

MARKET RELEASE

5 November 2021

Chair's Address and Chief Executive Officer's Review delivered at Spark New Zealand Limited's 2021 Annual meeting, held virtually at 1 pm on 5 November 2021

Chair's Address (Justine Smyth)

Tihei mauri ora
E ngā whare, e ngā papa, tēnā koutou
E ngā mate, haere atu rā,
Rātou ki a rātou
Tātou ki a tātou
Te mana whenua, o ngā takiwā katoa, tēnā koutou
Nau mai, haere mai ki tēnei hui ā-tau
Nō reira, tēnā koutou, tēnā koutou, tēnā koutou katoa

Good afternoon and welcome to Spark's 2021 Annual Meeting of Shareholders.

My name is Justine Smyth, and I am the Chair of Spark New Zealand.

On behalf of the Board, it is my pleasure to update our shareholders on Spark's progress over the last year.

While the Board and I were hoping to hold our AGM in person this year, it was not to be. We appreciate your support and understanding as Covid has once again disrupted our plans and we have had to move to a virtual only meeting.

Although we are fully virtual, you will still be able to vote and submit questions at any time during the meeting. Based on the information conveyed to me that there is a quorum of shareholders online, the meeting is duly convened.

Today you will hear from me as Chair of the Board and from our CEO Jolie Hodson. I will then put forward the resolutions as described in the Notice of Annual Meeting and respond to any questions on those resolutions. We will then have time to respond to any general questions put to us by shareholders.

Joining me virtually today, each from our own location, is:

- CEO and director, Jolie Hodson

And my fellow directors:

- Alison Barrass
- Charles Sitch
- David Havercroft
- Paul Berriman
- Pip Greenwood
- Warwick Bray
- And our future director, Ana Wight.

Also present today are our Finance Director, General Counsel, Company Secretary, auditors from Deloitte, lawyers from Russell McVeagh and our share registrar Link Market Services, who will act as scrutineer for the purpose of the polls.

Now let me turn to Spark's progress over the past year.

In Aotearoa, 2021, like 2020 before it, was a year defined by Covid.

New Zealand's economy fared better than expected during the year, when we saw GDP return to growth, consumer spending increase, and unemployment hit all-time lows.

Since that time, Covid has once again thrown us a curveball, triggered by the arrival of the Delta variant on our shores. It remains to be seen how our economy will recover from our latest lockdowns, with Auckland now in its 11th week of some of the toughest restrictions in the world.

I want to recognise how challenging this has been for our Spark whānau in Auckland, and to express my gratitude, on behalf of the Board, for the perseverance and commitment of all Spark people.

Turning to our FY21 results, closed borders continued to impact roaming revenues and contributed to lower overall growth in the broadband and prepaid markets. Despite this, Spark's core business proved resilient to the pandemic headwinds.

With a stable execution backbone, and a highly adaptive workforce, Spark was able to maintain momentum in key markets and adapt at pace to our changing competitive landscape.

The loss of \$38 million in roaming revenues led to a revenue decline of 0.8% to \$3.6 billion, but this masked a strong underlying performance in mobile, cloud, security, and service management.

Mobile service revenue grew 0.5%, or 4.3% when adjusting for the impact of roaming, with market share also growing 1.1 percentage points.

Cloud, security, and service management revenue grew 5.5%, with demand increasing from businesses looking to digitise and transform.

In broadband, revenue declined 1.5% in a market that remains highly competitive, with continued pricing pressure and lower overall market growth.

When combined with our long-term focus on disciplined cost reduction, EBITDAI grew 1% to \$1.12 billion, pleasingly this was towards the top end of our guidance range.

Net profit after tax declined by \$36 million, or 8.6%, which was primarily driven by higher depreciation and amortisation costs.

With resilient customer demand for our core services, we generated \$433 million of free cash flow, which supported a total FY21 dividend at 25 cents per share, 100% imputed, for our shareholders.

Spark – like many other businesses in Aotearoa and globally – is operating with a high degree of uncertainty.

The Board and I take comfort in the fact our FY21 performance has demonstrated that Spark is resilient, with a strategy that is geared towards the macro trends— such as the rapid shift from physical to digital. This will continue to support our future growth.

Today I am pleased to reaffirm earnings and dividend guidance for the financial year ended 30 June 2022:

- EBITDAI guidance of between \$1.13 billion and \$1.16 billion
- Dividend guidance of 25 cents per share – 100% imputed.



As we navigate the year ahead, we recognise we have a shared responsibility with the broader business community to help Aotearoa transition out of Covid-19, and head towards a low-carbon economy.

In this context, we must do our part by focussing on the sustainability of our own operations.

During FY21 we undertook a significant programme of work to assess climate change risks and opportunities across our business, aligned to the Taskforce for Climate-related Financial Disclosures.

We established and verified a science-based-emissions reduction target, to ensure we are supporting global efforts to keep warming below 1.5 degrees.

We have committed to reduce our absolute Scope 1 and 2 greenhouse gas emissions by 56% by the year 2030, and we will focus on our supply chain to ensure that at least 70% of our suppliers by spend also have science-based targets in place by 2026.

This is an ambitious target, but we believe it is achievable over time.

Another core sustainability focus for Spark is championing digital equity, which is the singular focus of our Spark Foundation. By focusing on digital access, digital skills and pathways, and digital wellbeing, we are supporting more equitable access to the digital world. A notable example from FY21 was the growth in connections to our not-for-profit broadband product, Skinny Jump, which surpassed 15,000 by the end of the financial year – an increase of 58% on the year before.

We also continued our long-term commitment to diversity and inclusion. Our ambition is to achieve 40:40:20 representation Spark-wide by the end of FY23, which means 40% women, 40% men, and 20% of any gender. We are currently sitting at 35% female and 65% male across our workforce, and both our Board and Leadership Squad have a 50/50 split. Over FY21 it was also pleasing to see an increase in females in other senior roles, outside our Board and Leadership Squad, of 3% to 42%. Our focus on diversity extends beyond gender, to creating a culture where all our people feel they belong. Over the coming year we will also work to improve our cultural and ethnic diversity and reduce our gender pay gap.

Finally, I would like to touch on our health and safety obligations as New Zealand transitions away from Alert Levels to a world of living with Covid in the community.

We strongly support the Government's vaccination program and will continue to do whatever we can to encourage our people to participate. High vaccination rates are critical to protect the health and safety of our people, partners, and customers; to avoid an outbreak impacting our ability to deliver essential services to New Zealand; and to support Aotearoa's recovery from the pandemic.

We have completed a thorough health and safety risk assessment across our business, to understand the risk profile of our different working environments. This assessment has shown we have higher risks of Covid in some areas of our business, such as our retail teams and our essential services teams, who are not able to perform their roles remotely. We are currently consulting with these teams on moving to a requirement for these roles to be vaccinated.

Doing so will keep our people safe, our partners and customers safe, and our essential services online.

And now, I will turn to an overview of board changes.

Today shareholders will be voting on the re-election of David Havercroft and Alison Barrass.

David joined the Board in October, bringing skills and experience from a career in the technology industry that has spanned more than 35 years.

With their broad range of skills and experience, both David and Alison enhance our decision-making as a Board, and I offer my full support for their re-election.

As we announced recently, Pip Greenwood will be stepping down at the close of this Annual Meeting. I would like to acknowledge Pip for the valuable contribution she has made to Spark during her time on the Board. We will miss you Pip.

To finish, I am enormously proud of how Spark has navigated the past year. Despite the challenges, the business stepped up and delivered for our customers and our shareholders. This is testament to Jolie's leadership and to the capability and commitment of our people.

On behalf of the Board, I would like to thank Jolie and the Spark team for their hard work and dedication. I would also like to acknowledge and thank my fellow directors – and you, our shareholders – for your support over the year.

Nō reira, tēnā koutou, tēnā koutou, tēnā koutou katoa.

I now invite Jolie to the address the meeting.

Chief Executive Officer's Review (Jolie Hodson)

Tēnā koutou katoa, ngā mihi nui kia koutou

Thank you, Justine, and good afternoon everyone.

As Justine has shared, Spark delivered a strong financial result in FY21, despite the headwinds presented by Covid.

This was the first year of our new 3-year strategy, delivering what we said we would to our shareholders, while also laying the foundations for future growth.

We continued to grow our established markets of wireless and cloud.

- Our strong underlying mobile performance was supported by an 89% increase in our pay-monthly Endless plans, as our customers seek to do more with devices and use more data.
- The broadband market remained highly competitive, with consumers having a wide range of providers and technologies to choose from. While our wireless broadband performance was impacted by lower overall market growth, we finished the year with connections up 19,000.
- We have recently released our new broadband plans, which offer even better value for our customers, a simpler line-up, and average speeds displayed across both our fibre and wireless broadband products.
- Around one in four of our broadband customers choose wireless broadband because it meets all of their usage needs, it is easy to install and is available in many areas where fibre is not.
- Our ambition to achieve 30-40% of our broadband base on wireless remains and we will continue to compete strongly across both our Spark and Skinny broadband portfolios by focussing on delivering the best possible experiences for our customers – regardless of the technology they choose.
- In cloud, security, and service management we maintained our strong momentum as we helped businesses to digitally transform, adapting to the new environment we all find ourselves in.

We also accelerated our future markets growth.

- Spark Health is supporting the digital transformation of the New Zealand healthcare sector, and delivered cloud, telecommunications, and collaboration revenue growth of 10.6% during the year.
- We grew our Internet of Things (IoT) connections to over 450,000 – an increase of 83% year-on-year.
- And Spark Sport delivered its first season of New Zealand Cricket, with 99.9% platform availability and widespread positive reception to our production.

We made strong progress building the four core capabilities we believe will differentiate Spark and support us to grow in both our established and future markets.

- We are a simpler business than a year ago, with a 32% increase in the number of customer journeys completed digitally and through retiring 30% of our legacy mobile and broadband plans.
- We have developed deeper customer insights through data and analytics, allowing us to offer our customers more relevant products and services and improving marketing efficiency by 16%.
- We continued to build a smart, automated network, with our 5G rollout continuing at pace. We now have 5G available in nine locations across the country.
- We completed the first stage of our infrastructure asset review, identifying opportunities to invest to support our future growth and initiatives to drive greater capital efficiency, increased resilience, and better experiences for our customers.
- Lastly, our focus on our people, and building a growth mindset across our business, remained a priority. This has never been more important than in the current environment where our ability to adapt at pace is so critical.
- Our success as a business relies on our talented and diverse team, and feedback from our people over the year has been very strong. Our Employee Net Promoter score reached +76 – up 10 points from last year.
- With the uncertainty brought about by Covid, we evolved our wellbeing strategy to ensure it is responsive to the new challenges our people face, and holistic in its approach.
- And as Justine touched on, we continued to embed diversity and inclusion into our business. We want our workforce to be reflective of Aotearoa, and we will achieve this by maintaining our momentum on gender diversity, while creating the same kind of movement on ethnic diversity.

As I look to the future, and as I consider the challenges we face as a nation, it is clear that technology will continue to play a critical role in how we adapt and transition to a more prosperous future. The emergence of the delta variant on our shores has changed the game for all New Zealanders in one way or another.

Technology has helped us adapt – keeping us connected from a distance, enabling working from home, home schooling, e-commerce and entertaining us.

It will also help us adapt to what is to come next.

As vaccination rates climb, we need to transition to a new world, where we are able to live with Covid, while still protecting our vulnerable.

We will regain freedoms and many of the things we miss from the days before Covid – but life won't go back to the way it was.

When we look around the world, it is clear to see Covid has driven around five years' worth of digital transformation in the last two years alone. You will no doubt have seen this through businesses you interact with every day. New Zealand's digital future has already arrived and will only grow from here.

At the same time, we are faced with one of the greatest challenges of our generation in climate change. It will take system-wide change across the economy to deliver the kind of emission reductions we need to see, and we can't achieve this without addressing our long-term productivity challenges. New Zealanders must work smarter, not harder.

What is exciting for Spark is that technology is an enabler of this kind of change.

As we continue to grow our business, we are also focussed on growing the digital economy and ensuring Aotearoa can reap the full benefits it will bring.

We are investing in the critical infrastructure that enables businesses to innovate and improve efficiency, including emerging technologies like 5G, IoT, and AI.

Imagine a world where healthcare is democratised, because patients can access specialists, usually only available in major centres, from any corner of the country through technology. Imagine if businesses could monitor their energy and water usage in real time and adjust and plan accordingly. Imagine a time when rubbish bins can tell Councils when they are full, optimising the time trucks are on the road. Or when lights adjust to conditions to save power.

These are not futuristic examples – they all exist to some degree in Aotearoa today, underpinned by our 5G and Internet of Things networks.

In FY22 we are accelerating our 5G rollout by investing an additional \$35 million and bringing our total investment in mobile to \$125 million for the year. This will deliver nationwide coverage by the end of 2023 – provided we can secure the necessary long-term spectrum rights from the New Zealand Government.

We will upgrade our Mayoral Drive exchange and we intend to invest in approximately 10MW of additional capacity at our Takanini data centre – which will make it one of the largest in New Zealand once completed.

And we will continue to invest in rural connectivity through our joint venture, the Rural Connectivity Group, which turned on its 261st cell tower and through our partnership with the Marae Digital Connectivity Programme where 445 maraes were connected.

Combined, our investments into 5G, data centre capacity, and rural coverage mark a significant contribution to New Zealand's connectivity and resilience and position us to capitalise on the strong momentum we have in our established markets of mobile and cloud.

Our rapid digitisation will also require robust trust frameworks to underpin the safety and security of the digital economy. The increase in cybersecurity incidents in New Zealand over the last year is testament to this.

Our subsidiary MATTR provides the infrastructure to solve historically difficult challenges facing digital security, privacy, and data verification and is leading the conversation on the role of digital trust in Aotearoa and globally.

As our economy continues to digitise, we must also be upskilling, re-skilling, and building a talent pipeline locally. This is not the case today – we have seen acute skill shortages due to closed borders; fewer students are taking up STEM subjects in school, and the sector is not as diverse as it needs to be.

We must support our small to medium businesses to take this journey as well.

It is why we need a just transition to a high-tech, low-carbon economy – for businesses and kiwis alike. Up to 1 in 5 New Zealanders may be digitally excluded in some way right now. Over 200,000 households are not connected to the internet.

Technology has the power to break down barriers – but it can also create barriers for those who can't afford the connectivity or devices they need to access it or who don't have the skills to use it, or who don't trust it. It is incumbent on us, the broader New Zealand business community, and on the Government, to work in together with the community sector to bridge this divide.

So when I look ahead, more than ever before I see strong alignment between our aspirations as a business, and the needs of our country.

When I spoke to you at our AGM last year, I shared our FY23 ambition for Spark:

That we will have:

- made it easier for our customers to work, learn, connect, and be entertained;
- enabled businesses big and small to transform and grow through technology;
- invested in our people and built a high-performing, inclusive culture that attracts the best talent;
- helped to lift digital equity, playing our role in creating a fairer and more inclusive NZ; and
- delivered consistently strong returns for you, our shareholders.



This remains our focus, we are on our way, and we believe that doing so will help all of New Zealand to win big in a digital world.

I would like to close by thanking you for your continued support of Spark. We have a significant role to play in the years ahead and we are only able to fulfil that purpose with the support of our shareholders, our customers, our people, and our communities.

Nō reira, tēnā koutou, tēnā koutou, tēnā koutou katoa.

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