



MARKET RELEASE – FRIDAY, 18 AUGUST 2023

Spark delivers to guidance with revenue, EBITDAI, and NPAT all in growth

- Reported revenue¹, EBITDAI², and NPAT³ all in growth, driven by one-off proceeds from the strategic divestment of a majority stake in Spark's TowerCo business
- Adjusted revenue, EBITDAI, and NPAT all in growth, with mobile performance a standout
- Free cash flow growth at top end of aspiration, largely funding the total FY23 dividend of 27cps, 100% imputed – an increase of 2cps vs. FY22

Spark New Zealand (Spark) today announced its FY23 results, with revenue, EBITDAI, and NPAT all in growth.

Spark Chair Justine Smyth said, "In a challenging year for all businesses in Aotearoa, Spark's strong revenue growth and disciplined cost control has underpinned earnings and dividend growth for our shareholders. The Board and I are pleased to complete the current three-year strategy period delivering to guidance, and with a strong platform for future growth.

"Over the last three years Spark's locally unique data and AI capability, simplified portfolio, and significant network and technology investments have delivered market leadership in mobile, a stabilised leadership position in broadband, and strong growth in high-tech categories such as IoT and digital health.

"The strategic review of Spark's infrastructure assets resulted in the divestment of a 70% stake in its TowerCo business to the Ontario Teachers' Pension Plan for \$911 million, enabling us to return value to shareholders while investing in future growth. We allocated up to \$350 million of these proceeds to an on-market share buy-back⁴, and at the end of June \$146 million had been returned to shareholders.

"As we look to FY24, we have confidence in Spark's ability to continue to grow earnings and free cash flow and are guiding to a higher total FY24 dividend of 27.5 cents per share, 100% imputed."

FY23 operating highlights

The TowerCo transaction and exit of Spark Sport resulted in a net EBITDAI gain of \$529 million, contributing to a 20.7% increase in reported revenues to \$4,491 million, a 49.7% increase in EBITDAI to \$1,722 million, and NPAT of \$1,135 million.

When adjusting for the one-off benefit, revenues increased 5.1% to \$3,908 million, underpinned by mobile service revenue growth of 9%. Spark is number one in mobile market share by service revenue and total connections⁵, with the strength of its dual brands Spark and Skinny, product innovation, and the ongoing return of roaming supporting connection and value growth.

Broadband connections remained broadly stable in line with strategy, with high levels of competition driving a 2% revenue decline to \$626 million and rising input costs continuing to put pressure on retail margins. These costs were passed through in price increases during the year and when combined with

¹ Operating revenues and other gains

² Earnings before finance income and expense, income tax, depreciation, amortisation, and net investment income (EBITDAI) is a non-Generally Accepted Accounting Practice performance measure that is defined and reconciled to net earnings in Spark New Zealand's Financial Statements

³ Net Profit After Tax

⁴ Subject to market conditions at the time. Spark may investigate alternative return options

⁵ Market share estimates sourced from IDC as at 30 June 2023

the ongoing growth in wireless broadband supported profitability in a highly competitive sector. Spark achieved its three-year ambition of 30% of its base on wireless broadband.

Cloud, security, and service management revenues decreased 2.2% to \$436 million, impacted by the mix shift from private cloud to public cloud and service management activity normalising post Covid-19.

While digital health revenues were impacted by delays, and deferrals due to health sector reforms, IoT and digital health collectively contributed \$122 million of revenue, and IoT surpassed its three-year target of 1.2 million connected devices, growing 76% to 1.46 million.

When combined with disciplined cost control adjusted EBITDAI grew 3.7% to \$1,193 million, in line with guidance. Adjusted NPAT increased 5.6% to \$433 million, driven by EBITDAI growth, lower depreciation and amortisation costs, and partially offset by higher tax expense.

Free cash flow was towards the upper end of the FY23 aspiration at \$489 million, driven by EBITDAI growth and disciplined capital management.

Commenting on the results, Spark CEO Jolie Hodson said, "In a volatile economic environment we have remained firmly focussed on delivering what we said we would in this last year of our three-year strategy, while charting a path for the future.

"In mobile we lead the market on both connections and service revenue, and we have maintained our leading position in broadband in the face of ongoing input cost escalation and high levels of competition.

"I am particularly pleased that we have been able to shift from our traditional telco roots to broader digital services over the last three years, with legacy products like landline voice now below 6% of overall revenues and a growing high-tech portfolio. We have made strong progress in our digital identity business MATTR, which recently secured a significant contract with the New South Wales (NSW) Government in Australia as technology partner on the NSW Digital ID and Verifiable Credentials programme.

"In business we continued to see the mix shift from private to public cloud impacting margins, while service management revenues normalised as we cycled the Covid-19 period that included a higher level of activity in the health sector. We are actively refocusing the business to adapt to these trends, realigning our cost base to changed margin profiles, and investing in product innovation within enterprise service management and hybrid cloud, where Spark is uniquely positioned to lead.

"Overall, we have finished the three-year strategy period in a strong position and with momentum in our key markets. We have a clear plan for the next three years and the ability to invest to develop new revenue streams. We have allocated \$250-\$300 million to invest in the high growth data centre market and are further expanding our Takanini campus while also investigating other options.

"We have continued our 5G rollout at pace, with 77 locations across the country, and we have made a fast start on our plans to invest \$40-\$60 million in 5G Standalone, which will enable New Zealanders to realise the full potential of 5G.

"The growth we have achieved has been underpinned by a sustained focus on doing business well – investing in the capability, wellbeing, and engagement of our people, improving the experiences of our customers, and creating a sustainable Spark.

"As we look to the future we are well placed to continue adapting as our country and markets evolve, and we are optimistic about the role Spark can play in empowering the people and businesses creating Aotearoa's tomorrow."

FY24 guidance

Spark provided the following guidance for FY24, subject to no adverse change in operating outlook:

- **EBITDAI:** \$1,215-\$1,260 million

- **Capital expenditure:** ~\$510-\$530 million
- **Total dividend per share:** 27.5 cents per share, 100% imputed

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About Spark

Spark is New Zealand's largest telecommunications and digital services company, with a purpose 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