KORA

Spark nz
hello tomorrow

Spark New Zealand

H1 FY24 Results Summary

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H1 FY24 Financial Snapshot

SPK-26 strategy delivering adjusted revenue and EBITDAI growth

$1,976m
1.3% increase vs. adjusted H1 FY23
ADJUSTED REVENUE[(1)(2)]

$530m
3.9% increase vs. adjusted H1 FY23
ADJUSTED EBITDAI[(2)(3)]

$157m
4.8% decrease vs. adjusted H1 FY23
ADJUSTED NPAT[(2)(4)]

$286m
14.4% increase vs. H1 FY23
CAPEX[(3)]

$46m
60% decrease vs. H1 FY23
FREE CASH FLOW

13.5c
H1 FY24 dividend
TOTAL FY24 DIVIDEND OF 27.5cps
0.5c increase vs. FY23

$1,976m
22.0% decrease vs. reported H1 FY23
REPORTED REVENUE[(1)]

$530m
49.1% decrease vs. reported H1 FY23
REPORTED EBITDAI[(3)]

$157m
81.8% decrease vs. reported H1 FY23
REPORTED NPAT[(4)]

[(1)] Operating revenues and other gains
[(2)]H1 FY23 EBITDAI is adjusted for the impact of the TowerCo gain on sale of $584m included in revenue and the Spark Sport provision of $52m included in operating expenses. Net EBITDAI impact of $532m. NPAT is further adjusted for the tax effect of the net gain on sale of the TowerCo transaction and the Spark Sport provision totalling $168m
[(3)]Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI) and capital expenditure (CAPEX) are non-Generally Accepted Accounting Principles (non-GAAP) performance measures that are defined in note 2.5 of Spark's Annual Report
[(4)]H1 FY23 reported NPAT is restated for the final tax calculation on the sale of Connexa Limited as described in note 2 of the Interim Financial Statements

H1 FY24 Results Summary

Market momentum and cost control underpinning adjusted revenue and EBITDAI growth in challenging environment

Top-line growth[1] in challenging economic environment

- Delivered adjusted revenue growth of 1.3% to $1,976 million, reflecting strength of market positions
- In telco, mobile remains central to growth, with service revenue up 6.3%, while broadband revenue and share remained broadly stable
- In digital services, cloud is back in growth, while total IT revenues were flat and digital health revenues down, primarily due to lower public sector demand
- Data centres revenue up as Takanini expansion came online, and high-tech growth driven by strong IoT performance
- Cost discipline held operating expenses broadly flat, supporting adjusted EBITDAI growth of 3.9% to $530 million
- Adjusted NPAT decreased 4.8% to $157 million due to higher average interest rates on debt and higher interest payments on Connexa leases, with second half improvement expected in line with stronger H2 EBITDAI[2]
- Larger share of capital investment in H1 to gain a fast start on strategy and implement upgrade programmes resulting in lower free cash flow. Remain committed to FY24 capex guidance and FCF aspiration of ~$490-$530 million

SPK-26 strategy on track, with growth investments progressing to plan

- Data centre growth strategy accelerating with conditional agreement to purchase land within new development on Auckland's North Shore, and intent to develop an initial 10MW hyperscale data centre campus on the site, with the option for further expansion
- Broader digital infrastructure investments progressing to plan, with 5G now in 95 locations and 5G core build on track
- Business fundamentals healthy and growing – customer satisfaction up 5 points, people engagement up 3 percentage points, and maintained position in Dow Jones Sustainability Australia Index

Continue to deliver shareholder returns

- Continue to deliver shareholder returns with $305 million returned to shareholders via on-market share buy-back to date, a H1 FY24 dividend of 13.5 cps 100% imputed declared, and total FY24 dividend of 27.5 cps 100% imputed reaffirmed in line with guidance

[1] H1 FY23 EBITDAI is adjusted for the impact of the TowerCo gain on sale of $584m included in revenue and the Spark Sport provision of $52m included in operating expenses. Net EBITDAI impact of $532m. NPAT is further adjusted for the tax effect of the net gain on sale of the TowerCo transaction and the Spark Sport provision totalling $168m
[2] In line with FY24 guidance

Telco Market Performance

Strong mobile growth and stability in broadband continues

$510m

6.3% increase vs. H1 FY23

MOBILE SERVICE REVENUE

Service revenue and pay-monthly ARPU growth driven by price increases, connection growth, and roaming revenues tracking above pre-Covid levels

#1 in mobile market share by service revenue and total connections[(1)]

Brand strength and data driven marketing continues to drive differentiation with Spark capturing 47% of total mobile connection growth in the half[(1)]

$309m

1.3% decrease vs. H1 FY23

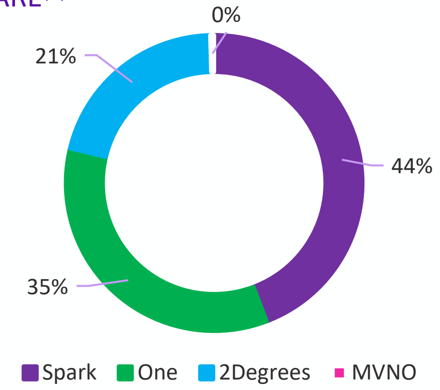
BROADBAND REVENUE

Revenue held broadly flat despite high levels of price competition in an inflationary environment

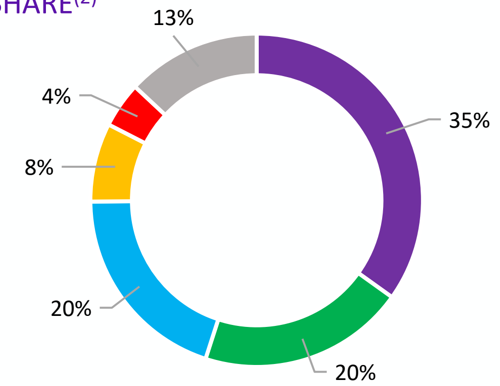
Margins maintained as input cost increases passed through alongside growth in wireless broadband and successful BYOD modem campaign

~31% of base now on wireless broadband with ongoing mobile network investment increasing addressable market

MOBILE SERVICE REVENUE MARKET SHARE[(1)]



BROADBAND CONNECTION MARKET SHARE[(2)]



[(1)] Market share estimates sourced from IDC as at 31 December 2023
[(2)] Market share estimates sourced from IDC as at 30 September 2023

Digital Services Market Performance

Stabilisation in IT and growth in data centres and high-tech

$345m

flat vs. H1 FY23

TOTAL IT

Cloud revenue up 3.8%, driven by increased private and public cloud workloads and launch of new hybrid cloud service CloudIQ

Cloud gross margin improved 7.6% with cost base reset. Further benefits to flow through in H2

IT service management revenue down 10.0%, primarily due to lower public sector demand. Focus on ServiceFlex[1] proposition continues in H2

$18m

Up 38.5% vs. H1 FY23

DATA CENTRES

Data centre investment and expansion on track with plans for new Auckland North Shore development announced

Takanini 10MW expansion completed in August 2023 with revenue stream now billing. 1MW Aotea campus expansion due to complete by end of calendar year

Further expansion at Takanini campus with additional 5MW currently under design[2]

$35m

12.9% increase vs. H1 FY23

TOTAL HIGH-TECH

IoT continues to see strong revenue growth underpinned by significant connectivity growth

MATTR customers moving into production environments, laying the foundation for future growth

Converged technology proof-of-concepts underway with multiple customers, to identify future commercialisation opportunities

$42m

Down 8.7% H1 FY23

DIGITAL HEALTH

Revenues impacted by public health sector slowdown

Focus on growing new revenue streams through further expansion into the private sector

New app bundle proposition for both public and private sectors in development with partners

[1] ServiceFlex is a new modular Service Management offering that provides flexibility for clients to consume new functionality as needed and delivers a more automated lower-touch service experience
[2] Planned Takanini investment to be funded within previously communicated TowerCo proceeds allocation of $250m-$300m

FY24 Indicators Of Success

Measure	Target 30 June 2024	Status
Mobile service revenue growth	~5%	On Track
Additional sites that are 5G capable	+180-200 sites	On Track
Wireless broadband connections	+10k-15k	Solid Progress
IT and procurement revenue growth	~2%	On Track
Data centre revenue	~$35m	On Track
High-tech revenue growth	~$25-$35m	Improvement Needed
IoT connections	~2m	On Track
Gross cost reduction	~$40-$60m	On Track
Customer iNPS	+3 points	On Track
Lift in employee engagement	+5 points	On Track
Reduce Scope 1 and Scope 2 GHG emissions against FY20 Baseline	Maintain at or under 22.4% below FY20 baseline	On Track

SPK-26

Strategy Update

Our FY24-26 focus

We will empower the people and businesses creating Aotearoa's tomorrow by:

Bringing New Zealanders the best digital-first experiences, curated to their needs

LEAD
Mobile

OPTIMISE
Broadband

Enabling New Zealand Businesses to grow and become more productive and sustainable through technology

LEAD
SME and Business

GROW
High-tech Solutions

Our enablers

- Next evolution technology
- Simple, data-driven organisation
- Innovation culture

Our commitment: to stand together for generations to come

Toitū Sustainability at Spark

- Economic Transformation
- Digital Equity
- Sustainable Spark

Te Korowai Tupu

- Our Māori Strategy

Our FY26 outcomes

Low / mid-single digit CAGR EBITDAI growth	**>10%** Free cash flow growth	**+10 lift** Customer engagement	**Top decile** People engagement	**Top quartile** Sustainability benchmarking

SPK-26: Operate Programme

Realigning operating model and capital investment to strategic growth areas

Accelerated Growth Investment

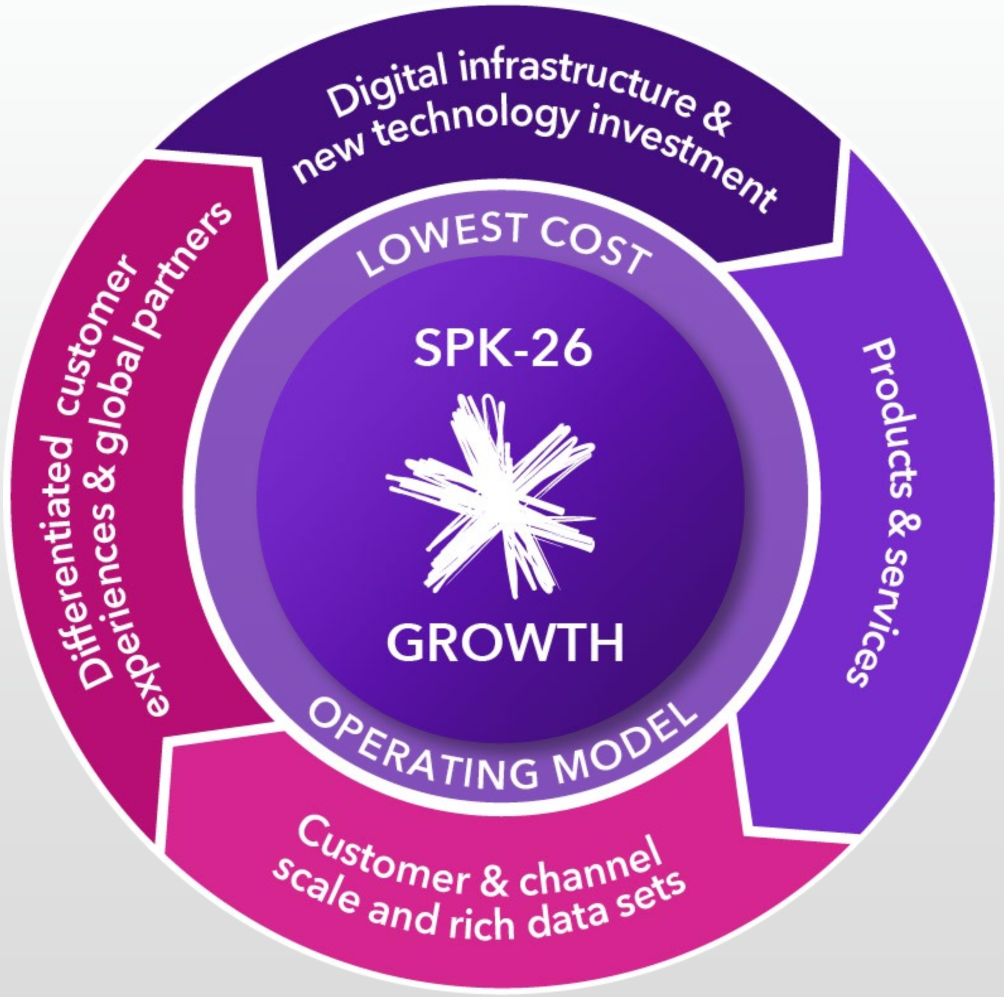
- Larger share of capital investment in H1 to gain a fast start on strategy and implement upgrade programmes
- Digital infrastructure investments progressing to plan:
  - 5G Standalone and core build on track
  - 10MW Takanini data centre expansion completed and now billing
  - Continued investment in cloud platforms to support hybrid cloud environment

Gross Cost Reduction

- H1 focus on operating model redesign to align to FY26 strategic ambitions – labour investment in growth areas, and reductions in areas where EBITDAI profiles are changing, such as cloud
- Operating model redesign, AI and automation, ongoing simplification, digitising customer journeys, and growing wireless broadband will underpin efficiency
- On track to exceed gross cost out target in FY24 of ~$40-$60m

Digital Infrastructure Growth Investments

Building on the strength of Spark's core connectivity assets, data centre and 5G Standalone investments will underpin ongoing competitive advantage



Digital infrastructure and new technology investments underpin products and services

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Product and service density creates customer and channel scale, which supports lowest cost structure and provides rich data sets

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This supports improved, personalised customer experiences, and attracts global partners who need local channels to market

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This supports growth, and reinvestment back into digital infrastructure and new technologies, which are then commercialised into new products and service

High-tech Roadmap

Growing returns in mature markets while building growth markets of the future

TECH	MATURE	EMERGING	NEW
MARKETS	EXISTING	EXISTING	NEW

IoT

- ~1.8m connections
- Established and growing – 26.9% revenue CAGR FY21-FY23

DIGITAL HEALTH

- Scale IT provider
- Established and growing – 12.3% revenue CAGR FY21-FY23

5G STANDALONE

- $40-$60m investment FY24-26, enabling MAEC[(1)], network slicing, private networks

CONVERGED TECH

- Solution in market with MPI, AI and computer vision proof-of-concepts in customer trials

SATELLITE

- Text-to-mobile trials underway with Lynk Global, with first satellite text message sent on Spark's network in November
- Starlink business-grade satellite broadband solution in market for business customers

MATTR

- Digital identity market forming
- Reached commercialisation in FY22
- Global customer base

AMBITION

Rapid scale, expansion into new sectors, and moving up the value chain into high-tech or converged solutions

Successful implementation of proof-of-concepts to identify commercialisation opportunities for future scale

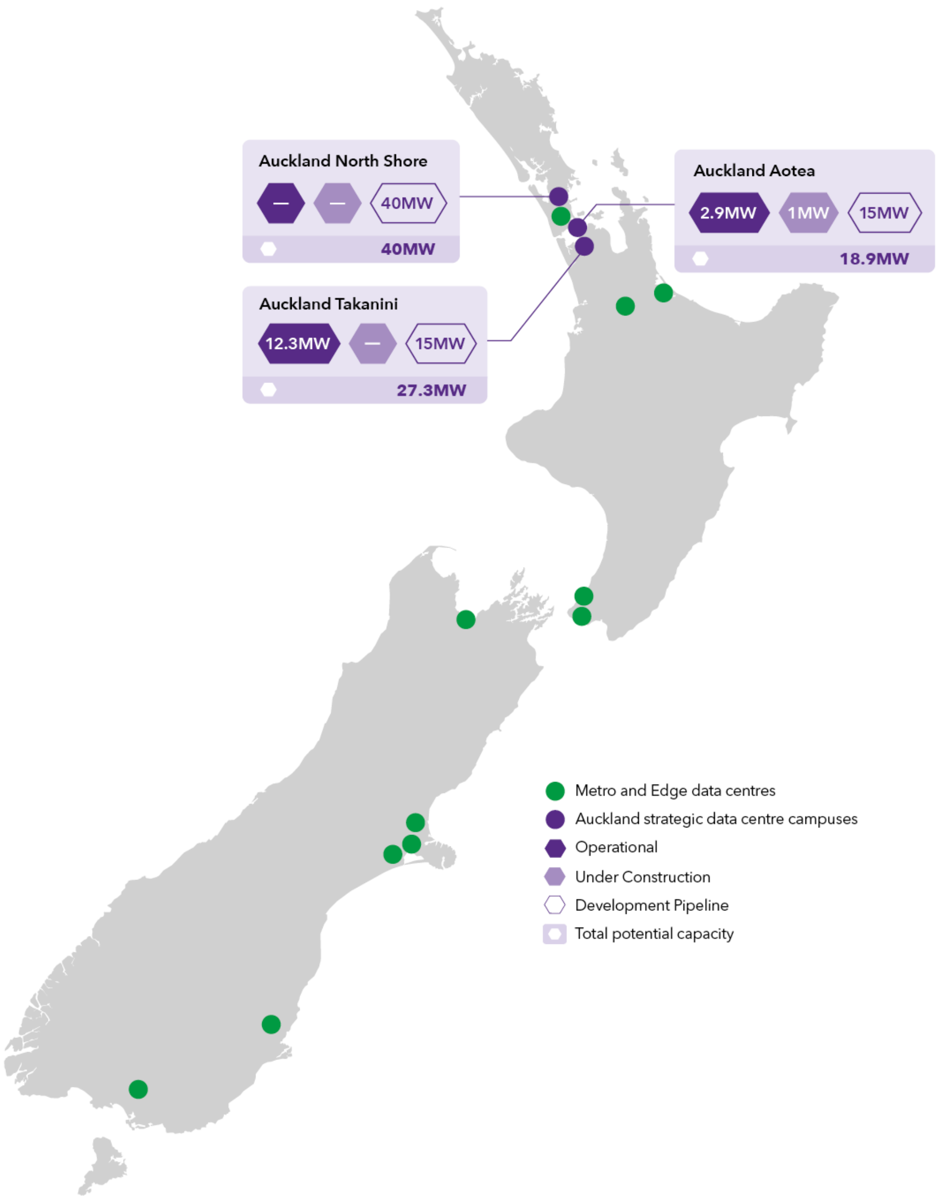
Creating a new market for high growth SaaS-based annuity revenues

[(1)] Multi-Access Edge Computing

Data Centre Growth Ambition

Data centre investments accelerating in line with strategic ambition

Supportive tailwinds	Exponential growth in data, continued migration to the cloud, and the advent of generative AI boosting demand for data centre capacity	
Growth Ambition	Three large-scale Auckland locations: Takanini, Aotea, and North Shore, supported by regional data centres across the country	
Competitive advantages	Existing Portfolio and Capabilities	New Zealand's most extensive network of data centres, combined with technical, engineering, security, and infrastructure capabilities
	Available Capacity	Potential long-term capacity incrementally increasing to ~90MW North Shore site acquisition to add up to~40MW capacity once completed
	Hyperscaler Relationships	Established relationships with hyperscalers as both resale partners and customers with committed long-term tenancies at key sites
	Complementary Core Business	Spark is uniquely positioned to add value at the connectivity layer (international subsea, national, and metro fibre services), across the product layer (IT and cloud), and as a sales channel to market
	Diversity of Assets	Diversity of data centre assets a key differentiator, enabling Spark to meet a very broad range of customer requirements
Value creation	• Growing revenue at pace through long-term annuity revenues and scaled contracts • Ability to cross-sell other services as customers migrate to the cloud • Targeting returns of ~9-10% over time as utilisation scales • Optionality exists around partnerships and funding models	



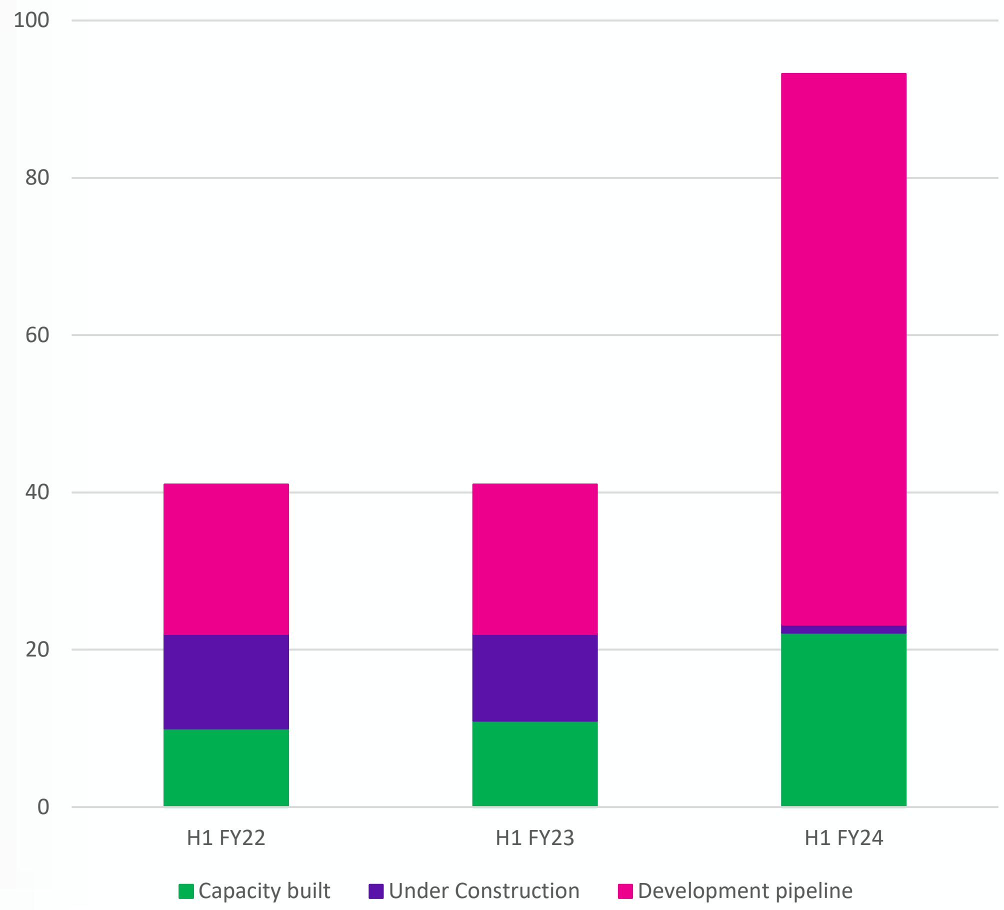
* All investment decisions subject to capital management framework, investment principles, and customer demand

Data Centre Portfolio Overview

Total built capacity at 88% contracted utilisation and significant pipeline of potential development opportunities available

FACILITY	STATUS	SITE CAPACITY (MW)
Auckland – Takanini Campus	Built	12.3
Auckland – Aotea Campus	Built	2.9
Other sites	Built	7.1
TOTAL CAPACITY BUILT		**22.3**
Auckland - Aotea Campus	Under construction	1.0
TOTAL CAPACITY UNDER CONSTRUCTION		**1.0**
Auckland - North Shore Campus	Development pipeline	40.0
Auckland - Takanini Campus	Development pipeline	15.0
Auckland - Aotea Campus	Development pipeline	15.0
TOTAL DEVELOPMENT PIPELINE (UP TO)		**70.0**
TOTAL POTENTIAL CAPACITY		**93.3**

DATA CENTRE SITE CAPACITY (MW)



Toitū Sustainability Performance

Continued ESG progress secured ongoing inclusion in the Dow Jones Sustainability Australia Index (DJSI)

ECONOMIC TRANSFORMATION

5G live in 95 locations across the country, with nationwide 5G standalone roll-out progressing to plan

Research collaboration with NZIER launched, demonstrating how advanced technologies can accelerate productivity

Trials underway with customers on high-tech solutions that improve productivity, health and safety, and sustainability

DIGITAL EQUITY

Over 29,000 households now utilising not-for-profit wireless broadband service Skinny Jump

Extended online protections for Spark customers through an MoU with the DIA to block internet domains that contain child sexual abuse material

$1 million investment by Spark Foundation in newly formed national organisation for Māori in technology, Te Ao Matihiko

SUSTAINABLE SPARK

People engagement up 3pp YoY and progressing towards FY26 ambition

FY24 H1 Scope 1 and 2 greenhouse gas emissions down 8% compared to H1 FY23

Completed 2023 commitment to undertake five JAC[1] supplier audits

[1] Joint Audit Cooperation

Financials

Financials

	REPORTED H1 FY23 $m	REPORTED H1 FY24 $m	CHANGE	ADJUSTED H1 FY23 $m	ADJUSTED H1 FY24 $m	CHANGE
Operating revenues and other gains	2,534	1,976	(22.0%)	1,950	1,976	1.3%
Operating expenses	(1,492)	(1,446)	3.1%	(1,440)	(1,446)	(0.4%)
EBITDAI	1,042	530	(49.1%)	510	530	3.9%
Finance income	16	14	(12.5%)	16	14	(12.5%)
Finance expense	(43)	(63)	(46.5%)	(43)	(63)	(46.5%)
Depreciation and amortisation	(248)	(251)	(1.2%)	(248)	(251)	(1.2%)
Net investment income	(1)	(3)	NM	(1)	(3)	NM
Net earnings before tax expense	766	227	(70.4%)	234	227	(3.0%)
Tax expense	99[1]	(70)	NM	(69)	(70)	(1.4%)
Net earnings after tax expense	865	157	(81.8%)	165	157	(4.8%)
Capital expenditure[2]	250	286	14.4%	250	286	14.4%
Free cash flow	115	46	(60.0%)	115	46	(60.0%)
EBTIDAI margin	41.1%	26.8%	(14.3pp)	26.2%	26.8%	0.6pp
Effective tax rate	(12.9%)	30.8%	43.7pp	29.5%	30.8%	1.3pp
Capital expenditure to operating revenues and other gains	9.9%	14.5%	4.6pp	12.8%	14.5%	1.7pp
Basic Earnings per Share	46.2c	8.6c	(37.6c)	8.8	8.6	(0.2c)
Total Dividend per Share	13.5c	13.5c	-	13.5c	13.5c	-

[1] H1 FY23 tax expense has been restated for the final tax calculation on the sale of Connexa Limited as described in note 2 of the Interim Financial Statements
[2] Excluding expenditure on mobile spectrum

H1 FY24 Operational Performance Summary

Top line growth maintained with operating costs held broadly flat despite inflationary pressures

$1,976m

1.3% increase vs. adjusted H1 FY23

ADJUSTED REVENUE

- Top-line growth driven by standout mobile performance, stabilisation in broadband, and return to growth in IT products
- New data centre revenue stream online with 10MW Takanini expansion completed and now billing
- High-tech revenue growth driven by solid performance in IoT as connections scale
- IT services revenue remains weaker primarily due to lower public sector demand
- Decrease in other product revenue driven by closure of Spark Sport, offset by growth in Entelar as it expanded delivery of 5G projects and increased its distribution business

$1,446m

0.4% increase vs. adjusted H1 FY23

ADJUSTED OPEX

- Higher labour costs primarily driven by wage inflation and growth in Entelar in support of revenue growth
- Decrease in product costs due to voice connection decline, exit of Spark Sport, and partially offset by an increase in Entelar costs
- Focus on cost discipline remains with operating model redesign progressing to unlock further productivity and efficiency benefits

H1 FY24 Capital Investment and Free Cash Flow

Capital investment accelerated in H1 in support of SPK-26, on track to deliver in line with guidance and free cash flow aspiration of ~$490m-$530m

$286m

14.4% increase vs. H1 FY23

CAPITAL INVESTMENT[1]

- Maintenance capital investment heavily weighted towards H1 to accelerate simplification and upgrade programmes
- H1 investment includes ongoing ERP implementation across the group, simplification of B2B tooling, and a higher proportion of cloud infrastructure purchased rather than leased
- Increase in overall mobile spend with weighting towards 5G Standalone readiness
- Ongoing investment in data centre portfolio, with work now commenced on the next data centre facility at the Takanini Campus, and additional land purchase on Auckland's North Shore in progress
- Remain committed to delivering overall capital investment envelope in line with full year guidance of ~$510-$530m

$46m

60.0% decrease vs. H1 FY23

FREE CASH FLOW

- H1 FY24 FCF impacted by:
  - Timing of maintenance cash capex, with $261m spent in H1, versus $200m in H1 FY23
  - Increased interest costs as debt levels rise and rates increase, combined with Connexa lease costs
- H2 FY24 FCF improvement delivered by:
  - EBITDAI growth driven by mobile, data centres, and high-tech and benefits of SPK-26 Operate Programme flowing through
  - Managing capital expenditure in line with guidance
- Remain committed to free cash flow aspiration of ~$490m-$530m

[1] Excluding expenditure on mobile spectrum. Capital expenditure is a non-GAAP measure and is defined in note 2.5 of Spark's Annual Report

H2 Performance Outlook

Remain committed to delivering FY24 EBITDAI guidance of $1,215m-$1,260m(1)

Ongoing mobile tailwinds, strong growth trajectories in other key markets, and on track to exceed gross cost out target – supporting delivery of EBITDAI guidance

MOBILE SERVICE REVENUE	• Ongoing strong growth as demand for data increases, price increases flow through, connections grow, and roaming sits above pre-Covid levels
BROADBAND	• Continued margin optimisation as input cost increases are passed through and wireless broadband continues to grow
IT	• Growth in private and public cloud with improved margins from cost reset already executed, partially offset by slower service revenues reflecting economic environment
DATA CENTRES	• On track to deliver FY24 revenue of ~$35m
HIGH-TECH	• Additional growth as IoT connections continue to scale and MATTR moves into production with key customers • Focus on growing new digital health revenue streams through further expansion into the private sector
LABOUR & OPEX	• Refreshed operating model aligned to new 3-year strategy and on track to exceed FY24 gross cost out target of ~$40-$60m

(1) Subject to no material change in operating outlook

Net Debt

Increase in net debt as TowerCo proceeds are returned to shareholders and growth capex is invested

Net Debt	H1 FY23 ($m)	H1 FY24 ($m)
Net debt at hedged rates	$798	$1,557
Net debt at hedged rates including lease liabilities	$1,645	$2,359
Debt Ratios		
Borrowing costs (annualised)	4.3%	5.9%
Weighted average debt maturity (years)	4.3	3.2
Debt servicing[5]	1.29x	1.79x
Gearing	44%	59%
Interest cover	16	10

Increase in debt levels and interest rates reflecting:

- On-market share buy-back returning $305m of TowerCo proceeds to shareholders to date;
- Higher weighting of cash capex invested in H1; and
- Increase in working capital

Net debt expected to reduce below 1.7x in H2 consistent with long-term Capital Management Framework:

- Completion of on-market buy-back[1];
- H2 cash capex to reduce with full year spend in line with guidance; and
- Improvement in working capital

- In 2023 a NZ$100m bond matured. Spark's next long-term maturity is a NZ$125m bond maturing in March 2024
- Spark is considering making an offer of up to NZ$250m[2] of unsubordinated, unsecured fixed rate bonds via its wholly owned subsidiary Spark Finance
- If Spark Finance offers these bonds, it is expected that full details of the offer will be released in the week beginning 4 March 2024[1][3][4]

(1) Subject to market conditions
(2) With the ability to accept oversubscriptions of up to NZ$50m at Spark's discretion
(3) No money is currently being sought and applications for the bonds cannot currently be made however if Spark Finance offers the bonds, the offer will be made in accordance with the Financial Markets Conduct Act 2013 as an offer of debt securities of the same class as existing quoted debt securities
(4) The Bonds are expected to be quoted on the NZX Debt Market
(5) Debt servicing is calculated as (Net debt at hedge rates+ Lease liabilities - captive finance adjustments)/(Adjusted EBITDAI - captive finance adjustments) which Spark estimates aligns to S&P's credit rating calculation

Key takeouts for H2

Spark is well positioned to build further momentum as economic conditions improve

1. Emerging signs of economic conditions improving, with ongoing demand for data supporting core growth engine of mobile
2. SPK-26 on track, with key digital infrastructure investments accelerating and building a platform for future growth
3. SPK-26 Operate Programme to deliver more efficient operating model, with benefits starting to flow through in H2
4. Strong business fundamentals in brand and data, customer experience, people, and sustainability continue to support competitive advantage
5. Reaffirmed FY24 EBITDAI, capital expenditure, and total dividend guidance

Guidance[1]

	FY23 Actual	FY24 Guidance
EBITDAI	$1,193m[2]	$1,215m-$1,260m
Capital expenditure[3]	$515m	~$510m-$530m
Dividend per share	Total 27.0cps (100% imputed)	Total 27.5cps (100% imputed)

[1] Subject to no material adverse change in operating outlook
[2] FY23 EBITDAI is adjusted for the impact of TowerCo gain and Spark Sport provision
[3] Total capital expenditure including growth capex and excluding expenditure on mobile spectrum

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, 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.