IT & MANAGED SERVICES PRESENTATION

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EXECUTIVE SUMMARY:

DIVERSIFIED BUSINESS, SUSTAINABLE GROWTH

With a long history as Telecom New Zealand, Spark is synonymous with telecommunications – and the vast majority of New Zealanders associate Spark with mobile and broadband services.

- Less well-known is that Spark is a highly diversified business, with ~1/3 of total group revenues ($1,104m) derived from IT & Managed Services.
- The IT & Managed Services market revenue is valued at ~NZ$6 billion and expected to grow at ~4-6% CAGR to FY23 as businesses rapidly digitise and shift to the cloud – spurred in part by the impacts of COVID-19.
- Spark is uniquely positioned in the market to deliver end-to-end products and services, leveraging market-leading capability across cloud, security and service management.

- Spark’s growing IT & Managed Services offering is supported by a highly-valuable infrastructure asset portfolio, which is unique in the NZ market, difficult for competitors to replicate, and a potential driver of additional future value.
- Our scale of relationships, strength of brand, valuable infrastructure portfolio, exposure to growing market segments and the supportive global and local trend towards business digitisation set us apart from our traditional competitors.
- We expect IT & Managed Services revenues to grow at a 5-10% CAGR to FY23 supporting top line revenue growth and creating long-term value for shareholders.

SECTOR OVERVIEW & 3 YEAR STRATEGY

Spark nz

WHAT IS IT & MANAGED SERVICES?

CUSTOMER NEEDS

High-quality, nationwide managed datacentre facilities	Access to global cloud partners	Digital trust, data privacy and security solutions	Trusted advice and managed services that just work	Cost-effective technology sourcing solutions	Local / regional support from IT specialists	Cost effective and compliant cloud solutions and applications	Seamless 'always on' connectivity	Remote and digital working solutions

HOW SPARK DELIVERS

Cloud, security and services management			Procurement and partners		Managed data, networks and services	
Cloud (including datacentres)	Security	Service management (including professional services)	Procurement	IT Partners	Managed data and networks	Collaboration

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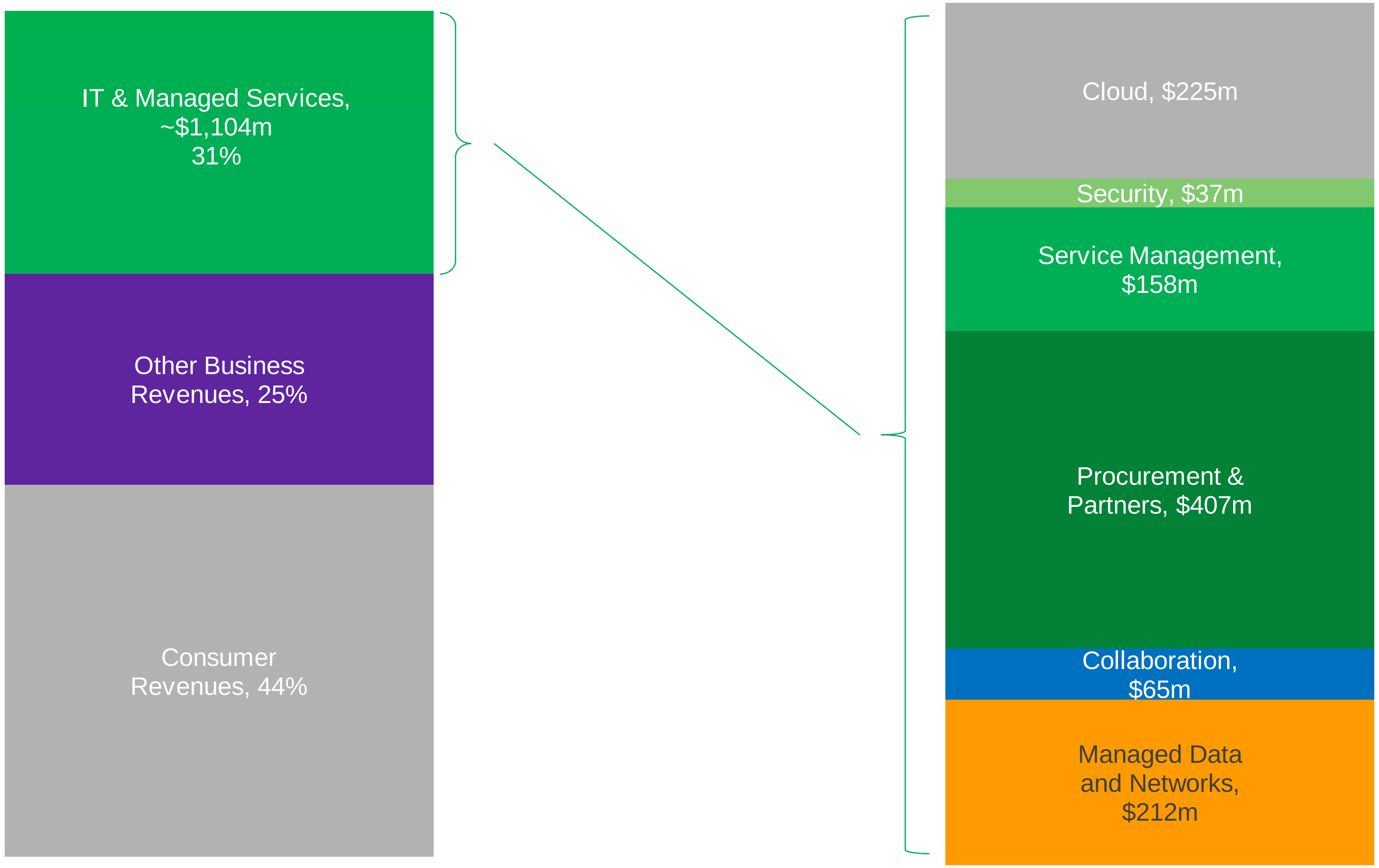
IT & MANAGED SERVICES REPRESENT AROUND
1/3 OF GROUP REVENUES



Spark Group Revenue FY20 (~$3.6b)

OUR IT & MANAGED SERVICES

3-YEAR STRATEGY

To be New Zealand's leading agnostic cloud custodian, bringing the best of private and public cloud together with our service expertise, supported by 'always-on' connectivity.

- Flexible 'as-a-service' solutions that utilise shared infrastructure
- Offering digital business transformation services
- With 'Hybrid cloud' capabilities delivering best of private and public cloud to meet customer needs
- Underpinned by best in class cyber security, and developing new markets in digital trust

HOW WE WILL DELIVER

- Foundations provided by an infrastructure asset portfolio which includes a national fibre backhaul network, mobile sites, data centres and the managed networks that connect them
- End-to-end client led hybrid-cloud solutions and cloud transformation support via our unique Leaven proposition
- Partnerships with hyperscalers to deliver full suite of public cloud services
- Remote working and business continuity support through digital workplace solutions and securing customer environments
- Continued investment in people, process and technology to deliver an exceptional end-to-end managed service offering

THE GROWTH

OPPORTUNITY

THE MARKET IS GROWING AT PACE PRESENTING OPPORTUNITIES & CHALLENGES

Businesses were digitising at pace before COVID-19 – this trend has now accelerated.

By 2025, 80% of enterprises globally will migrate entirely away from on-premise digital storage, moving to colocation or cloud[1]

- The demand for managed and professional services is also growing as customers look to trusted advisors who can support their transitions.
- The IT & Managed Services market is expected to grow at ~4-6% CAGR to FY23.
- We expect the majority of market growth will come from the Cloud market, with strong growth in both Public Cloud and the services that support customers' digital transformations.
- There will be pricing pressure across IaaS and co-location, but this will be offset by opportunities for continued revenue growth across this portfolio as the majority of New Zealand businesses are yet to transition to the cloud, with only 25-30% having currently moved.
- Legacy managed data markets will decline as customers move to new and cheaper technologies, but growth in networking is expected to offset that decline.

[1] Gartner (February 2019)

SPARK IS WELL POSITIONED TO SECURE OUR SHARE OF THIS GROWTH

- **Spark is the only domestic operator who can provide end-to-end IT & Managed Services that incorporates connectivity and mobility.** We are best placed to help businesses manage this transformation to the cloud and to continue providing managed and professional services on the other side of it.
- **We differentiate** by bringing together the best of our services (utilising our infrastructure assets) and partner offers, combining these with a local service layer that is not replicated.
- **Digitisation and the rapid shift to the cloud is driving demand** in areas where Spark is already a market leader, has established relationships and is best placed to capture growth.
- Our growing service management offering is **supported by a highly-valuable infrastructure asset portfolio**, which is unique in the NZ market and difficult for competitors to replicate.
- **Our investments in 5G, edge compute, network slicing and IoT** will create new use cases and revenue and margin growth opportunities.

To maintain RoIC, we are focussed on improving capital and operating efficiency, while growing the new revenue and margin use cases

OUR GROWTH IS UNDERPINNED BY A HIGHLY VALUABLE INFRASTRUCTURE ASSET PORTFOLIO

- Increased interest in quality infrastructure assets.
- Spark has a significant infrastructure asset portfolio.
- We continue to review investment and partnership opportunities that make commercial sense and maintain our competitive advantage.
- Spark has NZ's largest and fastest growing set of IoT networks.
- Our aim is to drive greater capital efficiency, increased resilience and better experiences for customers.
- We will provide an update on our infrastructure asset review at our full year results.

Fibre

1,200 km national fibre backhaul network

1,500 mobile sites

35 major network sites

18 Data Centres(1)

Satellite station

Ownership stake in 3 sub-sea cables

Metro & regional data networks fibre/wireless

Spark nz

(1) Portfolio includes a mix of dedicated tier 3 datacentre's, tier 2 facilities and converted exchange buildings.

THE GROWTH OPPORTUNITY

We are well positioned to capture growth within the IT & Managed Services market

	FY20 Market Revenue ($m)	Spark FY20 Revenue ($m)	Spark FY20 Revenue Share	Spark FY20 Revenue Growth	Spark FY21 to FY23 Aspiration - CAGR
Cloud (including datacentres)	~ $730m	$225m	~31%	6%	**Similar** rate of growth (but slower than market growth)
Security	~ $350m	$37m	~11%	3%	**Similar** rate of growth (in line with market growth)
Service Management (including professional services)	~$800m	$158m	~20%	16%	**Slower** rate of growth (but faster than market growth)
Procurement and Partners	~$2.7bn - $4.0bn	$407m	~10-15%	12%	**Similar** rate of growth (faster than market growth)
Collaboration	~$250m	$65m	~26%	23%	**Slower** rate of growth (in line with market growth)
Managed Data and Networks	~$530m	$212m	~40%	2%	**Similar** rate of growth (faster than market growth)
Total IT & Managed Services	~$6bn	$1,104m		10%	5-10% (faster than market growth)

Source: IDC NZ 3rdPlatform Heatmap, Cloud, CY4Q19, PWC Data Centre Market Trends (commissioned by Spark) June 2020
Gartner: Forecast: Enterprise Networking Connectivity Growth Trends, Worldwide, 2018 -2023, 2019 Update. Supplemented wit h SME input to scale estimates for NZ market.

OUR MARGINS **WILL CHANGE** AS THE MARKET EVOLVES

OPPORTUNITIES EXIST TO IMPROVE MARGINS TO OFFSET COMPETITIVE PRESSURE

	Cloud, security and service management			Procurement and partners		Managed data, networks and services	
	Cloud (including datacentres)	Security	Service management (including professional services)	Procurement	IT Partners	Managed data and networks	Collaboration
Margin	Contribution Margin of 35-40%			Gross Margin of around 10%		Gross Margin of around 50%	
Attributes	Low labour costs, High contribution margin, Higher capex = RoIC above WACC	Higher labour costs, Lower contribution margin, Lower capex = RoIC above WACC		Primarily a resale business with low margin and low capex		High margin. Managed Data and Networks leverages investment in infrastructure assets	
Future Trend	Public cloud will increase price pressure, but lower capex	Potential to improve margin through standardisation of service delivery and investment in automation and smart networks		Current trends to continue		Potential to improve margin through simplification and greater levels of automation	

RESPONDING TO THE HYPERSCALE OPPORTUNITY

The organic growth pipeline and demand for cloud services is attracting hyperscalers to the New Zealand market. We are managing this risk through the following activities:

- Focus on **end-to-end** product and service portfolio **beyond cloud** to enable the delivery of smart solutions for enterprise and industry
- Providing support and services **onshore** where our **customers** live, work and do business
- **Partnerships** with hyperscalers to bring our customers the best of public and private cloud through Hybrid offerings
- Proactively **collaborating** with NZ businesses to design and deliver **next-generation** technology innovation, applications and solutions via 5G lab, Starter Fund and IoT innovation hub
- Stimulating **productivity improvements** by boosting the smaller end of the market and supporting **digital transformation** of SMEs to get their businesses online

Investing in Smart Networks to support NZ’s digital economy (5G, edge computing, network slicing, IoT) will create new opportunities to grow revenue and offset price pressure in Cloud

WHY SPARK?

WE HAVE ACTIVELY PURSUED OPPORTUNITIES & SUCCESSFULLY SCALED OUR IT & MANAGED SERVICES OFFERING OVER THE PAST 16 YEARS

2004 – Purchase of Gen-i

2004–2013 – Revera acquired

2013 – Divestment of Davanti consulting

2014 – Takanini Data Centre Completed

2014 – Gen-i rebranded

2015 – Computer Concepts Ltd (CCL) acquired

2018 – MATTR launched

2018–2019 – Revera business integrated with CCL

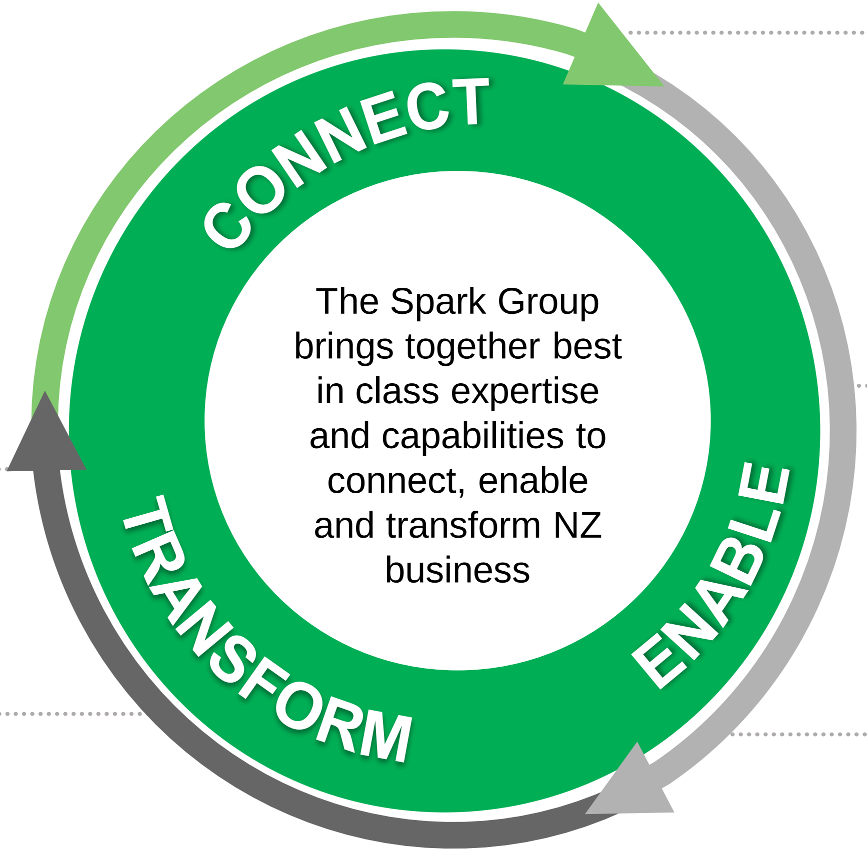
2019 – Spark Health brand launched

2019 – Leaven launched

2020 – CCL's networking divested

2020 – Merged Leaven with CCL

WE NOW HAVE A DIVERSE MULTI-BRAND PORTFOLIO…



MATTR [1]

Solutions for verifiable data and digital trust

leaven.

Accelerator of cloud adoption, digital innovation and business transformation

Spark nz

New Zealand's most reliable and secure technology backbone for business; network, connectivity, security and ICT services

Spark nz IoT

NZ's largest and fastest growing set of IoT networks and solutions

Spark nz IT Partners **CCL**

Tailored and trusted expertise and support for all modern managed service needs in a multi-cloud world

(1) MATTR financial results do not form part of the IT & Managed Services Detailed Financials

WE HAVE THE CAPABILITY TO SERVE ALL BUSINESS SEGMENTS

	PROPOSITION	IDEAL CUSTOMER SIZE	CHANNEL
Spark nz Direct	Reliable and secure technology backbone for business; network, connectivity, security and ICT services	Corporate, Enterprise and Government (100+ FTE)	Higher-touch national channel with account leads and embedded solutions, procurement and service reps
Spark nz Business Hubs	Local-like-you, in-person service that can support the majority of our customer's technology needs	SME (1-99 FTE)	24 owner-operated service hubs locally, nation-wide
Spark nz IT Partners	Local IT expertise that works as a virtual team with Spark sales teams	SME (1-99 FTE). Also supports Direct customers in certain regions	22 Partner IT organisations Leads generated via Hubs and Direct channels
CCL (Combined with Revera)	Tailored and trusted expertise and support for all IT & Managed Services needs in a multi-cloud world	100+ FTE	National sales channels with close alignment to managed services and engineering
leaven.	Consulting business focussed on accelerating cloud adoption, digital innovation and business transformation	Government and Enterprise, reaching down into upper corporate	Sold primarily through the CCL and Spark sales teams

Other business MS brands: Spark Health, Spark nz Wholesale, telegistics, MATTR

WITH SIGNIFICANT DIFFERENTIATION AND COMPETITIVE ADVANTAGES

#1 Total Number of Datacentres in New Zealand[1]

#1 Geographic Reach in New Zealand[1]

#1 Connectivity in New Zealand[1]

INVESTMENT

- Significant **network investment** – over $200m in FY20 with approximately one third of this invested in IT & Managed Services and the remainder in telco networks.
- IT & Managed Services investment is a key component of over **$600m of infrastructure assets** in FY20 (excluding land and buildings) with the potential to deliver significant value.

(1) Portfolio includes a mix of dedicated tier 3 datacentre's, tier 2 facilities and converted exchange buildings.

WITH SIGNIFICANT DIFFERENTIATION AND COMPETITIVE ADVANTAGES

CAPABILITY

- **'One stop shop' for customers** – can provide a more integrated experience across products and services.
- Extensive **telco capability** – Managed Data and Networks, Mobile, Voice, IoT, and leading **IaaS and Hybrid Cloud** business.
- Focus on **new technology** – Internet of Things, data and analytics, machine learning, digital trust.
- **Ability to cross / up-sell from initial product purchase** – building a managed service for a customer.
- **Trusted to deliver** large, complex programmes.
- **Nationwide portfolio of multi-brands** and go to market channels servicing a variety of customer segments from SME through to Government and Enterprise.

WITH SIGNIFICANT DIFFERENTIATION AND COMPETITIVE ADVANTAGES

LOCAL ADVANTAGE

- **A market-leading IT service provider brand in NZ** and leading player across all major customer segments.
- Presence in **more than 25 cities and towns** with hundreds of professional service and engineering people across NZ.
- **Lived experience:** Spark has transformed itself through separation, re-branding, IT modernisation and the introduction of Agile ways of working.
- **On the ground relationships:** close to customers (important in SME and corporate, local government, health).
- **Partnerships with leading cloud providers:** Microsoft, AWS and Google; attractive commercial agreement with Microsoft to help transition customers to the public cloud.
- **Pace to respond faster** due to breadth of capability across country.
- **Deep in-country talent pool**: less impacted by COVID-19 restrictions than many offshore-based competitors.

CASE STUDY: FIDELITY LIFE

When Fidelity Life approached Spark looking to strengthen security as part of it's cloud transformation, we saw an opportunity to use our multi-brands to deliver a truly innovative solution.

CHALLENGE

- Fidelity Life is one year into a five-year transformation to reimagine life insurance, employing Microsoft Azure to update the insurer's products and services for a new generation of customer.
- As a financial services provider, security is paramount, yet the faster pace of modern software development can be stifled by traditional approaches to security.
- With multiple vendors developing business applications in Azure, there were inconsistent security approaches and standards, creating potential issues for its infrastructure and applications, slowing development and inviting unnecessary risk.

SOLUTION

- Leaven, the cloud transformation services business unit of CCL, reviewed Fidelity Life's security in Microsoft Azure, applying a three-part approach – called DevSecOps – to analyse, fix, and then harden the insurer's cloud platforms.
- Leaven consultants scanned Fidelity Life's Azure environment, identify and address potential security issues, and put in place best practice controls to ensure security is "baked into" code deployment on an ongoing basis.

RESULTS

- Fidelity Life can now move more quickly to deliver software updates, with its Azure-based architecture now a systemic part of application development, aligned with the rapid-release cycles of modern application development.
- Security processes are automated and managed, supported by continuous reporting and reviews, reducing customer risk.
- New software features and code are continuously pushed into production – without fear of creating security holes – allowing the organisation to innovate faster.

PRODUCTS

AND SERVICES

Spark nz

IT & MANAGED SERVICES – PRODUCT & SERVICES

CUSTOMER NEEDS

High-quality, nationwide managed datacentre facilities	Access to global cloud partners	Digital trust, data privacy and security solutions	Trusted advice and managed services that just work	Cost-effective technology sourcing solutions	Local / regional support from IT specialists	Cost effective and compliant cloud solutions and applications	Seamless 'always on' connectivity	Remote and digital working solutions

HOW SPARK DELIVERS*

Cloud, security and service management			Procurement and partners		Managed data, networks and services	
Cloud (including datacentres)	Security	Service management (including professional services	Procurement	IT Partners	Managed data and networks	Collaboration

OUR SOLUTIONS

- Colocation services
- Hybrid-cloud management and cloud migration support

- Private Cloud
- Public cloud
- Hybrid and multi-cloud
- Cloud IT Services

- Managed Security
- Network and Infrastructure Security
- Security Operations Centre (SOC)

- Service Desk
- Service Aggregation
- Modern workplace
- Professional services
- Business Transformation

- Hardware and Software sourcing

- Local IT specialists

- Business Networks
- Cloud Managed Networks

- Collaboration
- Contact Centre

CLOUD INCLUDING DATACENTRES

OPPORTUNITY FOR SPARK TO DIFFERENTIATE BASED ON PROVIDING HYBRID CLOUD SERVICES WITH LOCAL FULL-SERVICE SUPPORT

Cloud, security and services management			Procurement and partners		Managed data, networks and services	
Cloud	Security	Service management	Procurement	IT Partners	Managed data and betworks	Collaboration

What's in this category?

Included: IaaS on-demand single or shared compute and storage as a service. Co-lo: secure rack space, power and cooling for customer hardware

Excluded: Software as a Service (SaaS)

Market Size

Revenue ~$730m

Spark's position

Spark Group revenue ~$225m (~31% revenue share)
2000 racks of which 75-80% are contracted
#1 in revenue for domestic cloud[1]

Key attributes

Primarily hardware with labour required to support transitions.
Market revenue growth of 10-15%

Key competitors
(and partners)

aws, Microsoft, DATACOM, IBM, umbrellar, The Instillery, Hewlett Packard Enterprise

Emerging trends

- **Cloud adoption** continues at pace, with increasing popularity of public IaaS
- Customer needs for **Cloud Managed and Professional Services** are growing in response to the shift to cloud
- Globally, investments in **hyperscale datacentres** are growing rapidly. With the announced NZ entry of Microsoft and CDC, we anticipate strong local growth in this new category
- Demand for **Hybrid Cloud**, allowing customers to pick and mix the most suitable components of **public and private cloud** for their needs. Increasing demand for local service to support
- Adoption of streaming video and cloud is driving international service providers to seek **points of presence and Caches** in local datacentres, and **Edge Compute** is on the horizon as latency becomes more important

Market size, share and growth figures reflect management estimates based on external market research validated against local market experience.
(1) PWC Data Centre Market Trends (commissioned by Spark) June 2020 and Spark Finance Team

SECURITY

**CUSTOMERS ARE LOOKING FOR SECURITY AS AN OUTCOME OF MANAGED SERVICES RATHER A STAND-ALONE SOLUTION.
THUS IT SUPPORTS CROSS-SELL FOR OTHER OPPORTUNITIES**

Cloud, security and services management			Procurement and partners		Managed data, networks and services	
Cloud	**Security**	Service management	Procurement	IT Partners	Managed data and networks	Collaboration

What's in this category?

IT & Managed Services: Protection of client devices (Endpoint Protection), Firewalls, Security Monitoring, Security Operations (SOC), Denial-of-service Protection (DDOS), Secure Connectivity etc.

Professional Services: risk assessments, maturity assessments, solution design, education etc.

Market Size

Revenue ~$350m

Spark's position

Spark Group revenue ~$37m
(~11% revenue share)

Key attributes

- Annuity and project revenue
- Forecast market growth of 3-5% CAGR through 2024
- People and hardware centric

Key competitors

DATACOM, NTT, TELSTRA, vodafone

Emerging trends

- **COVID-19** has increased the importance of security as companies have rushed to establish **secure remote working** for their teams and transition to cloud-based services. 26% of SME's plan to spend more than they originally planned on security post-COVID-19 vs. only 7% less than planned
- Virtual networks or Software Defined Wide Area Networks **(SD-WAN)** provide an opportunity to sell security as an integrated uplift and achieve broader market penetration of services (including SME)
- Security increasingly focusses beyond traditional physical perimeters **with increasing focus on the cloud and remote working environments**

Market size, share and growth figures reflect management estimates based on external market research validated against local market experience.

SERVICE MANAGEMENT

KEY DIFFERENTIATOR FOR SPARK BASED ON LOCAL SCALE AND CAPABILITY

Cloud, security and services management			Procurement and partners		Managed data, networks and services	
Cloud	Security	Service management	Procurement	IT Partners	Managed data and networks	Collaboration

What's in this category?

Included: Service Desk (i.e. outsourcing the customers internal IT support desk), Service Aggregation (provides customers with a single view of all their IT providers)

Excluded: the underlying product support desks (unless the customer has paid for dedicated support)

Market Size

Revenue: ~$800m

Spark's position

Spark Group revenues of ~$158m (~20% share)

Key attributes

- Higher margin, annuity and project revenue
- Forecast market revenue growth of ~3% CAGR through 2024
- People centric

Key competitors

DATACOM, NTT, Deloitte, DXC.technology, liquid

Emerging trends

- The underlying IT & Managed Services that require management are **shifting to the cloud** e.g. (Hardware to IaaS and Software to SaaS) however these services still require support. Service Management teams are evolving to support these services
- Customers want an **outcomes-based service management** wrap. Reduced focus on traditional SLAs such as resolution times, availability etc. with an increasing focus on end-user experience, transparency and process improvement
- Increasing use of **AI, automation, robotics**, engineering of workflows, orchestration within environments to improve value orientation and end user experience

Market size, share and growth figures reflect management estimates based on external market research validated against local market experience.

CASE STUDY: CLIENT A

Client A undertook a large-scale migration of its IT to CCL's Infrastructure-as-a-Service (IaaS) platform. This was part of a broader digital transformation programme spearheaded by Spark, to help the client redefine its customer experience and achieve its vision of "digital by default".

OPPORTUNITY

- The client had introduced and developed new products and services designed to give its customers (end consumers) more control over their own consumption.
- This journey was underpinned by a vision of "digital by default". Client A wanted to move away from aging infrastructure, which was unstable and costly to upkeep, and to keep ahead of any potential disruption from digital-first players by redefining its customer experience.
- This meant establishing a modular IT operating environment – so Client A could target its investment and bolt on digital solutions to launch new products and services.

SOLUTION

- CCL worked with the Client A team on a large-scale migration to an IaaS platform, dramatically simplifying the entire IT environment.
- Cloud platform modularity ensures Client A can build, park, and share complex multi-Virtual Machine environments. They can start small and scale up when the time's right; reduce development times; and integrate new applications and services without disrupting operations.
- Above the virtual machine monitor ('hypervisor'), Spark takes care of IT service management, including operating systems monitoring, change controls, patches, and upgrades.

RESULTS

- The Cloud services and platform automation ensures Client A operates at the speed of business – not the speed of IT.
- With utility capacity and IT platforms refashioned as cloud services, Client A regulates IT capacity to suit the pace and progress of projects and seasons. It also targets expenditure at testing, development and innovation – the stuff that directly impacts customer experience.
- Client A plugs in to CCL's advanced tools, platforms, and enterprise-grade technologies – all tested, approved, and updated automatically.
- From CAPEX to OPEX: Client A has effectively removed IT assets from its balance sheet.

PROCUREMENT AND PARTNERS

AN AREA WHERE GROWTH HAS BEEN DRIVEN BY COVID-19, AND WHICH SUPPORTS SPARK'S BROADER IT & MANAGED SERVICES OFFERINGS

Cloud, security and services management				Procurement and partners		Managed data, networks and services	
Colocation	IaaS & Public Cloud	Security	Service management / professional services	Procurement	IT Partners	Managed data and networks	Collaboration

What's in this category?

Software: (licencing): enterprise software, SaaS: licences for SaaS (o365, Salesforce etc).
Hardware: Devices (including laptops), servers, routers, firewalls etc.
IaaS: licences for IaaS services (e.g. Azure)

Market Size

Revenue: ~$2.7bn - $4.0bn[1]

Spark's position

Spark Group revenues of ~$407m (~10-15% revenue share)

Key attributes

- Non-recurring, lower margin revenue
- Forecasting market revenue growth of ~4% CAGR through 2024

Key competitors

PBTECH, DATACOM, Insight

Emerging trends

- Lockdown exposed **gaps for remote working** resulting in spend to enable and secure environments (licencing, firewalls etc) and **upgrading meeting rooms** and other infrastructure to match the superior working from home experience
- Customers are increasingly interested in buying devices **as-a-service** (i.e. leased, with a per-user-per-month cost) providing flexibility
- Emerging demand for **procurement-as-a-service** (i.e. inventory held by Spark and devices shipped directly to the end user)
- Hardware and Software are increasingly cloud-hosted **(IaaS and SaaS)** changing the commercial dynamics. Having practices that support the underlying services increases likelihood of winning the procurement business
- Emerging demand for **Software Asset Management**

Market size, share and growth figures reflect management estimates based on external market research validated against local market experience.

MANAGED DATA & NETWORKS

4.9G AND 5G ARE OPENING UP NEW OPPORTUNITIES TO REPLACE FIXED CONNECTIVITY INPUTS I.E. THE BUSINESS EQUIVALENT OF WIRELESS BROADBAND

Cloud, security and services management				Procurement and partners		Managed data, networks and services	
Colocation	IaaS & Public Cloud	Security	Service management / professional services	Procurement	IT Partners	Managed data and networks	Collaboration

What's in this category?

Includes: WAN ('Wide Area Network') LAN ('Local Area Network'), Dark Fibre, managed services Network Operations Centres ('NOC'), cloud connectivity, SD-WAN ('Software Defined Wide Area Network") etc.

Excludes: Broadband. Wireless broadband generally only as a backup to fixed connectivity

Market Size

Revenue: ~$530m

Spark's position

Spark Group revenues of ~$212m (~40% revenue share)

Key attributes

- Higher margin, annuity revenue.
- Forecasting market revenue growth of 0-2% CAGR through 2024

Key competitors

kordia, Vocus, voyager, Telstra, NTT, vodafone, solarix

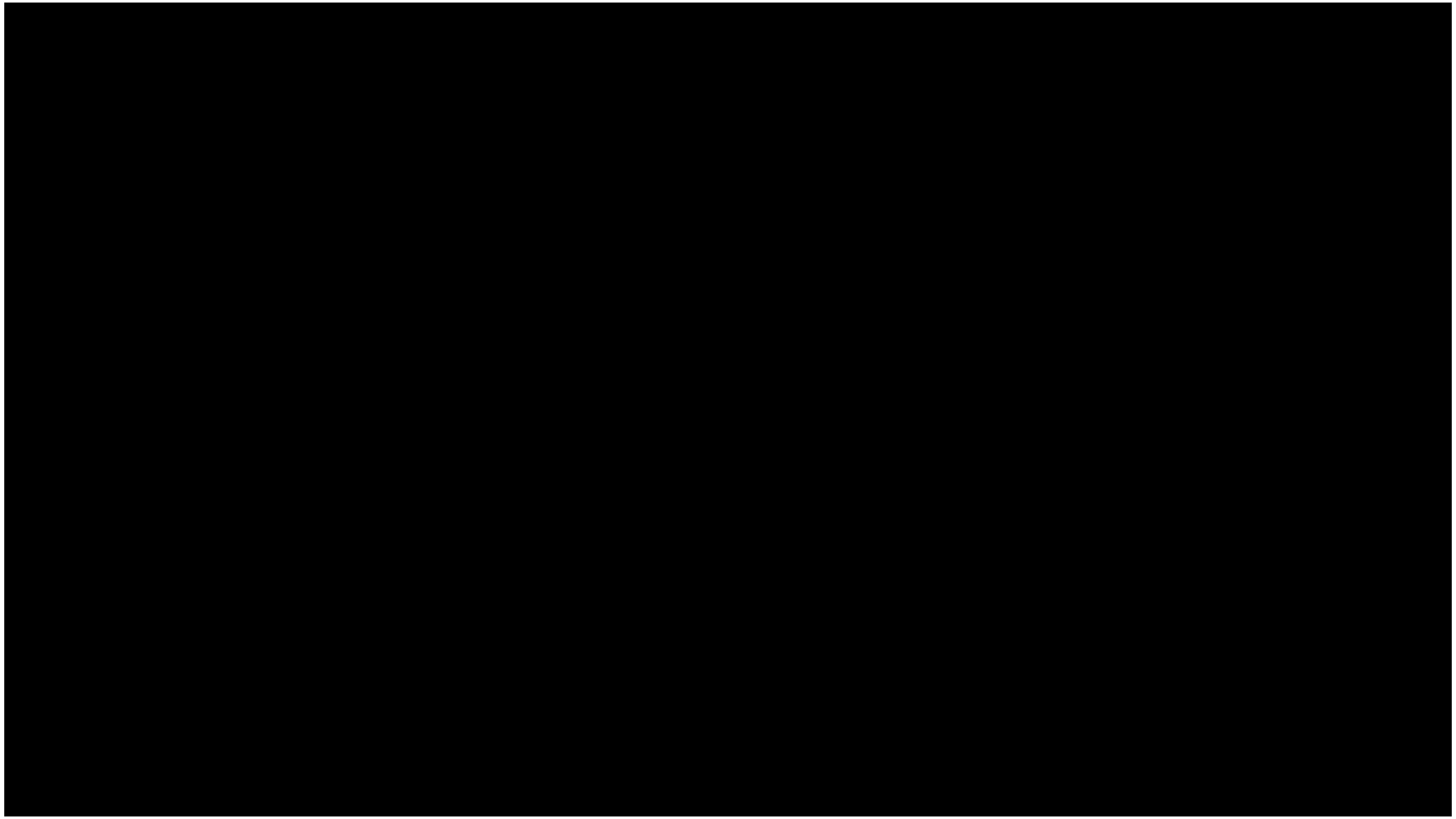
Emerging trends

- Globally **traditional WAN revenues are flat** as wholesale input costs and device prices fall - a dynamic exacerbated in NZ due to the success of the UFB network
- **SD-WAN** is expected to experience **strong growth** (off a small base). SD-WAN's ability to be delivered using broadband, the proliferation of bandwidth and improvement in security means broadband is increasingly a viable input for enterprise customers
- Dedicated **cloud connectivity** expected to grow strongly with the increasing proportion of company IT estates residing in the cloud

Market size, share and growth figures reflect management estimates based on external market research validated against local market experience.

CASE STUDY: VTNZ

Spark collaborated with VTNZ to deliver an SD-WAN solution for their business that would enable the digital transformation they were looking for



COLLABORATION

AN AREA OF GROWTH WITH COVID-19 DRIVING DEMAND FOR FLEXIBLE AND COLLABORATIVE WORKING SOLUTIONS

Cloud, security and services management				Procurement and partners		Managed data, networks and services	
Colocation	IaaS & Public Cloud	Security	Service management / professional services	Procurement	IT Partners	Managed data	Collaboration

What's in this category?

Included: Collaboration and communication tools that allow the integration of telephony, messaging (email, voice), VoIP, instant messaging, conferencing services, contact centres and video conferencing

Excluded: Voice revenues, however several Collaboration products will include voice calling integration

Market Size

Revenue: ~$250m

Spark's position

Spark Group revenues of ~$65m (~26% revenue share)

Key attributes

- Higher margin, annuity revenue
- Forecasting market revenue growth of 10-15%

Key competitors

Zoom, Microsoft, Google Meet, Vodafone, Vocus, Datacom, Kordia, NTT

Emerging trends

- Customers continue to migrate off legacy voice solutions to simpler and cheaper cloud solutions. This was **accelerated by COVID-19 with the requirement to enable remote working**. Analysys Mason found 28% of firms started using collaboration e.g. video conferencing solutions as a response to COVID-19
- **Growing demand** for collaboration tools for real-time communications for teams **anytime, anywhere, and on any device**
- Adoption of **modern contact centre solutions** to improve customer experience (live chat, chatbots, social media)

Market size, share and growth figures reflect management estimates based on external market research validated against local market experience.

CASE STUDY: CLIENT B

A digital workplace designed to support a radical shift in the way Client B works, enabling them to connect, create, communicate and collaborate from anywhere, anytime.

CHALLENGE

- Client B had undergone some significant structural changes, presenting an opportunity to modernise the existing technology and channels, to better support its new objectives.
- Spark worked with Client B to create a digital workplace solution to provide staff with the tools they needed to work collaboratively, allowing the primary focus to be on delivering organisational outcomes.

SOLUTION

- The solution combines IT Services, Desktop-as-a-Service, Telecommunications-as-a-Service, and Revera/CCL Infrastructure as a Service.
- Client B made a bold decision early in transformation to go cloud only and this remains as one of the foundational principles of the solution.
- The transformation was built on an Agile-based implementation programme to deliver the solution and was completed in 2020.

RESULTS

- Client B now operates on a cloud-based core application solution including a cloud-based contact centre.
- Legacy communication systems migrated to Microsoft Teams, to enhance collaboration for all users.
- Nationwide audio and video conferencing rollout for on premise meeting rooms.
- During COVID-19 lockdowns, the Digital Workplace solution was put to the test. Client B employees were able to work from home, including those working in the contact centre.

SUMMARY

DIVERSIFIED BUSINESS, SUSTAINABLE GROWTH

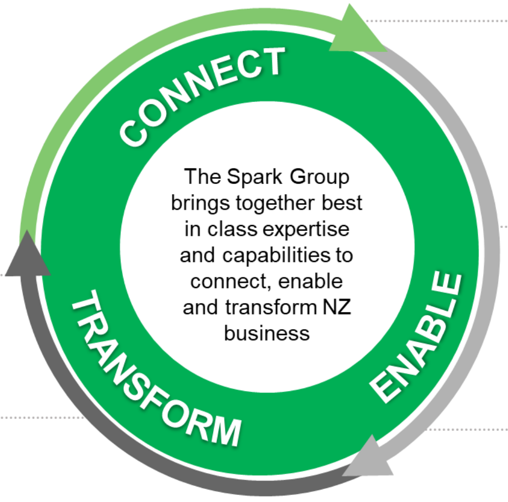
- Spark is a more diversified business than broadly recognised
- The IT & Managed Services sector is growing strongly both locally and globally, benefiting from supportive macro trends
- Spark is uniquely positioned in the market to deliver end-to-end Managed Services
- Our success in this market provides greater earnings resilience and long-term, sustainable value for our shareholders

MATTR[1]

Solutions for verifiable data and digital trust

leaven.

Accelerator of cloud adoption, digital innovation and business transformation



Spark nz

New Zealand's most reliable and secure technology backbone for business; network, connectivity, security and ICT services

Spark nz IoT

NZ's largest and fastest growing set of IoT networks and solutions

Spark nz IT Partners CCL

Tailored and trusted expertise and support for all modern managed service needs in a multi-cloud world

(1) MATTR financial results do not form part of the IT & Managed Services Detailed Financials

APPENDIX

Spark’s end-to-end IT & Managed 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 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

To provide greater insight into Spark's IT and Managed Services portfolio, we have made a number of improvements to Spark's disclosures

Updated classification of CCL solutions and cloud-based telephony products

1. More granular classification of CCL products across the IT and Managed Services portfolio, to more accurately reflect the composition of client revenues; and
2. Reclassification of two cloud-based telephony products to align with the classification of similar telephony solutions

Expansion of cloud, security and service management classification into three separate classifications

1. Cloud encompassing co-location, private cloud/Infrastructure-as-a-Service and public cloud;
2. Security encompassing standalone security products and services; and
3. Service management encompassing a) one-off project engagements, b) the transition of clients to ongoing managed services and c) ongoing managed ICT services including Platform-as-a-Service and Desktop-as-a-Service

Introduction of new volume and average revenue measures

1. Number of Infrastructure-as-a-Service clients;
2. Number of security clients, plus a derived average monthly revenue per client; and
3. Number of service management clients, plus a derived average monthly revenue per client

Introduction of two new power consumption and efficiency measures for Spark's dedicated data centres

1. Power usage effectiveness (PUE); and
2. Megawatt hours

While the majority of Spark's cloud revenues are associated with dedicated data centres, approximately one-third of Spark's data centre capacity is housed within multi-purpose locations (e.g. exchange buildings) where power consumption for data centre equipment is unable to be separated from power consumption for Spark's network equipment and/or office space.

As such these measures these measures only capture performance for Spark's dedicated data centres

The resulting impact on Spark's financial disclosures is summarised below and is provided in more detail in the accompanying detailed financial workbook

	Previous Disclosure			Updated classification of CCL solutions and cloud-based telephony products		Expansion of cloud, security and service management		New Disclosure		
	FY19 ($m)	FY20 ($m)	YoY	FY19 ($m)	FY20 ($m)	FY19 ($m)	FY20 ($m)	FY19 ($m)	FY20 ($m)	YoY
Cloud (including Datacentres) revenue[1]						212	225	212	225	13
Security revenue						36	37	36	37	1
Service Management (including Professional Services) revenue						136	158	136	158	22
Total cloud, security and service management revenue	**400**	**443**	**43**	**(16)**	**(23)**	**-**	**-**	**384**	**420**	**36**
Procurement and partners revenue	365	408	43	(1)	(1)			364	407	43
Collaboration revenue	45	52	7	8	13			53	65	12
Managed data and networks revenue	197	196	(1)	10	16			207	212	5
Total IT & Managed Services revenue	**1,007**	**1,099**	**92**	**1**	**5**	**-**	**-**	**1,008**	**1,104**	**96**
Total Voice revenue[2]	**441**	**391**	**(50)**	**(1)**	**(5)**	**-**	**-**	**440**	**386**	**(54)**

(1) Included: IaaS on-demand single or shared compute and storage as a service. Co-lo: secure rack space, power and cooling for customer hardware. Excluded: Software as a Service (SaaS)
(2) Voice revenue figures included to show the reclassification of some voice revenues into IT & Managed Services revenue

Glossary

Term	Definition
Co-location (co-lo)	Co-location refers to providing space in datacentres for customers' equipment and servers
Datacentre	Datacentres are specialised, centralised facilities where computing and networking equipment is housed
Datacentre Tier (2 or 3)	The tier rating for a datacentre is a certification representing the resiliency of the datacentre, with 3 being better. Tier 2 has some redundancy components while Tier 3 has additional redundancy and connectivity diversity. There is limited demand for Tier 2 beyond existing customers
Edge Compute	Edge Computing is an overarching term for the practice of placing compute and storage resources closer to the end-user (near the "edge" of the network), to augment a distant central cloud. The location of the 'edge' varies and can exist in places from regional data centres, to the base of cell towers, to the customer's premises
Exchange datacentre	Spark owns ~35 exchange facilities which house equipment underpinning Spark's network. In the context of this paper, we refer to the 'exchange datacentres' as the 9 exchanges that are also being used to host customer colocation equipment
Hybrid Cloud	Hybrid cloud refers to a mixed computing, storage, and services environment made up of on-premises infrastructure, private cloud services, and a public cloud—such as Amazon Web Services (AWS) or Microsoft Azure—with orchestration among the various platforms
Hyperscale cloud	Hyperscale cloud usually refers to IaaS provided by the largest global players (e.g AWS, Microsoft, Google etc).
IaaS	Infrastructure-as-a-Service, is a form of cloud computing that delivers fundamental compute, network, and storage resources to consumers on-demand, over the internet, and on a pay-as-you-go basis.
MATTR	MATTR is a Spark subsidiary that designs tools to address digital trust or verifiable data challenges faced by customers. https://mattr.global/
Private Cloud	IaaS that is delivered to a customer or group of customers with dedicated underlying infrastructure and platforms
Public Cloud	IaaS that is delivered using shared (public) infrastucture and platforms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