



MARKET RELEASE

26 August 2020

Spark New Zealand delivers to guidance with strong performance in key markets and rapid response to COVID-19

- FY20 EBITDAI¹ guidance and dividend delivered – rapid response to COVID-19 and the associated impacts materialising in the last quarter moderated FY20 impact
- Return to top-line growth, following two years of flat revenues
- Earnings growth underpinned by Spark’s market momentum and focus on cost discipline
- Mobile service revenue growth outperformed the market²

Spark New Zealand (Spark) today announced revenue growth of 2.5% to \$3,623 million for the year ending 30 June 2020. Following a strong performance in the first half, Spark maintained its momentum to achieve mobile service revenue growth of 3.9%, and double-digit growth in cloud, security and service management revenue, which increased 10.8%.

In a year that was enormously challenging for all New Zealanders, Spark moved quickly to mitigate COVID-19 impacts as much as possible, while maintaining essential services to keep the country connected. Impacts included the loss of international roaming revenues, retail revenue reductions from store closures, the removal of data overage charges, and an increase in bad debt provisioning as a result of the economic impact of COVID-19 on Spark’s customers. Some benefits were also realised from increased demand for collaboration products to support remote working. Overall COVID-19 had a total negative EBITDAI impact of approximately \$25 million in FY20.

Operating expenses increased as the benefit of cost-out activities were reinvested to fund growth in key markets and labour capitalisation reduced in some areas.

Spark’s strong performance in key markets, continued focus on cost discipline and the timing of COVID-19 impacts materialising in the last quarter, resulted in EBITDAI growth of 2.1% to \$1,113 million, placing the result in the mid-range of guidance. Net profit after tax increased 4.4% to \$427 million, primarily driven by growth in EBITDAI and lower tax expense³.

Spark announced an H2 FY20 total dividend per share of 12.5c per share, 100% imputed, bringing the total FY20 dividend to 25c per share.

Spark Chair Justine Smyth said: “FY20 marks the completion of our 3-year plan, which has transformed Spark from a traditional telco to an end-to-end digital services company and delivered compound annual growth in shareholder returns of 13%⁴.”

¹ Earnings before interest, tax, depreciation, amortisation, and investment income

² Market share estimates sourced from IDC

³ 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

⁴ Total shareholder return compound annual growth rate for the three years from 1 July 2017 to 30 June 2020



"Agile ways-of-working have improved our speed to market and customer focus, and we have seen a significant increase in both customer and people engagement during this time. Our sustained network investment has underpinned our ability to innovate and grow and provided secure connectivity for our country during COVID-19.

"It is a credit to Spark's people that we have delivered such a strong result, with growth on nearly all key metrics, despite the impact of COVID-19 in the final quarter.

"We are now faced with a more uncertain economic climate, and we will continue to be challenged as a country, as a business and as individuals to adapt to the challenges COVID-19 brings. Our long term focus on simplifying and digitising our customer experiences, supporting digital transformation in the business community, and transitioning New Zealand off legacy systems to modern technologies, is more relevant now than ever before and we are ready to play our role in supporting New Zealand's economic recovery."

Spark moved quickly to mitigate the impacts of COVID-19 while maintaining its strong market momentum coming out of the first half.

Spark CEO Jolie Hodson said: "It is fair to say this will be a year remembered more for the last quarter than the first three, and it is a testament to the agility and commitment of our people that we were able to adapt quickly, support our customers and deliver what we said we would in a challenging environment.

"Our customers were quick to take up our new Endless data mobile plans, which contributed to mobile service revenue growth that outperformed the market. We grew wireless broadband connections by 16,000, however our aspirations are higher – and with the continued strong performance of our network during COVID-19 we have the confidence to accelerate this further in FY21.

"At a time when having an internet connection is more essential than ever before, we have leaned in and accelerated the rollout of our not-for-profit broadband product Skinny Jump – connecting more than 4,500 additional homes since COVID-19 hit.

"We are now entering a more challenging period as a country, and we expect the impact of COVID-19 to be more material in FY21. The recent return to Alert Level three in Auckland and Alert Level two more broadly has reminded us that this challenge is not behind us, and we moved quickly to lift broadband data caps for our customers once again. We know it is vital for New Zealand that we continue to invest in smart infrastructure during this time, and we are focussing our FY21 capital expenditure on supporting New Zealand's economic recovery, including through the rollout of 5G and investment in rural connectivity.

"We will continue to take a disciplined approach to cost management, ensuring we have the flexibility to respond as economic conditions change."

Spark confirmed FY21 EBITDAI guidance of \$1,090 million to \$1,130 million and a FY21 dividend of 23-25c per share, 100% imputed.

The details of Spark's next three-year strategy will be shared at an Investor Briefing on 16 September 2020. The evolved strategy will build on the momentum and foundational capabilities Spark has established through the successful execution of its current strategy.



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