



**MARKET RELEASE – Friday 3 November 2023**

## **Chair’s Address and Chief Executive Officer’s Review delivered at Spark New Zealand Limited’s 2023 Annual meeting, held at 10 am on 3 November 2023**

### **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.  
Ko Justine tōku ingoa.  
Nō reira, tēnā koutou, tēnā koutou, tēnā koutou katoa.

Good morning and welcome to Spark’s 2023 Annual Meeting of Shareholders.  
My name is Justine Smyth, and I am 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.

For those of you joining us virtually, you will still be able to vote and submit questions during the meeting.

Before we get started, some housekeeping matters.

Bathrooms are located in the atrium behind the food court. In the unlikely event of an emergency, please leave the venue using the nearest exit and follow the instructions of Spark employees who will be on hand to direct you outside to assemble on Hardinge Street.

With that taken care of, I would now like to declare the meeting open.

Based on the information conveyed to me I confirm there is a quorum of shareholders, and the meeting is duly convened.

Today you will hear from me as Chair of the Board and from our CEO Jolie Hodson. After this we will then put forward the resolution as described in the Notice of Meeting and respond to general questions put to us by shareholders.

I would like to introduce my fellow Directors and Management who are here with me today.

- Warwick Bray;
- Sheridan Broadbent;
- Gordon MacLeod;
- Jolie Hodson, Director and CEO;
- Charles Sitch;
- Alison Barrass

- David Havercroft; and
- Stefan Knight, CFO

Also present today is our General Counsel, our Company Secretary, auditors from Deloitte, lawyers from Russell McVeagh, and share registrar Link Market Services.

Now let me turn to Spark's FY23 performance, which marks the conclusion of the last three-year strategy period.

It has been a challenging period to navigate, with high inflation and low business confidence being a hallmark of the last year.

As a country, we have also experienced first-hand the very real impacts of a warming climate – with the floods in Auckland and Cyclone Gabrielle causing devastation in local communities.

During these challenging times we are conscious of our role as a lifeline utility. We continue to make significant investments into network resilience, while exploring new ways to prepare for increasingly extreme weather events alongside our industry peers, and with other sectors.

Our FY23 result, needs to be viewed in two parts.

Firstly, the TowerCo transaction and exit of Spark Sport resulted in a net EBITDAI gain of \$529 million, which drove significant growth in our reported revenue and earnings. This has enabled us to invest in digital infrastructure and future growth, while also returning proceeds to shareholders. At the end of October, approximately \$220 million had been returned to shareholders through our on-market share buy-back.

When you adjust for the benefit of the TowerCo transaction, we also saw strong adjusted revenue growth of 5.1% to \$3.908 billion, which was largely driven by our standout performance in mobile, where Spark leads the market by both service revenue and total connections.

When overall revenue growth was combined with our long-term focus on disciplined cost reduction, we delivered adjusted EBITDAI growth of 3.7% to \$1.193 billion, in line with our guidance.

Adjusted net profit after tax increased 5.6% to \$433 million, driven by EBITDAI growth, lower depreciation and amortisation costs, and partially offset by higher tax expense.

Capital investment increased 25.6% to \$515 million, as TowerCo proceeds were reinvested for future growth.

We generated free cash flow of \$489 million, towards the top end of our aspiration and largely funding the dividend, which was a pleasing outcome given it is a goal Spark has been working towards for some time.

The Board declared a total FY23 dividend of 27 cents per share, 100% imputed, an increase of 8% or 2 cents per share year on year.

Finally, we were pleased to complete FY23 and the strategy period with Spark ranked #4 for total shareholder returns against our international peers over the last three years.

Turning our attention now to our current performance and market momentum. We are closely monitoring the macro-economic environment and while conditions remain challenging, our business is highly resilient, demonstrating the strong demand for core mobile, broadband and IT services.

In particular, mobile service revenue continues to experience strong growth and is in line with our expectations for the full year. Broadband margins have stabilised as increased fibre input costs

are reflected into our market pricing, and we are seeing positive signs in Cloud margin, while voice margin continues to decline.

Finally, we are actively focused on managing down our other operating costs to offset this and any impacts we see from inflation.

Therefore, I am pleased to reaffirm guidance for the financial year ended 30 June 2024, including:

- EBITDAI of between \$1.215-\$1.260 billion;
- Capex of \$510 to \$530m; and
- Dividend of 27.5 cents per share, 100% imputed.

This reflects the confidence the Board has in Spark's strategy and future growth potential.

Looking to the future, we have a clear plan to continue growing value for our shareholders.

We are investing \$250-\$300 million into data centres, a market which is expected to rapidly expand over the next 3-5 years. Spark is well positioned to continue to grow its share of this market, and Jolie will talk you through this in more detail shortly.

We have also committed an additional \$40-\$60 million to invest into 5G Standalone, which is on top of the \$100 million we invest annually into our mobile network. This will provide greater coverage and capacity, increase the addressable wireless broadband market, and provide new opportunities to monetise the network for our business customers. Our goal is to have 5G Standalone deployed nationwide by the end of FY26.

Finally, we will continue to invest in our digital identity business MATTR, which is now operating across the US, Canada, Switzerland, Australia, and New Zealand, and recently won a multi-year contract with the NSW Government as technology partner for its digital identity and verifiable credentials programme.

Our strategic focus on sustainability continues and we remain committed to maturing our practices further in the years ahead.

We were pleased to be accepted into the Dow Jones Sustainability Australia Index, while ranking in the top quartile of the Worldwide Benchmarking Alliance's Digital Inclusion Benchmark.

Our emissions reductions are on track against our science-based target pathway, with Scope 1 and 2 emissions down 29.8%. This was driven by a higher share of renewables on the grid, and we continue to focus on opportunities to support new renewable electricity production.

As a technology company we operate in a global supply chain, with suppliers in some geographies that are at a high risk of modern slavery. Through our membership of the Joint Audit Cooperation, we have completed four of the five audits we committed to complete during calendar year 2023. We are currently in the process of assessing these findings and agreeing a process of remediation with our suppliers where it is needed.

We have also maintained our focus on diversity and inclusion and are proud to have reduced our gender pay gap from 28% in FY20 to 21.6% at the end of FY23. We still have more work to do to increase female representation within Spark and to meet our 40:40:20 target, with women currently representing 34% of our workforce.

Recognising the critical role our senior leaders play in the achievement of our ESG ambitions, our emissions reduction and diversity targets have been integrated into our Long-Term Incentive Scheme.

Before I wrap up, as we recently announced, Charles Sitch will be stepping down at the close of this Annual Meeting.

I wish to thank Charles for his huge contribution to the Spark Board over the last twelve years. He has played a unique role in guiding the business from its telco origins to the digital services provider it is today.

Gordon MacLeod has been appointed Chair of the Audit Risk Management Committee, effective from the close of this Annual Meeting

On behalf of the Board, we thank you Charles and wish you every success in the future.

I would like to finish by thanking all Spark people for their commitment to our customers and our strategic ambitions over the last year. I would also like to acknowledge the extraordinary efforts of the teams who supported our customers during Cyclone Gabrielle – working around the clock to restore connectivity to communities and to ensure our customers were able to reconnect with loved ones as quickly as possible.

Finally, thank you to my fellow directors, and to you, our shareholders, for your ongoing support.

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

I will 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 morning to everyone in the room and online today.

FY23 marks the completion of our last three-year strategy, and I would like to quickly reflect on what we have achieved over that time.

Our customer, people, brand, and sustainability fundamentals are healthy and growing. We have achieved market leadership in mobile, maintained our #1 position in broadband, and grown IoT and health revenues to over \$290m. We have focussed our portfolio by exiting the sports streaming market, allowing us to direct capital and resources to growth opportunities with the highest potential value to our shareholders.

We are a much simpler business today than we were three years ago. We have retired 350 legacy plans and migrated over 420,000 customers to new and more intuitive plans that better reflect their needs. We now have over 1.57 million unique users on the My Spark App, and digital journeys have increased by 50%.

Our locally unique data and AI capability is a competitive advantage. By better understanding what our customers need and when they need it, we have delivered a 17% annual improvement in conversion and 9% efficiency gains.

We have delivered these simpler, more digital, and data-driven customer experiences while improving our interaction net promoter score (iNPS) by 9 points to +31 over the last three years.

We now have 5G in 77 locations across the country and continue to make significant investments into resilience.

I am proud of the progress we have made building a strong culture at Spark. Our employee engagement score of 71% is approaching top quartile performance in New Zealand and is up 4% year on year.

Our market leading learning and development programmes have delivered high levels of internal progression and career development for our people. And importantly, during years of significant upheaval within New Zealand, we have matured our approach to wellbeing through our Mahi Tahi strategy, with 88% of our people saying they feel like their wellbeing is supported at Spark.

When I stand back and look at our overall performance, I am pleased that we have been able to shift from our traditional telco origins to digital services over the last three years, with legacy products like landline now less than 6% of overall revenues and a growing high-tech portfolio.

As a result of this mahi, we start FY24 in a strong position.

As we look to the future, we know the pace of change and disruption will only accelerate from here, and as the world around us changes, we need to change with it.

Aotearoa is growing, getting older, and becoming more diverse. Our customers are facing inflationary cost pressures, which is forcing a focus on efficiency and productivity. The opportunity for Spark is to harness the power of emerging and converged technologies to provide new solutions to these challenges that haven't been possible in the past.

We have shaped our new strategy to position Spark for success in multiple potential futures. Our three-year focus is on empowering the people and businesses creating Aotearoa's tomorrow. As an enabling business our success will be measured in the success of others. We will bring New Zealanders the best digital first experiences, curated to their needs, and support local businesses big and small to grow and become more productive and sustainable through technology.

Mobile will continue to be a key growth driver, while our investments in digital infrastructure including data centres, converged technology solutions, and digital identity through MATTR will generate new revenues over time.

We will build on the progress we have made over the last three years through our capability-led approach by continuing to invest in our key sources of differentiation – our data and AI capability, simpler and more digital customer experiences, our network and technology investment, and the strength of our people and culture.

Finally, how we do business will remain just as important as what we will do, with our focus on Toitū Sustainability at Spark and our Māori Strategy, Te Korowai Tupu.

With this focus, we aspire to continue delivering strong growth for our shareholders over the next three years.

We are targeting revenue growth of 2-4%, low to mid single-digit EBITDAI growth, and a cumulative 10% lift in free cash flow. These ambitions create an opportunity for Spark to grow our earnings and dividends over time to generate top decile returns for our shareholders.

As Justine touched on, the majority of the \$350 million we set aside from our TowerCo proceeds will be reinvested into expanding our data centre footprint. Because of the scale of this investment, I wanted to provide more background on our data centre business today.

We already operate the country's most extensive network of customer data centres across 16 sites, with the ability to add additional capacity.

The diversity of our data centre assets means we can meet a very broad range of requirements and we have the technical, engineering, security, and infrastructure capabilities needed to deliver.

Our core business is highly complementary and sets us apart from pure play data centre operators. We can add additional value at the connectivity layer – providing international subsea, national, and metro fibre services – as well as across the top at the product and sales layer, through our extensive IT and cloud capabilities and by acting as a sales channel to market for global providers.

These investments will generate long-term annuity revenues that benefit from inflationary pricing protections and supportive market tailwinds.

Our Takanini expansion was completed in August 2023 and this revenue will begin to scale in FY24 and then grow for several years until it reaches full billing. Our total data centre built

capacity will reach 22MW in this financial year and we have land held in existing sites for an additional 19MW of capacity available for further development.

Our decision to proceed with further builds will be based on meeting the investment criteria outlined in our capital management framework.

I also wanted to provide an overview on satellite technology, which has been topical lately, and how we are expanding our portfolio in this growing area.

Satellite is complementary to our existing connectivity portfolio. It will enable us to reduce coverage gaps that may exist for customers and deliver greater resilience while we continue to invest in expanding rural connectivity through mobile network investment.

In mobile we have announced a new partnership with Lynk Global, which will allow our customers to use their phones in areas that are not easily reached by traditional mobile coverage.

It is important to stress that this satellite capability is still evolving, and so we will be starting with a trial of a text-only satellite-to-mobile service which will be underway soon, with a further rollout of the text capability envisaged during 2024.

For our business customers, we announced a partnership with Netlinkz to provide enterprise-grade Starlink Satellite broadband. A trial is currently underway with select customers, with a full rollout planned for late-2023.

And in our wholesale business, Spark has owned and operated NZ's largest Earth Station in Warkworth for many years now, and we provide a full suite of satellite services to our customers.

When it comes to new technologies, it would be remiss of me not to mention Generative AI.

The potential benefits of this technology are significant, and we are actively exploring how we can leverage these capabilities within our own business and for our customers.

We see Gen AI as a 'co-pilot'. It's not just about automating tasks, but improving the quality of our work, improving customer experiences, and boosting productivity and efficiency.

Our plan is to build on our market-leading existing AI capability we use to market our mobile and broadband products to our customers, by applying it more broadly across our business portfolio, and then into our own operations. This will not only improve the experiences of our people and customers, but also make us more competitive in the market.

We have several activities underway, and as we deploy these new applications, we will continue to be guided by our Ethical AI Principles, which ensure we uphold our very high privacy and security standards.

In closing, I am excited about the opportunity ahead of us to harness the power of technology to help businesses transform, to help Aotearoa transition to a low-carbon economy, and to keep delivering great experiences for our people and customers and great returns for our shareholders.

I want to finish by thanking our people for the pivotal role they have played in delivering these results, and for their enduring commitment to Spark.

We have an important role to play as New Zealand transforms in the years ahead and we are only able to fulfil our purpose as a business with the support of our shareholders, our customers, our people, and our communities. And I thank you for your ongoing support.  
Nō reira, tēnā koutou, tēnā koutou, tēnā tatou katoa.

### **Authorised by:**

Chante Mueller

Head of Investor Relations & Insurance

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## About Spark

As New Zealand's largest telecommunications and digital services company, Spark's purpose is to help all of New Zealand win big in a digital world. Spark provides mobile, broadband, and digital services to millions of New Zealanders and thousands of New Zealand businesses.

[www.sparknz.co.nz](http://www.sparknz.co.nz)



# Annual Shareholder Meeting 2023



# Order of Meeting

Introductions

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Chair's Address

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CEO's Review

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Resolution

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Resolution Q&A

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Conduct of Polls

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General Q&A

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# Introductions

- Warwick Bray
- Sheridan Broadbent
- Gordon MacLeod
- Jolie Hodson, Director and CEO
- Charles Sitch
- Alison Barrass
- David Havercroft
- Stefan Knight, CFO



# Chair's Address



# FY23 financial performance

## Reported result

**Revenue:** \$4,491 million (+20.7%)  
**EBITDAI:** \$1,722 million (+49.7%)  
**Net Profit After Tax:** \$1,135 million (NM)

## Adjusted result

**Revenue:** \$3,908 million (+5.1%)  
**EBITDAI:** \$1,193 million (+3.7%)  
**Net Profit After Tax:** \$433 million (+5.6%)

\$489  
million

▲ 12.9% increase

FREE CASH FLOW

\$515  
million

▲ 25.6% increase

CAPEX

27.0  
cents

▲ 8% increase

TOTAL FY23 DIVIDEND

# FY24 Trading Update & Guidance<sup>(1)</sup>

Reaffirming guidance for the financial year ended 30 June 2024:

	<b>FY23 Actual</b>	<b>FY24 Guidance</b>
<b>EBITDAI</b>	\$1,193m <sup>(2)</sup>	\$1,215m-\$1,260m
<b>Capital expenditure<sup>(3)</sup></b>	\$515m	~\$510 to \$530m
<b>Dividend per share</b>	Total 27.0cps (100% imputed)	Total 27.5cps (100% imputed)

<sup>(1)</sup> Subject to no adverse change in operating outlook

<sup>(2)</sup> FY23 EBITDAI is adjusted for the impact of TowerCo gain on sale of \$583m included in revenue and the Spark Sport provision of \$54m included in operating expenses. Net EBITDAI impact of \$529m.

<sup>(3)</sup> Total capital expenditure including growth capex and excluding expenditure on mobile spectrum

# Investing for future growth



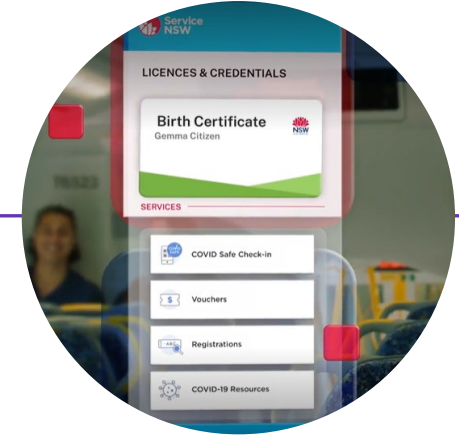
## DATA CENTRES

- \$250-\$300 million
- Spark is well positioned to continue to grow its share of the data centre market



## 5G STANDALONE

- \$40-\$60 million (in addition to the \$100 million we invest in our mobile network annually)
- Greater coverage and capacity, wider addressable market for Wireless Broadband, new ways to monetise the network in business



## MATTR

- Digital identity business operating across the US, Canada, Switzerland, Australia and New Zealand
- Recently won a multi-year contract with the NSW Government

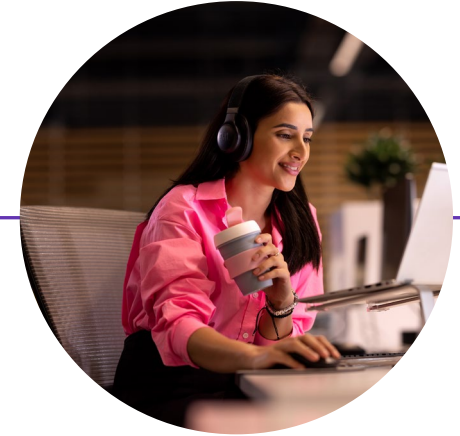
# Sustainability performance



- Accepted into the Dow Jones Sustainability Australia Index
- Placed in the top quartile of the Worldwide Benchmarking Alliance's 2023 Digital Inclusion Benchmark



- Emissions reductions on track against our science-based target pathway
- Scope 1 and 2 emissions down 29.8%, driven by more renewables on the grid



- Reduced gender pay gap from 28% (FY20) to 21.6% (FY23)
- 40:40:20 target: women currently represent 34% of our workforce



**Charles Sitch**





**Ngā mihi. Thank You.**

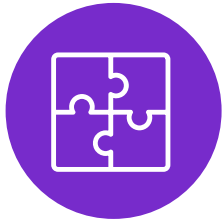


# CEO Review



# FY21-FY23 strategy

Strong platform for future growth, customer experience up 9-points



## SIMPLE, INTUITIVE CUSTOMER EXPERIENCES

- Retired 350 legacy plans, migrated 420k customers
- 1.57m+ My Spark App users, digital journeys up 50%



## DEEP CUSTOMER INSIGHTS

- 17% annual conversion improvement
- 9% efficiency gains



## SMART, AUTOMATED NETWORK

- 5G in 77 locations across the country
- Significant investments into resilience



## GROWTH MINDSETS

- 70% employee engagement
- 89% feel their wellbeing is supported at Spark

## Our purpose

TO HELP

ALL OF

**NEW ZEALAND**

WIN BIG

IN A DIGITAL WORLD

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

## Our values

**TŪHONO:** we connect

**WHAKAMANA:** we empower

**MATOMATO:** we succeed together

**MĀIA:** we are bold



## Our FY24-26 focus

We will empower the people and businesses creating Aotearoa's tomorrow by:

Bringing New Zealanders the best digital-first experiences, curated to their needs



**LEAD**  
Mobile



**OPTIMISE**  
Broadband

Enabling New Zealand Businesses to grow and become more productive and sustainable through technology



**LEAD**  
SME and Business



**GROW**  
High-tech Solutions

## Our enablers

Next evolution technology

Simple, data-driven organisation

Innovation culture

**Our commitment: to stand together for generations to come**



Economic Transformation

Toitū Sustainability at Spark



Digital Equity



Sustainable Spark

Te Korowai Tupu



Our Māori Strategy

## Our FY26 outcomes

Low / mid single digit CAGR EBITDAI growth

>10% Free cash flow growth

+10 lift Customer engagement

Top decile People engagement

Top quartile Sustainability benchmarking

# Data centre investment

Spark is well positioned to grow its share of the New Zealand data centre market

**Most extensive  
network of data centres  
in New Zealand**



**Technical, engineering,  
infrastructure, and  
security capabilities**



**Core connectivity business  
and subsea cable assets  
complementary and a  
differentiator**



**Extensive customer  
relationships and  
local sales channel**



# Satellite portfolio expansion

Satellite plays an important role in increasing resilience in Aotearoa

## MOBILE



- Partnership with Lynk Global
- Spark mobile customers can opt-in to a trial of a text-only satellite-to-mobile service by the end of 2023, with a further rollout envisaged by 2024

## BROADBAND



- Partnership with Netlinkz providing business customers with enterprise-grade Starlink Satellite broadband
- Trial underway, full rollout to come

## WHOLESALE



- Spark operates New Zealand's largest Earth Station in Warkworth
- Full suite of satellite services, with connections to several major orbital positions



# Generative AI



**Ngā mihi. Thank You.**





# Resolution

## Auditor's Remuneration



# Questions?

**Ngā mihi. Thank You.**

# 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, 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.