net investment income ($13m) due to no Southern Cross dividends in FY20; and
- Increase in net finance expense $10m due to the increase in average debt during the year and growth in leases.

Free Cash Flow of $438m up $146m YoY, short of $460m aspiration due to a conscious decision to secure 5G mobile network equipment.

Net debt[2] of $1,349m up $33m on FY19, a decrease of $177m during H2 FY20, due to improvement in free cash flow.

H2 FY20 dividend per share of 12.5c to be 100% imputed. Dividend Reinvestment Plan reinstated for H2 FY20 dividend[3].

[1] Lower tax expense due to depreciation allowances being reintroduced for commercial building as part of the Government COVID-19 assistance package; and a higher proportion of non-taxable gains
[2] Net debt at hedged rates as reported in note 4.4 of Spark's FY20 Annual Report
[3] Shares issued under the Dividend Reinvestment Plan will be issued at a 2% discount to the prevailing market price as determined around the time of issue

Financials

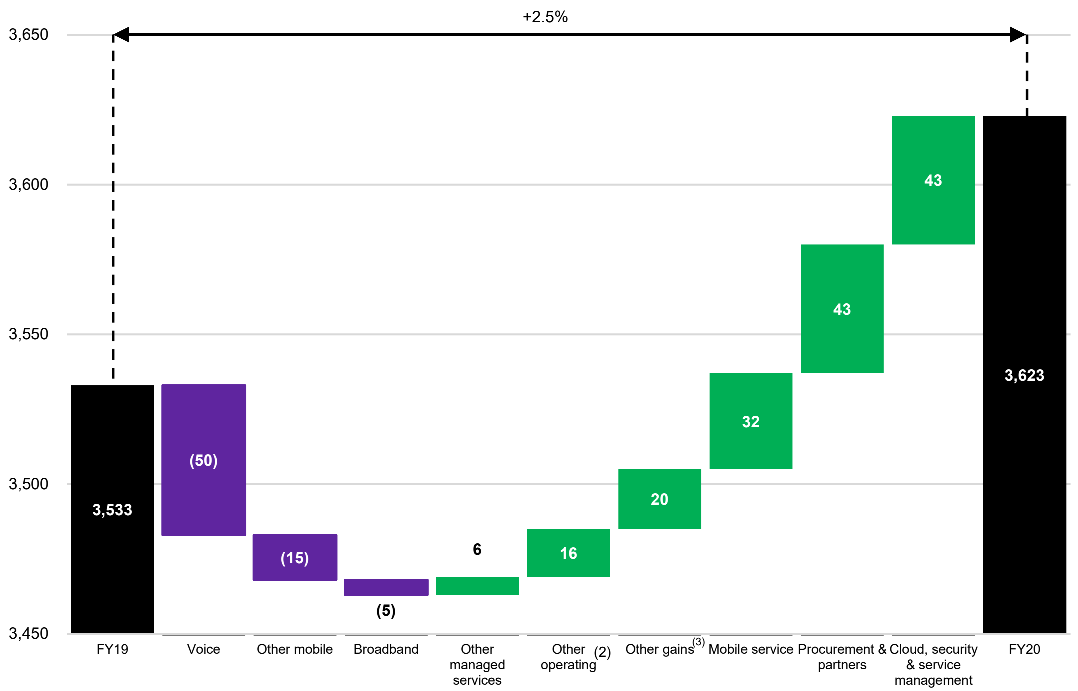
	FY19 $m	FY20 $m	CHANGE
Operating revenues and other gains	3,533	3,623	2.5%
Operating expenses	(2,443)	(2,510)	(2.7%)
EBITDAI	**1,090**	**1,113**	**2.1%**
Finance income	37	36	(2.7%)
Finance expense	(85)	(94)	(10.6%)
Depreciation and amortisation	(477)	(479)	(0.4%)
Net investment income	14	1	(92.9%)
Net earnings before tax expense	**579**	**577**	**(0.3%)**
Tax expense	(170)	(150)	11.8%
Net earnings after tax expense	**409**	**427**	**4.4%**
Capital expenditure	417	374	(10.3%)
Free cash flow[1]	292	438	50.0%
EBITDAI margin	30.9%	30.7%	(0.2pp)
Effective tax rate	29.4%	26.0%	(3.4pp)
Capital expenditure to operating revenues	11.8%	10.3%	(1.5pp)
Earnings per Share	22.3c	23.2c	4.0%
Total Dividend per Share	25.0c	25.0c	-

[1] The calculation of free cash flow is defined within the 'cash flows' worksheet of the FY20 detailed financials

Revenue

Strong performance in mobile and cloud resulting in a return to top line revenue growth of 2.5%

Revenue FY19 vs FY20 ($m)



- H1 FY20 revenue growth of 4.0%, H2 FY20 broadly flat on H2 FY19 due to impact of COVID-19.
- High levels of recurring revenue providing strong resilience – total FY20 recurring revenue ~70%.
- Market leading mobile service revenue growth driven by upsell to new endless mobile propositions.
- Increase in cloud, security and service management due to new customer transitions and growth in public cloud. Recurring/annuity revenue accounting for ~80%.
- Broadband revenues impacted following Lightbox divestment[1].
- FY20 COVID-19 revenue impacts:
  - Loss of high margin mobile roaming revenue;
  - Lower handset sell through due to retail store closures;
  - Removal of broadband data caps and Spark Sport provided at no charge; partially offset by
  - Increase in fixed line calling volumes; and
  - Demand for collaboration products and services due to COVID-19 and scaling up working from home.

FY21 revenue likely to be broadly flat reflective of contracting economy and ongoing uncertainty due to COVID-19.

(1) Lightbox is an agency arrangement with associated costs being offset against associated operating revenue
(2) Other operating revenue includes Spark Sport, Qrious and acquisition of NOW Consulting
(3) Other gains reflects net gains from sale of surplus equipment, strategic divestments (CCL Network and Lightbox) and fair value gain on exchange of spectrum

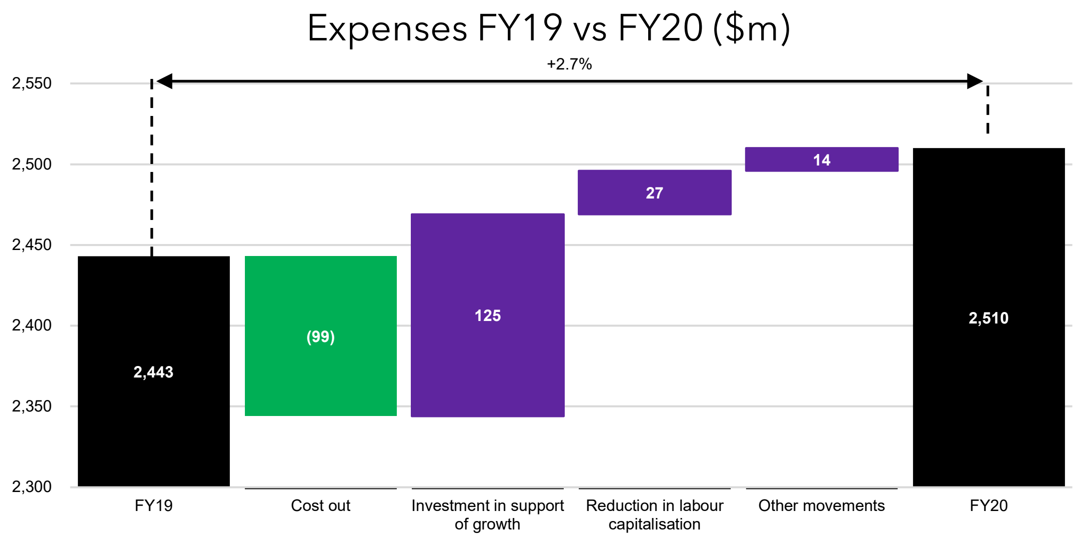
Spark's end-to-end digital services offering is locally unique and creates competitive advantage

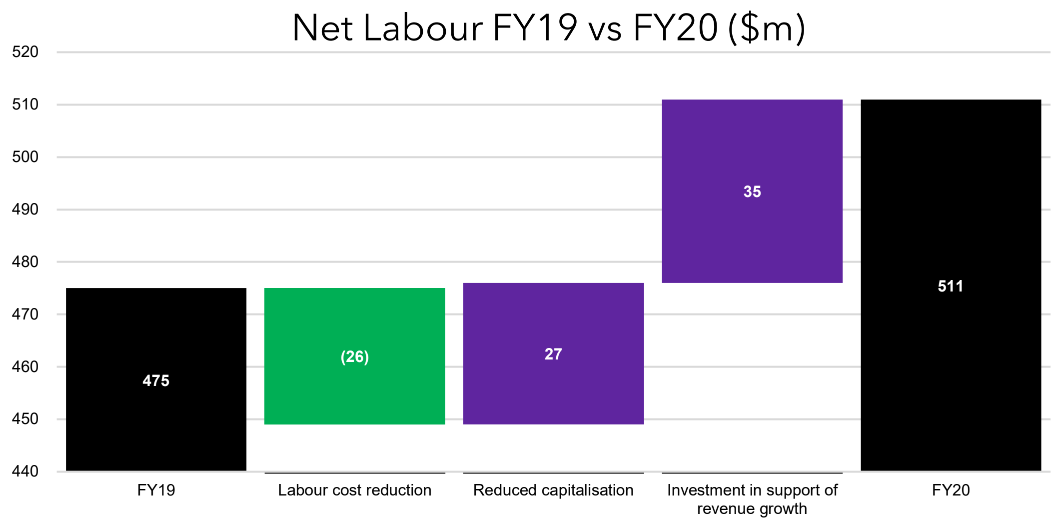
Product		Revenue profile	Spark's position	Market trends
IT Services	Professionals Services and Consulting	Non-recurring Lower margin	• Significant capability in business transformation • Consulting expertise in data/analytics through Qrious/Leaven	• Growing demand for expertise to deliver cloud solutions • Long term growth opportunities in business transformation
	Service Management	Annuity Higher margin	• Support customer environments end-to-end, including growing cloud managed services capability	• Sustained demand for outsourced IT management • Customer needs shifting in response to cloud adoption
IT Infrastructure	Procurement	Non-recurring Lower margin	• Serves customer demand for end-to-end IT outsourcing • Effective sell through to higher margin managed services	• Increased investment in remote working following COVID-19
	Security	Annuity Higher margin	• Strength in Government/Enterprise market segment • Largest Security Operations Centre (SOC) in NZ • Complementary service to connectivity	• Executive cyber risk concerns driving demand for security • Increased focus on security of remote working environments
	Cloud Services and Data Centres	Annuity Higher margin	• A market leader for onshore private cloud services[2] • Hybrid cloud offering via public cloud partnerships	• Ongoing shift to the cloud • Public cloud hyperscale providers signalling interest in NZ • Big data, AI and ML[3] enhancing customer experiences and operational effectiveness
Connectivity	Managed Data and Networks	Annuity Higher margin	• A market leader for managed data and networks	• Growing adoption of SD-WAN • Growth of dedicated cloud connectivity • 5G rollout underway • IoT[1] and explosion of connected devices
	Submarine Cables and Transport Network	Annuity Higher margin	• Largest ownership stake in submarine cables • Optical transport network with 800 Gb/s links to support increasing demand for data	• Growth of international traffic, driven by cloud and video • Development of Southern Cross NEXT

[1]Internet of Things
[2]Market estimates sourced from IDC
[3] Artificial Intelligence and Machine Learning

Operating expenses

Total operating expenses up 2.7% with cost efficiencies reinvested to fund growth in key markets



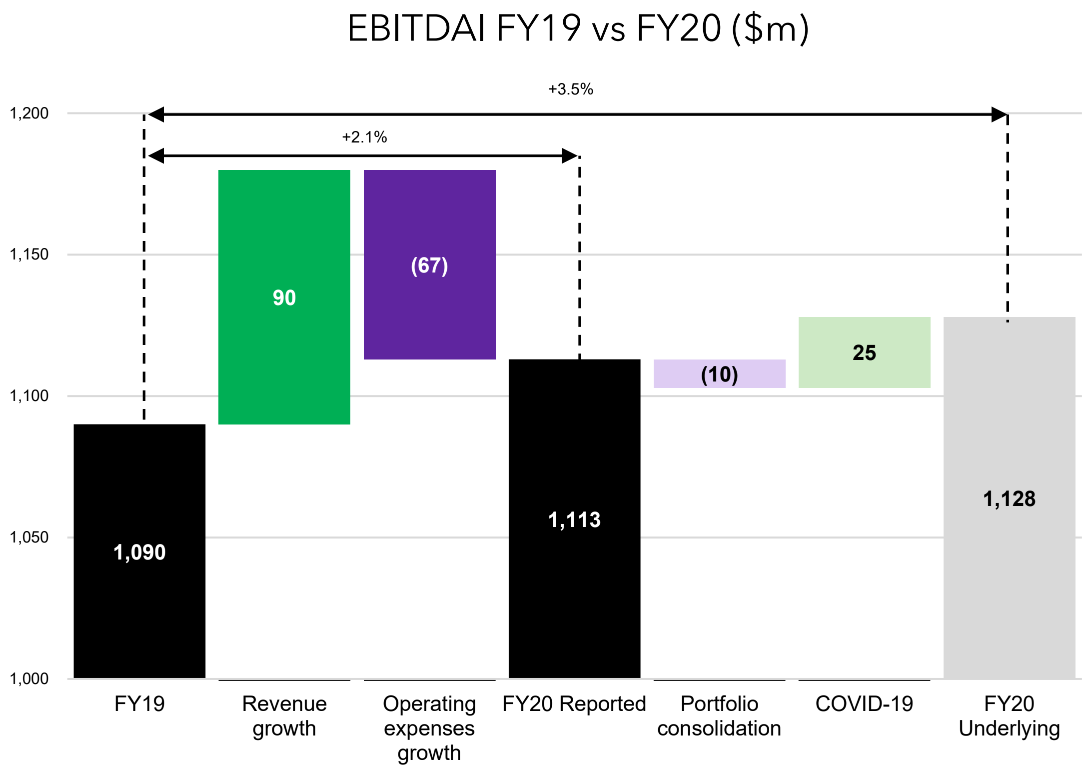


- $99m of gross cost-out driven by:
  - Data insights reducing marketing spend;
  - Reduction in customer credits due to improved billing processes; and
  - Reduction in product costs through tight management of rebates and supplier renegotiation.
- Cost-out reinvested in support of new and emerging revenues mobile, cloud, Spark Sport and Qrious. Cloud and procurement product costs a significant driver of increase.
- Increase in net labour costs of $36m YoY due to:
  - Investment in support of revenue growth and inflation;
  - Reduction in capitalisation of labour; and
  - Offset by ongoing re-balancing of our workforce as legacy business shrinks and interactions move to digital.
- FY20 COVID-19 operating expense impacts:
  - Lower mobile product costs due to retail store closures and reduced handset sell through;
  - Lower travel, accommodation and advertising expenses; and
  - Small increase in bad debts.

Robust cost out programme in place for FY21, targeting reductions in excess of FY20 which will provide flexibility to respond appropriately to changing economic conditions.

EBITDAI

EBITDAI growth of 2.1% underpinned by strong momentum across key markets and cost management



- Ongoing growth in total gross margin due to strong performance in mobile and cloud markets and benefits of cost management activities.
- Portfolio consolidation includes:
  - Other gains generated by divestment of non-core assets
  - Sale of surplus mobile network equipment; and a fair value gain on exchange of spectrum; partially offset by
  - Asset write-downs.
- EBITDAI margin in line with aspiration of at least 31%.

- Impact of COVID-19 expected to be more material at ~$75m for FY21:
  - Preparing for a tougher economic environment which is likely to result in broadly flat revenue;
  - Upweighting focus on cost reduction to offset COVID-19 impacts; and
  - Accelerating growth into 5G, wireless broadband and modern workplaces.

Capital investment

Capital expenditure successfully delivered in support of our business priorities within targeted envelope of ~$370m[1]

Capital expenditure ($m)	FY19	FY20
Mobile network	118	116
IT systems	132	129
Core sustain and resiliency	63	65
Cloud[2]	36	24
Converged Communications Network (CCN)	31	18
International cable construction and capacity[3]	12	11
Other[4]	25	11
Total capital expenditure	**417**	**374**
Total capital expenditure to operating revenue	11.8%	10.3%

- Sustained network investment provided critical connectivity during COVID-19, which saw dramatic increases in usage across Spark's networks.
- Mobile network investment to support first deployment of 5G technology and increased capacity in support of growth in wireless broadband and introduction of Spark Sport streaming services.
- Investment in IT systems to improve digital customer experience and implementation of Spark Sport platform.

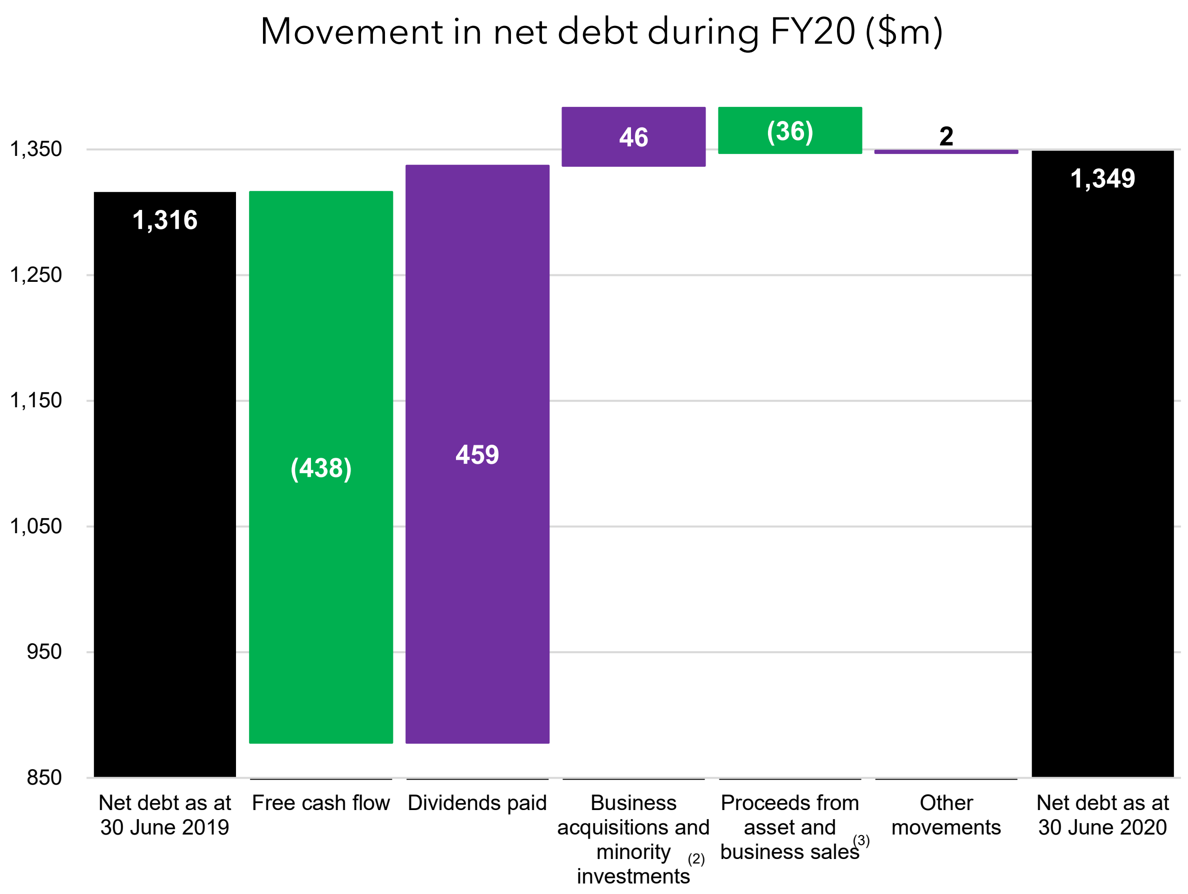
FY21 capital expenditure focussed on supporting New Zealand's economic recovery, including the rollout of 5G and investment in rural connectivity.

Prioritised allocation of capex combined with long-term investments in mobile spectrum resulting in greater overall investment in FY21 versus FY20.

[1] Excluding expenditure on mobile spectrum
[2] Reduction in Cloud spend due to shift towards leasing construct
[3] International cable includes capacity purchases on Southern Cross cable and investment in Tasman Global Access cable
[4] Reductions in other investments due to completion of IoT LoRA WAN network, divestment of Lightbox; and lower retail store fit-out spend

Net debt[1]

Total net debt of $1,349m, up $33m YoY. Net debt to EBITDA ratio within S&P's A- credit rating



- Reported net debt to EBITDAI ratio of 1.21x[4].
- Net Debt decreased by $177m during H2 FY20 as expected, due to improvement in free cash flow.
- Portfolio reallocation through divestment of non-core assets to invest in growth and strategic investments.

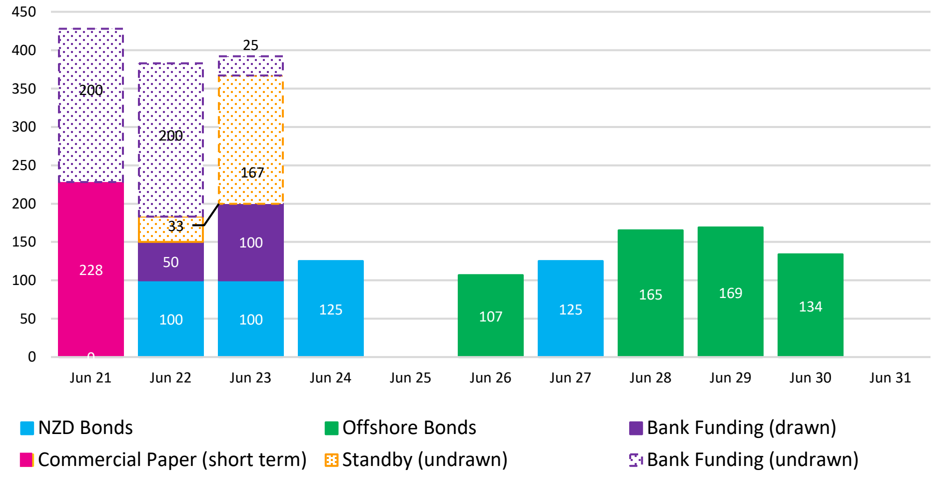
FY21 Net Debt expected to increase to fund upcoming spectrum renewals for 1800MHz and 2100MHz.

(1) Net debt at hedged rates as reported in note 4.4 of Spark's FY20 Annual Report
(2) Business acquisitions and minority invests include acquisition of Now Consulting, Southern Cross Next and Rural Connectivity Group equity contributions
(3) Proceeds from asset sales includes sale of surplus mobile network equipment and strategic divestments (CCL Network and Lightbox)
(4) Spark's internal capital management policy is to ensure that on a long-run basis reported net debt to EBITDAI does not exceed 1.4x; which Spark estimates is approximately equivalent to S&P's 1.7x adjusted debt to EBITDA threshold. Spark's internal threshold of 1.4x excludes S&Ps adjustments in relation to IFRS16, and captive finance operations

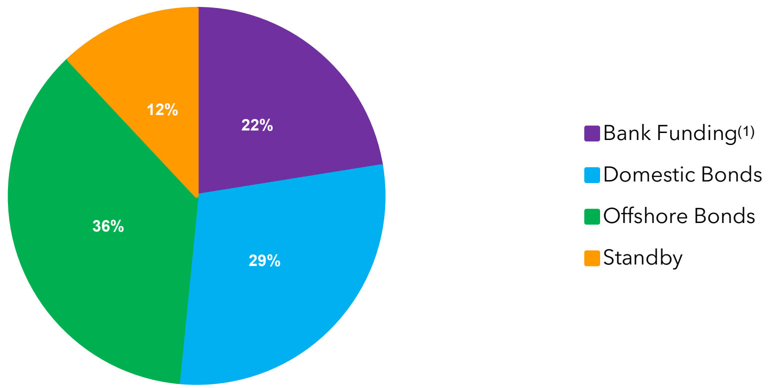
Funding and liquidity

Remain committed to S&P A- credit rating and continue to have sufficient access to funding

Gross debt maturity profile (incl. undrawn) as at 30 June 2020



Sources of long term debt as at 30 June 2020



- Established an additional $150m of committed revolving bank facilities on 2 April 2020 to provide additional funding and liquidity during COVID-19 uncertainty.
- Successfully issued AU$100m, 6-year fixed rate bond in June 2020 to refinance debt maturities.

As at 30 June 2020:

- Committed bank facilities of $575m of which $425m was undrawn.
- Undrawn $200m syndicated standby facility with a maturity of April 2023[2].
- Only debt facility maturity over the next twelve months is the $200m committed revolving bank facility due November 2020.

[1]Excludes $200m committed revolving bank facility maturing November 2020
[2]Commitment stepdown to NZ$167m for the period 1 May 2022 to 20 April 2023

Free cash flow

Free Cash Flow of $438m up $146m YoY, short of $460m aspiration due to a conscious decision to secure 5G mobile network equipment in advance of requirements

FY20 free cash flow growth driven by:

$438m	$1,113m	$374m	$17m
FREE CASH FLOW	EBITDAI	CAPEX	WORKING CAPITAL
50% increase from FY19	2.1% increase from FY19	10.3% decrease from FY19	Improvement in working capital from FY19

FY21 free cash flow aspiration $420m-$460m sufficient to fund shareholder distributions of 23-25 cps[(1)] after taking into account impact of dividend reinvestment plan[(2)].

FY21 free cashflow driven by:

1. EBITDAI stability
2. Prioritised capital expenditure
3. Ongoing improvement in working capital

[(1)] Subject to no adverse change in operating outlook
[(2)] Dividend Reinvestment Plan reinstated for H2 FY20 dividend. Shares issued under the Dividend Reinvestment Plan will be issued at a 2% discount to the prevailing market price as determined around the time of issue

FY21 indicators of success

Strategic Pillar	Focus Area	Measure	Target 30 June 2021
World Class Capability	Customer Experience	Consumer and small business iNPS	8 point lift
	Data driven insights	80% of customer base[1] in household view[2] enabling	15% efficiency gain in marketing spend
	Wireless future	Progressive rollout of 5G	Live in 5-7locations
	Mature Agile Leadership	Percentage of Agile squads at or above level 3.5	85%
Grow key markets	Wireless	Mobile service revenue growth	0-3%
	Wireless	Wireless broadband connections	+40k
	Cloud	Cloud, security and service management revenue growth	5-8%
Accelerate future markets	IoT[3]	Growth in number of connected IoT devices	50%
	Spark Sport	Successfully deliver season 1 of New Zealand cricket	Platform availability of 99.9%
Lowest Cost Provider	Deliver best cost	EBTIDAI margin	31%
Build a sustainable future	Championing digital equity	Skinny Jump connections	+10k
	Sustainable Spark	Set emissions reductions target aligned to New Zealand being carbon neutral by 2050[4]	By 30 June 2021

[1] Spark and Skinny consumer and Spark SME customer base
[2] Household view is an insights platform that allows us to better anticipate the needs of New Zealand households to deliver more targeted, relevant and personalised services
[3] Internet of Things
[4] As part of commitment to Climate Leaders Coalition

FY21 Guidance Key Assumptions[1]

New Zealand economy to remain subdued for most of the financial year with parts of New Zealand intermittently at different alert levels

	Area	Key assumptions
Mobile	Post-paid service margin	No material roaming revenue planned in FY21 Changes in mobile data usage as consumers are less mobile and utilise domestic broadband data
	Prepaid service margin	Base impacted by no incoming or outbound traveller SIMs and reduced consumer spend.
	Mobile Handsets	Economic conditions reduce discretionary consumer spend but some mitigation as early indicators are better than forecast, and Government demonstrates commitment to the rebuild
Broadband		Lower consumer spend due to economic conditions, offset by higher subscriptions due to ongoing flexible working. Customer preference for quality experience likely to remain in the short to medium term, reducing potential churn below normal levels
Voice		No material impact for FY21 but do not expect repeat of FY20 calling upside during lockdown
Managed Data		Increased competitor activity driving down contract re-sign pricing
Managed Services	Cloud growth	Moderation in growth rate due to economic uncertainty
	Collaboration	Growth through increased demand for flexible working
	Other managed services	No material impact, although risk from reduced business spend
Labour		Targeted rebalancing of the labour workforce to support new strategic capabilities
Opex (including labour)		Robust programme of targeted cost efficiencies providing flexibility and optionality to respond to the COVID-19 impact which in total is estimated to be ~$75m of EBTIDAI
FY21 Dividend		FY21 dividend range reflects increased uncertainty as a result of COVID-19 and expected spectrum renewal payments[2] Longer term aspiration for a sustainable dividend fully funded by free cashflow remains

(1) Subject to no adverse change in operating outlook
(2) 1800MHz and 2100MHz spectrum renewal payment of $50m due January 2021

Guidance[1]

	FY20 Actual	FY21 Guidance	FY21 Spectrum Renewals[2]
EBITDAI	$1,113m	$1,090m to $1,130m	
Capital expenditure	$374m	~$350m[3]	$50m
Dividend per share	Ordinary 25.0c H1 FY20 (75% imputed) H2 FY20[4] (100% imputed)	Ordinary 23-25c (100% imputed)	

[1] Subject to no adverse change in operating outlook
[2] 1800MHz and 2100MHz spectrum renewals
[3] Includes purchase of property, plant and equipment, intangible assets and capacity (including Southern Cross) but excludes spectrum purchases and leased customer equipment assets
[4] Dividend Reinvestment Plan reinstated for H2 FY20 dividend. Shares issued under the Dividend Reinvestment Plan will be issued at a 2% discount to the prevailing market price as determined around the time of issue

Disclaimer

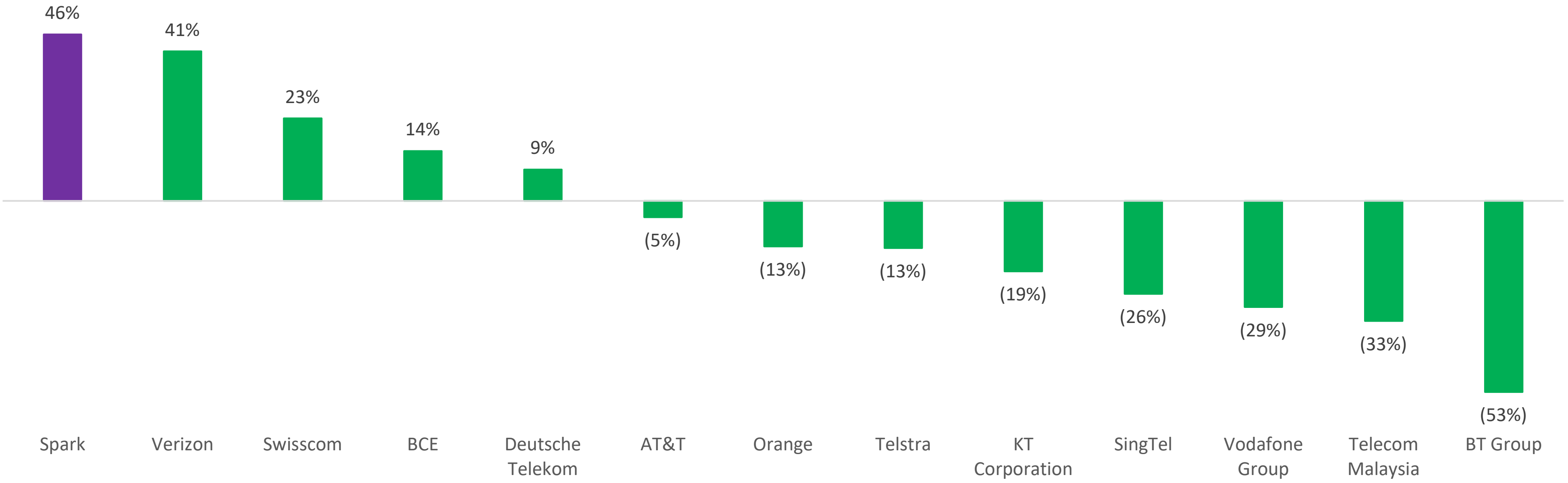
This announcement may include forward-looking statements regarding future events and the future financial performance of Spark New Zealand. Such forward-looking statements are based on the beliefs of and assumptions made by management along with information currently available at the time such statements were made.

These forward-looking statements may be identified by words such as ‘guidance’, ‘anticipate’, ‘believe’, ‘estimate’, ‘expect’, ‘intend’, ‘will’, ‘plan’, ‘may’, ‘could’, ‘ambition’, ‘aspiration’ and similar expressions. Any statements in this announcement that are not historical facts are forward-looking statements. These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond Spark New Zealand’s control, and which may cause actual results to differ materially from those projected in the forward-looking statements contained in this announcement.

Factors that could cause actual results or performance to differ materially from those expressed or implied in the forward-looking statements are discussed herein and also include Spark New Zealand's anticipated growth strategies, Spark New Zealand's future results of operations and financial condition, economic conditions and the regulatory environment in New Zealand, competition in the markets in which Spark New Zealand operates, risks related to the sharing arrangements with Chorus, any impacts or risks to Spark’s anticipated growth strategies, future financial condition and operations, economic conditions or the regulatory environment in New Zealand arising from or otherwise with COVID-19, other factors or trends affecting the telecommunications industry generally and Spark New Zealand’s financial condition in particular and risks detailed in Spark New Zealand's filings with NZX and ASX. Except as required by law or the listing rules of the stock exchanges on which Spark New Zealand is listed, Spark New Zealand undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Appendix
3-year TSR(1) Spark vs International Peers(2)

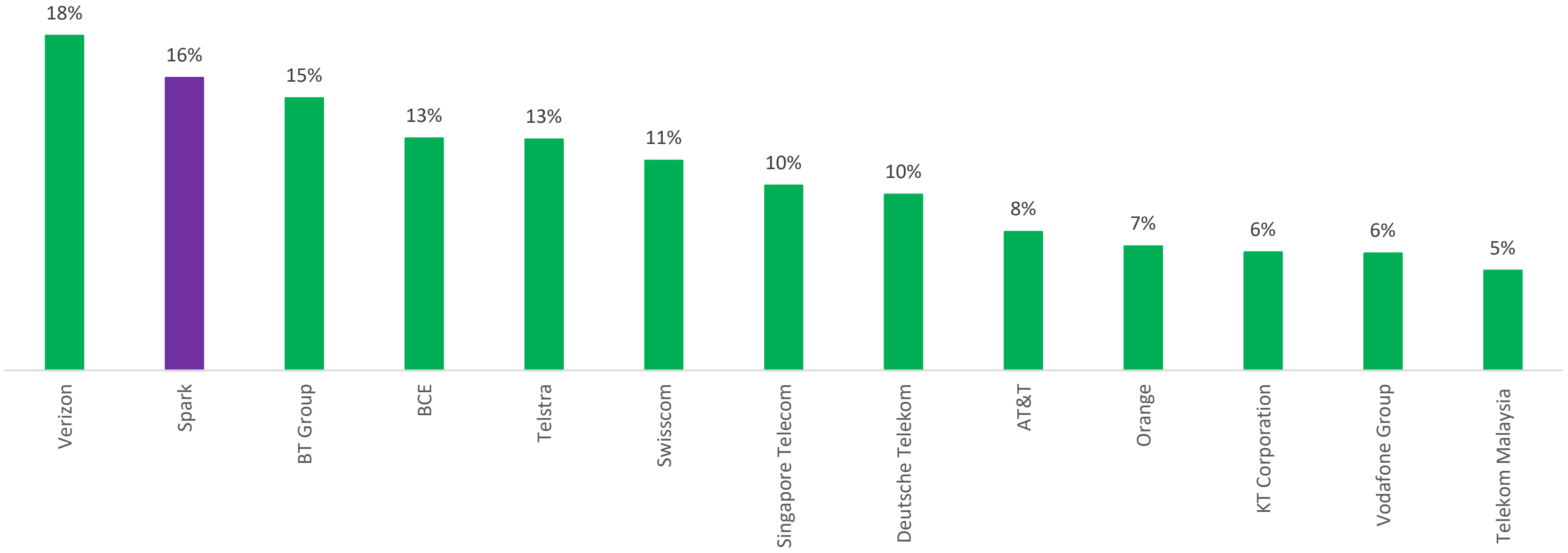
Ranked #1against international peers for Total Shareholder Returns. Compound annual growth rate of 13% and Total Shareholder Returns of 46%



(1)TSR calculated as share price and dividend per share (reinvested at the ex-dividend date) over Spark's FY18 – FY20 period (1 July 2017 to 30 June 2020)
(2)Peer group is not exhaustive but is a selected group of primarily integrated telco operators that are deemed the closest peers to Spark in terms of market exposure

Appendix
3-year ROIC(1) Spark vs International Peers(2)

Spark three-year Return on Invested Capital 16% per annum. Ranked #2 against international peers



(1) ROIC: pre-tax ROIC calculated as the average of annual operating EBIT divided by average invested capital, for the last three reporting years for each peer
(2) Peer group is not exhaustive but is a selected group of primarily integrated telco operators that are deemed the closest peers to Spark in terms of market exposure