



MARKET RELEASE

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Spark New Zealand delivers steady performance amid COVID-19 challenges and updates dividend guidance on improved outlook

Spark New Zealand (Spark) today announced its financial results for the six months to 31 December 2020.

Revenue¹ decreased 1.5% to \$1,796 million due to the loss of higher-margin mobile roaming revenue from sustained COVID-19 border closures and higher voice revenue declines due to a non-recurring provision to refund historical wire maintenance charges.

While mobile service revenue declined \$5 million, or 1.2%, Spark's underlying performance remains strong. When stripping out the impact of the loss of roaming, mobile service revenue increased 3.8% from H1 FY20.

Spark continued to experience growth in cloud, security and service management revenue, which increased 4.6% to \$229 million.

The broadband and prepaid markets were impacted as border closures resulted in approximately 44,000 fewer people migrating to New Zealand in H1 FY21 vs. H1 FY20².

Disciplined cost management saw operating expenses decrease \$30 million, or 2.3%, offsetting revenue declines. As a result, EBITDAI³ grew 0.4% to \$502 million.

Net profit after tax reduced 11.4% to \$148 million, driven by a \$29 million increase in depreciation and amortisation charges resulting from the shorter asset lives of new digital technologies, and an increase in depreciation related to customer and property leases.

Spark announced an interim dividend per share of 12.5 cents, 100% imputed, and will also continue to operate the Dividend Re-investment Plan with a 2% discount.

Spark Chair Justine Smyth said: "COVID-19 has continued to challenge us as a nation, but it is encouraging to see New Zealand's economy bouncing back more quickly than expected.

"With borders closed for the foreseeable future we have had to adapt at pace to the ongoing loss of mobile roaming revenues and lower growth broadband and prepaid markets.

"The implications of COVID-19 for Spark have become clearer during the first half, with the overall FY21 EBITDAI impact now expected to be \$50 million, versus the original estimate of \$75 million.

"As a result, we have narrowed our FY21 EBITDAI guidance range to \$1,100 million to \$1,130 million⁴, and the Board and I are pleased to revise full year dividend guidance to the top end of the range at 25 cents per share."

¹ Operating revenue and other gains.

² Source: Statistics NZ net migration.

³ Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income. This is a non-GAAP financial measure.

⁴ Previously \$1,090 million to \$1,130 million. Subject to no adverse change in operating outlook.



The Company is now six months into its new three-year strategy and making solid progress growing its competitive advantage across core established markets and future growth markets.

Spark CEO Jolie Hodson said: "Our focus on delivering simpler, more intuitive customer experiences is progressing well, with the launch of our new Spark App, a further 18% of customer care interactions now being self-solved digitally, and more than 100 legacy plans already retired – with customers shifted to products that best suit their needs.

"We are also introducing a new frontline operating model where we are cross-skilling our customer care team members to improve first contact resolution, which is an important driver of customer satisfaction, and productivity.

"Demand for business transformation and digitisation continues to grow, spurred on by the rapid adoption of new ways of working established during COVID-19 lockdowns. We are investing behind digital skills programs for our small business customers, to support their adaptation to an increasingly digital marketplace.

"The broadband market was impacted during the half as COVID-19 border closures reduced the number of people moving to New Zealand and needing a connection. While this has impacted our growth aspirations in the short term, our longer-term wireless ambitions have not changed. There remains a significant addressable market, which continues to grow as we roll out 5G, and precision marketing is helping us to identify customers who are best suited to wireless broadband and provide them compelling, tailored offers.

"We have 5G available in five locations across New Zealand⁵, and we are now live testing in Christchurch, with mobile and wireless broadband offers launching to customers next month.

"We are making steady progress in our future markets, with Internet of Things (IoT) connections growing 65% during the half, our Digital Health Platform in development, and New Zealand's summer of cricket being successfully delivered and well received by Spark Sport customers.

"Cost management will remain a focus in the second half, to ensure we have the ability to respond to changing conditions if we need to."

Spark will hold an Investor Briefing on Wednesday 24 March to provide further insight into the IT and Managed Services side of its business.

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⁵ Auckland, Dunedin, Palmerston North, Te Awamutu and New Plymouth