



## MARKET RELEASE

17 August 2017

### Updates to External Reporting

In advance of Spark New Zealand Limited's ("Spark's") FY17 full year results announcement on Friday 18 August 2017, Spark has today released restated historical detailed financials to assist analysts in recalibrating their models.

Spark has made a number of improvements to the structure and detail of its externally reported financials.

- **Capital Expenditure**
  - Realignment of categories used for reporting of capital expenditure, to provide greater clarity around investment by product and key areas of infrastructure.
- **Mobile service revenue and ARPU**
  - Restatement of Home Mobile and Business pay-monthly service revenues and other mobile revenues, to align the recognition of handset revenues received via term contracts with the recognition approach already used for handsets purchased outright or via a deferred payment option. This provides a clearer and more consistent view of service revenue performance, with pay-monthly ARPUs having been updated accordingly. Total mobile revenues (being the sum of mobile service and mobile other revenues) are not impacted by this restatement.
- **Broadband input type**
  - Introduction of a breakdown of total Broadband connections by input type. The input type categories provided are copper, fibre and wireless broadband.

The comparative historical detailed financials 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	H1 FY17
	\$m	\$m	\$m	\$m	\$m
Operating revenues and other gains	1,797	1,734	1,723	1,774	1,793
Operating expenses	1,361	1,205	1,266	1,240	1,320
Share of associates' and joint ventures' net losses	-	(3)	(2)	(3)	(2)
<b>EBITDA</b>	<b>436</b>	<b>526</b>	<b>455</b>	<b>531</b>	<b>471</b>
Depreciation and amortisation expense	224	229	224	222	215
Net finance expense	12	15	13	15	13
<b>Net earnings before income tax</b>	<b>200</b>	<b>282</b>	<b>218</b>	<b>294</b>	<b>243</b>
Tax expense	53	54	60	82	65
<b>Net earnings for the period</b>	<b>147</b>	<b>228</b>	<b>158</b>	<b>212</b>	<b>178</b>

## EBITDA by business unit

	H1 FY15	H2 FY15	H1 FY16	H2 FY16	H1 FY17
	\$m	\$m	\$m	\$m	\$m
<b>EBITDA</b>					
Spark Home, Mobile & Business	352	416	396	406	391
Spark Digital	192	204	193	218	191
Spark Connect & Platforms	(189)	(174)	(181)	(159)	(166)
Spark Ventures & Wholesale	98	84	63	68	57
Corporate	(17)	(4)	(16)	(2)	(2)
	436	526	455	531	471

## Connections

	H1 FY15	H2 FY15	H1 FY16	H2 FY16	H1 FY17
	000's	000's	000's	000's	000's
Mobile connections	2,114	2,178	2,212	2,293	2,353
Local service connections	1,350	1,323	1,281	1,251	1,222
<b>Broadband connections</b>					
Copper	652	646	615	564	497
Fibre	22	34	58	99	138
Wireless	-	-	2	12	40
	674	680	675	675	675

## Dividends

	H1 FY15	H2 FY15	H1 FY16	H2 FY16	H1 FY17
Ordinary dividends (cents per share)	9.00	11.00	11.00	11.00	11.00
Special dividends (cents per share)	-	-	1.50	1.50	1.50
	9.00	11.00	12.50	12.50	12.50

# Spark New Zealand

## Operating revenues and other gains by business unit

	H1 FY15	H2 FY15	H1 FY16	H2 FY16	H1 FY17
	\$m	\$m	\$m	\$m	\$m
<b>Operating revenues and other gains</b>					
Spark Home, Mobile & Business	910	932	971	992	985
Spark Digital	625	599	607	619	658
Spark Connect & Platforms	22	19	19	20	22
Spark Ventures & Wholesale	248	174	121	126	112
Corporate	47	65	26	41	35
Eliminations	(55)	(55)	(21)	(24)	(19)
	<b>1,797</b>	<b>1,734</b>	<b>1,723</b>	<b>1,774</b>	<b>1,793</b>

## Group operating revenues and other gains

	H1 FY15	H2 FY15	H1 FY16	H2 FY16	H1 FY17
	\$m	\$m	\$m	\$m	\$m
<b>Operating revenues</b>					
Voice	479	401	337	344	311
Broadband	324	326	339	346	344
Managed data	110	98	96	92	85
Mobile					
Service revenue	345	354	371	379	383
Other mobile revenue	159	161	192	192	205
	<b>504</b>	<b>515</b>	<b>563</b>	<b>571</b>	<b>588</b>
IT services					
Traditional IT services	101	103	92	97	104
Platform IT services	73	86	93	106	117
Procurement	121	108	137	133	163
	<b>295</b>	<b>297</b>	<b>322</b>	<b>336</b>	<b>384</b>
Other operating revenue	85	65	66	85	81
<b>Total operating revenues</b>	<b>1,797</b>	<b>1,702</b>	<b>1,723</b>	<b>1,774</b>	<b>1,793</b>
Other gains	-	32	-	-	-
<b>Total operating revenues and other gains</b>	<b>1,797</b>	<b>1,734</b>	<b>1,723</b>	<b>1,774</b>	<b>1,793</b>

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

	H1 FY15	H2 FY15	H1 FY16	H2 FY16	H1 FY17
	\$m	\$m	\$m	\$m	\$m
<b>Voice revenue by type</b>					
Landline only	221	177	169	166	155
Calling	241	209	153	164	142
Other voice revenue	17	15	15	14	14
	<b>479</b>	<b>401</b>	<b>337</b>	<b>344</b>	<b>311</b>

# Spark New Zealand

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

	H1 FY15	H2 FY15	H1 FY16	H2 FY16	H1 FY17
	\$m	\$m	\$m	\$m	\$m
<b>Operating revenues</b>					
Voice	199	190	171	176	157
Broadband	302	307	320	327	326
Mobile	389	414	459	464	478
IT services	1	-	-	1	1
Other operating revenue	17	20	21	24	23
Internal revenue	2	1	-	-	-
	<b>910</b>	<b>932</b>	<b>971</b>	<b>992</b>	<b>985</b>
<b>Operating expenses</b>					
Labour	55	51	56	58	69
Other operating expenses	484	446	504	510	511
Internal expenses	19	19	15	18	14
	<b>558</b>	<b>516</b>	<b>575</b>	<b>586</b>	<b>594</b>
<b>EBITDA</b>	<b>352</b>	<b>416</b>	<b>396</b>	<b>406</b>	<b>391</b>
EBITDA margin	38.7%	44.6%	40.8%	40.9%	39.7%

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

	H1 FY15	H2 FY15	H1 FY16	H2 FY16	H1 FY17
	\$m	\$m	\$m	\$m	\$m
<b>Voice revenue by type</b>					
Landline only	88	85	82	75	74
Calling	103	97	81	92	74
Other voice revenue	8	8	8	9	9
	<b>199</b>	<b>190</b>	<b>171</b>	<b>176</b>	<b>157</b>
<b>Connections</b>					
Broadband connections	653	659	654	654	654
Landline only connections	232	215	200	194	191
<b>Total connections</b>	<b>885</b>	<b>874</b>	<b>854</b>	<b>848</b>	<b>845</b>

# Spark New Zealand

## Financial breakdown by business unit - Spark Digital

	H1 FY15	H2 FY15	H1 FY16	H2 FY16	H1 FY17
	\$m	\$m	\$m	\$m	\$m
<b>Operating revenues</b>					
Voice	112	103	99	98	94
Broadband	22	19	19	19	18
Managed data	77	67	69	68	64
Mobile	107	93	95	97	98
IT services	290	294	322	334	383
Other operating revenue	3	2	-	-	-
Internal revenue	14	21	3	3	1
	<b>625</b>	<b>599</b>	<b>607</b>	<b>619</b>	<b>658</b>
<b>Operating expenses</b>					
Labour	121	106	106	104	122
Other operating expenses	291	274	304	292	341
Internal expenses	21	15	4	5	4
	<b>433</b>	<b>395</b>	<b>414</b>	<b>401</b>	<b>467</b>
<b>EBITDA</b>	<b>192</b>	<b>204</b>	<b>193</b>	<b>218</b>	<b>191</b>
EBITDA margin	30.7%	34.1%	31.8%	35.2%	29.0%

## Analysis & KPI's - Spark Digital

	H1 FY15	H2 FY15	H1 FY16	H2 FY16	H1 FY17
	\$m	\$m	\$m	\$m	\$m
<b>Voice revenue by type</b>					
Landline only	45	41	39	40	37
Calling	64	60	58	57	56
Other voice revenue	3	2	2	1	1
	<b>112</b>	<b>103</b>	<b>99</b>	<b>98</b>	<b>94</b>
<b>IT services revenue by type</b>					
Traditional IT services	97	100	92	96	104
Platform IT services	72	86	93	105	116
Procurement	121	108	137	133	163
	<b>290</b>	<b>294</b>	<b>322</b>	<b>334</b>	<b>383</b>
<b>Connections</b>					
Broadband connections	21	21	21	21	21
Total connections	69	67	65	62	58

# Spark New Zealand

## Financial breakdown by business unit - Spark Connect & Platforms

	H1 FY15	H2 FY15	H1 FY16	H2 FY16	H1 FY17
	\$m	\$m	\$m	\$m	\$m
<b>Operating revenues</b>					
Voice	1	1	1	1	1
Mobile	2	2	2	2	3
Other operating revenue	19	16	16	17	18
	22	19	19	20	22
<b>Operating expenses</b>					
Labour	68	64	68	63	65
Other operating expenses	141	128	132	116	123
Internal expenses	2	2	1	-	-
	211	194	201	179	188
Share of associates' and joint ventures' net profits	-	1	1	-	-
<b>EBITDA</b>	<b>(189)</b>	<b>(174)</b>	<b>(181)</b>	<b>(159)</b>	<b>(166)</b>

## Analysis & KPI's - Spark Connect & Platforms

	H1 FY15	H2 FY15	H1 FY16	H2 FY16	H1 FY17
	\$m	\$m	\$m	\$m	\$m
<b>Voice revenue by type</b>					
Calling	1	1	1	1	1

# Spark New Zealand

## Financial breakdown by business unit - Spark Ventures & Wholesale

	H1 FY15	H2 FY15	H1 FY16	H2 FY16	H1 FY17
	\$m	\$m	\$m	\$m	\$m
<b>Operating revenues</b>					
Voice	167	107	66	69	59
Managed data	33	31	27	24	21
Mobile	6	6	7	8	9
IT services	3	1	-	1	-
Other operating revenue	15	6	3	3	5
Internal revenue	24	23	18	21	18
	<b>248</b>	<b>174</b>	<b>121</b>	<b>126</b>	<b>112</b>
<b>Operating expenses</b>					
Labour	9	6	6	6	8
Other operating expenses	138	78	48	49	46
Internal expenses	3	2	1	1	-
	<b>150</b>	<b>86</b>	<b>55</b>	<b>56</b>	<b>54</b>
Share of associates' and joint ventures' net losses	-	(4)	(3)	(2)	(1)
<b>EBITDA</b>	<b>98</b>	<b>84</b>	<b>63</b>	<b>68</b>	<b>57</b>
EBITDA margin	39.5%	48.3%	52.1%	54.0%	50.9%

## Analysis & KPI's - Spark Ventures & Wholesale

	H1 FY15	H2 FY15	H1 FY16	H2 FY16	H1 FY17
	\$m	\$m	\$m	\$m	\$m
<b>Voice revenue by type</b>					
Landline only	88	51	48	51	44
Calling	73	51	13	14	11
Other voice revenue	6	5	5	4	4
	<b>167</b>	<b>107</b>	<b>66</b>	<b>69</b>	<b>59</b>
<b>Connections</b>					
Landline only connections <sup>1</sup>			89	82	76
Total connections	396	382	362	341	319

<sup>1</sup> 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	H1 FY17
	\$m	\$m	\$m	\$m	\$m
<b>Operating revenues</b>					
IT services	1	2	-	-	-
Other operating revenue	31	21	26	41	35
Other gains	-	32	-	-	-
Internal revenue	15	10	-	-	-
	47	65	26	41	35
<b>Operating expenses</b>					
Labour	18	20	16	14	14
Other operating expenses	36	32	26	28	21
Internal expenses	10	17	-	-	1
	64	69	42	42	36
Share of associates' and joint ventures' net losses	-	-	-	(1)	(1)
<b>EBITDA</b>	<b>(17)</b>	<b>(4)</b>	<b>(16)</b>	<b>(2)</b>	<b>(2)</b>

## Analysis & KPI's - Corporate

	H1 FY15	H2 FY15	H1 FY16	H2 FY16	H1 FY17
	\$m	\$m	\$m	\$m	\$m
Southern cross dividends	31	22	26	40	35



# Spark New Zealand

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

	H1 FY15	H2 FY15	H1 FY16	H2 FY16	H1 FY17
	\$m	\$m	\$m	\$m	\$m
<b>Mobile revenue by type</b>					
Service revenue	339	349	365	373	376
Other mobile revenue <sup>1</sup>	157	158	189	188	200
	496	507	554	561	576

	H1 FY15	H2 FY15	H1 FY16	H2 FY16	H1 FY17
	\$ per month	\$ per month	\$ per month	\$ per month	\$ per month
<b>Average revenue per user (ARPU) - 6 month active</b>					
Total ARPU	28.03	26.96	28.05	27.47	27.30
Pay-monthly ARPU	45.03	43.93	45.26	44.53	44.19
Prepaid ARPU	11.57	11.39	11.72	11.87	11.65

	H1 FY15	H2 FY15	H1 FY16	H2 FY16	H1 FY17
	000's	000's	000's	000's	000's
<b>Mobile connections at period end - 6 month active</b>					
Pay-monthly connections	1,018	1,045	1,069	1,091	1,118
Prepaid connections	1,092	1,129	1,139	1,198	1,231
Internal connections	4	4	4	4	4
<b>Total mobile connections <sup>2</sup></b>	<b>2,114</b>	<b>2,178</b>	<b>2,212</b>	<b>2,293</b>	<b>2,353</b>

<sup>1</sup> Other mobile revenue includes handset sales and mobile interconnect

<sup>2</sup> Mobile connections exclude MVNO connections

Mobile service revenue and other mobile revenue has been restated for each period to align the recognition of handset revenues received via term contracts, with the recognition approach already used for handsets purchased outright or via a deferred payment option. This provides a clearer and more consistent view of mobile service revenue. Pay-monthly ARPU's have been updated based on the restated service revenue for each period.

# Spark New Zealand

## Group expenses

	H1 FY15	H2 FY15	H1 FY16	H2 FY16	H1 FY17
	\$m	\$m	\$m	\$m	\$m
<b>Payments to telecommunications operators</b>					
Baseband and access charges	205	169	162	184	170
Other intercarrier costs	97	73	43	48	47
Broadband cost of sales	140	114	119	120	127
Field services	11	8	10	8	7
	453	364	334	360	351
<b>Mobile acquisition, procurement and IT services</b>					
Mobile cost of sales	204	194	229	219	222
IT services cost of sales	164	160	184	177	215
	368	354	413	396	437
Labour	271	247	252	245	278
<b>Other operating expenses</b>					
Direct network costs	31	18	38	31	31
Computer costs	37	39	38	36	40
Accommodation costs	48	44	47	45	50
Advertising, promotions and communication	46	32	45	32	41
Bad debts	7	6	11	11	9
Impairment expense	-	-	-	9	2
Other	100	101	88	75	81
	269	240	267	239	254
<b>Total operating expenses</b>	<b>1,361</b>	<b>1,205</b>	<b>1,266</b>	<b>1,240</b>	<b>1,320</b>
<b>Depreciation and amortisation expense</b>					
Depreciation	126	130	126	122	122
Amortisation	98	99	98	100	93
	224	229	224	222	215
<b>Net finance expense</b>					
Finance income	(14)	(13)	(9)	(9)	(8)
Finance expense	26	28	22	24	21
	12	15	13	15	13

## Group FTE's

	H1 FY15	H2 FY15	H1 FY16	H2 FY16	H1 FY17
FTE permanent	5,297	4,792	5,023	5,241	5,664
FTE contractors	321	300	301	328	279
<b>Total FTE</b>	<b>5,618</b>	<b>5,092</b>	<b>5,324</b>	<b>5,569</b>	<b>5,943</b>

# Spark New Zealand

## Group capital expenditure

	H1 FY15	H2 FY15	H1 FY16	H2 FY16	H1 FY17
	\$m	\$m	\$m	\$m	\$m
Cloud	15	7	10	24	22
Converged Communications Network (CCN)	-	-	-	3	3
Data centre build	61	-	-	-	-
International cable construction and capacity purchases	8	-	21	7	14
IT systems	24	13	17	42	60
Re-engineering of IT systems	29	43	42	24	-
Mobile network	57	35	58	19	69
Plant, fixed network and core sustain and resiliency	28	42	53	26	36
Other	27	29	15	20	20
<b>Total capital expenditure excluding mobile spectrum</b>	<b>249</b>	<b>169</b>	<b>216</b>	<b>165</b>	<b>224</b>
Mobile spectrum	158	-	-	9	-
<b>Total capital expenditure</b>	<b>407</b>	<b>169</b>	<b>216</b>	<b>174</b>	<b>224</b>

Capital expenditure is presented on an accruals basis.