



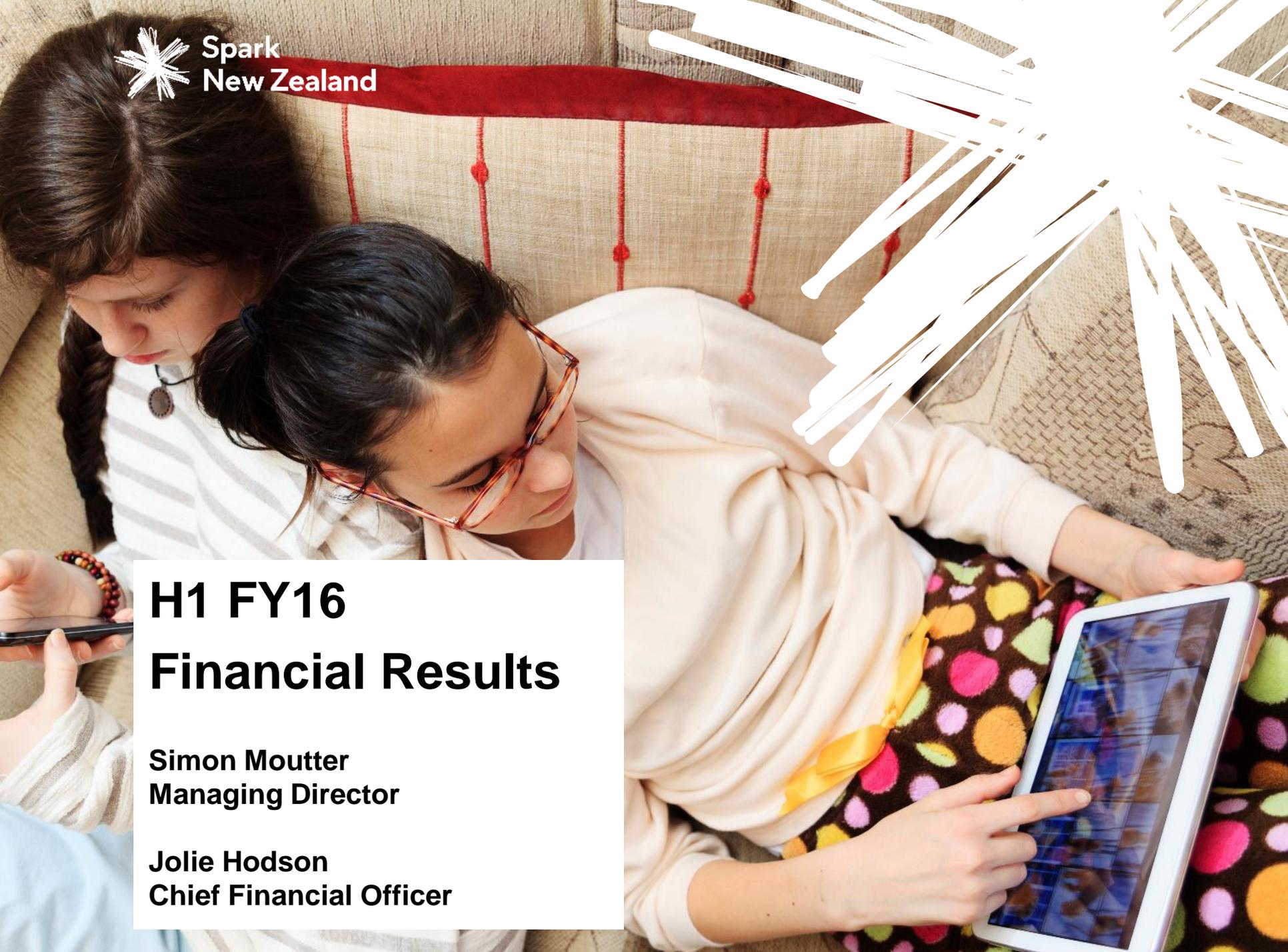
Spark
New Zealand

H1 FY16

Financial Results

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H1 FY16 Summary

- **FY15 return to EBITDA growth reinforced again in H1 FY16**
- **Good sales momentum with more customers choosing Spark**
- **Underlying revenue growth achieved for the first time in many years**
- **Mobile and IT Services revenue growth exceeds decline in fixed legacy**
- **Cloud strategy growing margins and helping win more big customers**
- **Focusing on value in very competitive broadband market, soft-launched new fixed wireless broadband options**
- **Ventures unit has worked well to date, now resetting to capture learnings, media strategy evolving**
- **Copper input cost certainty attained following conclusion of regulatory process**
- **Positive impact of investment in brands, culture, networks, digital services and spectrum increasingly evident in market activity and results**

Results scorecard

Key Financials		Product Revenue		Market Share and Connections		
	H1 FY16		H1 FY16		31 Dec 2015	Change
Total Revenue Growth	-4.1%	Mobile Revenue Growth	11.7%	Mobile Share (Revenue)	42% ⁽¹⁾	2% ⁽²⁾
				Mobile Customers	2,212k	4.6%
EBITDA Growth	4.4%	Broadband Revenue Growth	4.6%	Broadband Share (Connections)	44% ⁽¹⁾	-2% ⁽²⁾
				Broadband Customers	675k	0.1%
DPS	12.5 cps ⁽³⁾ (up 3.5 cps)	IT Services Revenue Growth	9.2%	IT Services Share (Revenue)	14% ⁽¹⁾	0% ⁽²⁾

(1) Market share estimate

(2) Percentage Point estimate vs Dec 2014

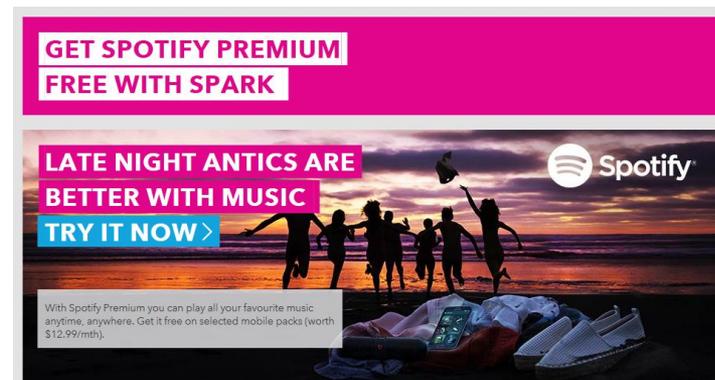
(3) 11 cps ordinary dividend, 1.5 cps special dividend

Closing in on leadership in mobile

- Mobile market revenue growing again
- Nearing #1 in Mobile revenue share, driven by 12% revenue growth
- Value-add and multi-brand strategies helping differentiate, with Skinny now top-rated brand in pre-paid
- Future focus:
 - pulling back from offers which drive churn in the prepaid channel
 - monetising demand for data and Value Added Services
 - driving uptake of M2M and business mobility options



MOST SATISFIED CUSTOMERS
MOBILE PHONE PREPAID PROVIDERS - 2015

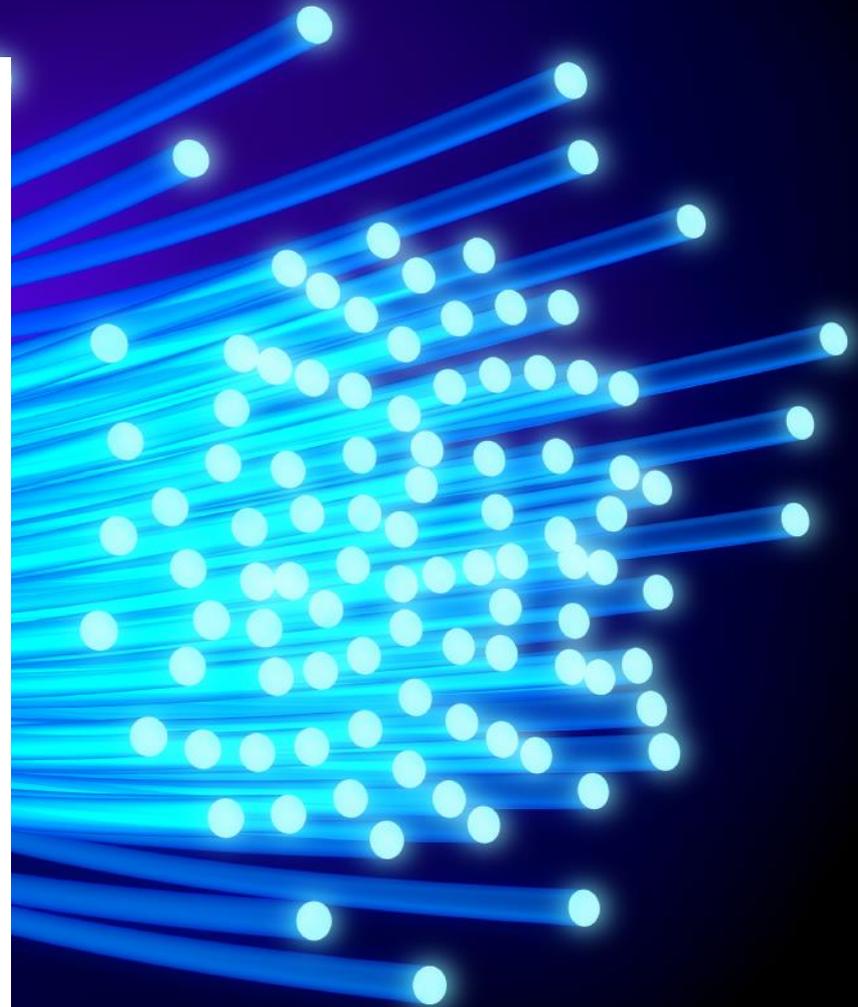


Platform IT strategy working

- **Spark Digital focus on repeatable Platform IT generating operational and financial benefits**
- **Acquisition of CCL Group reinforces market position**
- **Spark Digital deal flow healthy as market embraces proposition**
- **Platform IT revenue up 27%**

Broadband market strategy evolving

- **Fibre demand increasing rapidly**
- **Market consolidation continuing**
- **Price competition driving customer loss in some segments**
- **Responding with:**
 - **Tactical offers built around Value Added Services**
 - **Investment in alternative brands (e.g. Bigpipe, NOW)**
 - **Soft-launched LTE options for fixed wireless broadband**



Spark Ventures reset underway



- **Focus still on innovation, with increased emphasis on leveraging our core business**
- **Skinny, Bigpipe and WiFi very successful and moved from Spark Ventures to core**
- **Spark Ventures now providing digital capability across the whole company**
- **Qrious and Morepork tracking upwards, Lightbox an established brand in a rapidly evolving market**

Continuing to invest in media

- **Spark committed to internet delivered video entertainment (video around 70% of our network traffic and growing)**
- **Lightbox has built a credible position, good market awareness, quality content and good relationships with content owners**
- **Original strategy was a disruptive, independent provider of “over the top” content, aimed at TV**
- **The market is already very different to when we launched, and will continue to rapidly evolve and fragment over time**
- **We will adjust our media approach as we go, in response to evolving market forces and trends**
- **Moving toward a more open video platform approach enabling content partners on a range of revenue models, and better integrated with broadband and mobile services**

Operational model shifting to Digital First focus

- **Significantly increased network capacity, resilience and performance**
- **Re-engineered IT stack now a key enabler, with API strategy initiated**
- **Improved operational delivery models with further changes underway**
- **Digital First programme continuing to embed into organisation, reinforced by creation of new Spark Platforms business unit**
- **Mobile and wireless (4G) data connectivity easier to do “digital first”**



Copper pricing certainty achieved (finally!)

- **Rising copper and fibre input cost pathway now certain following Commerce Commission decision and Crown Fibre Holdings contracts with Local Fibre Companies**
- **Naked and clothed broadband input costs identical**
- **Places upward pressure on retail broadband prices**
- **Inflated copper input cost creates incentives to drive migration to alternate access technologies**

	Dec 2015	Dec 2016	Dec 2017	Dec 2018	Dec 2019
Copper input costs (UCLL + UBA)	\$41.19	\$41.44	\$41.71	\$42.02	\$42.35

	Jul 2015	Jul 2016	Jul 2017	Jul 2018	Jul 2019
Entry-level Fibre input costs	\$38.50	\$39.50	\$40.50	\$41.50	\$42.50

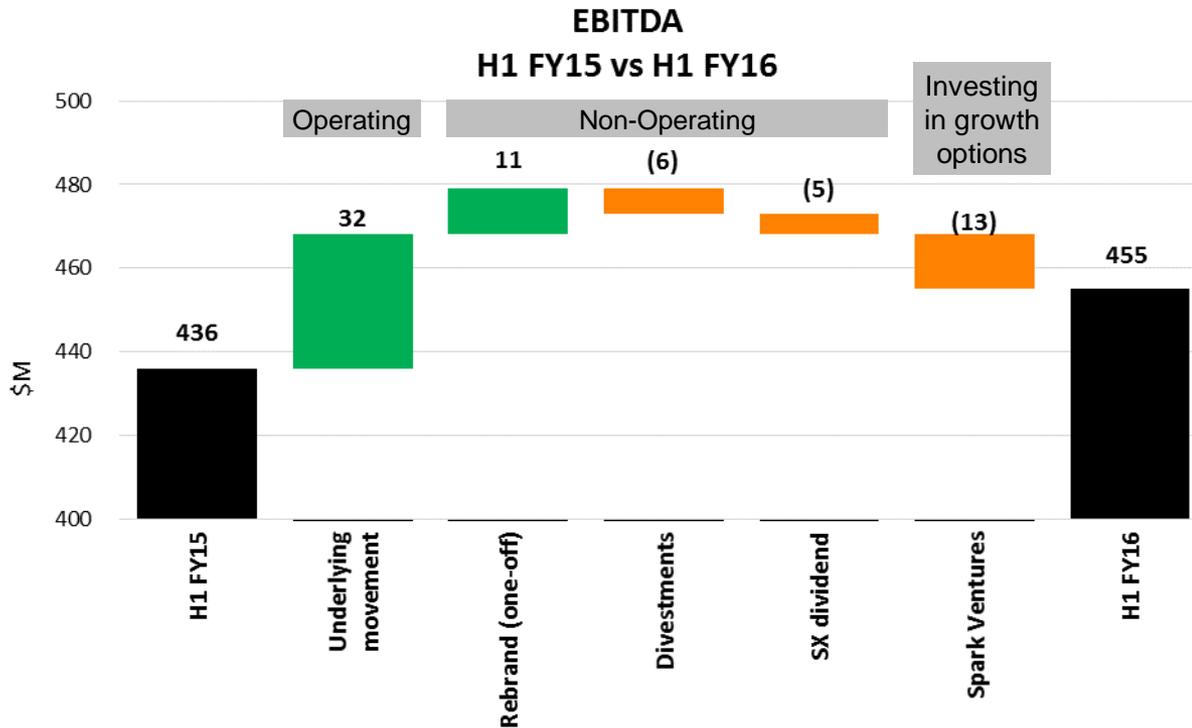
Reported Profit & Loss

Reported Results	H1 FY16 \$M	H1 FY15 \$M	CHANGE %
Revenues	1,723	1,797	(4.1%)
Operating expenses ⁽¹⁾	1,268	1,361	(6.8%)
EBITDA	455	436	4.4%
Depreciation & amortisation	224	224	-
Net finance expenses	13	12	8.3%
Income tax expense	60	53	13.2%
Net earnings	158	147	7.5%

⁽¹⁾ Includes share of Joint Ventures

EBITDA waterfall

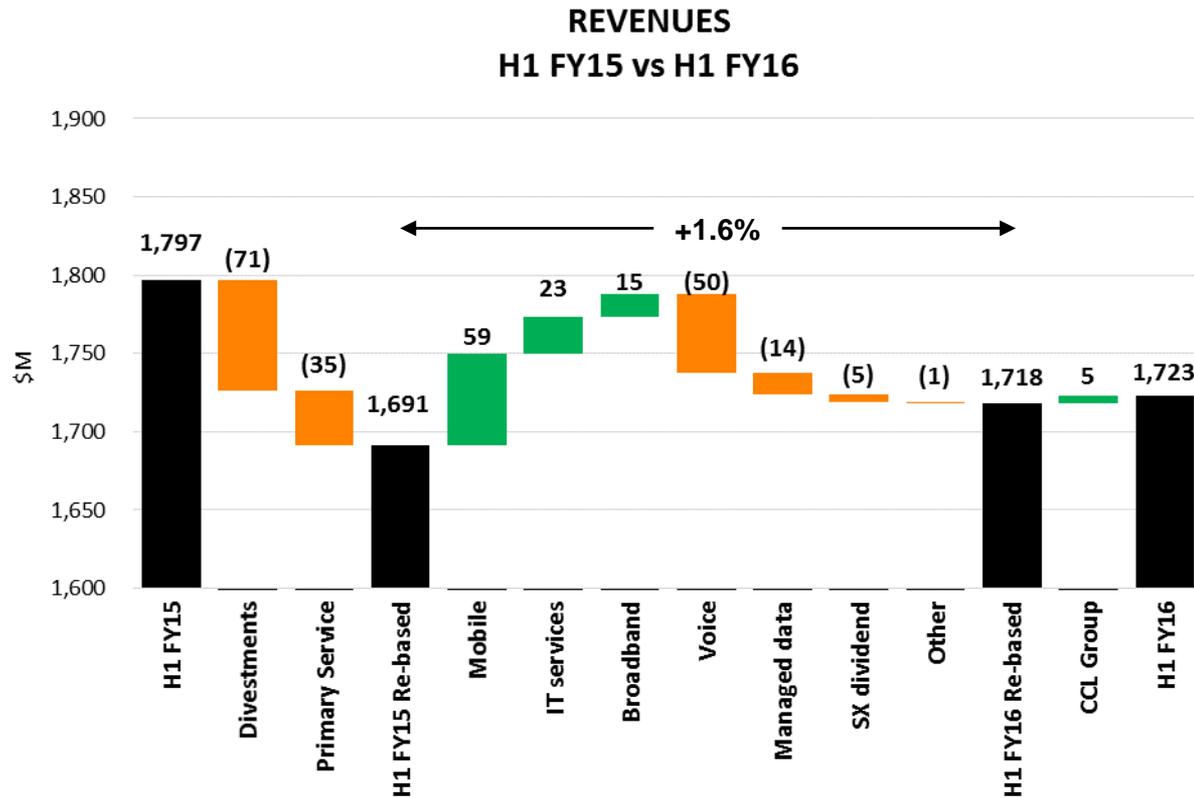
Underlying operating EBITDA uplift from growth in re-based revenues, input cost reduction and tight cost control



- Underlying operating EBITDA growth driven by Mobile, IT Services and reduced UBA costs
- Impact of divestments and lower Southern Cross dividend offset by prior year re-brand costs not repeating
- Ongoing investment in Spark Ventures growth options to create future revenue streams

Revenue waterfall

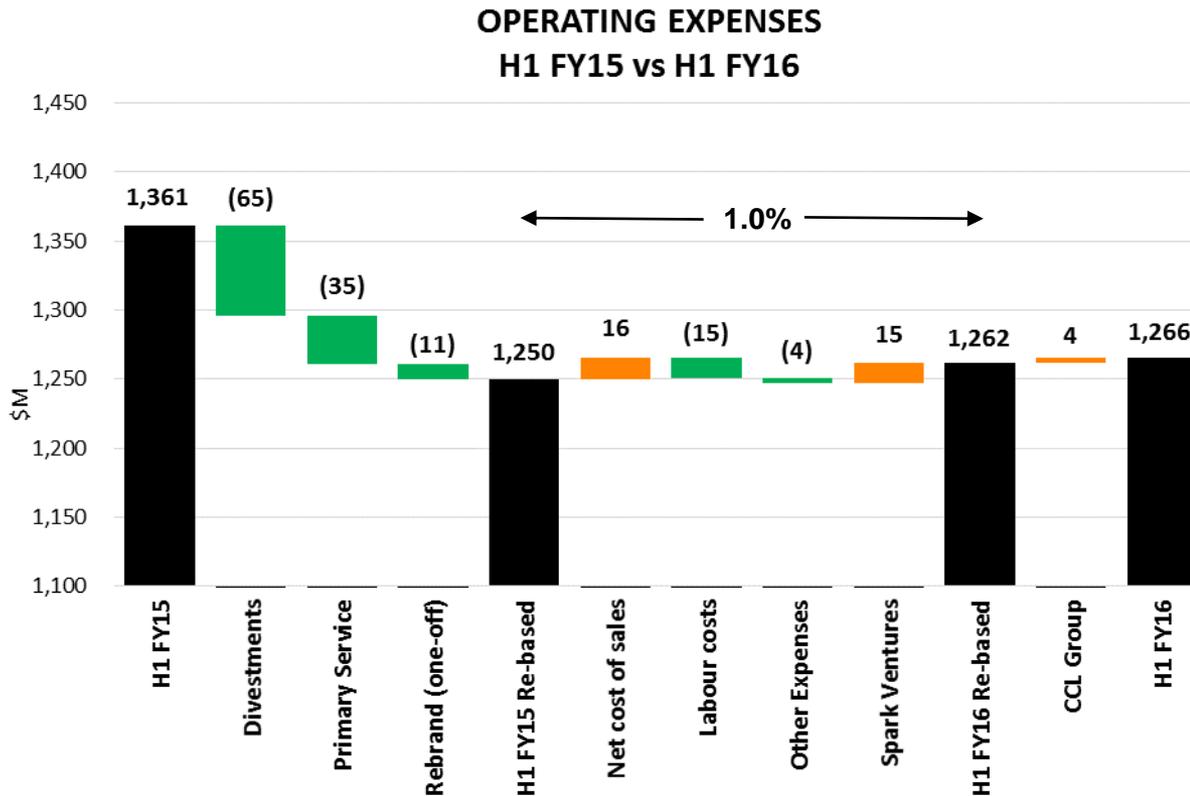
Re-based revenue growth achieved with strong Mobile and IT Services growth



- \$100m+ revenue impact from divestments and primary service regulatory change
- Re-based revenue growth achieved with Mobile and IT Services growth exceeding decline in Fixed legacy
- Mobile service revenues up 6% as connections grow and usage increases
- IT Services revenue (post TRL divestment and CCL acquisition adjustments) up 8% as customers move towards cloud based offerings more quickly
- Broadband revenue growth with shift towards higher value plans
- Voice and Managed data declines continue on prior trend

Operating Expenses waterfall

Underlying costs increase to support Mobile and IT Services growth and build of Spark Ventures



- Net cost of sales increase 2%,
 - 12% higher Mobile and IT Services cost of sales to support strong growth in Mobile connections and IT Services contracts
 - Offset by lower UBA costs
- Labour efficiencies driven by back-office efficiencies and tighter control over hiring
- Productivity savings fund investment in Spark Ventures growth options

Spark Home, Mobile & Business

Customer focus driving excellent commercial outcomes

	H1 FY16 \$M	H1 FY15 \$M	CHANGE %
Revenues	981	917	7.0%
Voice ⁽¹⁾	171	199	(14.1%)
Broadband ⁽¹⁾	320	302	6.0%
Mobile	461	391	17.9%
IT Services & Other	29	25	16.0%
Costs ⁽²⁾	601	570	5.4%
EBITDA	380	347	9.5%

- Excellent revenue and EBITDA growth achieved
- Brand preference continuing to rise
- Mobile revenues up 18%, service revenues up an outstanding 12%
- Focus has shifted from connection growth (+5%) to revenue growth and monetising demand for data from existing customers
- Broadband costs fell as UBA costs decreased, December increases will be mitigated by Broadband price rise
- Mobile handset cost growth as connections grow and customers buy more expensive devices
- Poor external fibre provisioning process impacting customers and placing pressure on contact centres, dedicated effort underway to improve customer experience
- Investment in Spark Ventures also driving cost increase

NB: Results include Spark Ventures

⁽¹⁾ Voice and Broadband revenues exclude the impact of 1 Feb 2015 price increase

⁽²⁾ Includes share of Joint Ventures

Spark Digital

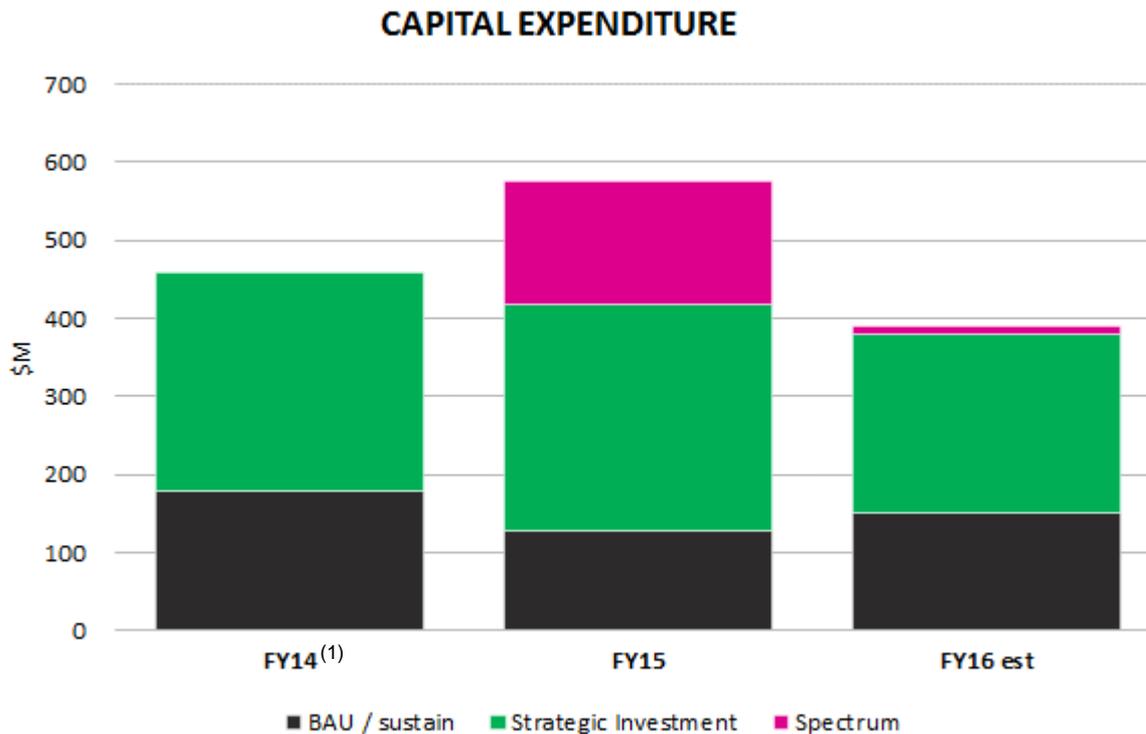
Transition to Platform IT provider continues

	H1 FY16 \$M	H1 FY15 \$M	CHANGE %
Revenues	601	622	(3.4%)
Voice	99	112	(11.6%)
Broadband	19	22	(13.6%)
Managed Data	69	77	(10.4%)
Mobile	95	107	(11.2%)
Traditional IT Services	92	97	(5.2%)
Platform IT Services	87	68	27.9%
Procurement & Other	140	139	0.7%
Costs	409	432	(5.3%)
EBITDA	192	190	1.1%

- EBITDA stabilised through focus on high-quality deal-flow and greater operational effectiveness
- New business wins up significantly versus a year ago, with multiple opportunities still in the pipeline
- IT Services growing strongly at 10% driven by the strategic shift toward the fast growing Platform IT category (+28%)
- Ongoing pricing pressure in Voice, Managed data, and Mobile
- Focus now on mobile value add to create growth opportunities and offset commoditisation of traditional mobile e.g. Internet of Things, M2M
- Cost-base down and productivity up through improved operational delivery

Capital Expenditure maintained at target levels

Investment driving operating efficiency, improved network performance, and enhancing customer experiences



- Continue to target long term capex below \$400m and at approx. 11% of revenue
- Capex guidance for FY16 lifted by \$10m to allow for opportunistic 2300 MHz spectrum purchase
- Re-engineering delivered improvements for customers who buy fibre online and pay-monthly billing capabilities
- Continuation of strong investment in Single Radio Access Network, 4G, Optical Transport Network, Carrier Ethernet and Broadband Network Gateways providing foundation for growth

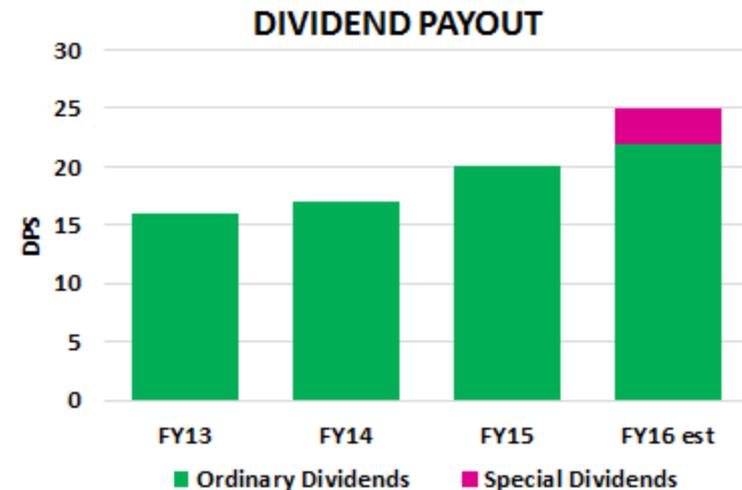
Materially increasing shareholder returns

Principles

- Remain committed to conservative capital structure and single 'A Band' Credit Rating from S&P
- Preferred method of shareholder distributions is to sustainably grow ordinary dividends over time in line with earnings growth
- On-market share buybacks and special dividends used as appropriate to reset capital structure

Dividends

- H1 FY16 dividend 11 cps, fully imputed
- Special dividend of 1.5 cps, fully imputed
- Anticipate special dividend of 3.0 cps could continue into FY17 (subject to no material change in the business). Imputation expected to be at least 75%
- DRP suspended
- On-market buyback not re-instated



FY16 Guidance

	FY15 Actuals	FY16 Guidance
Reported EBITDA ⁽¹⁾	\$962m	0-3% growth
Capex (excl spectrum)	\$418m	around \$380m
Spectrum	\$158m	\$9m
Total Capex	\$576m	around \$390m
DPS ⁽²⁾	20 cps fully imputed	Ordinary Div 22 cps ⁽²⁾ +Special Div 3 cps Fully imputed

(1) EBITDA guidance is relative to FY15 reported EBITDA

(2) Guidance subject to no adverse change in operating outlook

Business in good shape

- **Strong performance in Mobile and Platform IT creating revenue growth, which is more than offsetting fixed decline**
- **Mobile market returning to overall revenue growth led by Spark Group shift to focus on differentiated value, not connections**
- **Investments in Cloud capability paying back strongly**
- **Broadband market and our strategy in it evolving quickly**
- **Wireless (4G) investments sharply reducing marginal cost per cellular GB, creating new scale options for broadband access**
- **New Spark Platforms business unit to accelerate delivery of digital customer experiences**

Creates the foundation for modest EBITDA and EPS growth and increasing shareholder returns over the next few years

Disclaimer



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These forward-looking statements may be identified by words such as 'anticipate', 'believe', 'estimate', 'expect', 'intend', 'will', 'plan', 'may', 'could', 'ambition' 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, 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.