



Spark^{nz}

SPARK

INVESTOR

STRATEGY UPDATE

16 September 2020

ersonal use only

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Justine Smyth

Chair



SPARK

2023 STRATEGY

Jolie Hodson

Chief Executive Officer



The last three years

WHAT

WE SAID

WE WOULD DO

BY 2020

1

Up-weight our emphasis on wireless services and investment

2

Do better at serving price-sensitive customers, by further developing our multi-brand strategy

3

Become the lowest cost operator, through radically simplified and digitised processes, products and services

+30_{NPS}

Outstanding customer experience



Growing key segments



Holding market share



Top-decile culture



Lowest cost operator



Top 10 global telco ROI

NB: +30 NPS is the minimum standard we aspire to for all NPS measures including market, relationship, interaction, journey and employee metrics

3 YEAR

PLAN SUCCESSFULLY DELIVERED

WITH STRONG MARKET OUTCOMES

AND INDUSTRY LEADING RETURNS

Outstanding customer experience	Significant improvements across most key NPS ⁽¹⁾ measures – with many above +30.	Solid progress
Holding market share	Winning in mobile, growing connections and outpacing the market in mobile service revenue share growth. New Zealand's largest hybrid cloud provider. Return to broadband connection growth with focus on stabilising revenues.	Achieved
Lowest cost operator	\$228m gross cost reduction since FY17. Delivered through Quantum programme focused on digitisation, automation and simplification and ongoing focus on productivity and efficiency.	Delivered
Growing key markets	Sustained growth in mobile, cloud, security and service management. Broadband market remains challenging.	Achieved
Top decile culture	Employee NPS +66. Continue to mature Agile ways of working. Strong diversity and inclusion focus.	Achieved
Top 10 global telco ROI	Ranked #1 against international peers ⁽²⁾ for Total Shareholder Returns. Compound annual growth rate of 13% ⁽³⁾ . Three-year ⁽³⁾ Return on Invested Capital 16% per annum. Ranked #2 against international peers ⁽²⁾ .	

Revenue
0-2% CAGR

Achieved

EBITDAI
at least 31% margin

Achieved

Dividend
Sustainable total dividend of 25cps or above that is not supplemented by debt

Solid progress

⁽¹⁾Net Promoter Score is an index ranging from -100 to 100 that measures the willingness of an employee or customer to recommend a company to others

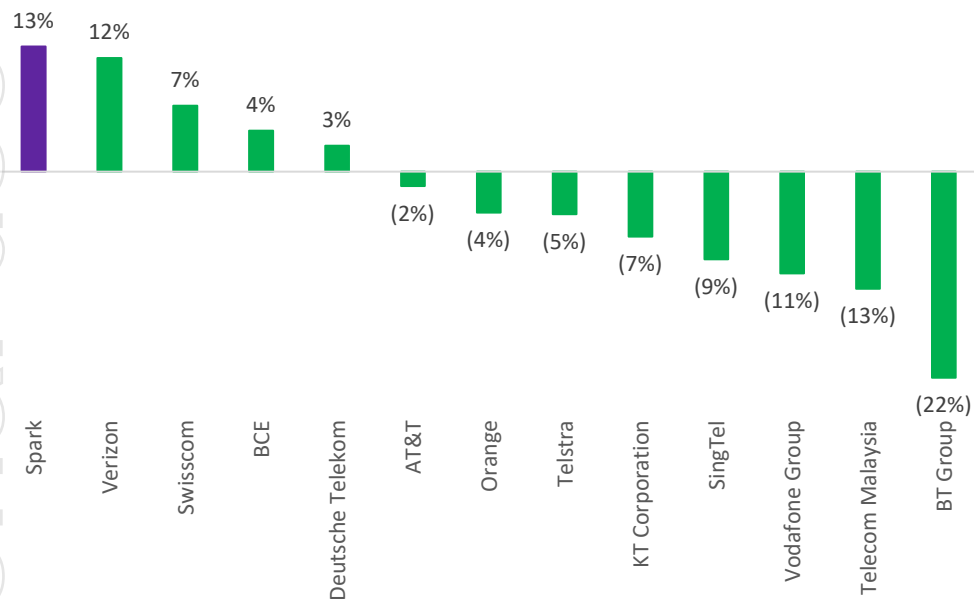
⁽²⁾Pre-tax ROIC and TSR versus international peers: Verizon, BT Group, Telstra, Swisscom, Singapore Telecom, AT&T, Orange, KT Corporation, Vodafone Group, Telecom Malaysia

⁽³⁾Representing the last three reported years for each peer

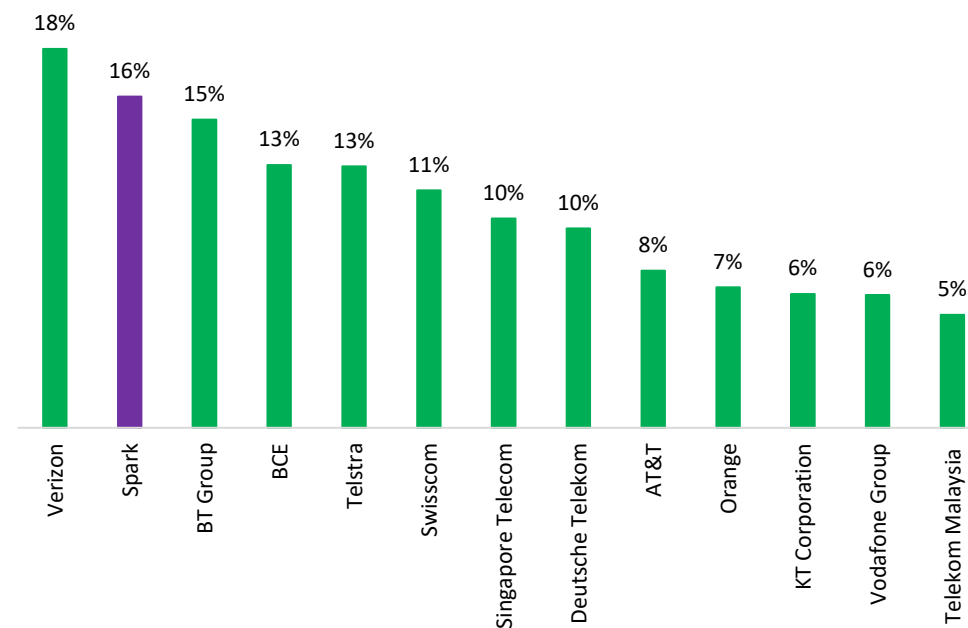
3 YEAR TSR⁽¹⁾ & ROIC⁽²⁾

VS INTERNATIONAL PEERS⁽³⁾

Ranked #1 against international peers for Total Shareholder Returns. Compound annual growth rate of 13%.



Ranked #2 against international peers. Spark three-year Return on Invested Capital 16% per annum.



⁽¹⁾TSR calculated as share price and dividend per share (reinvested at the ex-dividend date) over Spark's FY18 – FY20 period (1 July 2017 to 30 June 2020)

⁽²⁾ROIC: pre-tax ROIC calculated as the average of annual operating EBIT divided by average invested capital, for the last three reporting years for each peer

⁽³⁾Peer group is not exhaustive but is a selected group of primarily integrated telco operators that are deemed the closest peers to Spark in terms of market exposure

Our new context

WE

ARE NOT IMMUNE TO COVID-19 IMPACTS

BUT ARE WELL POSITIONED

TO ADAPT TO OUR NEW NORMAL



- IMF has predicted the largest global economic downturn since the Great Depression of the 1930s, this will have flow on impacts for New Zealand given our dependence on global trade and tourism.
- Tourism unlikely to return to historical levels for some time.



- New Zealand will enter a recession and unemployment is forecast to increase.
- The impact on small-medium businesses, many of whom are our customers, may be significant.
- This creates an environment of volatility and uncertainty, which has been further exacerbated by the resurgence of COVID-19.



- Billing collection risk as customers experience financial hardship and wage subsidies roll off.
- Mobile market growth likely to be slower, particularly roaming and mobile handsets.
- IaaS and SaaS⁽¹⁾ likely to benefit, but potentially some offset in other IT outsourcing programmes.
- Greater confidence to increase caps and drive wireless broadband uptake after strong network performance during lockdown.
- Accelerate cost reduction programmes.
- 5G rollout and sustainability focus on digital divide even more critical to support New Zealand's recovery.

⁽¹⁾Infrastructure as a Service and Software as a Service

MACRO

TRENDS WILL INCREASE

THE MAGNITUDE AND

PACE OF DISRUPTION



A seismic shift of business and society from physical to digital solutions.



Increasing pace of technology disruption and business transformation.



An unprecedented recessionary event requiring a period of nation building and a focus on affordability.



Greater emphasis on connectivity as a basic social need.

COVID-19 has accelerated the macro trends we have been planning for

The next three years

ENERGISED

AND CAPABLE

LEADERSHIP TEAM



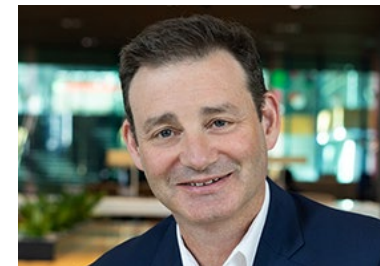
Chief Executive Officer
Jolie Hodson



Product Director
Tessa Tierney



Marketing Director
Matt Bain



Technology Director
Mark Beder



Customer Director
Grant McBeath



Finance Director
Stefan Knight



**Corporate Relations
Director**
Leela Gantman



General Counsel
Melissa Anastasiou



**Human Resources
Director**
Heather Polglase

FOUR

KEY INSIGHTS

HAVE EMERGED

AND HELPED SHAPE

OUR THINKING

1

Customers expect 'uber-like' digital experiences, and will choose those who offer it

2

Data growth and new content creating opportunities for growth and monetisation

3

Data insights unlock better customer experiences

4

Wireless is increasingly able to meet most customer needs

MACRO

TRENDS

AND INSIGHTS

SHAPED OUR

STRATEGIC CHOICES

CONSIDERATIONS

- | | | |
|----------|--|--|
| 1 | Stay the course | <ul style="list-style-type: none">• Historical sources of value creation will erode over time• Macro trends create clear upside opportunity to capture additional value |
| 2 | Become a super lean, lowest cost connectivity provider | <ul style="list-style-type: none">• Incumbent players face greater challenges due to legacy products, systems and channels• More exposed to future disruptive market entrants• Macro trends create clear upside opportunity to capture additional value |
| 3 | Expand into new growth adjacencies beyond the core | <ul style="list-style-type: none">• Few attractive growth markets where showing up and deploying capital is enough to succeed – need best-in-class, foundational capabilities that underpin success• Limits optionality and increases risk through ‘big bets’• Divided leadership focus and resource allocation between ‘core’ and new markets |
| 4 | Adopt a capability centric approach within the core and beyond | <ul style="list-style-type: none">• Focuses on protecting and expanding Spark’s differentiation – value-accretive in the short-term through the core and the long-term through new markets• Increases optionality in a rapidly changing environment• Attracts the best talent |

OUR STRATEGY FOCUSES ON INCREASING OUR

COMPETITIVE

ADVANTAGE

BY BUILDING FOUR

WORLD CLASS

CAPABILITIES

Simple, intuitive
customer experience

My interactions with
Spark ‘just work’

Deep customer
insights

Spark offers me the
right products at the
right time

Automated,
smart network

Spark delivers me
connectivity,
anytime, anywhere

Growth mindsets

I want to work at Spark to
grow my career and help
deliver Spark’s purpose

Engaged customers
Upsell and cross sell
Efficiency in cost to serve

Marketing efficiencies
ROI
Upsell and cross sell

Growth opportunities
Efficient cost base
Core foundation to great
digital experiences

Highly engaged talented
people will strive to
deliver more

THESE

FOUR CAPABILITIES

WILL REINFORCE GROWTH

IN OUR ESTABLISHED MARKETS AND

FUTURE MARKETS

Established
markets



Wireless



Broadband



Cloud

Simple, intuitive customer experience

Deep customer insights

Automated, smart network

Growth mindsets

Future
markets



IoT⁽¹⁾



Digital
Health



Sport

⁽¹⁾Internet of Things

WHERE

WE ASPIRE

TO BE

BY 2023



Primarily Wireless

~80% of relationships
on wireless
technology



Digitally Native

Digital channels are the
predominant choice
Experience consistently
replicated across all
channels



Leading Cloud Custodian

Bringing the best of
private and public cloud
together with our
service expertise



5G Everywhere

5G and IoT⁽¹⁾ deployed
nationwide
Unconstrained
mobile capacity



Future Workforce

Skills rebalanced
Top decile culture, defined
by inclusivity and growth
Best-in-class adaptive
leadership



Delivery of these aspirations will result in highly engaged customers and people, growth and top decile returns

⁽¹⁾Internet of Things

A STRATEGIC

FOCUS

ON UNCONSTRAINED CAPACITY

WILL UNDERPIN

GROWTH IN WIRELESS

1. **Simplification** and moving off legacy technology will pave the way for technology evolution, new revenue streams, improved cost base and environmental performance.
2. **5G rollout** will cater to customers with high data needs, underpin innovation and free up 4G spectrum to increase capacity in regional and rural areas.
3. **Wireless broadband** take-up will continue to grow as 5G delivers greater capacity and speeds over time.
4. **Big data and AI⁽¹⁾** driving enhanced customer experience, lower cost of acquisition and improving data insights and return on marketing investment.

⁽¹⁾Artificial Intelligence



OUR PLAN ON A PAGE

Our Purpose

TO HELP ALL OF
NEW ZEALAND
WIN BIG IN A DIGITAL WORLD

Āwhinatia ngā tangata katoa o Aotearoa
kia matomato te tipu i te ao matihiko.

Our Strategic Pillars

- World Class **Capabilities and Culture**
- Grow **Established Markets**
- Accelerate **Future Markets**
- A **Positive Digital Future** for all of New Zealand

Our 3 Year Goals

- Brand **Strength** +10pp
- +40 **Customer Engagement** (NPS)
- +70 **Employee Engagement** (eNPS)
- Sustainable **Free Cash Flow Growth** and **Top Decile TSR**
- **Best Cost** ~31% EBITDAI margin
- Lift **Digital Equity** +25k

Our Values

- **Whakamana**, We Empower
- **Matomato**, We Succeed Together
- **Tūhono**, We Connect
- **Māia**, We are Bold



Our Strategic Pillars

1 World Class **Capabilities and Culture**

- Simple, intuitive customer experience
- Deep customer insights
- Smart, automated networks
- Growth mindsets

2 Grow **Established Markets**

- Wireless
- Broadband
- Cloud

3 Accelerate **Future Markets**

- IoT
- Digital Health
- Sport

4 A **Positive Digital Future** for all of New Zealand

- Create a Sustainable Spark
- Economic Recovery and Transformation
- Champion Digital Equity

A POSITIVE DIGITAL FUTURE FOR ALL OF NEW ZEALAND

We will work **alongside New Zealand** to harness the **power of technology** and create a **positive digital future for all**.



Create a Sustainable Spark

Be bold in our business to have a positive impact on our communities and the environment.

- Invest in the capabilities of our people, equipping them to thrive in a digital future
- Reduce our footprint and meet our emissions target of -25% by 2025, investing in our fleet and infrastructure
- Be responsible, transparent and accountable for our social and environmental performance



Economic Recovery and Transformation

Help New Zealand transform to a high productivity, low carbon economy.

- Focus our infrastructure investment on supporting New Zealand's recovery and transformation
- Support Kiwi businesses to adapt to become more productive, resilient and sustainable through technology
- Support New Zealanders to upskill and adapt to new ways of working



Champion Digital Equity

Champion digital equity so all New Zealanders have the opportunity to thrive in a digital future.

- Extend the reach of Skinny Jump to benefit more households – 35,000 by June 2023
- Partner alongside the Spark Foundation to address barriers to digital equity, including access, skills, trust and motivation
- Champion diversity and inclusion in our business and our communities

OUR PURPOSE

TO HELP

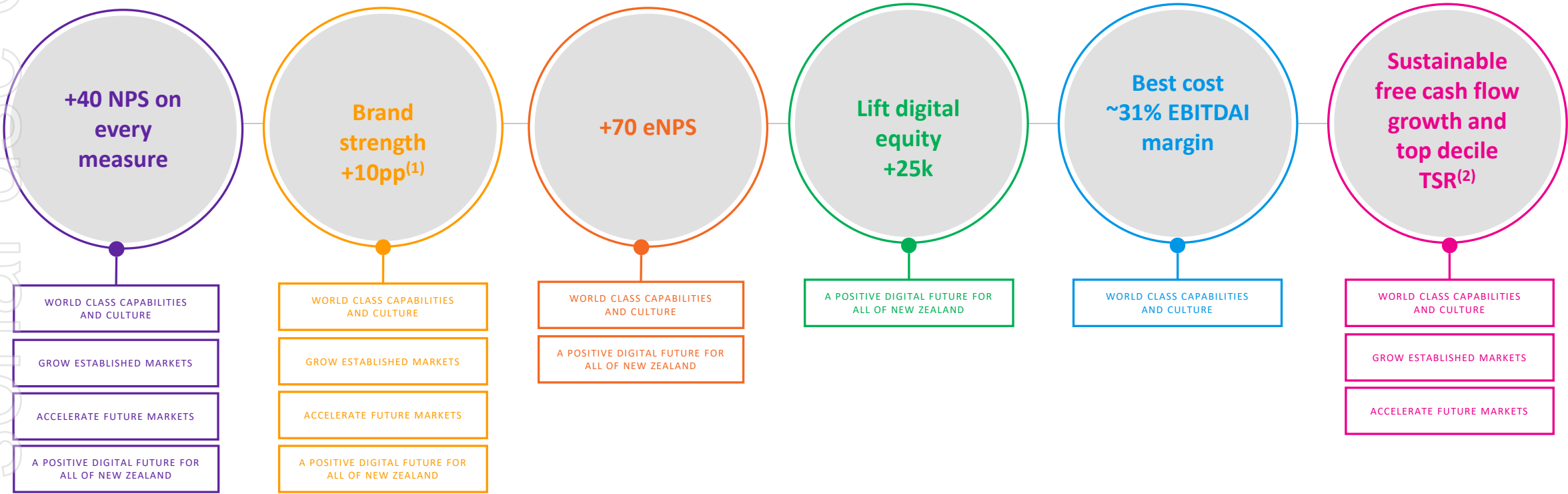
WIN BIG

ALL OF NEW ZEALAND

IN A DIGITAL WORLD

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Our 3 year goals



⁽¹⁾Percentage points
⁽²⁾Total Shareholder Returns



SIMPLE INTUITIVE

CUSTOMER

EXPERIENCE

Tessa Tierney

Product Director

WHAT

IS IT?

SIMPLE INTUITIVE

CUSTOMER EXPERIENCE

Delivering scalable, distinctively 'Spark' customer journeys that 'just work' and drive customer engagement and loyalty



Discovering
our products



Joining Spark



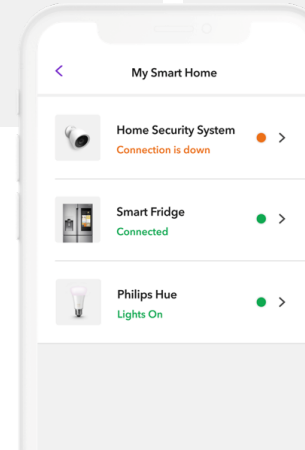
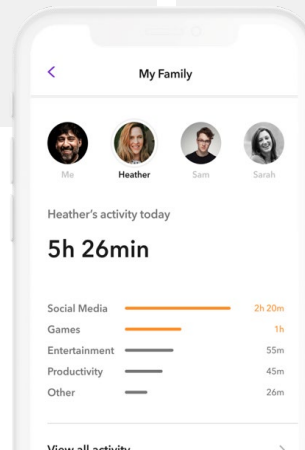
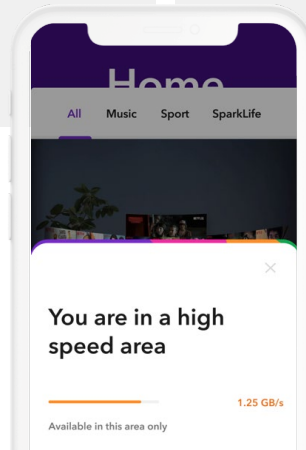
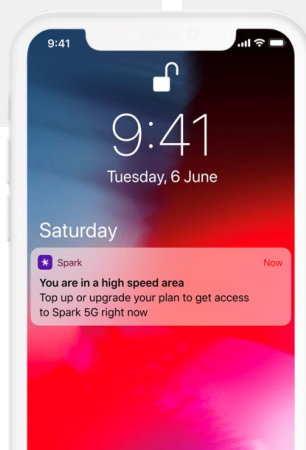
Using our
products and
paying for them



Enquiring about
our products



Changing
and renewing



WHERE

WE ARE

ON THE JOURNEY

~570k customers migrated⁽¹⁾ onto new fit for purpose plans

One unified cloud portfolio established across Spark

~1.1m Spark App users⁽²⁾ completing ~3.6m transactions per month⁽³⁾

Significant reduction in customer care interactions down 40% since 2017

141 Bots automating tasks across the business and proactively solving customer issues

~33% of legacy Public Switched Telephone Network (PSTN) decommissioned⁽²⁾

70% of broadband customers now on new broadband technologies in line with our ambition to be mostly ex-copper by 2020 and reducing complexity of legacy products and services

⁽¹⁾For the three year period from 1 July 2017 to 30 June 2020

⁽²⁾As at 30 June 2020

⁽³⁾Average self service interactions for the period 1 July 2019 to 30 June 2020

OUR

2023

AMBITION



Where Spark is today

- 'Product of the future'
- Taking agility to the next level
- Digitisation
- Partnering
- Finishing IT consolidation

	<p>100s of plans that are built 'one off' and managed by complicated eligibility processes</p> <p>Up to 4 months to release new products and customer experiences</p> <p>Multiple screens used by customers and frontline employees across our various channels/portals</p> <p>Onboarding new partners takes ~6 months</p> <p>Legacy systems still used for some functions</p>
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Ambition for FY23

	<p>10s of simple modular products with less complex rules and conditions</p> <p>Ability to release on demand products and customer experiences</p> <p>'Apple like' frontline model, where a single screen is shared across customers and employees</p> <p>Onboarding any partner takes <10 days</p> <p>Everything runs on our new re-engineered systems</p>
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DELIVERING

CLEAR CUSTOMER,

OPERATIONAL AND

FINANCIAL BENEFITS

Revenue

- Strong acquisition and retention benefits from simplified plan offerings and enhanced digital customer experience
- On demand product and customer experience releases providing churn benefits
- Partnering to deliver customers with best-in-class value added services resulting in new revenue streams

Investment

- Investment in development and testing to support propositions and on demand product and customer experience releases
- New partner onboarding costs
- IT system investment to support ongoing digitisation of customer experience and completing IT consolidation

Efficiencies

- Plan rationalisation driving reductions in customer care and IT maintenance costs
- Digitisation delivering channel and customer care efficiencies
- Completion of IT consolidation lowering customer care, IT system and channel cost base



Ambition for FY23⁽¹⁾

Financial Performance

Revenue growth captured under deep customer insights capability and key market strategic pillars

~\$40m-\$50m cost efficiencies over the next three years

Operational Performance

~20% reduction in customer **care interactions**

~90% of broadband customers **migrated off copper** to fibre and wireless

⁽¹⁾Refer to financial aspiration section for overall summary of FY23 financial performance ambitions

BALANCING

OPPORTUNITIES

AND RISKS



Opportunities

Faster customer migration to **simplified** product offerings to unlock better **customer experience** and cost savings earlier

More focus on each product, **shortening innovation cycles** and further increasing our speed to market

More radical **simplification** – only 3 plans

Holistic business process simplification and automation, widening our operational efficiency gains



Risks

Revenue loss due to higher churn and **customer disruption during migration**

MITIGATED
BY

Deep experience in large scale, complex migrations through the re-engineering programme

Competitive inflexibility – less inclined to launch new product features to match competitor activity and/or **reduced customer demand** due to reduced choice

Testing and learning with sample subset of customers first, **before scaling to whole base**

MITIGATED
BY

Designing from the customer back by using **customer insights** to **inform product portfolio** choices

Responding to competitive offers through **better use of the household data and precision marketing** – right customer, right response rather than blanket product/plan changes

Agile ways of working and ability to **pivot and flex quickly**

OUR PURPOSE

TO HELP

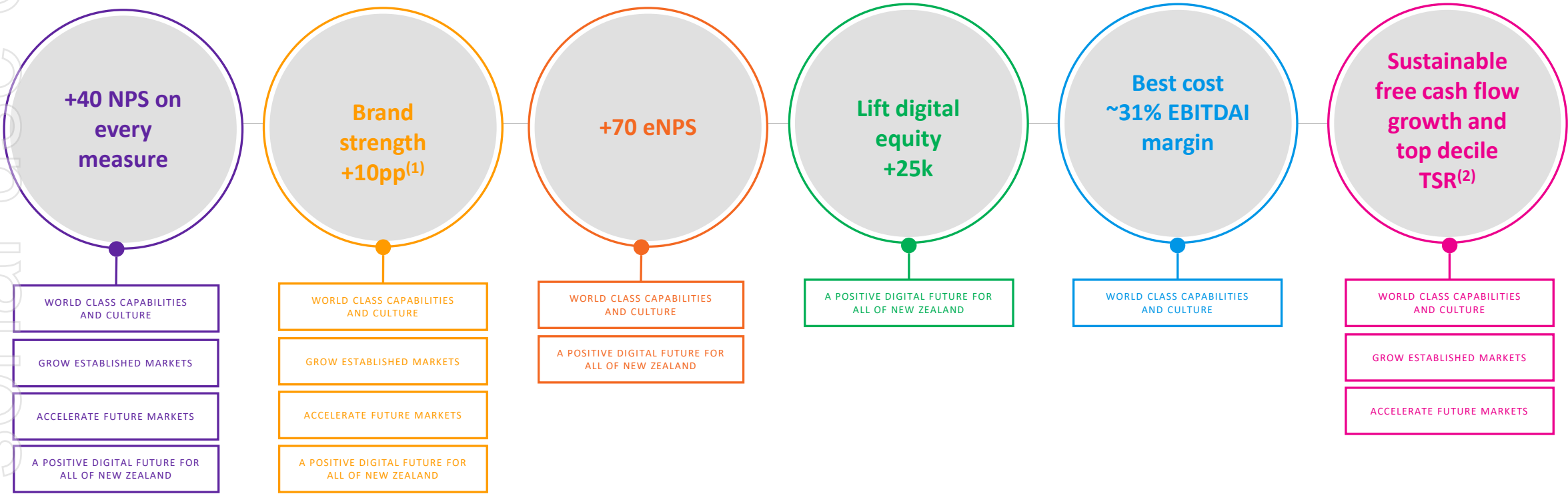
WIN BIG

ALL OF NEW ZEALAND

IN A DIGITAL WORLD

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Our 3 year goals



⁽¹⁾Percentage points
⁽²⁾Total Shareholder Returns



DEEP CUSTOMER INSIGHTS

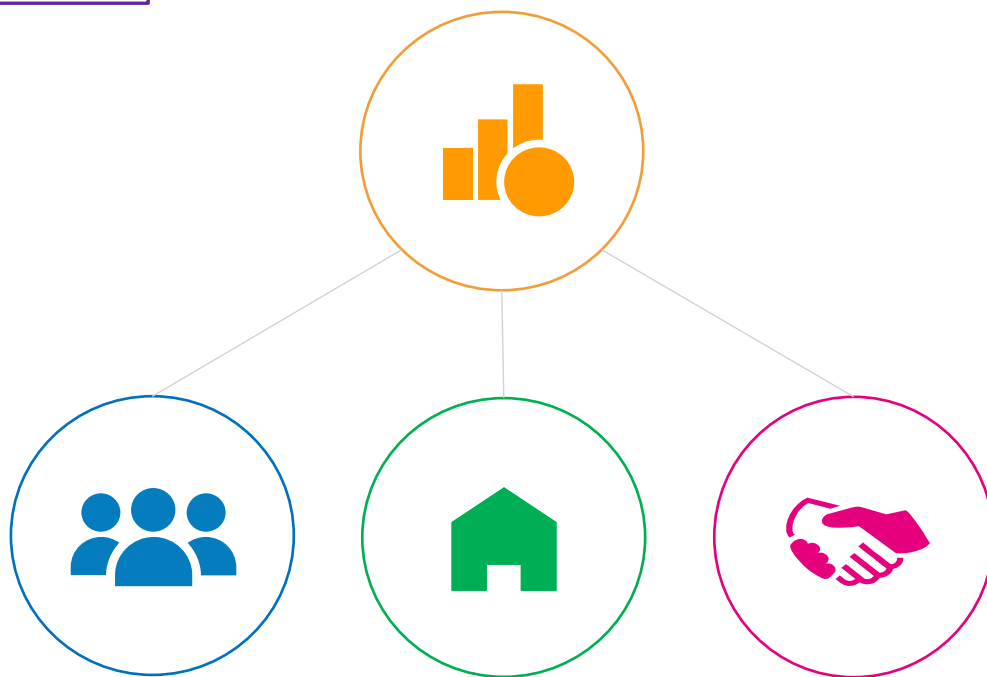
Tessa Tierney
Product Director

WHAT

IS IT?

DEEP

CUSTOMER INSIGHTS



Next generation **analytics capabilities** that deliver an unrivalled ability to understand and serve the needs of New Zealand **consumers, households and businesses.**

WHAT

IS IT?

DEEP

CUSTOMER INSIGHTS

Ability to understand and anticipate the needs of New Zealand consumers and businesses in real-time.



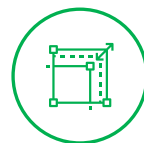
State of the art customer experience

A future facing technology roadmap to support growth of data, AI/ML⁽¹⁾ capability and use cases.



Enabling technology architecture

Analytics capability built into the organisation allowing it to respond to rapidly changing business needs



Ways of working and partner ecosystem

Marketing

Channels

Products

Infrastructure

Tools

Storage

Data Governance

Access

Artefacts

Organisational Structure

Privacy Enabled Operating Model

Capabilities and Skillsets

3rd Party Collaborations

⁽¹⁾Artificial Intelligence and Machine Learning

NEW

MEGATRENDS

ARE EMERGING



Democratisation of AI⁽¹⁾ and data visualisation is the next frontier

Citizen AI/ML⁽²⁾ platform & augmented BI⁽³⁾ with actionable insights to rapidly scale across business



Data platform will decide the new leaders

Need for collaboration and open ecosystems – emergence of data standards (IoT⁽⁴⁾, open data initiative), crowd-sourced innovation



Privacy regulations (e.g. GDPR⁽⁵⁾) to inform data usage innovations

Balanced privacy approach will separate leaders & others; hyper-personalisation to continue (opt-in incentives, social connect, one-on-one channels)



Emergence of decision intelligence

Business decision making and processes predicated upon extensive decision analytics; new role embedded in business tribes



Leaders are realising a data dividend

Business models based on data: subscription pricing, shareable usage, bundled non-core services



Augmented data hubs

Self-tuning and automatic reconfiguration of data management (e.g. AWS & Azure) allowing wider use cases, particularly on unstructured datasets

⁽¹⁾ Artificial Intelligence

⁽²⁾ Artificial Intelligence and Machine Learning

⁽³⁾ Business Intelligence

⁽⁴⁾ Internet of Things

⁽⁵⁾GDPR: The General Data Protection Regulation is a European Union Law regulating data protection and privacy. GDPR regulation is more strict than current regulation of data in New Zealand so is used as a relevant reference point for future data and privacy requirements.

WHERE

WE ARE

ON THE JOURNEY

Data analytics has started to deliver results at Spark

Spark customer households accurately identified for churn/propensity modelling

70%

(Pioneering use case among Telcos)⁽¹⁾

Improved conversion rate of Endless mobile

9 X IMPROVEMENT

(Telco average: 3-5x in first year after launch)⁽¹⁾

Reduction in churn (prepaid)

13%

(Telco average: 5-8%)⁽¹⁾

Accuracy of precision marketing models

70-75%

Improved customer experience (NPS score) by

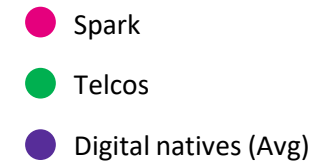
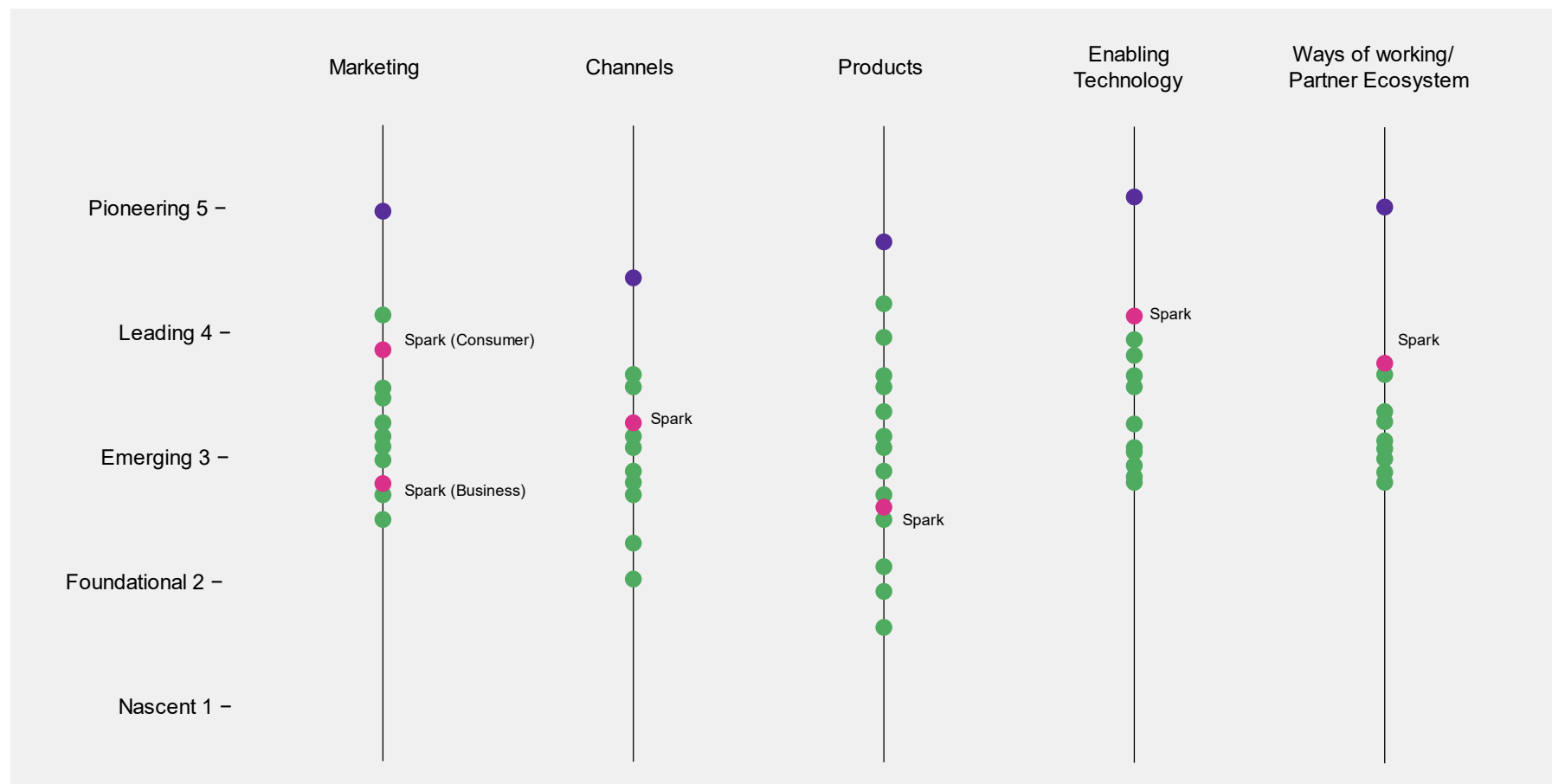
5 pp⁽²⁾

⁽¹⁾ Source Kearney
⁽²⁾ Percentage points

BENCHMARKING

INDICATES

A SOLID FOUNDATION



Investment in tools and Agile ways of working create a solid foundation to build on the successes we have seen in marketing to date

FOCUS

ON USE CASES:

CASE STUDY WIRELESS BROADBAND

Win in Wireless Broadband:

Data and Analytics to develop new propositions, acquire new customers and migrate from copper/fibre

Lookalike modelling

ML⁽¹⁾ model to identify **non-Spark customers** exhibiting similar traits to existing high-usage base

TARGET

Precision targeting

ML⁽¹⁾ powered targeting model identifies high-propensity customers, dramatically improving retention outcomes

Product innovation

AI⁽²⁾ engine to propose **tailored product bundles and offers**

PROTECT

GROW

Migration engine

Offer customers a better plan for them and for Spark based on analytics and cost of usage

Precision marketing

Algorithms help deploy **hyper-personalised ads** and curated personal purchase experience, executed through in-house programmatic media desk

⁽¹⁾ Machine Learning

⁽²⁾ Artificial Intelligence

OUR

2023

AMBITION



Where Spark is today

Data architecture

Back-end **architecture on premise**
Spark data **siloed across platforms**

Customer analytics

55% of customer base in household view⁽¹⁾
70% of customer base covered by propensity models

Campaign execution

95% of marketing ‘mass’ based on segments
Manual campaign launches (~1-3 months)

Channel execution

Inconsistent Spark experience with limited ability to track customers across channels



Ambition for FY23

Back-end **architecture completely on the cloud**
A **single, scalable** customer **data repository**

~90% of customer base in household view⁽¹⁾
~90% of customer base covered by propensity models

40% of marketing personalised campaigns consistent across channels
Automated campaign launches (days not months)

One single Spark experience across all channels that can be tracked end-to-end

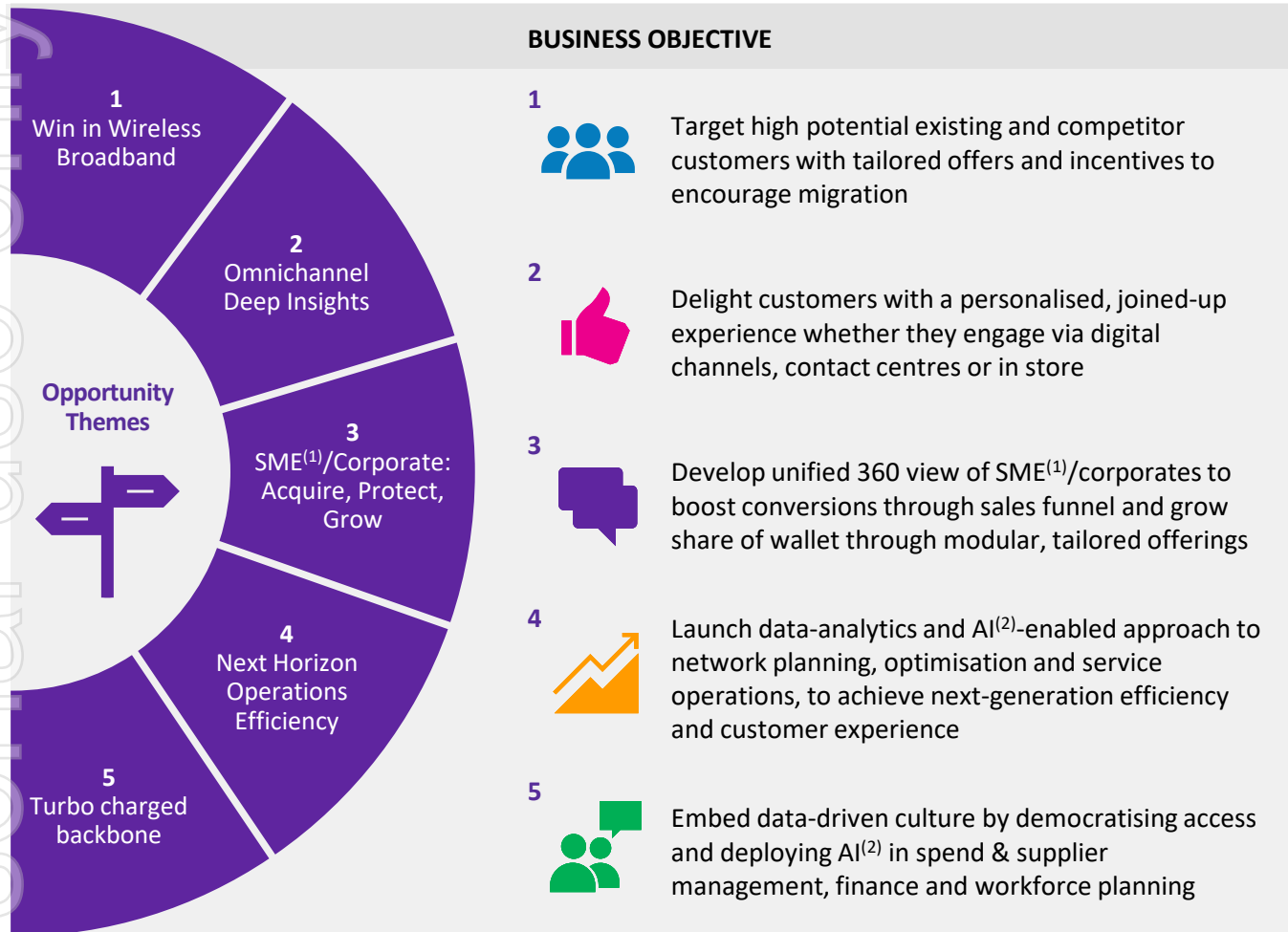
⁽¹⁾ Household view is an insights platform that allows us to better anticipate the needs of New Zealand households to deliver more targeted, relevant and personalised services

DELIVERING

CLEAR CUSTOMER,

OPERATIONAL AND

FINANCIAL BENEFITS



Ambition for FY23⁽³⁾

Financial Performance

~\$30m-\$40m revenue contribution opportunity over the next three years

Cost efficiencies over the next three years captured under simple intuitive customer experience and smart automated networks capabilities

Operational Performance

~2% reduction in rate of household churn

~30% improvement in marketing effectiveness

⁽¹⁾Small and Medium sized enterprises

⁽²⁾Artificial Intelligence

⁽³⁾Refer to financial aspiration section for overall summary of FY23 financial performance ambitions

BALANCING

OPPORTUNITIES

AND RISKS



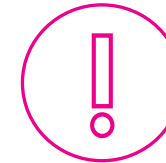
Opportunities

Increase ROI on marketing investment

Reduce time to market for offers and shorten optimisation loops

Improve customer experiences through increased relevance

Improved ability to lift average **customer lifetime value**



Risks

Ensuring **safeguards** are in place for **appropriate collection and use of data**

MITIGATED
BY

Strong focus on data collections and use policies

Ability to **develop** and **find** the **right talent** to deliver the capability

MITIGATED
BY

Collaboration with Qrious to scale intern, recruitment and development approach

OUR PURPOSE

TO HELP

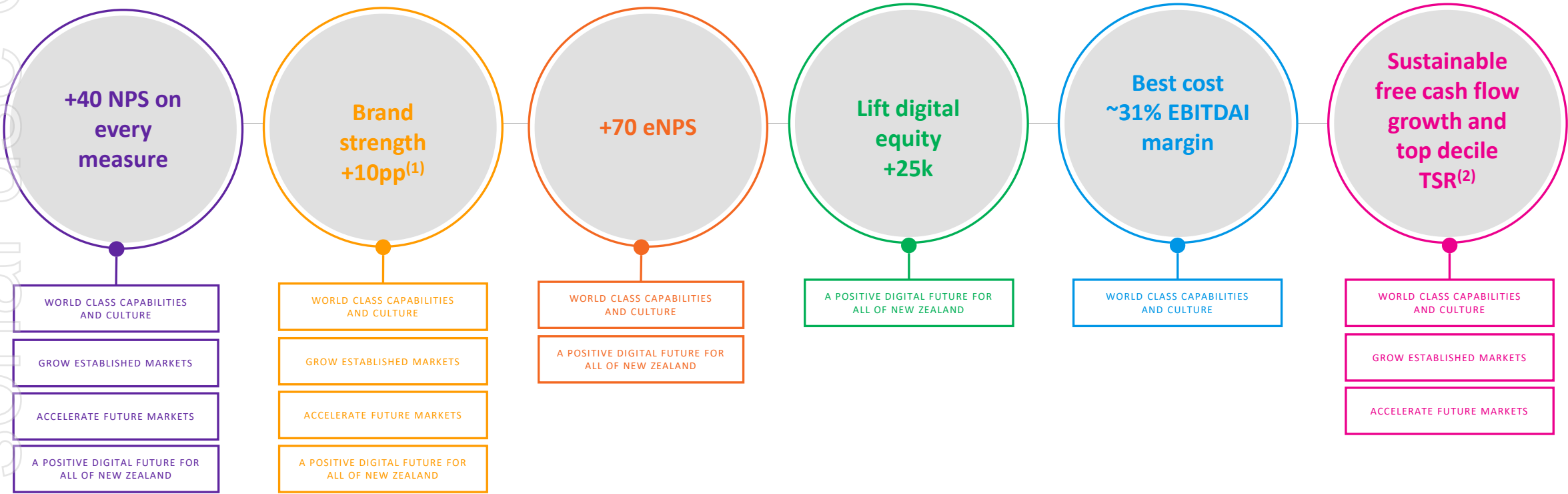
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AUTOMATED

SMART

NETWORK

Mark Beder

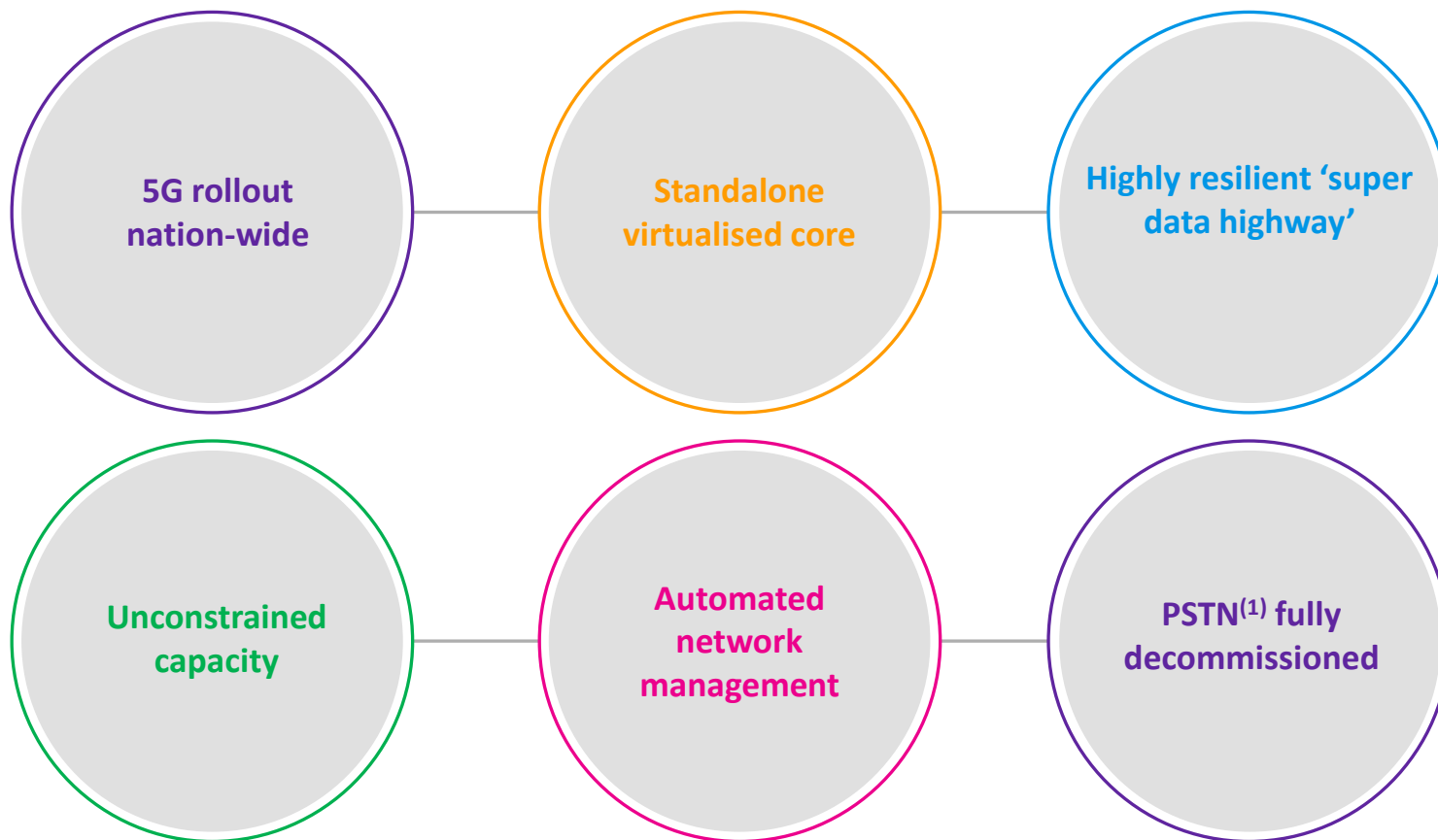
Technology Director

WHAT

IS IT?

SMART

AUTOMATED NETWORK



Delivering **unconstrained capacity** across high **quality** and **low latency** networks

⁽¹⁾Public Switch Telephone Network

WHERE

WE ARE

ON THE JOURNEY

Leading the market in **mobile** and **IoT⁽¹⁾** network **investment** to meet the needs of growing customer demand for data

Phasing out **legacy systems**. **~33%** of Public Switch Telephone Network (PSTN) exchanges **now decommissioned**, closing around 80 switches per year

Network **convergence and innovation** delivered through the rollout of **optical and core networks** which has enabled ongoing growth of wireless broadband services

Significant progress towards **wireless future** with 22% of broadband base on **wireless broadband** with uncapped services launched⁽²⁾

Spark 5G innovation **including 5G lab** and **starter fund** providing the platform for New Zealand businesses to incubate and co-create **future 5G applications**

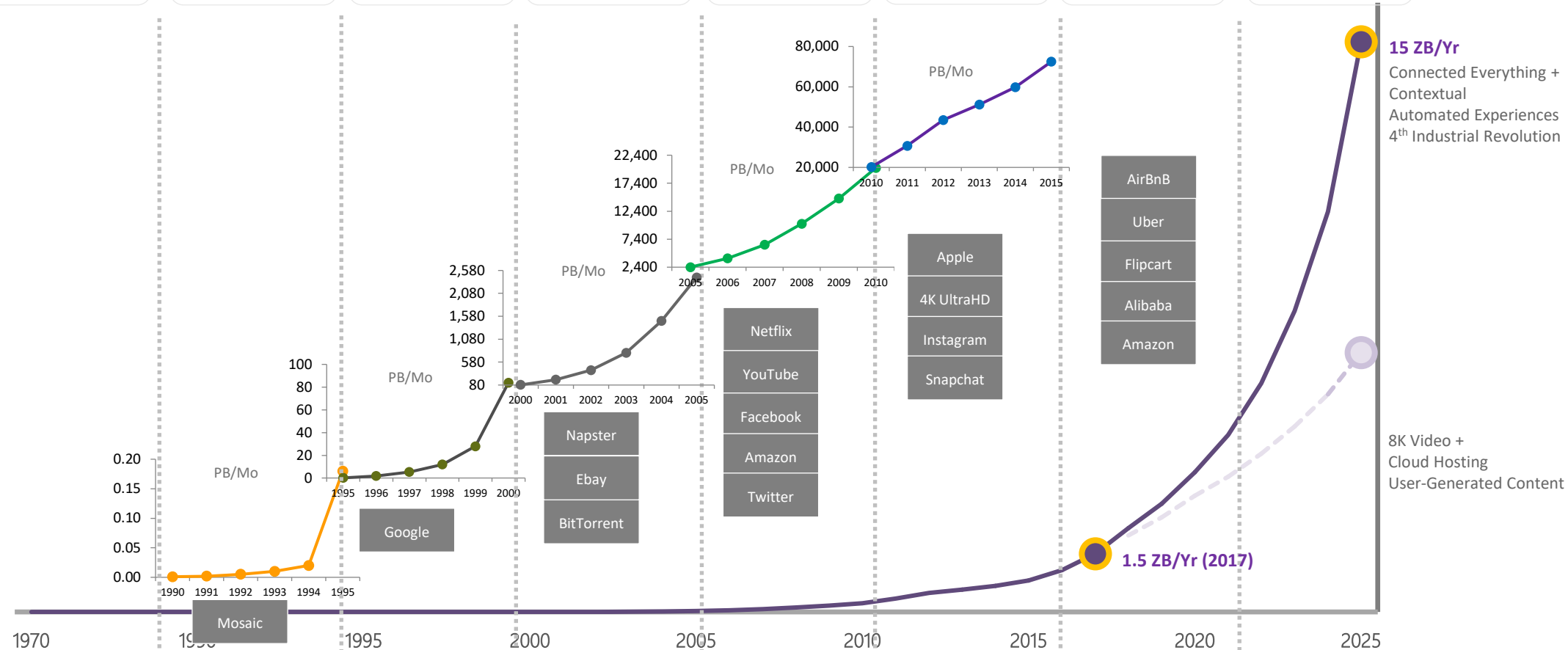
Secured 60MHz of 3.5MHz spectrum to enable rollout of mobile and wireless broadband **5G services** bridging the gap until **full spectrum band is available late 2022**

⁽¹⁾Internet of Things

⁽²⁾Uncapped wireless broadband services launched in metro areas

GROWTH PREDICTION

Pre-Internet Era

1st Discovery Era
(Browsers)2nd Discovery Era
(Search)1st Sharing Era
(Personal Content)1st Commerce Era
(Video & eGoods)2nd Sharing Era
(Personal Context)3rd Sharing and
2nd Commerce Era
(Everything)1st Networked
Intelligence and
Automation Era

Spark's data growth has followed the same curve

5G

WILL BE

GAME CHANGING

Bringing 5G to New Zealand by investing in immediate use cases that create the most value



Wireless Broadband

Introducing unconstrained capacity and enhanced speed to support customer's growing demand for more data



Massive IoT⁽¹⁾

Innovative IoT⁽¹⁾ solutions providing customers with real-time data and benefits of digital monitoring



5G Partner of Choice

Co-creating smart solutions and network customisation to meet customer needs on speed, latency and number of devices

5G provides opportunity beyond 'connectivity' and will enable the delivery of smart solutions for enterprise and industry

Latency and Reliability



Cloud Gaming



Autonomous Vehicles



Industrial automation



Immersive experience



4K/8K Video



Smart Stadium/Universities

Massive IoT



In-vehicle connectivity



Drones and connected robots



Connected Platform



Connected Wearables



mIoT sensors



Smart City/home

Edge Computing

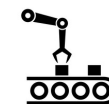
Real-time data/video analytics



Security/video Solutions



Tele-health



Supply chain efficiencies

Network Slicing

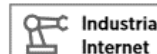
Vertical / Private Networks



AR/VR



Government



Industrial Internet



Automotive



Utilities



Health & Wellness



Logistic



Media & Entertainment



Smart Cities

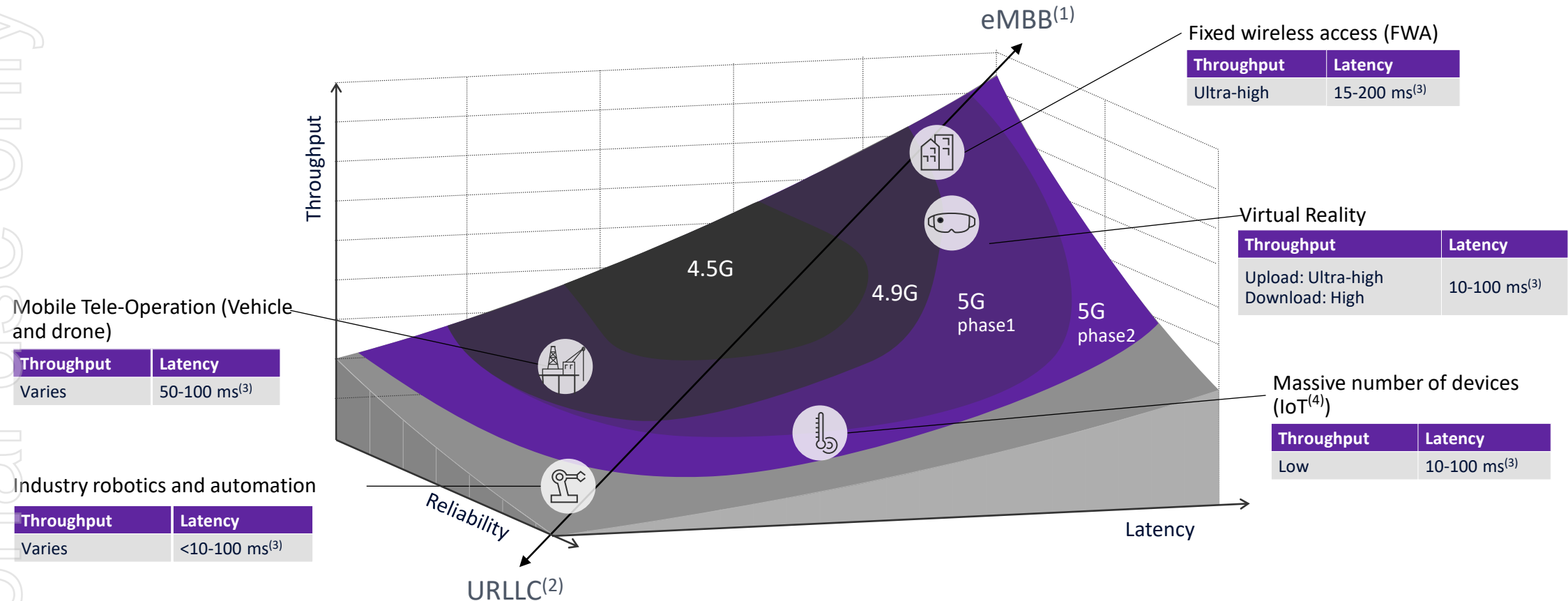
⁽¹⁾Internet of Things

WIRELESS

PERSPECTIVE

WHAT DOES 5G BRING?

Evolution of throughput, reliability and latency network capabilities



Most use cases can be delivered with 4G, but not to the same quality as 5G

Source: Bell Labs

⁽¹⁾Enhanced mobile broadband

⁽²⁾Ultra-reliable low latency communications

⁽³⁾Milliseconds

⁽⁴⁾Internet of Things

OUR

2023

AMBITION



Where Spark is today



Ambition for FY23

Resilience

Reliant on third party services for network backhaul
Modern core network infrastructure yet still requires some manual configuration and provision

Owning more of our backhaul 'assets'
Automated 'Super data highway' for all traffic with high resiliency, that can be reconfigured remotely

5G RAN⁽¹⁾ roll-out and edge compute

Planning and deploying 5G - towers, core and edge architecture

5G live in 5-7 locations by 30 June 2021

5G rolled out nation-wide and cloud native 5G core operating standalone

Unconstrained capacity

Capacity planning focussed on meeting the "9pm" Peak. Supporting ~22% broadband users on wireless broadband already

Unconstrained capacity enabling uncapped wireless broadband

Legacy decommissioning

~33% of PSTN⁽²⁾ decommissioned
~74% of broadband base on newer and more reliable fibre and wireless inputs

PSTN⁽²⁾ decommissioned
~90% of broadband base migrated off copper

Automation

A largely physical network with many points of manual intervention

Ability to seamlessly provision capacity
A virtualised network that uses algorithms to self-heal

Talent

Network and IT managed as separate functions

A fully congruent skill-set across mobile, fixed, and IT

⁽¹⁾Radio Access Network

⁽²⁾Public Switch Telephone Network

DELIVERING

CLEAR CUSTOMER,

OPERATIONAL AND

FINANCIAL BENEFITS

Revenue

- Highly resilient wireless and fibre data networks providing acquisition and retention benefits
- Rollout of 5G generating new revenue opportunities over the long-term
- Unconstrained capacity through uncapped plans supporting customer demand for data and reducing churn

Investment

- Ongoing investment in wireless and fibre networks providing network advantage including 5G innovation and focus on unconstrained capacity
- Investment in future ready talent force certified in modern technologies

Efficiencies

- Lower access input costs as wireless broadband base grows
- Investment in resilience and network automation driving network support and maintenance efficiencies
- Rollout of 5G lowering cost per GB
- PSTN⁽¹⁾ decommissioning delivering property, network support and maintenance and environmental efficiencies



Ambition for FY23⁽²⁾

Financial Performance

Revenue growth captured under deep customer insights capability and key market strategic pillars

~\$55m-\$65m cost efficiencies over the next three years

Operational Performance

~30-40% of broadband base connected via **wireless broadband** services

~200% increase in **network capacity** over three years

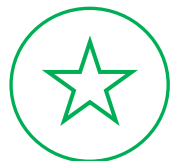
⁽¹⁾Public Switch Telephone Network

⁽²⁾Refer to financial aspiration section for overall summary of FY23 financial performance ambitions

BALANCING

OPPORTUNITIES

AND RISKS



Opportunities

Accelerate **PSTN⁽¹⁾ decommissioning** to remove complexity of legacy systems and realise operational benefits faster

Accelerate **5G rollout** to increase capacity at lower cost per GB to support further **wireless broadband** migration and new 5G products and services

Open to collaborating with industry players to **share infrastructure** where it makes commercial sense and delivers **better customer outcomes, improves network economics and results in societal benefits**



Risks

Higher churn and faster **revenue decline** as customers migrate to new network or alternative services

MITIGATED
BY

Phased decommissioning programme to allow for **customer communication** managing commercial product changes and provisioning of capacity

Rolling out **5G ahead of clear use cases and monetisation opportunities**

MITIGATED
BY

Phased rollout in line with **economic benefits** and optionality of a **multi-vendor structure** to utilise technology aligned to customer demand for **5G products and services**

⁽¹⁾Public Switch Telephone Network

OUR PURPOSE

TO HELP

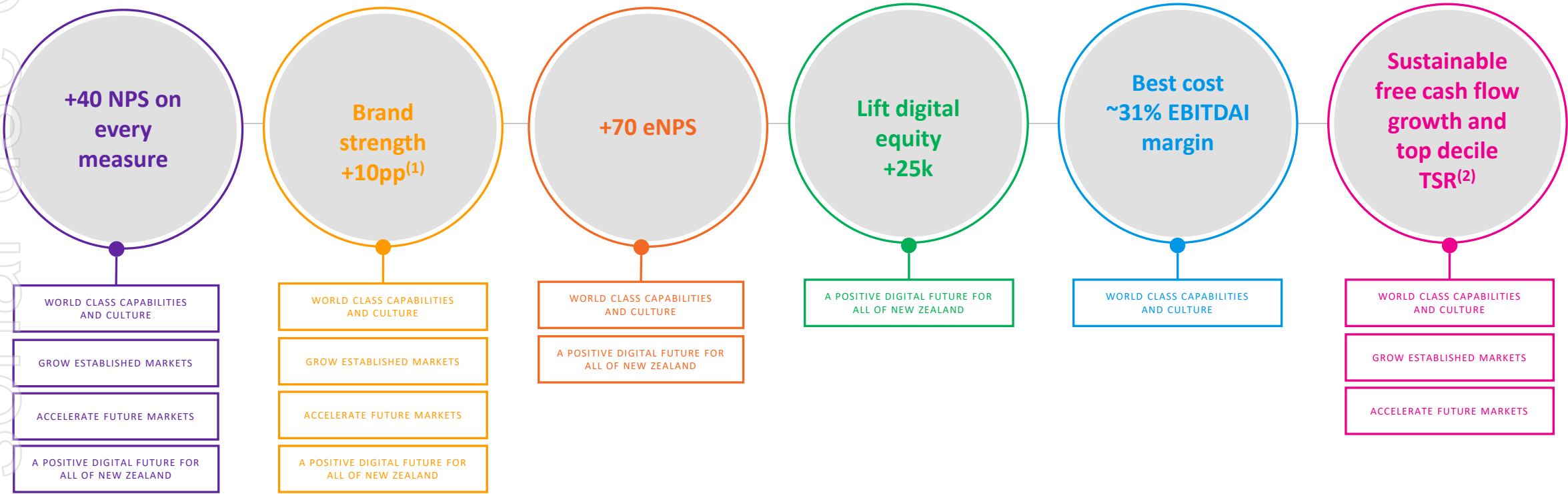
WIN BIG

ALL OF NEW ZEALAND

IN A DIGITAL WORLD

Āwhinatia ngā tangata katoa o Aotearoa Kia matomato te tipu I te ao matihiko.

Our 3 year goals



⁽¹⁾Percentage points
⁽²⁾Total Shareholder Returns



ESTABLISHED AND FUTURE MARKETS

Grant McBeath
Customer Director

ersonal use only

THESE FOUR

CAPABILITIES

WILL REINFORCE GROWTH

IN OUR ESTABLISHED MARKETS

AND FUTURE MARKETS

**Established
markets**



Wireless



Broadband



Cloud

Simple, intuitive customer experience

Deep customer insights

Automated, smart network

Growth mindsets

**Future
markets**



IoT⁽¹⁾



Digital
Health



Sport

⁽¹⁾Internet of Things

ESTABLISHED

MARKETS

WHAT ARE THEY



Wireless

Always on connectivity anytime, anywhere

Emphasis on wireless over fixed driven by ownership economics

Strong customer preference for digital delivery and self-service and fast hassle free set-up

~75% of our customer relationships are currently on wireless technology



Broadband

Exponential growth in data demand

Increasing pace of new entrants joining the market

Consumers benefitting from 'more for less'

Success predicated on service experience, value adding partnerships and increasing personalisation of key lifecycle moments



Cloud

Flexible 'as a service' solutions that utilise shared infrastructure

Digital business transformation services

Underpinned by best in class cyber security

'Hybrid cloud' capabilities delivering best of private and public to meet customer needs

WHERE

WE ARE

ON THE JOURNEY



**Market leader
in pay monthly
mobile⁽¹⁾**



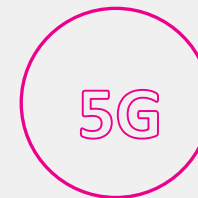
**Market leader in
fixed and
wireless
broadband⁽¹⁾**



**Market leader
for onshore
cloud services⁽¹⁾**



**Promising
early results
from use of
data and
analytics
driving growth
in key markets**



**5G rollout
underway**



**Clear channel
advantage in
retail, SME⁽²⁾
and B2B⁽³⁾**

⁽¹⁾Market share estimates sourced from IDC

⁽²⁾Small and Medium sized enterprises

⁽³⁾Business-to-Business

OUR

2023

AMBITION



Wireless

To deliver amazing customer experiences wherever our customers are with great speeds, awesome content and underpinned by our 5G rollout

Market insights

Demand for more data, at higher speeds with lower latency

Demand for connectivity anytime, anywhere

Scale adoption of mobile apps and streaming services

Strong preference for digital self-service and fast hassle free set-up

Demand for value beyond connectivity



How we will deliver

Investments in 5G rollout, edge computing and network slicing capability

Network densification and 4.5G expansion and rollout of 5G

Endless mobile and uncapped wireless broadband services

Spark App – the remote control to your life, enabled through simple intuitive customer journeys

Partnerships - Spotify, Netflix, Xbox, Xero, Spark Sport

OUR

2023

AMBITION



Broadband

Sustain our market leading⁽¹⁾ position whilst growing profitability

Market insights

Highly mature market with high household penetration and UFB rollout ~91% complete

Highly competitive reseller market with 80+ internet service providers (low barriers to entry)

Competitive acquisition offers and increased bundling reducing profitability and resulting in long payback periods

Wireless can meet the needs of an increasingly broader customer base



How we will deliver

Multi-brand approach combined with data and analytics to increase relevance in all market segments

Differentiation through best in class value added services, connected home ecosystem and superior in-home customer experiences

Use wireless broadband to compete in more market segments to expand product margin and profitability

Uncapped wireless broadband and investments in 5G create a competitive offer to fibre for many of our customers

⁽¹⁾Market share estimates sourced from IDC

OUR

2023

AMBITION



Cloud, Security and Service Management

Spark is well positioned to accelerate digital transformation

Market insights

COVID-19 increasing demand for cloud migration, security and remote working

Continued local IaaS⁽¹⁾ growth, particularly in the context of hybrid and multi-cloud, albeit slowing

Strong and growing demand for (hyperscale) public cloud services

Sustained demand for outsourced IT service management



How we will deliver

Providing end-to-end hybrid-cloud solutions and cloud transformation support via our unique Leaven proposition

Partnerships with hyperscalers to deliver full suite of public cloud services

Supporting remote working and business continuity 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

⁽¹⁾Infrastructure as a Service

FOUR

KEY CRITERIA

HAVE INFORMED OUR

IDENTIFICATION

OF FUTURE MARKETS



Builds from our enhanced core capabilities

- Enables a simple and intuitive digital customer experience
- Next generation customer insights and analytics can be leveraged
- An automated 'smart network' for the future with lowest cost/GB
- Leverages growth mindsets and Agile at scale operating model



Delivers a material prize

- Has established and/or growing revenue pools
- Material expected growth
- Way of doing business will likely change
- Market players/share will likely change
- Short disruption timeframe
- ROIC



Reinforces the core

- Improves our network
- Improves our data or customer insights
- Improves our range of offers/products
- Reduces our costs



Leverages our local advantage

- Service and experience are important
- Involves hardware or infrastructure
- Spark has in-person or personal touchpoints

WHY

WE PRIORITISED THESE

FUTURE MARKETS



Digital health

Spark Health will support the digital transformation of the New Zealand healthcare sector

~\$1bn



IoT

The 'Internet of Things' (IoT) will play a critical role improving productivity in New Zealand

~\$1bn



Sport

Spark Sport helps us 'own entertainment in the home' and differentiates Spark products

~\$0.5bn

Est. revenue pool for New Zealand

Why Spark?

- Large space (>\$20B) growing fast (~5% YoY)
- Sector is ripe for digital disruption
- Spark has relationships and insights, via Spark Health
- Experience in working with Government and the public sector

- Sizable value pool (~\$3.5B by 2024)
- New technology will bring significant disruption in established growing profit pools
- Spark has a strong presence in B2B⁽¹⁾
- Further enabled by 5G
- Spark's network, products and field services support growth in high value IoT management and support

- Supports our strategy to offer best in class paid VAS⁽²⁾ in the home
- Leverages existing strong customer base
- Technology has disrupted the market and Spark introduced sports streaming to New Zealand
- Sports customers are looking for innovative viewing solutions
- Spark has exclusive and attractive content for both Spark and non-Spark customers

⁽¹⁾Business-to-Business

⁽²⁾Value added services

OUR

2023

AMBITION



IoT⁽¹⁾



Digital Health



Sport



Where Spark is today

Creating awareness of Spark's IoT⁽¹⁾ offerings. Already in market with **asset tracking** and **smart metering solutions**

Growing pipeline of strategic industry plays through proof of concepts, supported by industry expertise

Focussed on increasing sales of current offering to the health vertical (e.g. hospitals, GPs, aged care, etc.)

Preparing to launch Digital Health Platform to better connect New Zealand health providers

Launched Spark Sport platform and established brand and offering

Acquired key content rights

Successfully delivered Rugby World Cup 2019

Preparing to launch New Zealand Cricket



Ambition for FY23

Become the New Zealand IoT⁽¹⁾ platform **partner of choice**

Grow end-to-end offering beyond IoT⁽¹⁾ by **leveraging strength** of existing assets

An **open, modern cloud based** Digital Health Platform offering a **full range of Telco and IT services** to the New Zealand health ecosystem

Value added services e.g. electronic medical records, health analytics

New Zealand's premier sports streaming business that meets the evolving needs of New Zealand sports viewers

Partnering for success to delivery **wider reach, capability and content**

Growing business with targeted content investments focussed on customer demand and delivery of commercial returns

⁽¹⁾Internet of Things

DELIVERING

CLEAR CUSTOMER,

OPERATIONAL AND

FINANCIAL BENEFITS

Revenue

- Acquisition and retention benefits driven by further growth in adoption of wireless technologies and ongoing digital services and cloud transformation
- Entry into future markets IoT⁽¹⁾, health and sport providing new revenue opportunities

Investment

- Ongoing network investment supporting growth in wireless and IoT⁽¹⁾
- Cloud growth supported by investment in digital transformation support costs
- Platform development costs associated with enhancing Spark Sport offering and entry into health market
- Targeted investments in sports content that will deliver value

Efficiencies

- Ongoing transition to a wireless future and digital business transformation delivering customer care efficiencies
- Tight focus on product costs improving product profitability
- Cost efficiencies provide optionality to reinvest in new future markets



Ambition for FY23⁽²⁾

Financial Performance

~\$140m-\$160m revenue growth opportunity from established markets over the next three years

~\$80m-\$90m revenue growth opportunity from future markets over the next three years

Innovating for growth in new business while delivering cost efficiencies in the core over the next three years captured under simple intuitive customer experience and smart automated networks capabilities

Operational Performance

~30-40% of broadband base connected via **wireless broadband** services

~1m IoT⁽¹⁾ **connected devices**

⁽¹⁾Internet of Things

⁽²⁾Refer to financial aspiration section for overall summary of FY23 financial performance ambitions

BALANCING

OPPORTUNITIES

AND RISKS

ESTABLISHED MARKETS



Opportunities

Rollout of **5G** supporting significant increase in capacity to **meet customer demand** for **more data and unconstrained capacity**

Growing need for **super simple** in-home experiences with **intuitive, digital automations 'out of the box'** across a growing range of connected hardware

Growing data consumption and computing power **increasing demand** for cloud solutions
Enabling data, **AI and ML⁽¹⁾** to drive **enhanced customer experiences** and **operational effectiveness**



Wireless



Broadband



Cloud



Risks

Ability to **scale and monetise** significant **investment in 5G** spectrum and infrastructure

Competitive market place with **pressure** on **profitability**

Organic growth pipeline and **demand attracting** global hyperscalers to New Zealand market

MITIGATED
BY

Investing in line with **demand** and use cases that can be scaled and **commercialised**

MITIGATED
BY

Investing in wireless capacity and vertical integration of digital experience layers that **simplify and automate customer experiences**

MITIGATED
BY

Strategic partnerships with hyperscalers and ongoing focus on **complete cloud custodianship** and hybrid approach

⁽¹⁾Artificial intelligence and Machine Learning

BALANCING

OPPORTUNITIES

AND RISKS

FUTURE MARKETS



Opportunities

Explosion of **connected devices**

Rapid market growth forecasted across the IoT⁽¹⁾ value chain **beyond just connectivity**

Significant government investment to **accelerate digitisation of health**

Increasing trust of tele-health services by medical professionals and consumers **post COVID-19**

Increasing **momentum** in customers **adopting online viewing** over traditional viewing solutions of a wide range of entertainment offerings



IoT⁽¹⁾



Digital Health



Sport



Risks

Inability to get **leverage** across **use cases** resulting in having to **build bespoke solutions**
Arrival of **large scale international players**

MITIGATED BY

Proof of concepts with select partners and regular market scanning and **forward focussed partnering**

Heavily fractured health market
Slow moving partners and key stakeholders

MITIGATED BY

Clear focus on **connecting with key stakeholders** and **cross sell** of current IT solutions
Specialist team with **deep understanding** of sector and relationships

Limited additional **sports content** for next 18-24 months
Increasing content **acquisition costs**

MITIGATED BY

Leveraging existing content and value of Spark group and **targeted** strategic partnerships

⁽¹⁾Internet of Things

OUR PURPOSE

TO HELP

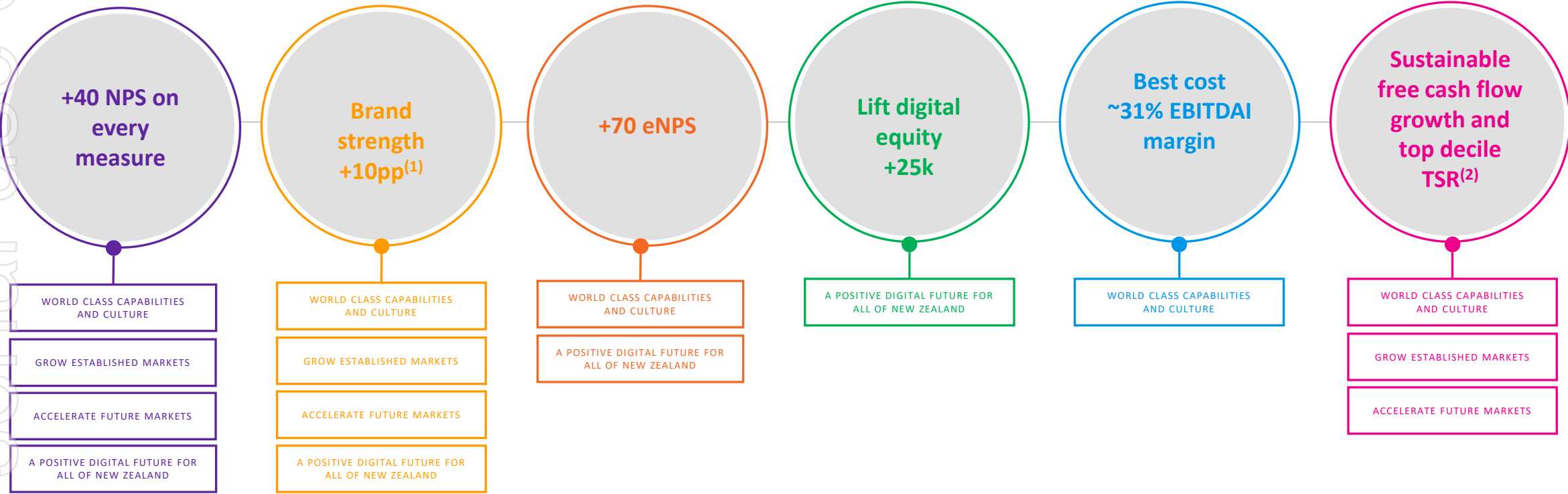
WIN BIG

ALL OF NEW ZEALAND

IN A DIGITAL WORLD

Āwhinatia ngā tangata katoa o Aotearoa Kia matomato te tipu I te ao matihiko.

Our 3 year goals



⁽¹⁾Percentage points
⁽²⁾Total Shareholder Returns



Spark^{nz}

FINANCIAL

ASPIRATION

Stefan Knight

Finance Director

ersonal use only

WHERE

WE ASPIRE

TO BE

BY 2023



Primarily Wireless

~80% of relationships
on wireless
technology



Digitally Native

Digital channels are the
predominant choice
Experience consistently
replicated across all
channels



Leading Cloud Custodian

Bringing the best of
private and public cloud
together with our
service expertise



5G Everywhere

5G and IoT⁽¹⁾ deployed
nationwide
Unconstrained
mobile capacity



Future Workforce

Skills rebalanced
Top decile culture, defined
by inclusivity and growth
Best-in-class adaptive
leadership



Delivery of these aspirations will result in highly engaged customers and people, growth and top decile returns

⁽¹⁾Internet of Things

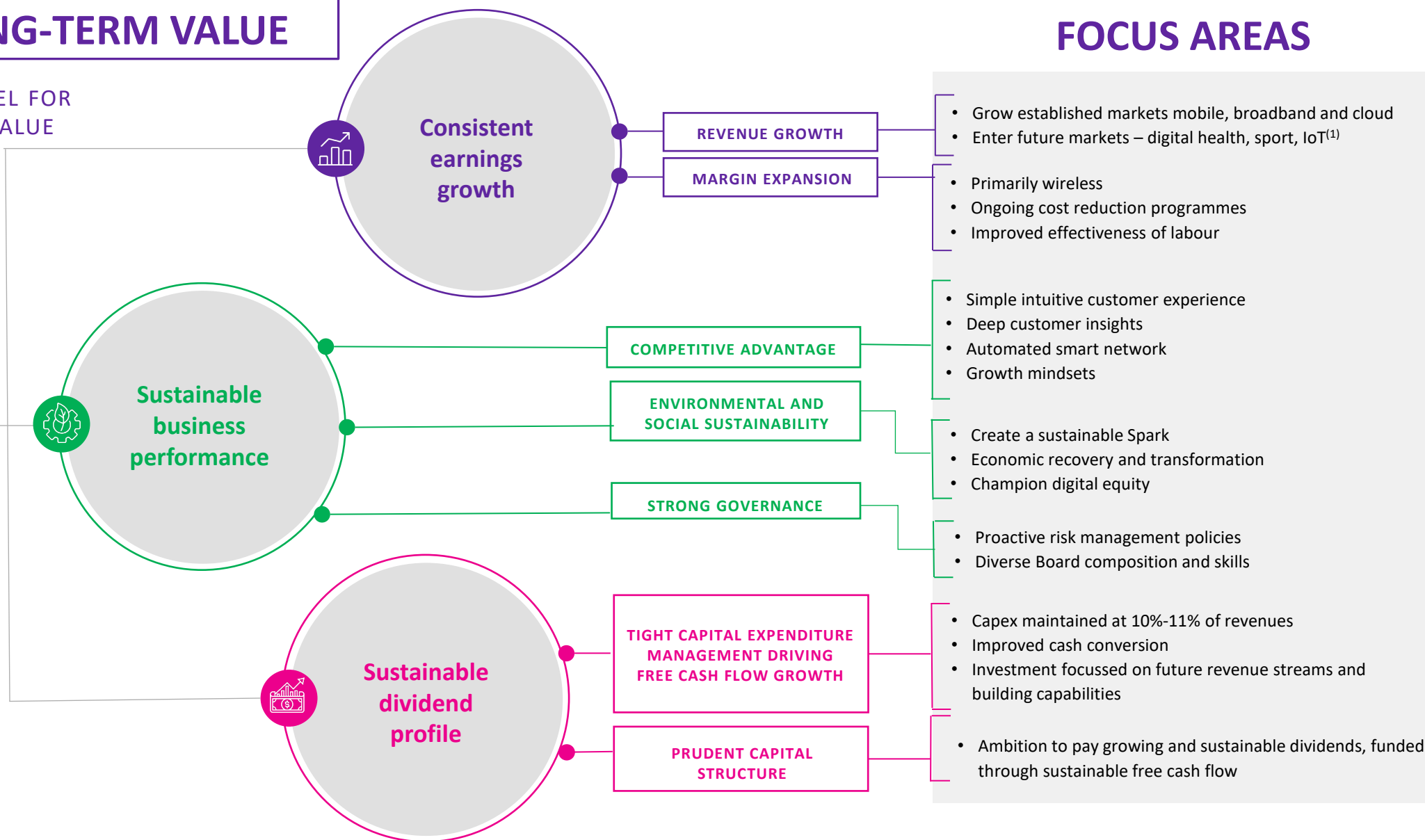
OUR

PLAN TO DELIVER

LONG-TERM VALUE

SPARK'S MODEL FOR
LONG-TERM VALUE

Long-term value
Evidenced by Total Shareholder Returns



FOCUS AREAS

⁽¹⁾Internet of Things

COVID-19

HAS RESULTED IN

NEW BUSINESS IMPACTS

COVID-19 BUSINESS IMPACTS

	Current assumptions/initiatives	What's changed?
Financial	Mobile market growth Cloud growth	Likely to be slower, particularly roaming and handset sales IaaS and SaaS ⁽¹⁾ likely to benefit, but potentially some offset in other IT outsourcing programmes New opportunities emerging due to demand for remote working solutions
Current Initiatives	Grow wireless broadband Prepare for 5G	Removal of overage charges during lockdown creates greater confidence to increase caps, and drive uptake of unconstrained capacity Increasingly important to support New Zealand's return to growth and innovation
Strategic Choices	Build world class capabilities Accelerate future markets	Increasingly important simple digital experiences need to be accelerated New opportunities will exist, those already identified (e.g. health) even more relevant

Negative EBITDAI impact for COVID-19 expected to be ~\$75m in FY21

⁽¹⁾Infrastructure as a Service and Software as a Service

MODEST

REVENUE GROWTH THROUGH

STRONG EXECUTION

IN ESTABLISHED MARKETS

AND ENTRY INTO FUTURE MARKETS

	FY20 ⁽¹⁾ \$m	FY17-FY20 CAGR	FY21 to FY23 Aspiration
Mobile Service Revenue	\$848	3.2%	Moderated growth in FY21, lifting thereafter, as COVID-19 situation improves <ul style="list-style-type: none"> COVID-19 will impact roaming and handset sales in FY21 Demand for data continues, supported by wireless network investment, driving ARPU⁽²⁾ growth Connection growth in pay-monthly and SME⁽³⁾
Mobile Non-service revenue	\$440	3.7%	
Total Mobile	\$1288	3.3%	
Cloud, Security and Service Management	\$443	11.9%	Moderated growth in FY21, lifting thereafter, as COVID-19 situation improves <ul style="list-style-type: none"> IaaS and SaaS⁽⁴⁾ will continue to grow, but potentially some short term offset in other IT outsourcing programmes due to COVID-19 Organic growth opportunities with strong pipeline for cloud and security services Partially offset by price erosion as market matures
Broadband	\$680	0.3%	Broadly flat, with focus on holding connection share <ul style="list-style-type: none"> Lower growth in overall market Competitive market place with 80+ players, low barriers to entry Increasing data caps on wireless broadband to increase the addressable market
Fixed Voice	\$391	(13.4%)	Consistent decline <ul style="list-style-type: none"> Ongoing declines in legacy voice Ongoing fixed to mobile substitution A much smaller part of our business by FY23 i.e. likely to be less than 7% of total revenues, compared to 11% in FY20
Other Revenues ⁽⁵⁾	\$130	10.6%	Higher growth <ul style="list-style-type: none"> New revenues from future markets such as IoT⁽⁶⁾ and Digital Health Growing subscriber base in Sport

⁽¹⁾FY20 Total revenue was \$3,623m which also includes Managed Data, Network and Services (\$248m), Procurement and partners (\$408m), and Other gains (\$35m)

⁽²⁾Average Revenue Per User

⁽³⁾Small and Medium sized enterprises

⁽⁴⁾Infrastructure as a Service and Software as a Service

⁽⁵⁾Other Revenues include Spark Sport, Qrious, IoT (Internet of Things)

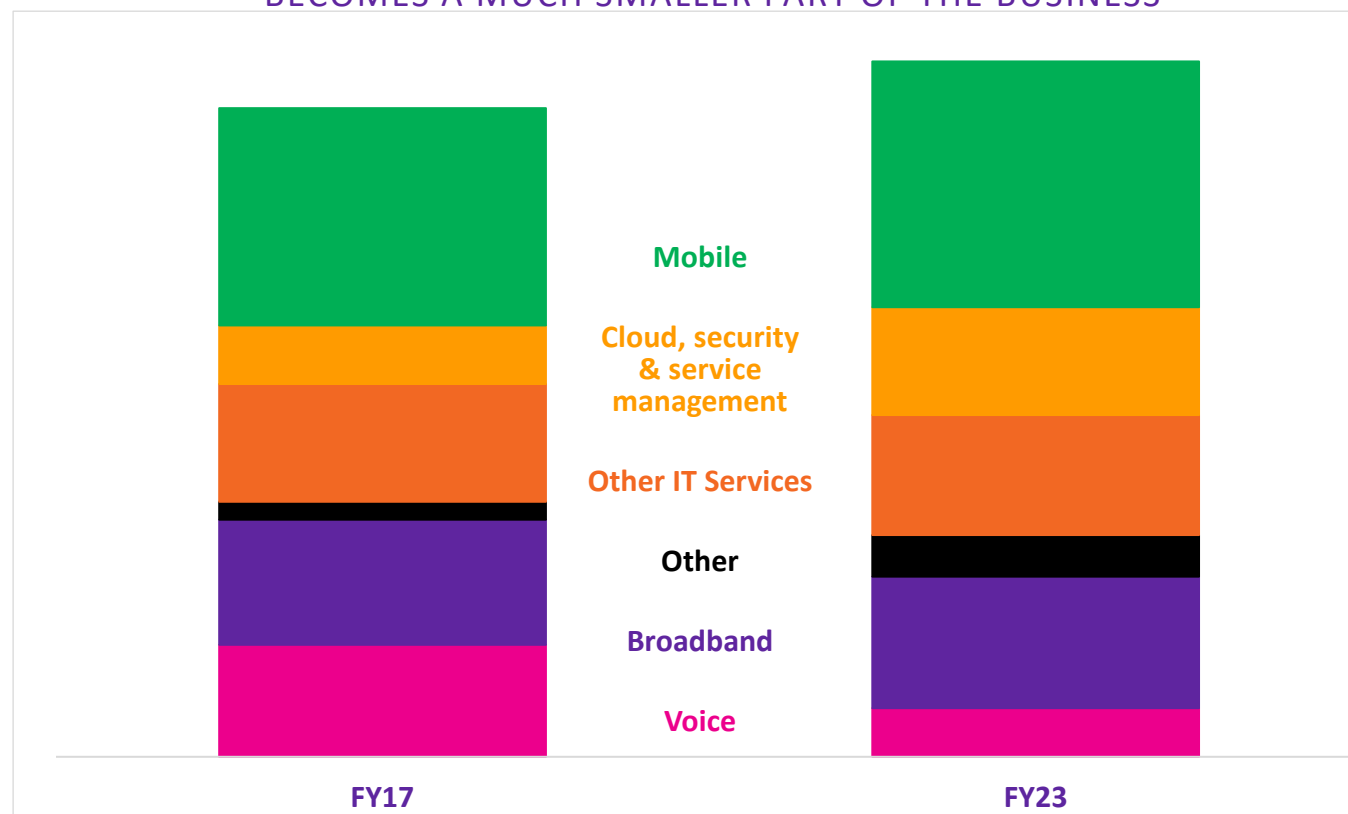
⁽⁶⁾Internet of Things

REVENUE

WILL CONTINUE

TO REBALANCE

WITH MOBILE AND CLOUD EXPECTED TO DELIVER ~50% OF REVENUES AS VOICE BECOMES A MUCH SMALLER PART OF THE BUSINESS



~\$75m impact on gross margin from fixed voice decline

Impact on gross margin from fixed voice expected to be substantially lower as revenues and costs reduce as customers shift away from copper and PSTN⁽¹⁾

Modest revenue growth comes from Established Markets



Wireless

Via 5G and unconstrained capacity



Cloud

Via hybrid cloud solutions and digital transformation

And entry into Future Markets



IoT⁽²⁾

Via growth in connected devices to grow to ~1m



Digital Health

Via new revenue opportunities supported by the introduction of Digital Health Platform



Sport

Via growth in subscriber base

⁽¹⁾Public Switch Telephone Network

⁽²⁾Internet of Things

FOCUS

ON EFFICIENCY

AND WIRELESS

DRIVING MARGIN EXPANSION

COST OF SALES

	FY20 ⁽¹⁾ \$m	FY17-FY20 CAGR	FY21 to FY23 Aspiration
Total mobile	\$459	(0.3%)	Broadly flat <ul style="list-style-type: none"> Lower service revenue growth and slower handset renewals
Cloud, security and service management	\$90	27.9% ⁽²⁾	Moderation <ul style="list-style-type: none"> In line with revenue growth and reduced near term IT project activity
Broadband	\$339	(3.3%)	Continued declines <ul style="list-style-type: none"> Growth in wireless broadband; partially offset by Ongoing competitive intensity in market Migration to more expensive fibre inputs, and local fibre company price increases
Fixed Voice	\$146	(9.7%)	Similar declines <ul style="list-style-type: none"> Connection loss and substitution to alternative wireless and fibre alternatives
Labour	\$511	(2.4%)	Declining <ul style="list-style-type: none"> Ongoing simplification, automation and digitisation Agile maturity supporting further productivity and efficiency gains which offset inflationary pressures and pay rises
Opex	\$402	1.4%	Targeted declines <ul style="list-style-type: none"> Continue to target cost efficiencies to offset inflationary pressures and cost in Some cost reductions being consciously reinvested in support of revenue growth

⁽¹⁾FY20 Total costs were \$2,510m which also includes Procurement & Partners (\$362m), Managed data, network and services (\$119m), Other product costs (\$82m)

⁽²⁾Increase reflects changing mix of revenue with increases in public cloud which incur higher cost of sales but lower labour to support

SIGNIFICANT

COST REDUCTION

OPPORTUNITIES REMAIN

How we will deliver

Product costs	Growth in wireless broadband reducing input costs Supply chain efficiencies through vendor re-negotiation
Channel costs	Ongoing shift from physical to digital channels reducing cost to serve Data driven insights enhancing campaign and channel execution and reducing acquisition costs
Other operating costs	IT system consolidation lowering customer care and IT support costs Legacy decommissioning delivering property, support, maintenance and environmental efficiencies Investment in resilience and network automation creating support and maintenance efficiencies

Transition towards digital service provider and operational discipline creates ongoing opportunities for
~\$95m-\$115m cost-out in excess of business as usual cost reduction programmes

EXECUTING

THE 3-YEAR PLAN WILL DELIVER

REVENUE GROWTH AND

OPPORTUNITIES TO REDUCE COSTS

	FY23 Aspiration Revenue ⁽¹⁾	FY23 Aspiration Cost efficiencies ⁽¹⁾	Delivered by
Simple intuitive customer experience	~\$30m-\$40m	~\$40m-\$50m	<ul style="list-style-type: none"> Reduction in customer care interactions due to enhanced digital self-service; Lower product costs as a result of simplified product and service portfolio; and Lower IT system and maintenance costs with the removal of legacy products and services
Deep customer insights			<ul style="list-style-type: none"> Precision marketing leading to optimisation of marketing spend through: <ul style="list-style-type: none"> Campaigns that are automated, personalised, fast to market; and Lower above the line spend
Smart automated network		~\$55m-\$65m	<ul style="list-style-type: none"> Increased wireless broadband uptake lowering input costs Productivity and efficiency gains through network automation and virtualisation Lower power consumption, property rationalisation and reduced lease expenses as a result of PSTN⁽²⁾ shutdown
Grow established markets ⁽³⁾	~\$140m-\$160m		<ul style="list-style-type: none"> Growth in wireless driven by 'Endless' mobile and unlimited wireless broadband services Growth in cloud adoption through Leaven digital transformation business and partnerships with public cloud providers
Accelerate future markets	~\$80m-\$90m		<ul style="list-style-type: none"> Growth in IoT⁽⁴⁾ driven by explosion of connected devices to grow to ~1m Growth in Digital Health driven by new revenue opportunities supported by the introduction of Digital Health Platform Growth in Sport driven by increasing subscriber base

Revenue aspirations and cost efficiencies reflect the gross benefits of executing the 3-year strategy.

However, total revenues will be impacted by market pressures, revenue declines in legacy products and cost-in to support growth, also some cost efficiencies may be re-invested. Therefore not all of the value created will be captured by shareholders

⁽¹⁾Aspiration represents FY23 in year revenues and cost efficiencies

⁽²⁾Public Switch Telephone Network

⁽³⁾Excludes Procurement & partners

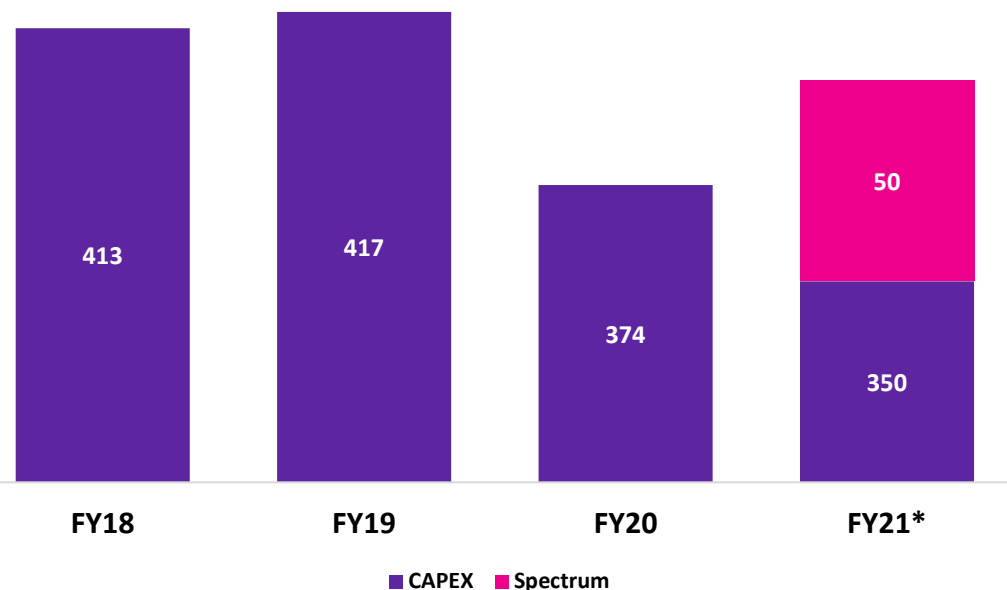
⁽⁴⁾Internet of Things

INVESTING

IN CRITICAL INFRASTRUCTURE

TO ENABLE NEW ZEALAND'S

CONNECTIVITY TO THE WORLD



*FY21 Guidance ~\$350m capital expenditure
(excludes \$50m for 1800MHz and 2100MHz spectrum renewals)

- Annual capital envelope of ~10%-11% of revenues and ongoing shift towards wireless
- Capital expenditure envelope focussed on supporting New Zealand's economic recovery, including phased rollout of 5G and investment in rural connectivity
- Long-term investments in mobile spectrum in FY21 \$50m and FY23 to secure long-term rights to critical 5G C-band spectrum
- Additional equity investment in SX Next may be required in FY22 and FY23. Investment level subject to capacity pre-sales

DISCIPLINED

FOCUS ON FREE CASH FLOW WILL

STABILISE NET DEBT

FOLLOWING SPECTRUM PAYMENTS

1 Consistent EBITDAI Growth

- FY21 earnings and free cash flow forecast to support payment of FY21 dividend
- Future EBITDAI growth driven by:
 - Modest revenue growth from established markets and entry into new future markets; and
 - Margin expansion from ongoing focus on efficiencies

3 Disciplined approach to working capital management

- Renewed focus on working capital principles and policies
- Current leverage provides sufficient funding for capital investment, business as usual operations and ability to withstand normal business risks

2 Sustained capital envelope

- Envelope will be maintained at between 10%-11% of revenues in the medium term⁽¹⁾
- Sufficient capacity to execute on strategy including:
 - Investment weighted towards wireless to deliver unconstrained capacity
 - phased rollout of 5G focussing on organic growth and deployment into specific markets where demand or use cases are most evident

4 Net Debt

- Dividend Reinvestment Plan(DRP) to be used to support headroom
- Headroom expected to be tight in FY21 and then improving from FY22
- S&P reaffirmed Spark's A- credit rating in May 2020⁽²⁾

⁽¹⁾Excluding any spectrum purchases or renewals

⁽²⁾Adoption of IFRS16 resulted in an increase in S&P's net debt/EBITDA ratio to 1.7x from 1.5x

FOCUS

ON GROWING FREE CASH FLOW

TO FUND DIVIDENDS

~\$500m FREE CASH FLOW ASPIRATION BY FY23 DRIVEN BY

1

EBITDAI Growth

Consistent EBITDAI growth

2

Prioritised capital expenditure

Capital expenditure of 10%-11% of revenues

3

Ongoing improvement in working capital

Targeting cash conversion of 98%

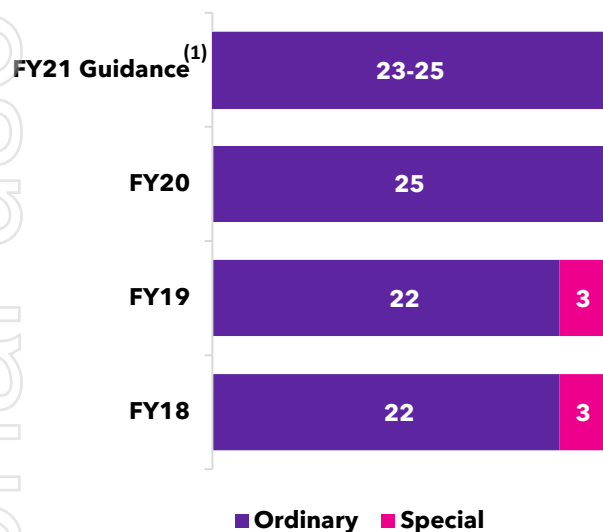
Focus on long-term growth, growing and sustainable shareholder returns over time that are funded by sustainable free cash flow

CAPITAL

STRUCTURE AND

SHAREHOLDER RETURNS

Dividend Profile (cps)



⁽¹⁾FY21 dividend guidance 23-25cps (100% imputed). Subject to no adverse change in operating outlook

Aspiration

Spark aspires to grow free cash flow to ~\$500m by FY23 to enable a growing and sustainable total dividend over time

Dividend pay-out will also consider net debt, available headroom, and economic environment

Focus on long term aspiration to pay growing and sustainable dividends consistent with long-term growth

Principles

Remain committed to prudent capital structure consistent with an A- credit rating

Annual dividend declarations remain a Board decision and will continue to be communicated via formal guidance annually

Dividend guidance subject to no adverse change in operating outlook

3-YEAR

FINANCIAL

ASPIRATIONS

Revenue

0-2% CAGR

Revenue growth from established markets of mobile, broadband and cloud, and entry into future markets of IoT⁽¹⁾, Digital Health and Spark Sport

Lowest Cost

EBITDAI Margin
~31%

Ongoing focus on cost-out and productivity gains, selectively re-invested in support of revenue. Subject to value capture

Capex

10%-11% of revenues⁽²⁾

Prioritised capital envelope of 10%-11% provides sufficient capacity to execute strategy

Free Cash Flow

Sustainable free cash flow growth

Sustainable free cash flow of ~\$500m by FY23 to fund dividend growth

Dividends

Focus on long-term growth and top decile shareholder returns

To deliver growing and sustainable shareholder returns over time that are funded by sustainable free cash flow

⁽¹⁾Internet of Things

⁽²⁾Includes purchase of property, plant and equipment, intangible assets and capacity (including Southern Cross) but excludes spectrum purchases and leased customer equipment assets

OUR PURPOSE

TO HELP

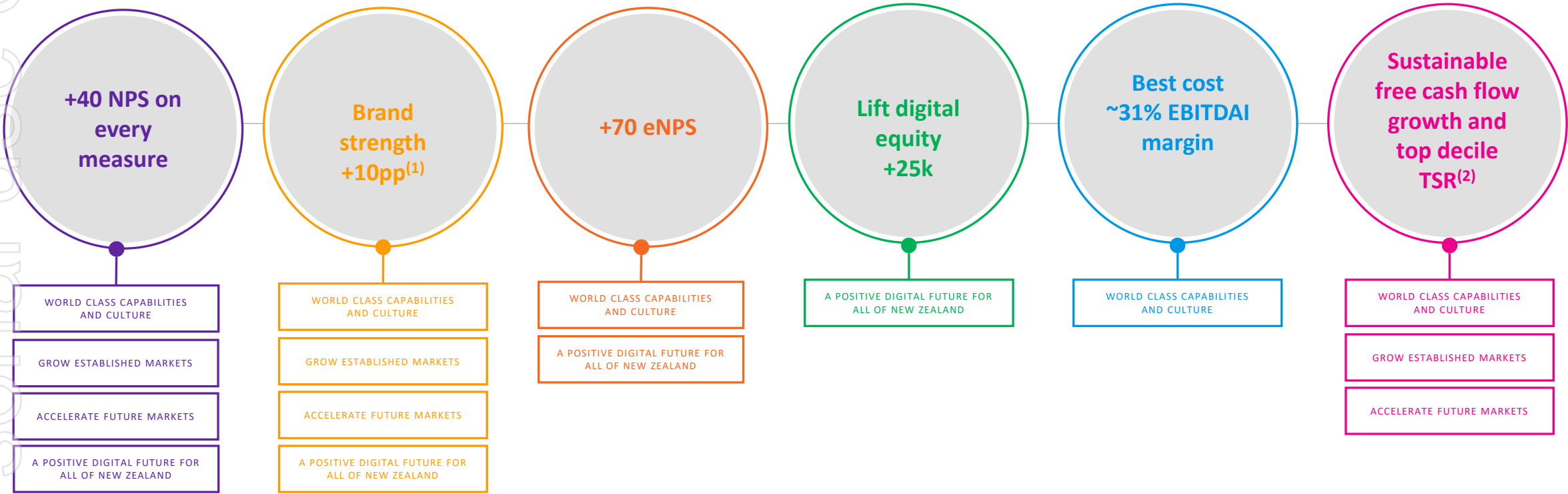
WIN BIG

ALL OF NEW ZEALAND

IN A DIGITAL WORLD

Āwhinatia ngā tangata katoa o Aotearoa Kia matomato te tipu I te ao matihiko.

Our 3 year goals



⁽¹⁾Percentage points
⁽²⁾Total Shareholder Returns

GROWTH

MINDSETS

Jolie Hodson

Chief Executive Officer



WHAT

IS A

GROWTH

MINDSET

A **fixed mindset** avoids challenge, gives up easily, sees effort as fruitless, ignores feedback and is threatened by others



A **growth mindset** embraces challenges, persists against obstacles, learns from feedback, sees effort as necessary and is inspired by the success of others

OUR

JOURNEY

HONOUR THE PAST

AND CONTINUE TO GROW

Culture

2013-14

Slow, defensive

2017-18

Customer inspired, fast, winning

2019-20

Constructive, Inclusive, Agile

Ways of working

Stand-alone business units

Flipped to Agile – '2 out of 5'

90% Squads – '3 out of 5'

eNPS

N/a⁽¹⁾

+24

+66

⁽¹⁾ eNPS customer engagement measure introduced in 2016

OUR

2023

AMBITION

A world class people experience fuelled by clear purpose and a Spark-wide growth mindset



Where Spark is today

Future ways of working and Agile maturity

Focus primarily on squads – 90% “3 out of 5”

Flexible working and Agile enabled us to adapt to COVID-19 at pace

Our culture is defined by its engagement, diversity and inclusion

Blue Heart programme established

Achieved **50% representation of females** at Board and Leadership Squad

Published our **median pay parity gap** (28%)

63 different ethnicities represented within Spark – 20% of people

Learning and progression experiences that drive growth

Leadership **Gold Standards** in place

Built and delivered 2 key **Agile Leadership Programmes** to 350+ people

Majority of development programmes **delivered in person**



Ambition for FY23

Top decile Spark-wide Agility

We have embraced new ways of working, learning and connecting, **increasing engagement and development**

Blue Heart – **next level inclusion**

Achieved 40:40:20 representation across Spark⁽¹⁾

Reduce pay parity gap (10 percentage point improvement)

+50% share ethnicity data and inclusion goals created with our people

We have **developed the capabilities** critical to our success

Right skills to support strategy in data

High quality **virtual collaboration and facilitation**

⁽¹⁾Spark has committed to the Champions for Change 40:40:20 ratio at all levels of employment (i.e. at each level of seniority, 40% of both women and men, with the remaining 20% being of any gender)

OUR PURPOSE

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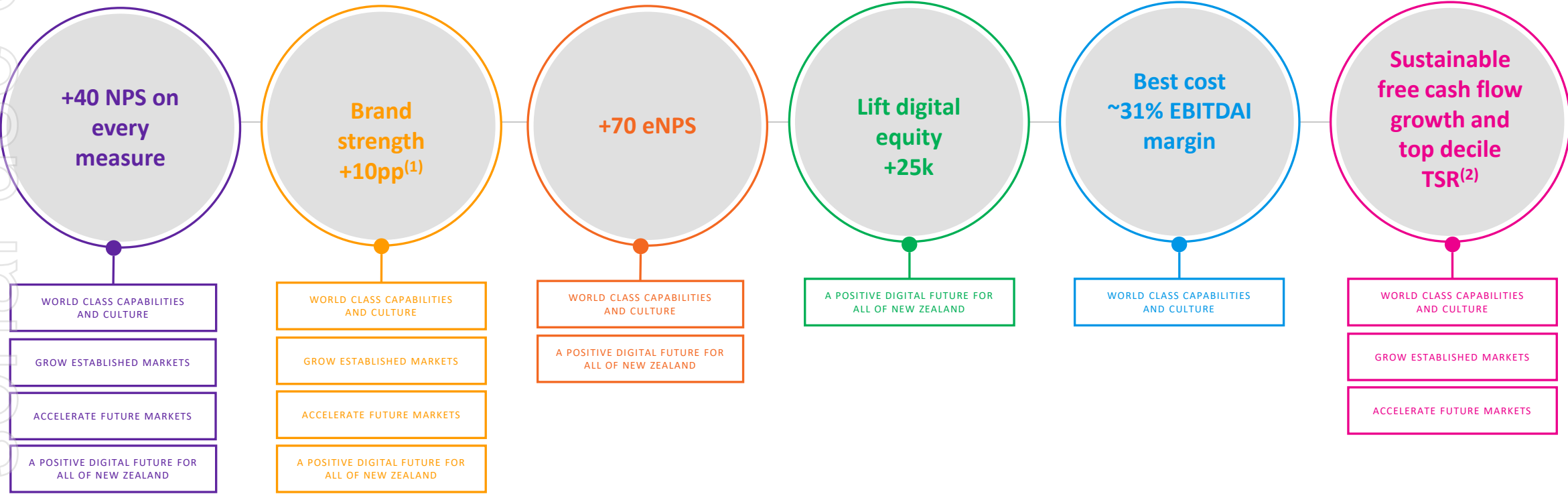
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SPARK

2023 STRATEGY

Jolie Hodson

Chief Executive Officer

WHERE

WE ASPIRE

TO BE

BY 2023



Primarily Wireless

~80% of relationships
on wireless
technology



Digitally Native

Digital channels are the
predominant choice
Experience consistently
replicated across all
channels



Leading Cloud Custodian

Bringing the best of
private and public cloud
together with our
service expertise



5G Everywhere

5G and IoT⁽¹⁾ deployed
nationwide
Unconstrained
mobile capacity



Future Workforce

Skills rebalanced
Top decile culture, defined
by inclusivity and growth
Best-in-class adaptive
leadership



Delivery of these aspirations will result in highly engaged customers and people, growth and top decile returns

⁽¹⁾Internet of Things



OUR PLAN ON A PAGE

Our Purpose

TO HELP ALL OF
NEW ZEALAND
WIN BIG IN A DIGITAL WORLD

Āwhinatia ngā tangata katoa o Aotearoa
kia matomato te tipu i te ao matihiko.

Our Strategic Pillars

- World Class **Capabilities and Culture**
- Grow **Established Markets**
- Accelerate **Future Markets**
- A **Positive Digital Future** for all of New Zealand

Our 3 Year Goals

- Brand **Strength** +10pp
- +40 **Customer Engagement** (NPS)
- +70 **Employee Engagement** (eNPS)
- Sustainable **Free Cash Flow Growth** and **Top Decile TSR**
- **Best Cost** ~31% EBITDAI margin
- Lift **Digital Equity** +25k

Our Values

- **Whakamana**, We Empower
- **Matomato**, We Succeed Together
- **Tūhono**, We Connect
- **Māia**, We are Bold

WHAT

UNDERPINS

OUR AMBITIONS

8 years of **consistent delivery, execution and cost discipline**

Energised, capable and **adaptive leadership team**

Mature market with established dynamics

Diversified **digital services** company

Agile ways of working supporting **customer centricity and speed to market**

Resilient network and IT stacks, enabling capacity and flexibility

OUR PURPOSE

TO HELP

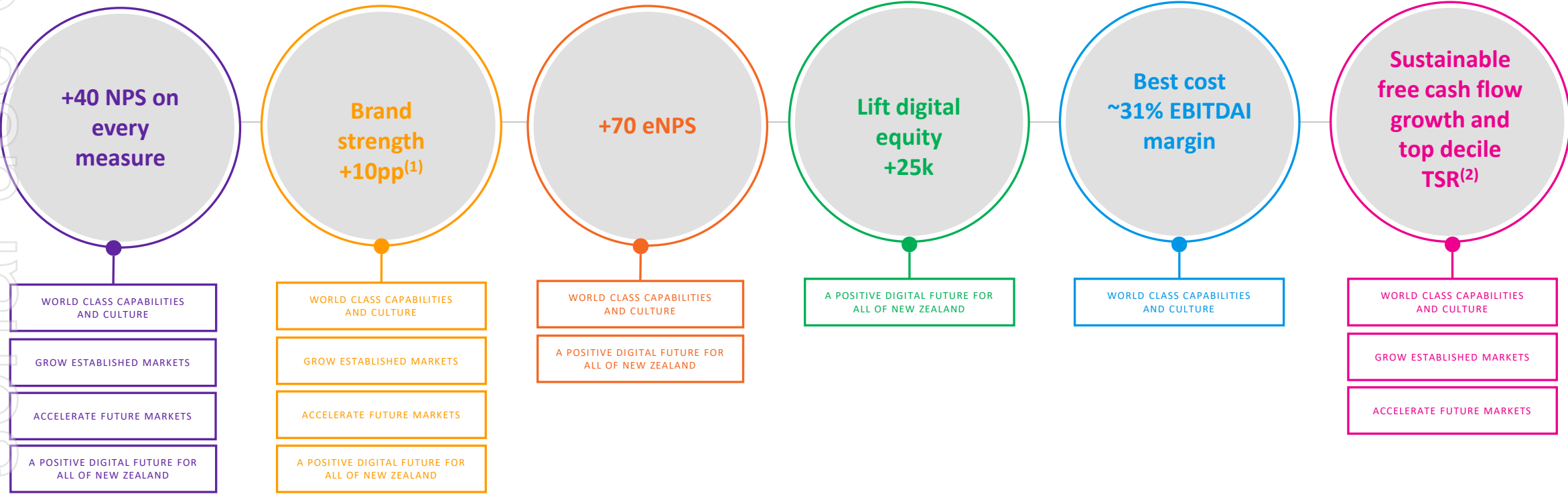
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Our 3 year goals



⁽¹⁾Percentage points
⁽²⁾Total Shareholder Returns

Disclaimer

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

These forward-looking statements may be identified by words such as 'guidance', 'anticipate', 'believe', 'estimate', 'expect', 'intend', 'will', 'plan', 'may', 'could', 'ambition', 'aspiration' and similar expressions. Any statements in this announcement that are not historical facts are forward-looking statements. These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond Spark New Zealand's control, and which may cause actual results to differ materially from those projected in the forward-looking statements contained in this announcement.

Factors that could cause actual results or performance to differ materially from those expressed or implied in the forward-looking statements are discussed herein and also include Spark New Zealand's anticipated growth strategies, Spark New Zealand's future results of operations and financial condition, economic conditions and the regulatory environment in New Zealand, competition in the markets in which Spark New Zealand operates, risks related to the sharing arrangements with Chorus, any impacts or risks to Spark's anticipated growth strategies, future financial condition and operations, economic conditions or the regulatory environment in New Zealand arising from or otherwise with COVID-19, 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.