

Spark Home, Mobile & Business

Chief Executive Officer
Jason Paris



Continued momentum in market despite industry risk

Key Risk

Progress to date

Broadband mobile share loss will continue

Broadband price wars are concerning for the industry. We saw small market share declines but are still gaining customers. Our focus on revenue share is seeing a lift in ARPU and improved plan mix.

Mobile growth cannot be monetised

Strong growth with connections up 10% and revenue up 8% in FY15. A greater focus by the industry on revenue and margin improvement will limit price aggression and help monetise mobile data growth.

Few remaining opportunities for cost reduction

Demonstrated strong cost out agenda which is now embedded in our culture. New sustainable cost out opportunities have been identified and are being actioned.

Spark NZ won't succeed in digital services

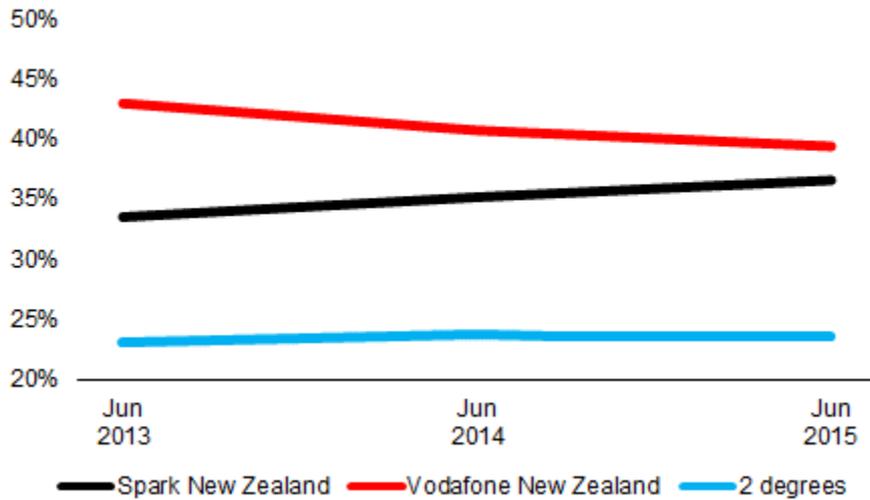
Significant investment and focus on new customer and digital programmes. Partnership and innovation success post Spotify and Wifi has continued with Lightbox, Morepork, Putti and Appserv.

We are still heavily reliant on legacy voice products

Yes, and we need to minimise speed of decline. Revenue mix is improving with mobile, broadband data and ICT Platform Services now making up 60% of total revenues. We expect the trend to continue to improve again this year.

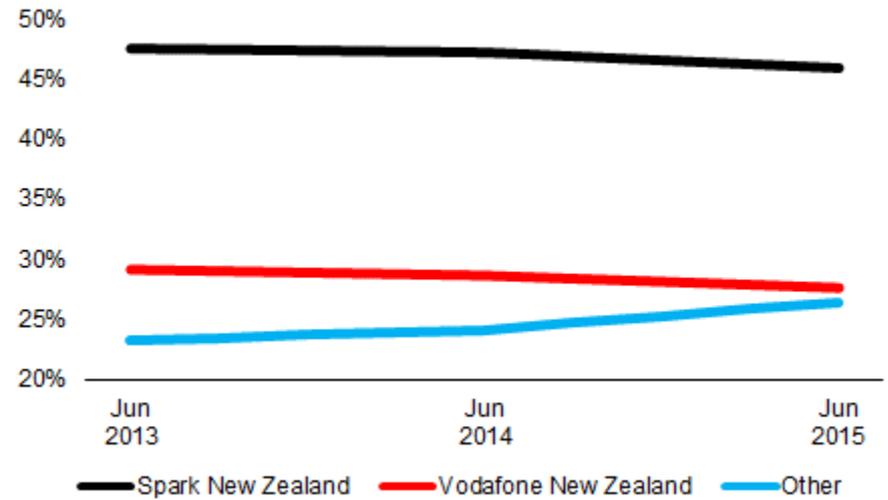
Continued momentum in market despite industry risk (ctd)

Mobile Market Connection Share ⁽¹⁾



Continued gains in mobile connection market share, with increasing take up of higher value plans

Broadband Market Connection Share ⁽¹⁾



Slight decline in broadband connection share but Spark unlimited plans contributing strongly to revenue growth

(1) Source: Oct 2015 IDC New Zealand Telecommunications tracker

Strategy update

Our existing customers are our greatest priority

- New customer programme and team give us real time customer insights on largest pain points and opportunities. Actions are underway to improve the customer experience, with promising early signs of improvement
- Our focus is on existing customers staying with us longer, buying more products and services and recommending us to others. This is the fastest and most profitable way for us to grow

All of Life approach driving cross-sell, upsell in Mobile, Broadband, ICT and Value Added Services

- Significant opportunity to use our product portfolio advantage to sell more to existing customers
- Improving our products and services bundles so it makes sense for customers to buy them together
- Making good progress on unlocking and leveraging our customer data so our teams can have “next best sales or service” conversations. Plans in place to accelerate this programme
- Continued growth of value-added services to best ‘services per customer’ ratio in the industry

Game changing customer experiences

- Benchmarking our customer experiences against the best from various industries around the world
- Using these insights to simplify and improve our customer experience using digital technology

NZ's best run business

- Resetting HMB cost base to meet growth ambition regardless of industry dynamics

#1 Provider of mobility, data and cloud solutions

BROADBAND

Targeting 50% share of growth in rapidly growing fibre broadband market

Focused on growth of higher value unlimited plans

Considering all options to address price attacks from Vodafone and Energy retailers

Use our product portfolio advantage to meet customers' All of Life needs

MOBILE

As we approach #1 focus shifts away from customer acquisition to revenue and margin growth

Improve prepaid profitability by reducing industry driven customer churn

Prioritise and win more customers from fast growing segments where we have low share



Best run and most efficient business

Improve margins by leveraging our significant network investment in spectrum, SRAN and data transport

Continue to increase data-driven marketing communications, and increase our use of social and digital media

Shift volume transactions to digital channels

Prioritising spend to give the best value for our customer's needs

Expectation set for cost pass-through of regulatory changes

Process and product set simplification

Capital expenditure well-controlled



Continue to meet growth ambitions regardless of industry dynamics

Customer inspired



Smart Service

- Predictive notifications
- 24/7 live chat
- Smartphone app
- Self diagnosis



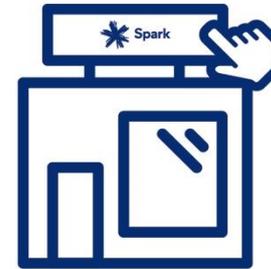
Listening & Action

- 1000's of customer feedback points captured weekly (NPS)
- Active programme of initiatives to remove pain points



Future All of Life

- Active customer collaboration to co-design future services
- Test new markets and services for profitable new revenue pools



Re-energising customer touchpoints

- Inspiring concept stores continue to drive increase in foot traffic
- Click and Collect for seamless experience across all channels
- Intuitively simple digital experiences



Data-driven

- Insights to deliver personalised and highly relevant customer offers and experiences
- Performance focus to maximise benefits

Outcomes / measures of success

Outcomes

Measure

Existing customers are our greatest priority

- Improved Net Promoter Scores across Consumer & Business customers)

All of Life approach - Cross-sell / Up-sell in Mobile, Broadband, ICT and Value Added Services

- Increased products per customer

Game changing customer experiences

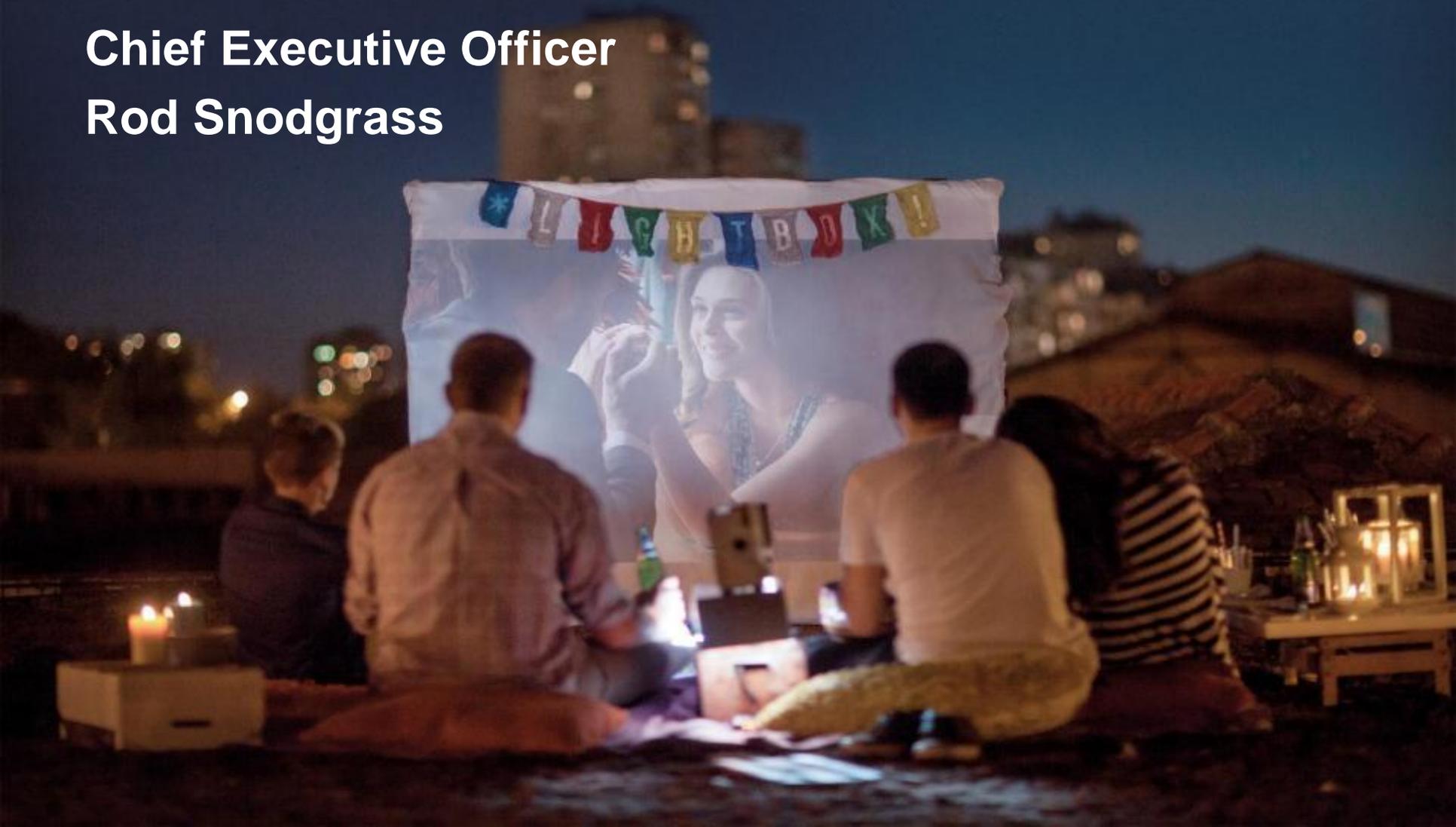
- Improved customer retention
- Increased customer life time value

New Zealand's best run business

- Improved cost to serve
- Sustained revenue and EBITDA growth

Spark Ventures

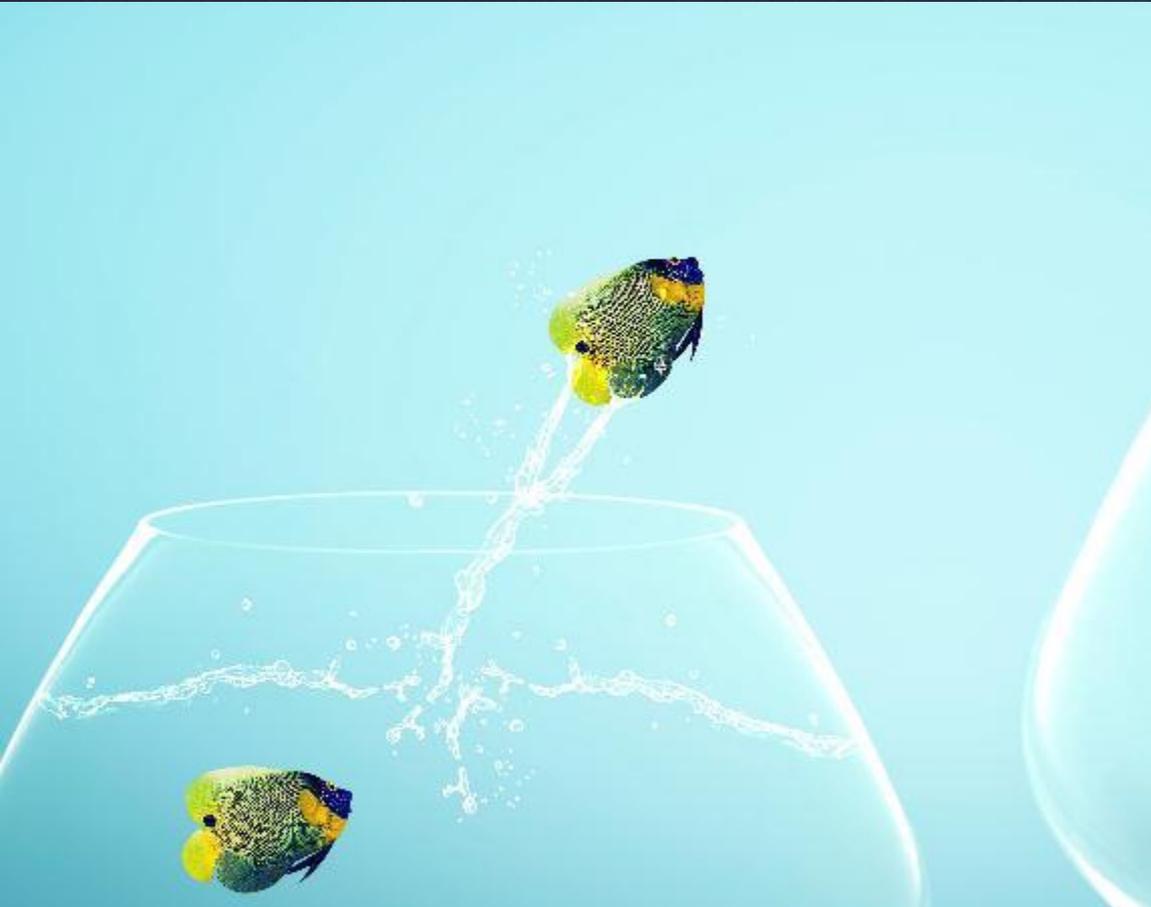
Chief Executive Officer
Rod Snodgrass



Our context is the connected digital world



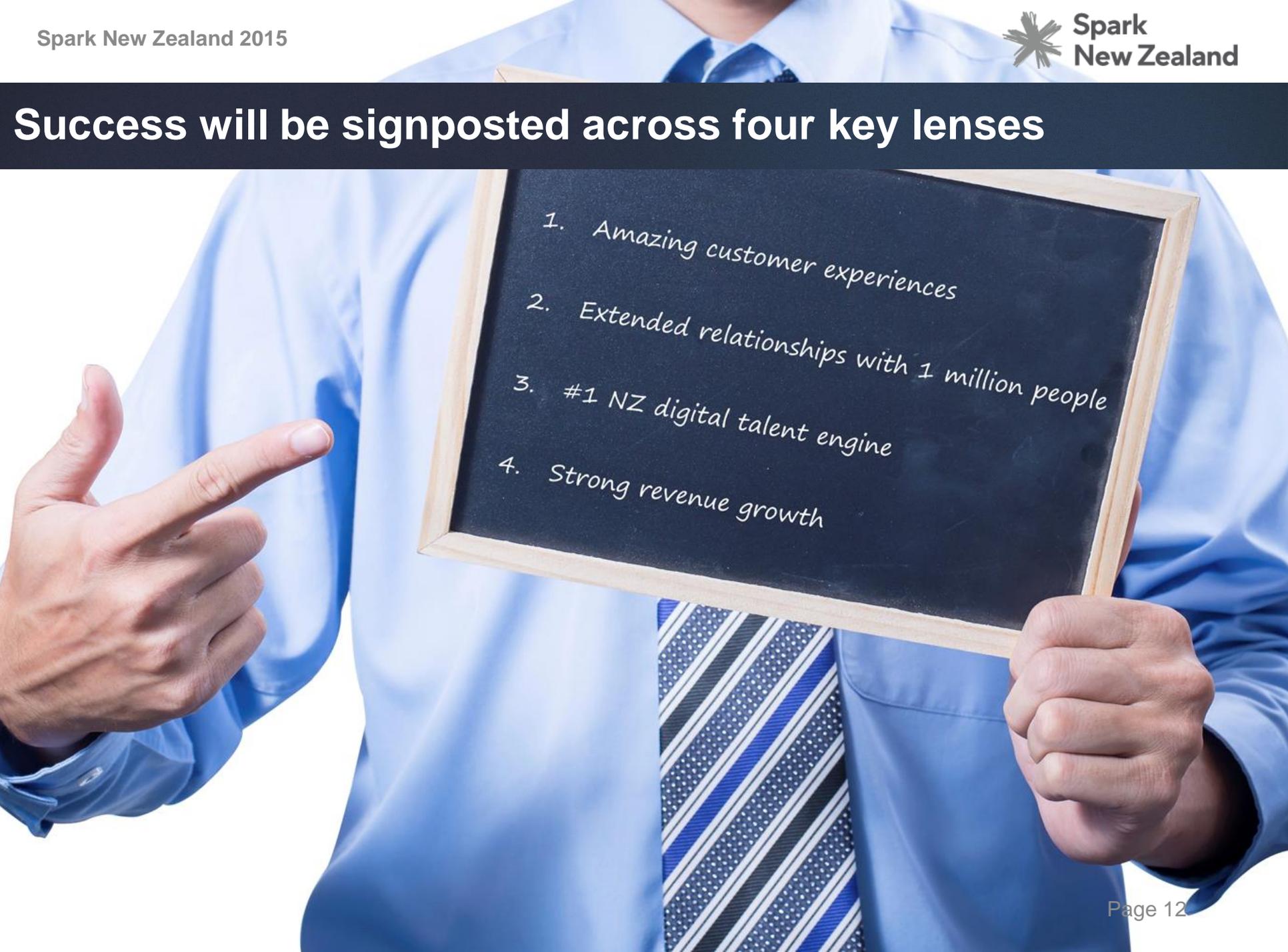
Our focus is on connected digital experiences



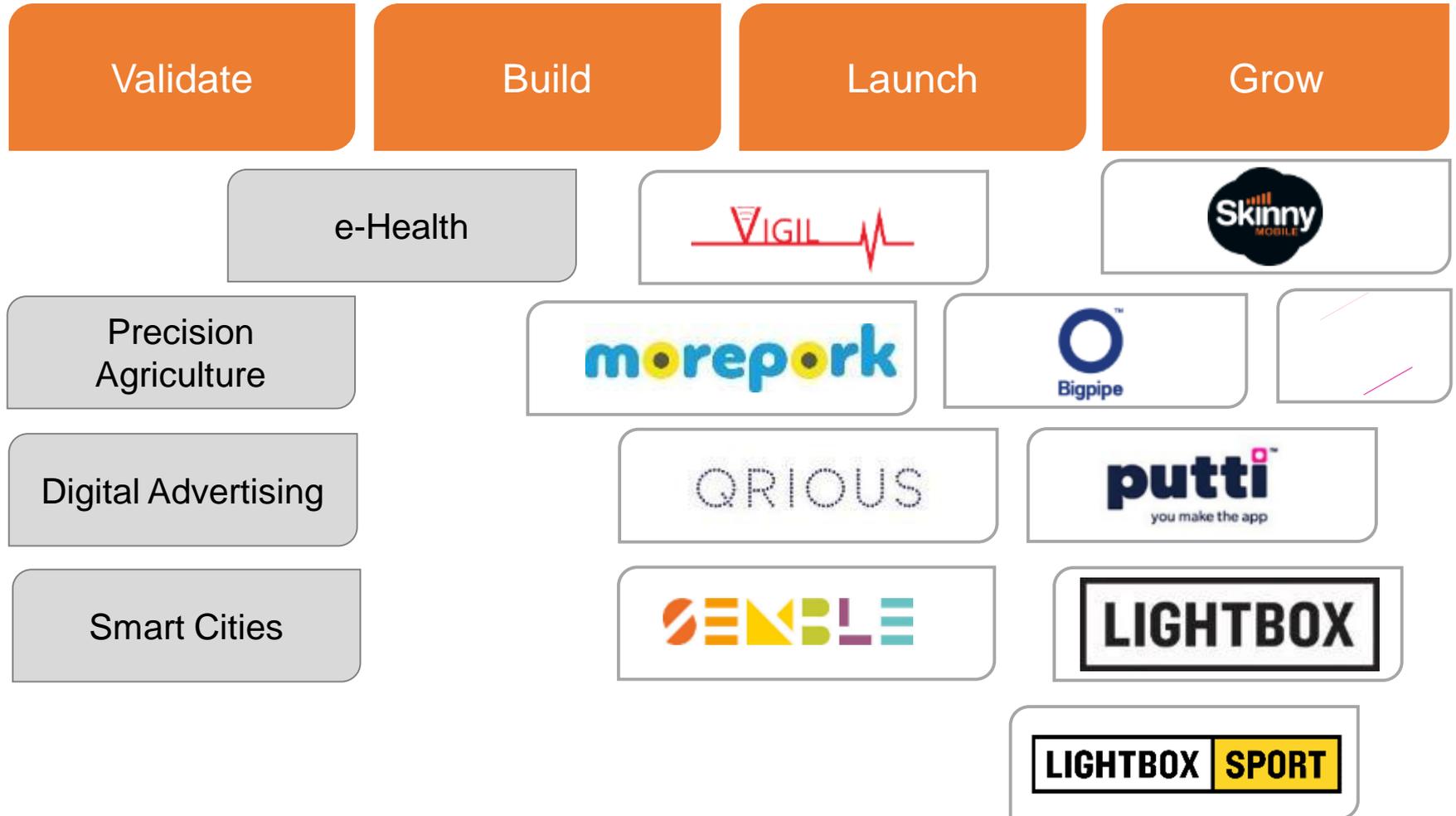
Our ventures are centred around creating connected digital experiences that deliver consumer engagement and revenue growth from leveraged capabilities and platforms

- **Connectivity and sharing**
- **Content and entertainment**
- **Smart living**
- **M-commerce and advertising**
- **Vertical e-markets**
- **Data and applications**
- **Digital innovation and transformation**
- **Experience and design**

Success will be signposted across four key lenses

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1. *Amazing customer experiences*
 2. *Extended relationships with 1 million people*
 3. *#1 NZ digital talent engine*
 4. *Strong revenue growth*

The current Ventures portfolio



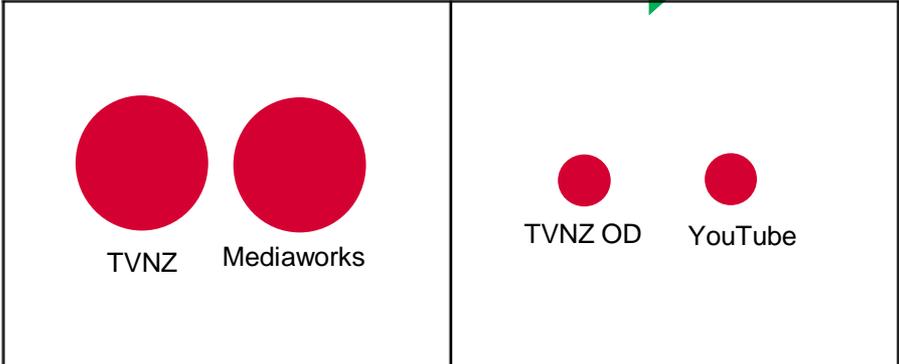
LIGHTBOX

Update

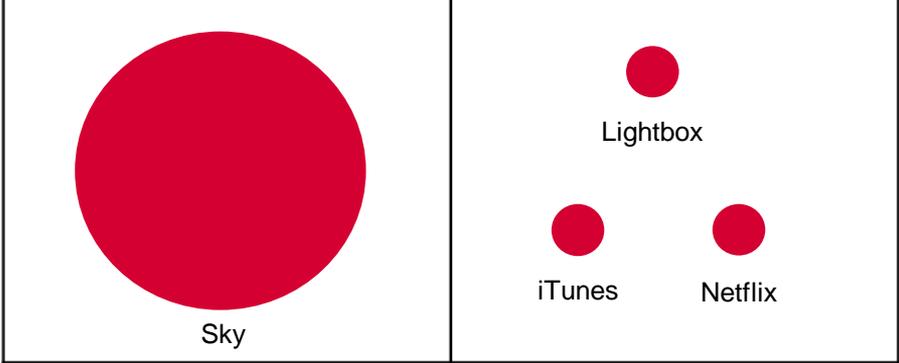
Revenue and viewing minutes are moving this way

- Pursuing a share of Pay TV profits by fueling the transition towards online and on-demand delivered media
- Revenue growth will be driven by subscriber uptake and engagement which will take a few years to achieve
- Aiming to differentiate from global providers through 'localising' content mix and leveraging existing network and customer relationship advantages
- We expect to pivot several times as we learn, the market takes shape and opportunities present

Ad Funded Revenue



Subscription and Transactional Revenue



Established Players
(appointment viewing)

New Entrants
(on demand viewing)

QRIIOUS

Update

- At the forefront of a new market with the potential to deliver significant economic value to NZ
- Success will be built on our:
 - Scale
 - Unique data sets
 - Data science talent
 - Existing customer relationships
- Focused on three product suites:
 - Tourism insights
 - Transport
 - Customer segmentation

2015 Volvo Ocean Race

Origin of Domestic Visitors during Auckland Stopover



200,000,000,000

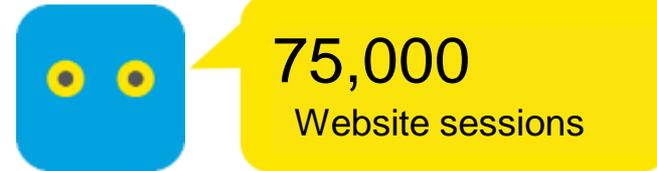
Total number of data points already on the Qrious data platform



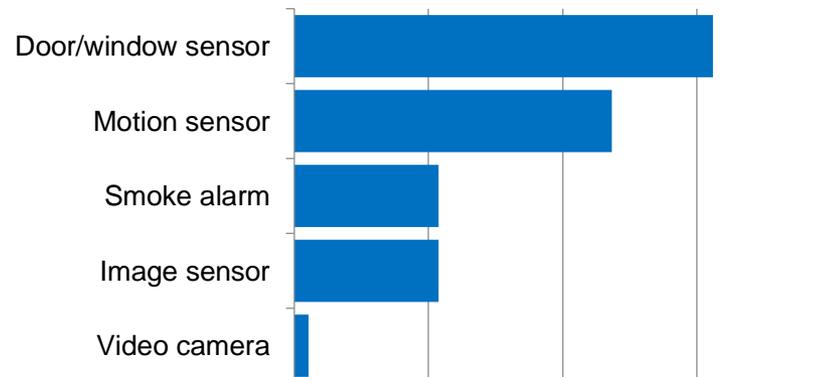
Update

- Pursuing a share of profits in the fragmented smart living and security sectors
- Revenue growth driven by:
 - Subscriber uptake
 - Adoption of multiple smart living services
- Success will be built on:
 - Superior user experience and customer propositions
 - Leveraging established distribution channels and customer relationships
 - Ability to aggregate and become the trusted brand for Smart Living services

Already seeing strong interest via website traffic and social interactions with 27% brand awareness



Attachment rates for add-ons are performing well



We have already achieved a lot over the 24 months

- 10 new Ventures in market generating revenue
- ~150 staff
- >500,000 new Spark relationships
- Tens of millions of new revenue growth
- Demonstrable Spark portfolio benefits
- Leading the new ways of working
- Living and learning digital, disruption, design, development, and data



And we have learnt a number of lessons



1. Have unreasonable ambitions
2. Get the right model and mandate
3. Obsess on the user experience
4. Think customer back
5. Challenge everything
6. Use design thinking, lean and agile
7. Design mobile and digital first
8. Be fast and data driven
9. Build digital DNA, talent and culture
10. Follow the money

What's next?

- **Development of emerging 'next' ventures:**
 - Smart Cities
 - Smart Verticals – health, education and rural
 - Mobile/digital advertising
 - Ventures2.0
- **Embedding the Digital First Programme into plans and accelerating execution of identified first up initiatives and enablers**



Digital First Programme Update



Context: We live in the digital age



Digital disruptors are winning with frictionless digital experiences

We will aim to offer world-class digital experiences similar to those our customers are receiving from digital disruptors who focus primarily on the experience layer



Re-imagined the taxi experience customer back – making it better for both consumers and drivers



Removed geographical barriers for freelancers by establishing the world's largest online workplace where businesses and independent professionals connect and collaborate remotely



Has made the short term rental market more convenient and appealing than traditional hotels



The world's first cardless bank. Disrupting banking by using social, mobile and gamification technology to help consumers save, spend and be financially smarter

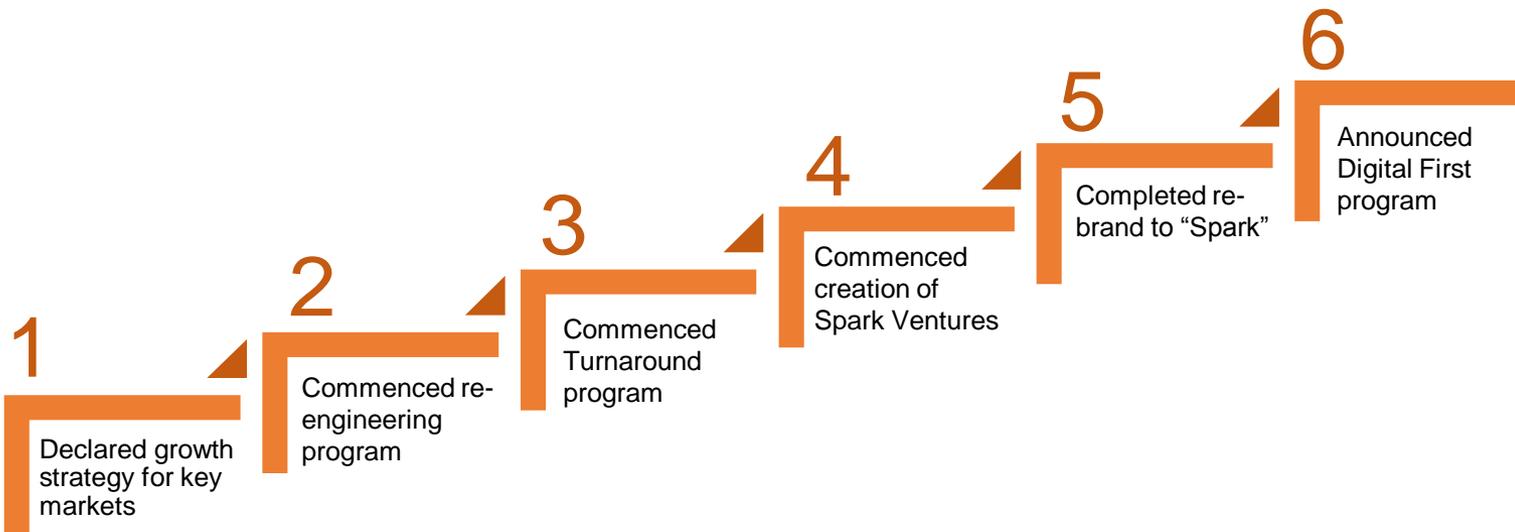


Combined analytics and a one click buy – now bigger than physical retailers and has totally 're-written' categories like books



Re-invented everyday car usage from a product you buy (a car) to a service – now a viable alternative to car ownership for many people

Digital First is Spark's next transformational step



Digital First Programme required to address customer experience and align business model with digital best practise

Success will deliver a business transformation and customer, financial and people aspirations

Ambition

To digitally accelerate the transformation of our business, jump-shift customer experience, rapidly improve financial outcomes and deliver on our promise as a digital leader

What success looks like

- **Success in FY2018 looks like:**
 - **Customer:** Loyal customers and best-in-class NPS through being NZ's benchmark for amazing customer experiences; move more towards B2C⁽¹⁾ and B2B digital sales and digital service/care
 - **Financial:** Delivering EBITDA benefits to help ensure a profitable and growing business
 - **People:** Attract and retain and grow the best digital people in NZ

Strategic Programmes

Digital driven business model	World class customer experience	Digitised customer journeys	Open API ⁽²⁾ platform	Data driven decisions	Optimised digital marketing & sales	Embedded digital DNA
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Foundation

Re-engineered technology capability	Demonstrated executional edge	Disruptive digital thinking and action
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Values

We listen	We're straight up	We get stuck in	We win together
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(1) B2C – Business to Consumer, Business to Business

(2) API – Application Programming Interface

We are adopting the approach of digital transformers



Execution will be measured against industry leaders and peers

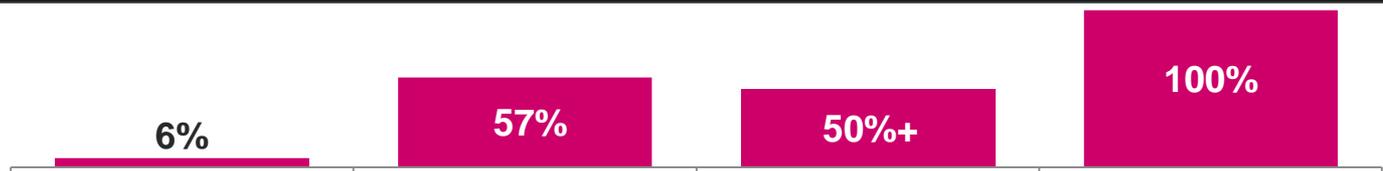


NZ
industry
leader

Best
incumbent
telco



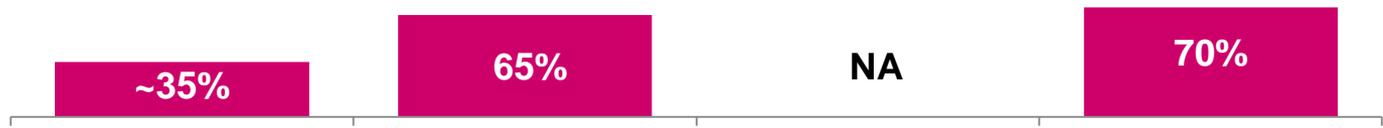
Sales %
online



Service %
online



Marketing %
BTL



Example: Improving the Spark App customer experience

Current situation

- Poor design and usability
- Only mobile products currently integrated
- Low customer rating in App stores
- <25% of customer base are regular users

What we're doing

- Improving design and usability
- Making key tasks simpler (e.g. prepay top-ups)
- Improving self-service capability
- Integrating other Spark products and services (e.g. broadband, Lightbox)

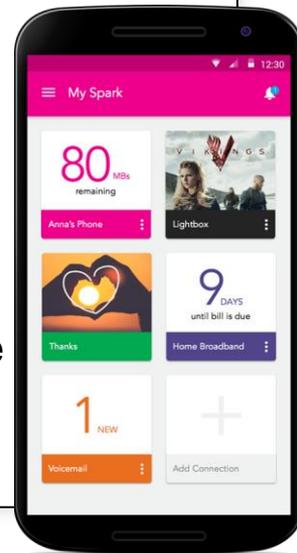
Benefits this will provide

For our customers:

- Increased functionality that is intuitive to use
- Ability to easily interact with Spark without having to call or visit a store

For our business:

- Improved customer tenure and loyalty
- Greater cross sell and upsell opportunities
- Lower cost-to-serve through greater use of self-service



What success looks like

KPI's we'll track

- **NPS improvement**
- **Digital NPS improvement**
- **Higher proportion of Digital sales**
- **Higher proportion of Digital service**
- **Spark App start rating improvement**
- **Open API platform**
- **E-NPS best in class**
- **EBITDA improvement**

What our customers will say

- “Spark anticipates what I need and when I need it”
- “I can do everything I need on Spark’s digital channels, without having to go into a store or calling them”
- “I love how I can easily manage my life and business through Spark’s digital services”



Concluding Comments

Managing Director – Simon Moutter
Chairman – Mark Verbiest

Framing up our long-term aspirations

- Recognised as a **leader in delivering digital experiences**
- Most **valued brand** in the home and **most important partner** to businesses
- **Number 1** in mobility, data and cloud solutions
- Sustained, albeit modest, **revenue growth**
- Improved efficiency driving EBITDA margin well into **top quartile** benchmarks
- Annual capex maintained within **best practice investment** envelope
- Very strong and **rising dividend profile**

Market leader in digital life and business



Disclaimer

This announcement may include forward-looking statements regarding future events and the future financial performance of Spark New Zealand. Such forward-looking statements are based on the beliefs of management as well as on assumptions made by and information currently available at the time such statements were made.

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.

FY16 Guidance

	FY15 Actuals	FY16 Guidance
Reported EBITDA ⁽¹⁾	\$962m	0-3% growth
Capex (excl spectrum)	\$418m	around \$380m
Dividends Per Share ⁽²⁾	20 cps fully imputed	Ordinary Div 22 cps ⁽²⁾ +Special Div 3 cps At least 75% imputed

Based on our Q1-FY16 performance we are reaffirming the guidance provided at the H2 FY15 results announcement.

(1) EBITDA guidance is relative to FY15 continuing operations and assumes copper broadband input costs based on IPP pricing to 1 Dec 2015 and then 2nd draft FPP pricing, with no backdating

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