



MARKET RELEASE

15 February 2017

Spark historical financial information

In advance of Spark New Zealand Limited's ("Spark's") H1 FY17 interim profit announcement on Thursday 16 February, Spark has today released restated historical detailed financials, to assist analysts in recalibrating their models.

Spark has changed its segmental reporting in line with previously announced structural changes and to align external reporting with the internal structure used to manage and review the results of the business.

The comparative segmental results have been adjusted to reflect these changes with no impact on the Spark Group result.

-ENDS-

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Spark New Zealand

Group result

	H1 FY15	H2 FY15	H1 FY16	H2 FY16
	\$m	\$m	\$m	\$m
Operating revenues and other gains	1,797	1,734	1,723	1,774
Operating expenses	1,361	1,205	1,266	1,240
Share of associates' and joint ventures' net (losses)	-	(3)	(2)	(3)
EBITDA	436	526	455	531
Depreciation and amortisation expense	224	229	224	222
Net finance expense	12	15	13	15
Net earnings before income tax	200	282	218	294
Tax expense	53	54	60	82
Net earnings for the period	147	228	158	212

EBITDA by business unit

	H1 FY15	H2 FY15	H1 FY16	H2 FY16
	\$m	\$m	\$m	\$m
EBITDA				
Spark Home, Mobile & Business	352	416	396	406
Spark Digital	192	204	193	218
Spark Connect & Platforms	(189)	(174)	(181)	(159)
Spark Ventures & Wholesale	98	84	63	68
Corporate	(17)	(4)	(16)	(2)
	436	526	455	531

Connections

	H1 FY15	H2 FY15	H1 FY16	H2 FY16
	000's	000's	000's	000's
Mobile connections	2,114	2,178	2,212	2,293
Local service connections	1,350	1,323	1,281	1,251
Broadband connections	674	680	675	675

Dividends

	H1 FY15	H2 FY15	H1 FY16	H2 FY16
	Cents per share	Cents per share	Cents per share	Cents per share
Ordinary dividends	9.00	11.00	11.00	11.00
Special dividends	-	-	1.50	1.50
	9.00	11.00	12.50	12.50

Spark New Zealand

Operating revenues and other gains by business unit

	H1 FY15	H2 FY15	H1 FY16	H2 FY16
	\$m	\$m	\$m	\$m
Operating revenues and other gains				
Spark Home, Mobile & Business	910	932	971	992
Spark Digital	625	599	607	619
Spark Connect & Platforms	22	19	19	20
Spark Ventures & Wholesale	248	174	121	126
Corporate	47	65	26	41
Eliminations	(55)	(55)	(21)	(24)
	1,797	1,734	1,723	1,774

Group operating revenues and other gains

	H1 FY15	H2 FY15	H1 FY16	H2 FY16
	\$m	\$m	\$m	\$m
Operating revenues				
Voice	479	401	337	344
Broadband	324	326	339	346
Managed data	110	98	96	92
Mobile				
Service revenue	367	376	390	396
Other mobile revenue	137	139	173	175
	504	515	563	571
IT services				
Traditional IT services	101	103	92	97
Platform IT services	73	86	93	106
Procurement	121	108	137	133
	295	297	322	336
Other operating revenue	85	65	66	85
Total operating revenues	1,797	1,702	1,723	1,774
Other gains	-	32	-	-
Total operating revenues and other gains	1,797	1,734	1,723	1,774

Wireless broadband revenues and connections are included in broadband revenues and connections.

	H1 FY15	H2 FY15	H1 FY16	H2 FY16
	\$m	\$m	\$m	\$m
Voice revenue by type				
Landline only	221	177	169	166
Calling	241	209	153	164
Other voice revenue	17	15	15	14
	479	401	337	344

Spark New Zealand

Financial breakdown by business unit - Spark Home, Mobile & Business

	H1 FY15 \$m	H2 FY15 \$m	H1 FY16 \$m	H2 FY16 \$m
Operating revenues				
Voice	199	190	171	176
Broadband	302	307	320	327
Mobile	389	414	459	464
IT services	1	-	-	1
Other operating revenue	17	20	21	24
Internal revenue	2	1	-	-
	910	932	971	992
Operating expenses				
Labour	55	51	56	58
Other operating expenses	484	446	504	510
Internal expenses	19	19	15	18
	558	516	575	586
EBITDA	352	416	396	406
EBITDA margin	38.7%	44.6%	40.8%	40.9%

Analysis & KPI's - Spark Home, Mobile & Business

	H1 FY15 \$m	H2 FY15 \$m	H1 FY16 \$m	H2 FY16 \$m
Voice revenue by type				
Landline only	88	85	82	75
Calling	103	97	81	92
Other voice revenue	8	8	8	9
	199	190	171	176
Local service				
Broadband connections (000)'s	653	659	654	654
Landline only connections (000)'s	232	215	200	194
Total connections (000)'s	885	874	854	848

Spark New Zealand

Financial breakdown by business unit - Spark Digital

	H1 FY15	H2 FY15	H1 FY16	H2 FY16
	\$m	\$m	\$m	\$m
Operating revenues				
Voice	112	103	99	98
Broadband	22	19	19	19
Managed data	77	67	69	68
Mobile	107	93	95	97
IT services	290	294	322	334
Other operating revenue	3	2	-	-
Internal revenue	14	21	3	3
	625	599	607	619
Operating expenses				
Labour	121	106	106	104
Other operating expenses	291	274	304	292
Internal expenses	21	15	4	5
	433	395	414	401
EBITDA	192	204	193	218
EBITDA margin	30.7%	34.1%	31.8%	35.2%

Analysis & KPI's - Spark Digital

	H1 FY15	H2 FY15	H1 FY16	H2 FY16
	\$m	\$m	\$m	\$m
Voice revenue by type				
Landline only	45	41	39	40
Calling	64	60	58	57
Other voice revenue	3	2	2	1
	112	103	99	98
IT services revenue by type				
Traditional IT services	97	100	92	96
Platform IT services	72	86	93	105
Procurement	121	108	137	133
	290	294	322	334
Local service				
Broadband connections (000)'s	21	21	21	21
Total connections (000)'s	69	67	65	62

Spark New Zealand

Financial breakdown by business unit - Spark Connect & Platforms

	H1 FY15	H2 FY15	H1 FY16	H2 FY16
	\$m	\$m	\$m	\$m
Operating revenues				
Voice	1	1	1	1
Mobile	2	2	2	2
Other operating revenue	19	16	16	17
	22	19	19	20
Operating expenses				
Labour	68	64	68	63
Other operating expenses	141	128	132	116
Internal expenses	2	2	1	-
	211	194	201	179
Share of associates' and joint ventures' net profits	-	1	1	-
EBITDA	(189)	(174)	(181)	(159)

Analysis & KPI's - Spark Connect & Platforms

	H1 FY15	H2 FY15	H1 FY16	H2 FY16
	\$m	\$m	\$m	\$m
Voice revenue by type				
Calling	1	1	1	1

Spark New Zealand

Financial breakdown by business unit - Spark Ventures & Wholesale

	H1 FY15 \$m	H2 FY15 \$m	H1 FY16 \$m	H2 FY16 \$m
Operating revenues				
Voice	167	107	66	69
Managed data	33	31	27	24
Mobile	6	6	7	8
IT services	3	1	-	1
Other operating revenue	15	6	3	3
Internal revenue	24	23	18	21
	248	174	121	126
Operating expenses				
Labour	9	6	6	6
Other operating expenses	138	78	48	49
Internal expenses	3	2	1	1
	150	86	55	56
Share of associates' and joint ventures' net (losses)	-	(4)	(3)	(2)
EBITDA	98	84	63	68
EBITDA margin	39.5%	48.3%	52.1%	54.0%

Analysis & KPI's - Spark Ventures & Wholesale

	H1 FY15 \$m	H2 FY15 \$m	H1 FY16 \$m	H2 FY16 \$m
Voice revenue by type				
Landline only	88	51	48	51
Calling	73	51	13	14
Other voice revenue	6	5	5	4
	167	107	66	69
Local service	H1 FY15	H2 FY15	H1 FY16	H2 FY16
Total connections (000)'s	396	382	362	341
Landline only connections (000)'s ¹			89	82

¹ Comparative information for periods prior to H1 FY16 is not available.

Spark New Zealand

Financial breakdown by business unit - Corporate

	H1 FY15	H2 FY15	H1 FY16	H2 FY16
	\$m	\$m	\$m	\$m
Operating revenues and other gains				
IT services	1	2	-	-
Other operating revenue	31	21	26	41
Other gains	-	32	-	-
Internal revenue	15	10	-	-
	<u>47</u>	<u>65</u>	<u>26</u>	<u>41</u>
Operating expenses				
Labour	18	20	16	14
Other operating expenses	36	32	26	28
Internal expenses	10	17	-	-
	<u>64</u>	<u>69</u>	<u>42</u>	<u>42</u>
Share of associates' and joint ventures' net (losses)	-	-	-	(1)
EBITDA	<u>(17)</u>	<u>(4)</u>	<u>(16)</u>	<u>(2)</u>

Analysis & KPI's - Corporate

	H1 FY15	H2 FY15	H1 FY16	H2 FY16
	\$m	\$m	\$m	\$m
Southern cross dividends	31	22	26	40

Spark New Zealand

Analysis & KPI's - Mobile (Spark Home, Mobile & Business and Spark Digital)

	H1 FY15	H2 FY15	H1 FY16	H2 FY16
Mobile revenue				
Service revenue - \$m	361	371	384	390
Other mobile revenue - \$m ¹	135	136	170	171
	496	507	554	561
Average revenue per user (ARPU) - 6 month active				
ARPU - \$ per month	29.77	28.61	29.47	28.74
Pay-monthly - \$ per month	48.56	46.94	48.17	47.19
Prepaid - \$ per month	11.57	11.39	11.72	11.87
Number of mobile connections at period end - 6 month active				
Pay-monthly (000)'s	1,018	1,045	1,069	1,091
Prepaid (000)'s	1,092	1,129	1,139	1,198
Internal connections (000)'s	4	4	4	4
Total mobile connections (000)'s ²	2,114	2,178	2,212	2,293

¹ Other mobile revenue includes handset sales and mobile interconnect

² Mobile connections exclude MVNO connections

Spark New Zealand

Group expenses

	H1 FY15	H2 FY15	H1 FY16	H2 FY16
	\$m	\$m	\$m	\$m
Payments to telecommunications operators				
Baseband and access charges	205	169	162	184
Other intercarrier costs	97	73	43	48
Broadband cost of sales	140	114	119	120
Field services	11	8	10	8
	<u>453</u>	<u>364</u>	<u>334</u>	<u>360</u>
Mobile acquisition, procurement and IT services				
Mobile cost of sales	204	194	229	219
IT services cost of sales	164	160	184	177
	<u>368</u>	<u>354</u>	<u>413</u>	<u>396</u>
Labour	271	247	252	245
Other operating expenses				
Direct network costs	31	18	38	31
Computer costs	37	39	38	36
Accommodation costs	48	44	47	45
Advertising, promotions and communication	46	32	45	32
Bad debts	7	6	11	11
Impairment expense	-	-	-	9
Other	100	101	88	75
	<u>269</u>	<u>240</u>	<u>267</u>	<u>239</u>
Total operating expenses	<u>1,361</u>	<u>1,205</u>	<u>1,266</u>	<u>1,240</u>
Depreciation and amortisation expense				
Depreciation	126	130	126	122
Amortisation	98	99	98	100
	<u>224</u>	<u>229</u>	<u>224</u>	<u>222</u>
Net finance expense				
Finance income	(14)	(13)	(9)	(9)
Finance expense	26	28	22	24
	<u>12</u>	<u>15</u>	<u>13</u>	<u>15</u>

Group FTE's

	H1 FY15	H2 FY15	H1 FY16	H2 FY16
FTE permanent	5,297	4,792	5,023	5,241
FTE contractors	321	300	301	328
Total FTE	<u>5,618</u>	<u>5,092</u>	<u>5,324</u>	<u>5,569</u>

Spark New Zealand

Group capital expenditure

	H1 FY15	H2 FY15	H1 FY16	H2 FY16
	\$m	\$m	\$m	\$m
Major programmes				
Optical transport network (OTN) and Carrier Ethernet	6	10	21	2
Re-engineering of IT systems	29	43	42	24
Mobile network	57	35	58	19
Takanini data centre	61	-	-	-
	153	88	121	45
Operating capital expenditure				
Southern Cross capacity	5	-	9	4
Customer growth and retention	91	81	86	116
	96	81	95	120
Total major programmes and operating capital expenditure	249	169	216	165
Mobile spectrum	158	-	-	9
Total capital expenditure	407	169	216	174

Capital expenditure is presented on an accruals basis.