TRANSCRIPTION

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[START OF TRANSCRIPT]

Operator: Thank you for standing by, and welcome to the Spark New Zealand FY26 Results. All participants are in a listen-only mode. There will be a presentation, followed by a question-and-answer session. If you would like to ask a question, you will need to press the star key followed by the number one on your telephone keypad.

I'd now like to hand the conference over to Jolie Hodson, CEO. Please go ahead.

Jolie Hodson: Good morning, everyone. Thanks for joining us today for Spark's full year results for the period ending 30 June '26. I'm going to provide an overview of our results and the progress we've made against our strategy. And our CFO, Stewart, will then take you through our financial performance in more detail before we move to Q&A.

So FY26 was the first year of execution under SPK-30, and we're building momentum in line with strategic choices that we've made. So while the economic environment remains subdued, we refocused on core connectivity, returned mobile service revenue to growth and continue to simplify beyond the core.

We strengthened the fundamentals of our business with further structural productivity improvements, improved free cash flow and net debt returning to targeted levels following completion of the data center transaction. Overall, we finished FY26 within guidance and with a stronger platform from which to deliver improved shareholder returns in the years ahead.

So if I turn now to Slide 4 and an overview of the results to clarify our reported and adjusted results. Our reported results exclude the data center business, which is classified as a discontinued operation in the financial statements. FY26

adjusted results include the earnings of the data center business up until the point of sale, while excluding the $278 million gain on sale and in FY25 removes the $71 million gain on sale from our Connexa stake and the $53 million in transformation costs.

So I'm now just going to speak to our adjusted numbers as these provide the best year-on-year comparisons. So adjusted revenue was stable at $3.7 billion with mobile growth offset by declines in legacy voice and digital services as well as 5 fewer months of data center contribution following the sales partway through the year.

Adjusted EBITDA declined 2.4% to $1.035 billion, primarily reflecting some mix shifts in revenue with continued decline in higher margin legacy voice, which now represents only about 3.2% of our overall revenue and the part-year data center contribution. This was partially offset by mobile growth and $40 million in productivity benefits.

Adjusted NPAT declined marginally to $225 million, reflecting the lower EBITDA result and offset by a relative improvement in tax expense. Free cash flow increased 18.5% to $308 million, supported by lower cash interest and tax paid and improvements in working capital. The Board declared a final dividend of $0.08 per share, bringing the total FY26 dividend to $0.16 per share and representing a payout of 100% of free cash flow in line with guidance.

So before I get into further detail on our performance, I'll first provide an overview of our progress against SPK-30 during the first year. We set the strategy to refocus Spark on our core connectivity while simplifying and optimising beyond the core, with the ultimate ambition of delivering annuity-like returns and growing dividends for shareholders over time.

Slide 7 shows how SPK-30 is starting to translate into results. First, we have focused resources and investment where returns are highest with mobile central to the strategy. Active portfolio management delivered $462 million in proceeds from the data center transaction, returning net debt to targeted levels, while our 25% retained stake provides shareholders with the ability to participate in future value growth. This focus on maximising the value of our portfolio continues with the strategic review of digital services.

Second, we're investing to differentiate and grow. In a highly competitive telco market, we are focusing investment on the areas that matter most to our customers; network leadership, better customer experiences and stronger propositions that give customers more reasons to join and stay.

Third, we are strengthening the fundamentals of the business. We're delivering structural productivity improvements, growing free cash flow, building employee engagement and maintaining our strong license to operate.

This progress supports the overall premise of SPK-30, capital and resources aligned to the areas of highest return, investment behind what customers value and stronger fundamentals to support growing shareholder returns over time.

Slide 8 focuses on one of the ways we've invested to further improve our network experience during the year with our satellite-to-mobile partnership with Starlink. Our terrestrial network gives 99% -- sorry, reaches 99% of New Zealanders across 4G and 5G.

Satellite enables us to extend that reach to the edge into remote areas, black spots, maritime corridors and places where traditional mobile coverage is limited or unavailable. There's been a lot of interest in satellite and its role within the telco category.

For Spark, satellite plays a complementary role while our mobile network continues to offer capability and functionality beyond what's possible with satellite alone. The mobile network provides the customer density, indoor performance and throughput required for everyday use, while satellite adds an additional layer of coverage and resilience.

Spectrum is the key enabler of all types of network technology, with Spark holding management rights to 350 MegaHertz of mobile spectrum, including the largest holding of the sub-1 gigahertz spectrum.

So on Slide 9, we overview our sustainability performance, which remains an important part of our license to operate. Our Scope 1 and 2 emissions are tracking 59% below our FY20 baseline and ahead of our FY30 science-based target of a 56% reduction. And that's supported by our renewable energy partnership, a lower grid emissions factor and improved energy efficiency within the business.

We've also achieved our Scope 3 supplier engagement target with 71% of spend now with the suppliers that have science-based targets. Skinny Jump now reaches more than 38,000 households and Spark Foundation continues to support more New Zealanders to participate in the digital world.

Slide 10 summarises the progress we have made against our SPK-30 ambitions in the first year. On productivity, we've delivered $101 million in annualised savings at the end of FY26 against our FY30 ambition of $150 million to $180 million from the FY24 baseline.

Free cash flow growth is on track as is capex as a percentage of revenue, and Stewart is going to provide some more detail on that shortly. We still have more work to do to achieve our EBITDA ambition. FY26 adjusted EBITDA is in line with guidance and where we anticipated it to be in year 1 based on the current operating environment.

EBITDA growth in future years will be underpinned by our ongoing focus on mobile growth, diminishing legacy products, portfolio simplification and further sustainable cost reduction that will support further progress towards our ROIC ambition of 11% to 13% with a reported ROIC of 13.8% in FY26 and adjusted ROIC of 8.4%, which was flat on FY25.

Finally, we made strong progress on our non-financial ambitions. Customer satisfaction increased for the sixth consecutive year to 42. Employee engagement was up 11 percentage points. We maintained leadership in network coverage experience, and we're tracking ahead of our science-based target requirements.

So I'm now going to turn to our mobile performance starting on Slide 12. Overall, mobile revenue increased 4.4% to 1.5 billion. That was driven by strong device growth. Mobile service revenue returned to growth, increasing 1.1% to $998 million as consumer and SME mobile service revenue increased 1.4%, supported by strong pay monthly ARPU growth and further stabilisation in prepaid connections.

Enterprise and government mobile service revenue remained under pressure from competitive pricing, but the rate of ARPU decline slowed compared with the prior year and connections were broadly flat. Wholesale revenue continued to grow through Spark's owned messaging products and MVNO partnerships.

So to understand the drivers of this performance, it's useful to break down mobile into its component parts. So I've outlined that on Slide 13. In consumer and SME pay monthly, connections were broadly flat and the small decline that we see was attributable to the 3G closure, while ARPU increased 3.6%, supported by plan and pricing changes and a stronger product innovation pipeline. That pipeline included New Zealand's first Kids Plan, roaming and satellite and IFP acquisitions were up around 15%, supporting higher ARPU acquisition and retention.

In prepaid, overall connections were down 3.6%, with the rate of decline slowing from 5.2% in FY25. Around a quarter of that decline was driven by the one-off impact of the 3G closure. ARPU proved resilient, holding flat -- broadly flat despite intense price competition.

And importantly, our New Zealand base, which accounts for around 89% of our revenue was up 1.1%. Skinny also grew around 2%, supported by the launch of the 52-week plans that offer greater value for customers who commit for a year.

And in enterprise and government, we saw further stabilisation with connections broadly flat and a small decline that we saw attributable to a low-value 3G connections. Positively, the rate of ARPU decline also slowed from $3.26 in FY25 to $1.92 in FY26. And we are pleased with the customer wins and re-wins achieved during the half.

So if I now move to overall mobile market performance and market share as outlined on Slide 14. The mobile market grew an estimated 1.9% in FY26 compared with about 1.3% in FY25. Within this context, we materially improved our market share trajectory in a growing market.

So while our ultimate goal is to get back into share growth, we are flattening the rate of decline, moving from a 1.8 percentage point decline between FY24 and '25 to a 0.5 percentage points decline between FY25 and FY26. We also saw stabilisation through the year.

Our mobile service revenue share broadly flat from H1 to H2, which gives us confidence that the actions we are taking are having an impact. Overall, we maintained our number 1 position in mobile service revenue share.

Slide 15 brings together the FY26 activity that is supporting this momentum and the pipeline that we're building for FY27. In FY26, we launched satellite-to-

mobile. We refreshed roaming and long-term plans. We launched the Kids Plans. We introduced 5G+ use cases that leverage our investment in stand-alone. We improved digital journeys and increased customer satisfaction for the sixth year running.

Looking ahead, our FY27 pipeline includes new pay monthly and device upgrade propositions, new reward and recognition initiatives, a refreshed wireless broadband lineup, a new MySpark app and the continued rollout of new store fit outs across New Zealand. The common thread across this activity is the same, putting more value into mobile, leading in network and delivering a great customer experience.

So if I turn now to broadband and business connectivity on Slide 16. Broadband connections declined 4.9% in a highly competitive price-driven market. The decline was predominantly driven by fixed line technologies with fiber and copper accounting for around 84% of that decline and wireless about 16%.

This mitigated the impact on the broadband gross margin. And when combined with the product cost management, margins increased by $1 million. We have a strong pipeline of activity planned for wireless broadband in FY27, including a refreshed lineup to improve competitiveness and bundling with mobile.

Business connectivity revenue declined 9.9% to $327 million, impacted by the divestment of Digital Island in FY25, the decline of legacy managed data and network products as customers migrate to modern alternatives and the phasing of hardware sales in IoT. Pleasingly, the rate of decline in managed data and networks was half that of FY25. We saw some large-scale collaboration migrations completed and IoT connections grew 5.1% to 2.5 million devices.

So I'm now going to turn to digital services, which we've identified as an area of the business under strategic review. And as such, it's useful to start with a summary of the business and the products and services included within it before moving to FY26 performance.

Slide 18 sets out the key characteristics of the Digital Services business. This division includes cloud, IT services and smaller adjacent products such as data and AI consulting and digital identity. Digital Services is a leading provider to New Zealand's B2B market. It has a majority recurring revenue mix, differentiated intellectual property and cloud, IT services and data and AI and

exposure to long-term positive tailwinds as businesses adopt cloud and broader digitisation.

It also remains uniquely positioned to support data sovereign storage in New Zealand as well as offering access to all hyperscalers and benefiting from global partnerships with Microsoft, Infosys and HPE to support efficiency and access to global innovation.

This business continues to have a leading market position, significant scale and a strong customer base. It has helped New Zealand business and government customers transition from traditional technology environments to modern cloud environments over many years.

At the same time, as outlined on Slide 19, this part of the business has faced both cyclical and structural challenges. Within Spark, it's been the hardest hit by weaker business and government spending in New Zealand, and it continues to navigate structural change as cloud volumes migrate from private to public and IT services from legacy to modern alternatives.

It was this context that contributed to digital services being identified as beyond the core in SPK-30 with a strategic review the next logical step to assess how we maximise shareholder value from this part of Spark in the future.

An external adviser has been appointed, and that review is expected to be completed in the first half of FY27. I will note that there is no certainty that the review will result in a transaction nor as to the terms or value of any outcome, and we'll provide an update at our Half 1 results in February.

So on Slide 20, we provide more detail on the performance of Digital Services during FY26. So overall revenue declined 3.4% to $372 million, reflecting the ongoing shift from private to public cloud, some softer IT services demand and continued migration from legacy services to modern alternatives.

Within that, public cloud revenue continues to grow strongly at 20%, benefiting from long-term demand tailwinds. Private cloud revenue declined 12% due in part to the impact of a $9 million reclassification of services due to the integration of CCL. The remaining underlying decline was due to the industry-wide shift to public cloud.

IT service management revenue declined 10.3% to $104 million, reflecting continued migration from legacy services to Spark's modern ServiceFlex platform and some subdued project work.

We've been actively managing the cost base with labour costs reducing faster than revenue and capex needs remain small and steady, reflecting the capital-light nature of the services business. Other Digital Services revenue was $35 million, up 2.9% on FY25, with improvement in gross margin driven by product cost reductions.

So I'm now going to hand over to Stewart, who's going to talk you through our detailed financial performance, capital management and guidance.

Stewart Taylor: Thank you very much, Jolie, and good morning to everyone on the call. So I'm going to pick up on slides 22 and 23, and I'll talk to them collectively and talk through those key financial outcomes. I just did want to pick up on explaining the differences between our reported and adjusted earnings again.

So if I look at Slide 22, the FY26 reported EBITDA of $1,295 million, which is up 23% year-on-year, includes the $278 million gain on the sale of the 75% stake in the data center business. However, it does exclude the net earnings of that business up until the date of that sale. It was classified as a discontinued operation.

So if you drop down, you'll see a number of $13 million against net earnings from discontinuing operation there. So that obviously sits outside of the EBITDA number and just above NPAT. So the FY26 result -- adjusted result is effectively the opposite. It excludes the $278 million gain on sale. But this time, it does include the earnings from the data center business up until the date of the sale.

And if you just -- if you do the same drop down, you'll see that there is nothing against that net earnings from discontinuing operation there in the adjusted because that's included in EBITDA for the purpose of the adjusted earnings.

Now looking at the comparatives for FY25. So FY25 adjusted earnings does remove the $71 million gain on sale -- from the sale of the Connexa stake, and it also excludes the $53 million of transformation costs that we took in that year. So adjusted -- the comparison of FY26 to FY25 adjusted earnings, therefore, provides the best like-for-like year-on-year performance comparison.

Now if I go back to reported earnings, our tax expense was marginally lower in FY26 as the gain on sale itself was substantially non-taxable. Just dropping down business as usual capex was flat at $401 million year-on-year, and it's 10.8% of our adjusted operating revenues. The -- and reported NPAT was up 91.9% to $499 million.

Just moving across to adjusted EBITDA, that declined 2.4%. And this primarily, and Jolie just talked about this, it primarily reflects the decline in digital services, the decline in legacy voice, which now represents only 3.2% of our overall revenue, and we had 5 fewer months of data center earnings following the sale of that business partway through the year. Adjusted net profit after tax was down only $2 million as the tax expense was proportionately lower. So those are Slides 22 and 23.

I'm going to move on now, and I'm going to talk to Slide 24, which is the first of two slides covering our cost reduction program and the progress that we have made on that. So if I go back to our first half results when we talked to our first half results in February, FY26 productivity benefits were weighted to H1, and that's primarily due to the timing of labour benefits falling within H2 FY25 and expected opex increases, which were going to come through in H2 FY26.

Now what I can confirm is, overall, we have ended the year with $40 million in productivity benefits year-on-year. Now this includes $35 million of sustainable product cost reductions and a net labour opex benefit of $5 million. And so when aggregated, this is in line with our narrowed target of $40 million to $50 million in the year.

Now starting with our product costs. So that's the bar chart on the left -- the first bar chart there. Our product costs were over $1.7 billion, and we saw a $65 million net increase connected with product volumes sold. And that's primarily driven by higher sales of mobile devices and plans and partially offset by lower sales of declining legacy products.

Over and above that, we then delivered $35 million of sustainable product cost savings. And this is -- this came through a combination of better buying terms with major suppliers and also the benefit of exiting some legacy products as well as ongoing simplification across the group.

So then if I go to the second chart on the right-hand side. In labour and opex, we've called out the net benefit of the introduction of our new technology delivery model, and that net benefit is $23 million. So it included $58 million worth of labour savings, offset by a $35 million increase in other opex, which is the cost of our newly established global partnerships.

Now across opex, some of this net benefit was offset by general inflationary pressures. We also put additional money into market to support the brand and the growth of our mobile business during the year. We've incurred some additional -- we've incurred severance costs, and we have some one-off shutdown costs in relation to legacy products such as 3G.

Now these cost increases would not be expected to occur at the same rate in future years. Look, I'll also note that data center costs were $6 million less due to the timing of the transaction.

I'll now go to Slide 25. And this really summarises how the FY26 result places us relative to our FY27 productivity target of $110 million to $140 million of annualised savings, which was based on our FY24 baseline. Now at the end of FY26, we've now delivered $101 million of cumulative cost reductions. This includes $46 million in labour and other opex and $55 million in product costs.

So we're confident we remain on track to meet that FY27 ambition, and we expect to deliver that through three main levers. The first is additional labour benefits through business simplification and the implementation of some of the organisational structure changes, which we announced last month.

The second is managing other opex to be broadly flat year-on-year. This means that we do continue to have inflationary pressure, but we will offset that with our cost reduction program. And I think similar to the savings achieved in FY26, we will continue to deliver further sustainable product cost savings across that $1.7 billion cost base.

If I just -- I'll move on now to our capital management framework. So this is Slide 26. So you may remember when we talked to you a year ago, we set out a new capital management framework, and we wanted to provide a timely reminder of the objectives of that framework and what we've actually done to deliver against that during the year.

So the first one is the proceeds of the data center transaction have enabled us to reduce net debt to that -- to targeted levels. And so they've returned net debt to net debt -- our net debt-to-EBITDA ratio to around 1.7x, which is consistent with the metric for our current credit rating.

Our BAU capex of 401 million is flat on last year, represents 10.8% of revenue and it's sort of marginally sort of very close to the midpoint of that sort of targeted capex to revenue ratio of 10% to 12%. In '26, we did have strategic capex of $66 million, but this purely represented capex that was committed as part of the data center transaction and was in itself reflected in the sale price of that business.

And then objective three around sustainable shareholder returns. So in line with guidance, the Board has declared a final dividend of $0.08 per share, which gives a total dividend of $0.16 per share, which is 100% payout of free cash flow. This final dividend will be 50% imputed.

The Board has also determined that the dividend reinvestment plan will be reinstated for this final dividend with the shares issued at a 0% discount to those who elect to participate in the plan.

And finally, reported return on invested capital was 13.8%, and that's versus 8.7% in FY25. Again, this was mainly due to the gain on sale of the data center business. When this is adjusted from the result, return on invested capital was 8.4%, and which is broadly similar with the FY25 ROIC when calculated on a similar basis.

Now on Slide 26, we have outlined our capex in more detail. And this really shows how this investment is aligned to support our SPK-30 strategy through network leadership and resilience, better customer experience and, of course, efficiency through tech and AI. Again, BAU capex of $401 million was the same as it was in FY25.

Now if I start from the top, our investment in fixed network and international cables increased 40% to $88 million. So what was this doing? Well, this was delivering increased capacity for fiber, transport and IP networks to meet the growth in forecasted demand for data as well as ensuring that we're making ongoing resilience improvements, which absolutely underpin our network reliability.

The second part of this is investing in our mobile network, which remains critical to our success. We spent $140 million delivering increased capacity across 236 4G and 5G sites for our customers and a further 81 sites built across the country. This spend itself was actually 18% lower than FY25, but that was largely due to the completion of the build of our 5G standalone mobile core.

Now spend on IT systems and AI increased $5 million -- sorry, 5% to $155 million. Now this spend really enables us to sustain and license core business systems that underpin our operations. It also captures our investment in enabling automation and efficiency and expanding the use of AI across the business. And ultimately, this is to support our strategic objectives of better customer experiences and delivering greater productivity across Spark.

Finally, there was about $18 million of other capex, mainly made up of property and cloud investment, and this was down slightly in previous years. I did talk before, strategic capex in the year is at $66 million versus previous guidance of $55 million.

And this was due to additional committed capex on the data center business being brought forward, but under the terms of the sale agreement was paid for by Spark, but then reflected in the final amount received by PEP in the wash-up of the transaction.

So next slide I'm going to talk to is just -- is on free cash flow. And so we've reported 18.5% growth in free cash flow, and that is supporting the payment of the $0.16 per share dividend. If I look through the key drivers, so there's a $75 million increase year-on-year -- sorry, the key drivers of $75 million increase are lower cash paid on interest and tax plus the release of cash from changes in working capital.

The cash paid on tax was lower as we utilise the prepaid tax asset, which will continue to provide further benefit to free cash flows that unwound in future years. Now cash paid on leases did increase by $37 million. This was due to a combination of more mobile sites being built and also the fact that FY25 included a $12 million one-off benefit from moving into the new corporate office.

We would expect the cash paid for leases in FY27 to be similar to that in FY26. We also have a $56 million benefit from working capital changes in FY26. This

was due to a reduction in receivables and an increase in the tight management of payables.

We did, during the period, undertake the transaction with Challenger for the sale of our IFP receivables. And so the $219 million impact of the sale of IFP receivables has been completely excluded from this outcome given it's the first year of the transaction.

I'll now turn to the debt slide. And the risk of repeating myself, but the proceeds of 75% of -- the sale of the 75% of the data center business has reduced our core net debt 35% to $899 million and net debt-to-EBITDA ratio has returned to around 1.7x as at 30 June 2026 based on the S&P methodology.

As we've said before, we remain focused on maintaining a strong balance sheet and targeting metrics consistent with our current credit rating. You'll also note that our overall borrowing costs reduced in FY26 on a like-for-like basis to 5.5%. And that reflects the mix of debt we've drawn down versus trends in market where I know rates are generally trending up.

The FY26 rate in this case excludes the initial loss on the sale of the IFP receivables book to improve comparability. Of course, levels of gearing and interest cover, I consider remain very healthy.

And so turning to the last of my slides. The one that I'm sure there's a lot of interest in is around our FY27 guidance. So I'll just run through this very quickly. So we're guiding to adjusted EBITDA within the range of $1,010 million to $1,080 million.

And this really reflects ongoing mobile service revenue growth and productivity benefits, and we do expect that to be partially offset by the exit of the data center business during '26 and continued margin across the digital services business and some ongoing decline of diminishing legacy products, noting my previous comments that those are now a smaller share of our revenue.

BAU capex is expected to be in the range of $350 million to $380 million. That's down on FY26 as we benefit from the maturing 5G rollout lower licensing investment in core systems and really taking a disciplined approach to where we invest our capital as we simplify the business. For free cash flow, we expect this to be between $300 million and $350 million. The growth there primarily

driven by an improvement in EBITDA, the reduction in cash capex and the ongoing unwind of our prepaid tax asset.

And then finally, in line with our capital management framework, it's expected that the dividend in FY27 would represent 90% to 100% of the free cash flow. Now what we've also done here is we've included a target FY27 dividend range of $0.16 to $0.18 per share.

And really, that is in the interest of providing investors with greater clarity on the expected range of the dividend based on both the range -- the free cash flow guidance range and also the fact that we have a 90% to 100% range payout ratio on that free cash flow.

So on that, I will hand back to you, Jolie. Thank you.

Jolie Hodson: Thanks, Stewart. So to summarise FY26, we delivered our results in line with guidance. We grew free cash flow. We returned net debt to targeted levels and delivered the first year of SPK-30 with tangible progress against the areas we said matters most. We move into FY27 with strengthened fundamentals, a clearer strategic focus and a strong pipeline of activity designed to build value in mobile to lead in network and to deliver great customer experiences.

Future EBITDA growth will be supported by continued mobile momentum, further sustainable cost reduction, diminishing legacy products and an ongoing portfolio management. Our ambition remains simple, It's better with Spark. We're determined to deliver more for our customers, our people and our shareholders.

So with that, I'm going to hand now back to the moderator to facilitate the Q&A session now. Thank you.

Operator: Thank you. If you would like to ask a question, please press star one on your telephone and wait for your name to be announced. If you would like to cancel your request, please press star two. If you are on a speakerphone, please pick up the handset to ask your question.

Your first question today comes from Leo Pan from E&P.

Leo Pan: Hi, Jolie, Stewart. This is Leo from Evans & Partners. I think just to start with -- I've got two questions here. First one, on mobile, enterprise and government, you guys noted the rate of decline in ARPU has slowed this year. Can we get

that to further moderate in FY27? And how is that environment looking in E&G broadly?

Jolie Hodson: Okay. I'll take your first question, and then we'll come back to your second one. In terms of enterprise and government, we have seen that rate slowing. If you think back to between '24 and '25, we saw around a 16% reduction in service revenue that has -- 16%, sorry, that dropped to 7% this year. What I would say, though, is most of the enterprise and government contracts are 3 to 5-year type contracts. So there's a natural portfolio renewal, but our expectation is it will be similar levels of change in FY27.

Leo Pan: Cool, thank you. And just maybe broadly, how is that competitive environment looking?

Jolie Hodson: From a competitive environment, we're really pleased with the customers that we're winning and really winning within that. I think we've seen a stabilisation on that overall pricing competition component. So really more what you're seeing is the flow-through of some of those impacts across the portfolio. But you can see from the connections, we're broadly stable in that base and the ARPU reduction is improving as well.

Leo Pan: Great. And if I could squeeze in just one more, please. In terms of the price increase you guys rolled out for consumer mobile at the end of July, what are you guys seeing in terms of churn? And like how should we be thinking about ARPU revenue growth against maybe some lost subs?

Jolie Hodson: So I think from a point of view of the July price increase effectively on the bill because obviously, we do have two points where we notify the price increase and then when it comes through. We've been pleased to see the levels of churn being below what we would have anticipated within that.

The price increases on average were around $3, if you were to look at it per month for most of those pay monthly plans. And I think if you compare that to the investments we're making in networks and the resilience and importance of mobile connectivity for our customers, I think it's a fair exchange.

Leo Pan: Okay. Thanks, guys.

Jolie Hodson: Thank you.

Operator: Thank you. Your next question comes from Ben Crozier from Forsyth Barr. Please go ahead.

Ben Crozier: Morning team. Just first one for me, just on the DRP. Can you just give us a bit more rationale of turning the DRP on versus, say, paying out a lower dividend? Presumably, the DRP -- you get a bit of share count creep and the dividend growth going forward will be slightly lower. And you sort of alluded to our net debt back to target range. Why do you need a DRP on at this stage?

Stewart Taylor: Yes, Ben, I can answer that. I mean so there's a couple of drivers there. The first one is we've had -- we had quite a lot of feedback from our retail investor base on the DRP. And so it has proved popular with our retail investors. So it's something we considered we wanted to switch back on. There's also the point around -- I mean, we -- whilst we're back at 1.7x, we're looking to create sustainable headroom relative to the S&P metric and that -- we've got a number of levers available to us.

It includes the dividend payout ratio and it also includes the DRP as well. So it does have some value there. And that's the balance we are trying to strike. Now I would note that the DRP is at a 0% discount as well. So there is -- it does not come at a discount this time around.

Ben Crozier: Thank you. And maybe just on fixed wireless. I think if we go back to the Strategy Day, I think you're sort of targeting that fixed wireless still has more growth. And, I guess, over the last year, it has slipped back. Could you just sort of give a little more colour on where those sort of losses have been? Are they just in rural to Starlink or are there urban losses as well?

Jolie Hodson: I think it will be a combination. We're talking about 8,000 connections across over 200,000 base in that wireless broadband. So it will be a combination. It is a highly competitive market. And I think when we talk about Strategy Day we talked about the opportunity for 5G.

And of course, as that rollout continues across the country and we have greater population coverage, then you've got the opportunity to add more capacity for customers to use, and therefore, open up more addresses and you also open up the coverage component through that.

So, we still believe that wireless broadband has opportunity to grow. We're relaunching new plans in FY27, which will be -- well, I won't say too much on

the call because it's obviously open to public, but effectively more competitive. And so we think that will also help with that shift forward.

Ben Crozier: Yeah. Maybe just last one quickly on the data center business. You still have 25% of it, and there's still that earn-out to come. I think in the '28, like, is that business tracking? Are you still confident you can receive that earn-out?

Stewart Taylor: Yes. I mean there are 2 tranches to the earn-out, Ben, and that's -- if you pick through the annual report, I think it's in Note 1.4 and the first of those is based on meeting some performance metrics between 31 December this year and February of next. And then the second earn-out tranche is based on hitting some metrics on 31 December 2027.

And so yes, if you look across the sort of the entire -- if you look across the earn-out, we're confident that the business, particularly on that first tranche, is going to deliver on the metrics that it needs to. Obviously, on the second tranche, that's a little bit further away and things can change there. But I mean, what we do know is that there is plenty of -- we've got some excellent sites, and there is plenty of demand for capacity in that business.

Ben Crozier: That's all from me. Thank you.

Jolie Hodson: Thanks, Ben.

Operator: Thank you. Once again, if you would like to ask a question, please press star one on you telephone and wait for your name to be announced. Your next question comes from Wade Gardiner from Craigs Investment Partners. Please go ahead.

Wade Gardiner: Hi, there. A few questions from me. Can we just go back to just expand on Leo's question earlier. You say that, yes, the decline in enterprise and government ARPU has slowed, but you're expecting a similar level for this year.

If we assume, therefore, that contracts are rolling in 3 to 5 years, does that, therefore, say that we're going to, call it, for the next 3 or 4 years, we're going to continue to see that sort of 7 -- call it, 5% to 7% decline in ARPU as everything rebases?

Jolie Hodson: No, I think, Wade, I think we've seen the majority of that. I still expect some decline in FY27. Equally, there's opportunity for connection growth as well

within that. So I don't think it continues on for another 3 to 4 years. I think you see the bulk of it complete by the end of FY27.

Wade Gardiner: Okay. Thank you for the disclosure around digital services. Are you able to provide a bit of colour around -- you've given that disclosure at the GM level, but not at an EBITDA level. What sort of cost allocation for labour and other operating costs are we like to see?

Jolie Hodson: We don't provide that down by each of the units for that. Clearly, as we go through the strategic review, if we have more to share in relation to the decisions out of the back of that, we will provide that as part of that. But I've got nothing more to say in terms of that at the moment in relation to the EBITDA strip.

Wade Gardiner: Okay. And just one more for me. Just on Slide 15, you talked about investment into mobile. There's a number of areas there. What's the -- is that going to have a margin impact as we go into FY27?

Jolie Hodson: I think in terms of what we're doing there, there will be a combination of what we're looking to do is attract and retain more customers. And so we'd see it both as churn prevention, but also as opportunities for customers to experience different offers within that.

So without, again, getting into too much of the detail, overall, when we set our guidance for FY27, we thought about what we will be doing and investing within that. So I think these are all margin accretive in terms of how we think about the opportunities that we've got there for FY27.

Wade Gardiner: Okay. That's all for me. Thanks.

Jolie Hodson: Thanks.

Operator: Thank you. There are no further questions at this time. And that does conclude our conference for today. Thank you for participating. You may now disconnect.

[END OF TRANSCRIPT]