



Spark New Zealand

FY22 Results Summary

Jolie Hodson, Chief Executive Officer
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Results overview

Results summary

Creating value for shareholders – delivering on our strategy and maximising returns



STRONG FINANCIAL PERFORMANCE - ALL GUIDANCE METRICS ACHIEVED

- Return to revenue growth through market-leading mobile performance and Spark Health contract wins
- Market momentum combined with cost-discipline delivered EBITDAI growth at the top end of guidance, supporting a total FY22 dividend of 25.0cps, 100% imputed



MAXIMISING SHAREHOLDER VALUE

- The Board reviewed Spark's Capital Management Policy and released a new Capital Management Framework, designed to grow long term shareholder value through disciplined investment, while returning excess capital to shareholders and maintaining financial strength and flexibility
- Confidence in ability to grow free cash flow (FCF) to ~\$460m-\$500 million⁽¹⁾ in FY23. Guiding to a total FY23 dividend of 27.0cps, 100% imputed, funded through earnings and FCF growth
- Sale of 70% stake in TowerCo to Ontario Teachers Pension Plan⁽²⁾ to generate ~\$900 million in proceeds. Spark intends to:
 - Return up to \$350 million to shareholders through an on-market share buy-back once the transaction completes⁽³⁾
 - Retain \$350 million to invest in future growth and accelerate Spark's transition to higher growth digital services
 - Remaining proceeds used to offset increase in lease liability
- Spark ranked #2 against international peers for Total Shareholder Returns, with CAGR of ~12% for three years⁽⁴⁾



FOCUSSED STRATEGY EXECUTION GROWING COMPETITIVE ADVANTAGE

- Strategic focus on simplified products and systems and data and AI-driven marketing delivering a +9 increase in customer engagement, increased conversion, and lower care costs
- Substantial infrastructure investments position Spark to lead on emerging commercialisation opportunities – as 5G, multi access edge compute, AI, IoT, and cloud computing combine to deliver powerful use cases for businesses
- People engagement high at +70 and median gender pay gap closed by 3pp
- Strong sustainability outcomes, with 15.2% emissions reduction and 30%+ growth in digital equity product Skinny Jump

⁽¹⁾Free cash flow of ~\$460m-\$500m under new methodology refer slide 29 in appendix

⁽²⁾Transaction subject to Overseas Investment Office approval, with completion anticipated to occur in the first half of FY23

⁽³⁾Subject to market conditions at the time. Spark may investigate alternative return opportunities

⁽⁴⁾Refer slide 27 in appendix

FY22 financial snapshot

Focussed strategy execution resulting in strong financial performance with all guidance metrics achieved



\$3,720m

3.5% increase vs. FY21

REVENUE⁽¹⁾



\$1,150m

2.8% increase vs. FY21⁽³⁾

EBITDAI⁽²⁾



\$410m

7.6% increase vs. FY21⁽³⁾

NPAT



\$410m

17.5% increase vs. FY21⁽³⁾

CAPEX⁽²⁾



\$296m

31.6% decrease vs. FY21⁽³⁾

FREE CASH FLOW



25.0c

H2 FY22 Dividend 12.5cps, 100%
imputed

TOTAL FY22 DIVIDEND

⁽¹⁾ Operating revenues and other gains

⁽²⁾ Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI) and capital expenditure (CAPEX) are non-Generally Accepted Accounting Practice (non-GAAP) performance measures that are defined in Note 2.5 of Spark's financial statements

⁽³⁾ Adjusted for the impact of cloud accounting policy change

Established market performance

Market leading mobile performance and continued growth in wireless and cloud

\$899m

▲ 5.5% vs. FY21

#1 Mobile Service Revenue⁽¹⁾

MOBILE SERVICE REVENUE

Spark outperforming the market⁽¹⁾ in mobile service revenue growth

Data-driven marketing drove a ~13% increase in customer base on Endless plans, and pay-monthly, pre-paid, and business connections grew steadily

Total ARPU up \$1.42 or 4.9%, driven by adoption of Endless plans across the spectrum and more effective use of value-added services (VAS)

\$639m

▼ (4.6)% vs. FY21

#1 Broadband revenue and connections⁽¹⁾

BROADBAND REVENUE

Redesign of broadband plans stabilised base at 704,000, in line with strategy

Wireless broadband connections up 16,000, helping to offset revenue decline through avoided input costs

~28% of overall broadband base now on wireless – on track to meet FY23 target of ~30%

\$446m

— 0.7% vs. FY21

#1 Hybrid Cloud⁽²⁾

CLOUD, SECURITY, & SERVICE MANAGEMENT REVENUE

Cloud revenue grew 1.7%, however revenue and ARPU impacted by mix-shift to public cloud

Overall revenues impacted by H1 COVID lockdowns, delays to transformation projects, supply chain disruption, and some execution challenges

FY23 focus on product enhancement, refreshed pricing, and further growing specialist skills

⁽¹⁾Market share estimates sourced from IDC

⁽²⁾Spark's estimate based on independent market share data

FY22 future market performance

Spark IoT and Spark Health are now material contributors to revenue and drivers of growth



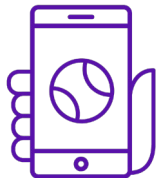
SPARK IoT

- Revenue grew 22%, driven by uptake across metering, transport, emergency services, smart environments, and asset management
- IoT connections increased 75% to 832,000 connections
- Significant stake taken in partner Adroit - to accelerate future growth in sustainable monitoring solutions



SPARK HEALTH

- Revenue grew 46%, driven by continued growth in telco, IT services, and health products
- Digital health platform, *Kete Waiora*, live with three vendors onboarded
- National contract wins through newly established Te Whatu Ora (Health New Zealand)

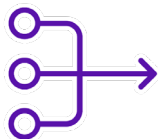


SPARK SPORT

- Delivered successful second season of cricket with brand-new commentary set up, elevating cricket production and providing greater insights for fans
- Focus remains on accelerating strategic partnership opportunities to drive improved returns

Core capabilities continue to mature

Supporting growth in Spark's established and future markets as capabilities embedded across the business



SIMPLE, INTUITIVE CUSTOMER EXPERIENCES

- Customer experience improved through simplification and digitisation, with iNPS +9 points
- 102 legacy mobile and broadband plans retired, and 350,000 customers migrated
- Digital journeys for sales and service increased 23% - delivering a 17.5% reduction in customer care calls and 18% growth in online revenue
- New Spark App functionality - supporting ~1.4 million unique users and ~800,000 interactions on average per month



DEEP CUSTOMER INSIGHTS

- Data and AI-driven marketing capability maturing - now better predicting the needs of ~90% of Spark customer households and making recommendations for more than half of SME customer base
- Uplift in data driven marketing campaign conversion of 19% YoY and delivered a 16% improvement in marketing efficiency
- AI capability now extending into business segment



SMART, AUTOMATED NETWORK

- 5G coverage extended or launched across 12 locations⁽¹⁾. Meeting our CY23 target of ~90% population coverage is reliant on NZ Government spectrum allocation. First 5G stand-alone core network built and first Multi Access Edge Compute (MAEC) trials underway
- Takanini data centre expansion 30% complete, with more than 85% of capacity contracted
- Optical Transport Network 2.0 build 87% complete and ~50% of PSTN estate now decommissioned
- Southern Cross NEXT fibre cable launched, almost doubling international capacity and boosting resilience for Aotearoa



GROWTH MINDSET

- High performance culture, with employee engagement at +70 (eNPS)
- Female representation increased from 42% to 47% at senior leadership level; median gender pay gap reduced from 28% to 24%; ethnicity data collection increased 30pp to ~50% of Spark people
- Mahi Tahi wellbeing strategy supporting sustainable performance

⁽¹⁾Spark 5G available in 21 locations across New Zealand at end of FY22

Strong sustainability progress

Spark sustainability practices continue to mature, while we support a just transition to a low-carbon economy



CREATE A SUSTAINABLE SPARK

Science-based target progress

- Emissions reduction programme operational, to support science-based target (SBTi) of 56% scope 1 and 2 reduction by 2030 (from FY20 baseline)
- Emissions reduced 15.2% YoY, with 9.7% driven by a reduction in NZ grid emissions intensity and 5.5% driven by a reduction in underlying energy use
- While positive, emissions remain higher than our FY20 baseline and to meet our SBTi we must decouple our growth from emissions by linking our energy procurement to new sources of renewable electricity
- Progress against Scope 3 target, with ~30% of suppliers by spend with an SBTi aligned target in place

Maturing ethical supply chain practices

- New supply chain risk management system implemented, and membership of global industry group, the Joint Audit Cooperation (JAC), approved, enabling auditing of global suppliers
- Human Rights Policy and Modern Slavery Framework developed and endorsed by Board



ECONOMIC RECOVERY AND TRANSFORMATION

Supporting decarbonisation through technology

- Technology has an important role to play in supporting businesses to decarbonize
- Over half of Spark IoT's FY22 revenue connected to climate change and sustainability solutions, such as energy and water metering, or environmental monitoring
- Signed up to Climate Leaders Coalition's (CLC) higher statement of ambition - covering mitigation, adaptation, and transition - with CEO Jolie Hodson now CLC Convenor
- Supporting take-up of new technologies - hydrogen car sharing trial, 'Electric First' fleet policy for FY23



CHAMPION DIGITAL EQUITY

Continued progress supporting digital equity

- Skinny Jump continues to provide a valuable service for digitally excluded communities, with connections now 23,323 - up 5,808, or ~33%, since FY21⁽¹⁾
- Data allowances increased in FY22 to support households impacted by cost-of-living increases - Jump customers can now access up to 225GB a month, with the first 15GB free
- ~\$4.5 million+ of data donated through Skinny Jump in FY22

⁽¹⁾FY21 base restated for ~2,000 data-only connections

FY22 indicators of success

Delivering the results we committed to our shareholders

Strategic Pillar	Focus Area	Measure	Target 30 June 2022	Status
World class capability	Customer experience	Consumer and small business iNPS	+6 point lift	Exceeded
	Data driven insights	Uplift in data driven marketing campaign conversion ⁽¹⁾	15%	Exceeded
	Smart automated networks	Accelerate 5G	10-15 locations ⁽²⁾	Achieved
	Growth mindsets	eNPS	+70	Achieved
Grow established markets	Wireless	Mobile service revenue growth	2-4%	Exceeded
	Broadband	Wireless broadband connections ⁽³⁾	+15-20k	Not Achieved
	Cloud	Cloud, security and service management revenue growth	5-8%	Not Achieved
Accelerate future markets	IoT	Growth in number of connected IoT devices	+300k	Exceeded
	Spark Health	Growth in Spark Health revenues	8-10%	Exceeded
		Successful launch of Digital Health Platform	5 DHP customers onboarded	Not Achieved
Lowest cost provider	Deliver best cost	EBITDAI margin	31%	Achieved
Build a sustainable future	Championing digital equity	Skinny Jump connections	+5k	Achieved
	Sustainable Spark	Establish emissions reduction programme	30 June 2022	Achieved

⁽¹⁾ Spark consumer base

⁽²⁾ This includes a mix of new locations and existing locations where our 5G footprint will be expanded

⁽³⁾ Wireless broadband connection growth 16k including Skinny Jump, and 10k excluding Skinny Jump connections

Well positioned within the macro trends impacting our business

Resilient revenues and investments for the future will support adaptation and growth



GLOBAL ECONOMIC DISRUPTION

High inflation and cost-of-living crisis,
tight labour markets,
and constrained supply chains



- Broadband product and pricing refresh and multi-brand strategy
- Boosted digital equity offering
- Increased focus on talent mobility
- Careful supply chain management



CLIMATE CHANGE ACTION AND ADAPTATION

Window for action to avoid the worst
impacts of climate change closing fast,
requiring all businesses to accelerate
action and prepare to adapt



- Emissions reductions a priority
- Leveraging technology to support decarbonisation for Spark and our customers



TECHNOLOGY CONVERGENCE

Tech convergence accelerating - as 5G,
multi-access edge compute (MAEC),
data and AI, IoT, and cloud computing
combine to deliver powerful solutions



- Digital infrastructure investment supporting new use cases
- Increased focus on MAEC trials and commercialisation opportunities

Tech convergence creating new commercialisation opportunities

We are already seeing the benefits of technology convergence solving real-world problems for our customers



MPI sustainable fishing solution

- Solution combines on-board cameras with IoT, AI and machine learning, cloud computing, and data and analytics from Spark Business Group
- Delivers clearer, independent data to help inform policy decisions, scientific research, and fisheries management



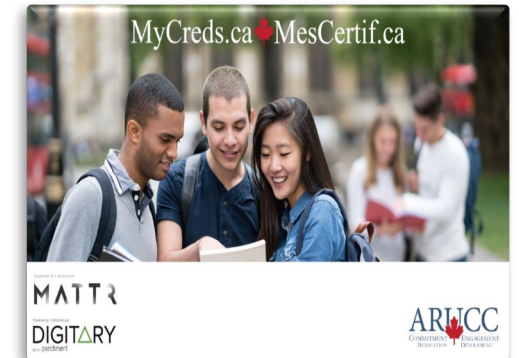
Improving patient care for AKL DHB

- Data and analytics solution that optimises use of hospital resources and promotes better patient outcomes
- Dashboards share real-time operational insights to better manage bed capacity, staffing and theatre utilisation, clinical information, and compliance reporting



Improving safety for EnviroWaste

- First pilot of 5G multi-access edge compute (MAEC), combined with AI-powered computer vision
- Lower latency, 5G connectivity, and faster processing times supporting the AI hazard detection system



Micro credentials for ARUCC

- Pilot of privacy-respecting micro-credentials for Canadian learners created by MATTR for the Association of Registrars of the Universities and Colleges of Canada (ARUCC)
- Allows students to hold and share their verifiable credentials when seeking employment or signing up for new learning journeys

Capital management and growth

Capital Management Policy

The Board reviewed Spark's Capital Management Policy and has released a new Capital Management Framework

Capital Management Framework

1

Maximising shareholder value

- Growing dividends via growth in earnings and sustainable free cash flow
- Dividend Policy: pay-out ratio of ~80%-100% of free cash flow⁽¹⁾ on a long run basis with annual guidance expressed on a cents per share basis
- Returning excess capital to shareholders using capital management options (e.g. on-market buybacks, special dividends)

2

Investing for growth

- Investing to sustain and grow the business organically
- Investing for growth via mergers and acquisitions that are EPS accretive over time

3

Maintaining financial strength and flexibility

- Committed to maintaining an appropriate investment grade credit rating

Key principles for investing in growth



Strategic alignment



NPV positive



ROI greater than Spark's hurdle rate in years 3-5



Long run capex to revenue ~10%-11%⁽²⁾

⁽¹⁾FCF defined as EBITDAI less tax paid, interest paid, maintenance capex (pre growth and spectrum capex), lease payments and pre any movements in working capital. Refer slide 29 of Appendix

⁽²⁾Excluding any spectrum purchases and renewals

How the Framework will be applied in FY23

Spark's forecast free cash flow growth and TowerCo transaction proceeds will be used in line with Framework principles

Free cash flow growth

- As we look to FY23, we have confidence in our ability to grow free cash flow to ~\$460m-\$500m⁽¹⁾, to fund our ordinary dividend

TowerCo proceeds

- As announced in July, Spark has reached agreement to sell a 70% stake in its TowerCo business to the Ontario Teachers' Pension Plan (OTPP)
- Spark expects net cash proceeds of ~\$900 million at completion (after transaction costs), which is subject to Overseas Investment Office approval, and is anticipated to occur in the FY23 first half

Maximising shareholder value

- FY23 dividend of 27cps (100% imputed) funded through earnings and free cash flow growth
- Up to \$350m of proceeds from TowerCo transaction intended to be returned to shareholders via on-market buy-back post completion of the transaction. The buy-back will be subject to market conditions. Spark may investigate alternative return opportunities

Investing for growth

- \$350m capex to be invested in support of growth:
 - Digital infrastructure investments, such as 5G acceleration, edge computing, and data centres, accelerating our growth in Spark IoT and Spark Health, and investing in emerging technologies

Maintaining financial strength and flexibility

- Remaining proceeds to offset increase in lease liability resulting from long-term agreement with TowerCo to secure access to existing and new towers
- Post completion, Spark's net debt to EBITDA ratio is expected to fall significantly, and then increase over time as funds are returned to shareholders and investments are made
- Future financial flexibility maintained with ability to take on additional debt by moving to BBB+ should it be required to support growth in line with the principles for investing in growth noted on slide 13

⁽¹⁾Free cash flow of ~\$460m-\$500m under new methodology refer slide 29 in appendix

Financials

FY22 financial performance summary

Delivering strong financial results with Revenue, EBITDAI and NPAT all in growth

▲ \$3,720m

Up \$127m or 3.5% vs. FY21

REVENUE GROWTH

Revenue growth driven by:

- Outperformance in mobile; and
- Spark Health and Spark IoT growth

▲ \$410m

Up \$29m or 7.6% vs. FY21⁽¹⁾

NPAT GROWTH

NPAT growth driven by EBITDAI growth with net financing, D&A, and tax stable

▲ \$1,150m

Up \$31m or 2.8% vs. FY21⁽¹⁾

EBITDAI GROWTH

Top line momentum and cost discipline resulting in EBITDAI at the top end of guidance range

▼ \$296m

Down \$137m or (31.6%) vs. FY21⁽¹⁾

FREE CASH FLOW

Free cash flow of \$296m, lower than aspiration:

- Impacted by timing of working capital and supply chain impacts
- Remain confident in FY23 free cash flow aspiration of ~\$460m-\$500m⁽²⁾

▲ \$2,570m

Up \$96m or 3.9% vs. FY21⁽¹⁾

OPEX GROWTH

Opex growth driven by:

- Higher procurement costs in support of revenue growth; and
- Investment in future market growth

\$25.0c

TOTAL FY22 DIVIDEND

Total FY22 dividend of 25.0 cps confirmed in line with guidance.

H2 FY22 dividend of 12.5 cps, 100% imputed.

The Dividend Reinvestment Plan (DRP) has been suspended for the H2 FY22 dividend and for the foreseeable future⁽³⁾.

⁽¹⁾Adjusted for the impact of cloud accounting policy change

⁽²⁾Free cash flow of ~\$460m-\$500m under new methodology refer slide 29 in appendix

⁽³⁾Given the anticipated receipt of proceeds from the sale of 70% of TowerCo, the Dividend Reinvestment Plan has been suspended for the H2 FY22 dividend and for the foreseeable future

Financials

	FY21 ⁽¹⁾ \$m	FY22 \$m	CHANGE
Operating revenues and other gains	3,593	3,720	3.5%
Operating expenses	(2,474)	(2,570)	(3.9%)
EBITDAI	1,119	1,150	2.8%
Finance income	34	26	(23.5%)
Finance expense	(81)	(74)	8.6%
Depreciation and amortisation	(521)	(520)	0.2%
Net investment income	(1)	(1)	-%
Net earnings before tax expense	550	581	5.6%
Tax expense	(169)	(171)	(1.2%)
Net earnings after tax expense	381	410	7.6%
Capital expenditure ⁽²⁾	349	410	17.5%
Free cash flow	433	296	(31.6%)
EBITDAI margin	31.1%	30.9%	(0.2pp)
Effective tax rate	30.7%	29.4%	(1.3pp)
Capital expenditure to operating revenues	9.7%	11.0%	1.3pp
Earnings per Share	20.6c	21.9c	1.3c
Total Dividend per Share	25.0c	25.0c	-

⁽¹⁾Adjusted for the impact of cloud accounting policy change

⁽²⁾Excluding expenditure on mobile spectrum

FY22 operational performance summary

Revenue growth in established and future markets driving consistent earnings growth

▲ \$3,720m

3.5% increase vs. FY21

REVENUE

- Outperformance in mobile with highest revenue and connection growth in the market⁽²⁾
- Procurement growth driven by Health New Zealand wins and ongoing demand for hardware and software to support working from home
- Cloud revenue growth of 1.7% reflecting health growth, offset by competitive pricing pressure. Lower project activity across security and service management as a result of Covid and supply chain delays, and execution challenges
- Broadband revenue impacted by ongoing competitive intensity and plan redesign to stabilise base in line with strategy
- Voice revenue decline includes cycling of non-recurring H1 FY21 wire maintenance charges (underlying decline of ~12% in line with previous trends)
- Future markets of Health and IoT grew 46% and 22% respectively demonstrating ongoing future potential

▲ \$2,570m

3.9% increase vs. FY21⁽¹⁾

OPERATING EXPENSES

- Operating expenses up YoY with gross benefits of cost out reinvested in support of future market growth
- Increase in product costs primarily driven by increased procurement volumes
- Labour costs broadly flat, a pleasing outcome in a tight labour market, balancing the retention of key talent while continuing to invest in new markets
- Decrease in other operating expenses driven by:
 - reduction in network support costs, and precision marketing savings; partially offset by
 - return to normal levels of bad debt expense
- Managing inflationary pressure through use of multi-brands and refreshed pricing; increasing automation, and targeted cost reduction programmes

▲ \$1,150m

2.8% increase vs. FY21⁽¹⁾

EBITDAI

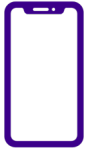
- Delivered EBITDAI at the top end of guidance range
- EBITDAI up \$31m or 2.8% YoY reflecting targeted return to revenue growth
- Prior period includes \$16m of non-recurring wire maintenance refunds. Other one off items are broadly consistent across the periods
- EBITDAI margin of ~31% in line with aspiration

⁽¹⁾Adjusted for the impact of cloud accounting policy change

⁽²⁾Market share estimates sourced from IDC

Established and future market outlook

Delivering on three-year revenue and costs aspirations with core capabilities supporting strong operational performance and execution in established and future markets



MOBILE

- Total market mobile service revenue growth estimated to be ~2%-3% CAGR over the next 3-years to 2025⁽¹⁾
- Border reopening presents opportunity for return of roaming revenues. Estimating FY23 roaming revenue return of ~60%+ of pre-Covid levels. Also expect pre-paid travellers to return increasing the connection base however, may dilute prepaid ARPU
- FY23 mobile service revenue growth aspiration ~5%-8%



BROADBAND

- Total market broadband connections forecasted to grow modestly at ~1%-1.5% CAGR over the next 3-years to 2025⁽¹⁾
- Our ambition is to maintain share in a competitive market through scaling data insight capability and precision marketing across broadband portfolio and further roll out of 5G wireless broadband
- On track to achieve FY23 target of ~30% of broadband base on wireless



CLOUD, SECURITY AND SERVICE MANAGEMENT

- Public and private cloud markets are expected to continue growing
- Product and pricing refresh to improve market competitiveness and capitalise on hybrid-cloud opportunity
- Expecting higher than FY22 growth of ~2-5% in FY23, laying the foundations for a return to growth in line with market trends in future years



FUTURE MARKETS

- Building meaningful businesses in IoT and Health, helping customers to digitise, transform, improve experience and productivity
- Growth in IoT revenues driven by expansion of connected devices and related service revenue. Expect to grow to ~1.2m connections by the end of FY23
- Continue to support the transformation of New Zealand's health sector through tailored suite of IT and Managed Services products and launch of Digital Health Platform (DHP) Kete Waiora. FY23 revenue growth aspiration of 10%-15%⁽²⁾
- Continue to pursue strategic partnership opportunities in Sport to improve commercial returns

⁽¹⁾Market share estimates sourced from IDC

⁽²⁾Excluding procurement and telco revenues

FY22 capital investment

Capital investment of \$410m⁽¹⁾ in line with guidance and target envelope of ~10%-11% of revenue

Capital expenditure (\$m)	FY21 ⁽²⁾	FY22
IT Systems	117	150
Mobile network	106	125
Core sustain and resiliency	55	53
Data centres	1	31
Converged Communications Network (CCN)	27	22
Cloud	20	15
International cable construction and capacity purchases	9	7
Other	14	7
Capital expenditure excluding mobile spectrum	349	410
Total capital expenditure to operating revenue and other gains	9.7%	11.0%
Spectrum	51	-
Total capital expenditure and spectrum	400	410
Total Capital expenditure and spectrum to operating revenue and other gains	11.1%	11.0%
Maintenance capex		354
Growth capex		56

- Investment in mobile core and Radio Access Network (RAN) delivering greater network capacity and coverage
- Investment in IT systems in support of:
 - Successful implementation of first phase of Spark ERP system replacement;
 - End of life IT infrastructure refresh; and
 - Deep customer insight capability to unlock further data-driven marketing opportunities
- Increase in 'core, sustain and resiliency' includes investment in Optical Transport Network 2.0 (OTN) upgrade
- Continued investment in Converged Communication Network, advancing exit strategy of legacy PSTN network
- Growth capex in FY22 equates to \$56m supporting acceleration of 5G roll-out with an additional \$25m invested in FY22, modernisation of Mayoral Drive exchange and the commencement of data centre expansion at Takanini
- FY23 growth capex expected to be ~\$50-\$60m and is included in FY23 capex guidance

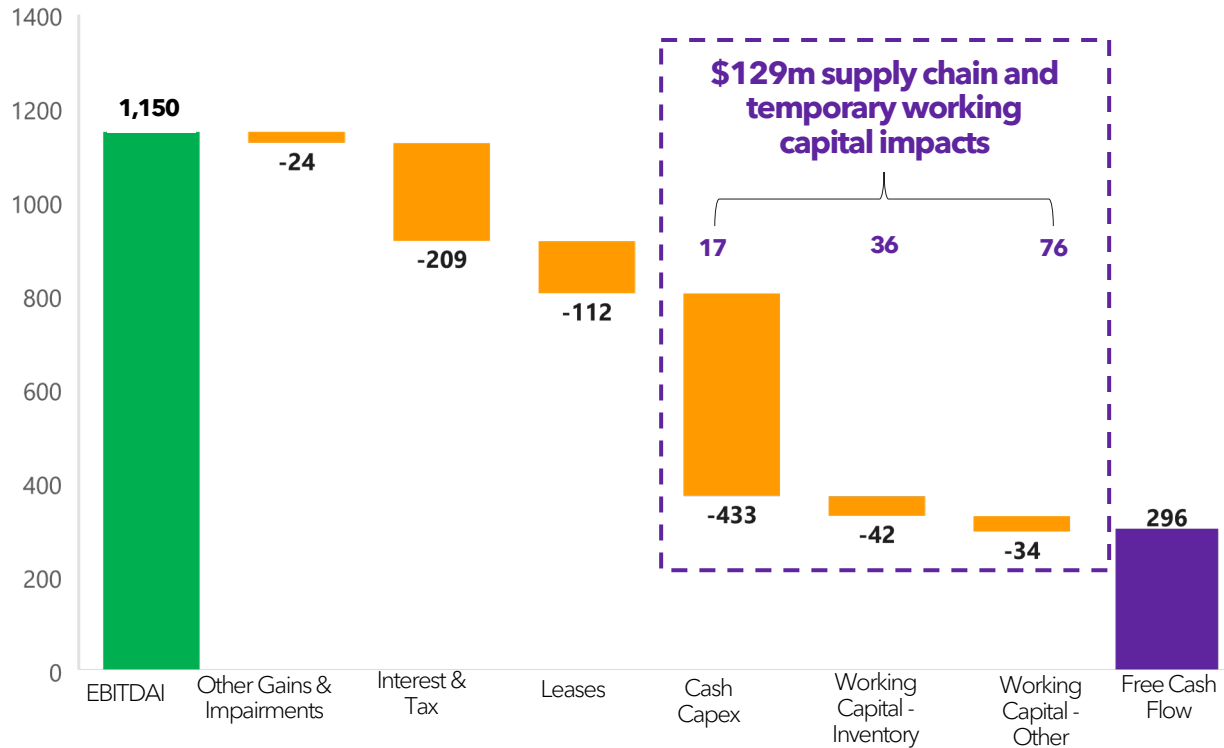
⁽¹⁾Excluding expenditure on mobile spectrum. Capital expenditure is a non-GAAP measure and is defined in Note 2.5 of Spark's financial statements

⁽²⁾Adjusted for the impact of cloud accounting policy change

FY22 free cash flow

Free cash flow impacted by timing of payables and receivables and management of supply chain disruption

FY22 Free Cash Flow Summary (\$m)



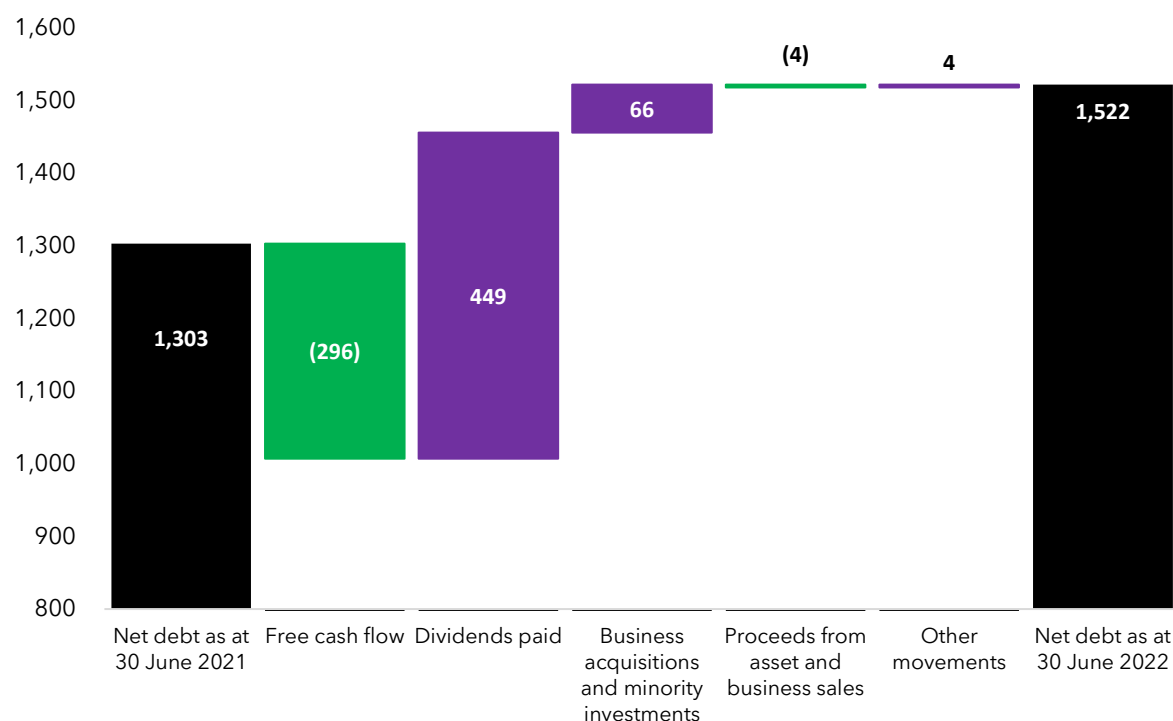
- Free cash flow of \$296m down \$137m YoY and lower than aspiration of ~\$420m-\$460m
- Free cash flow negative impacts of \$129m predominately driven by:
 - Advanced purchases of inventory and capital to mitigate supply chain risk; and
 - Timing of payables and receivables which has subsequently unwound (primarily late receipts from some large wholesale customers, and early payment of invoices due to ERP system migration)
- Continued focus on working capital initiatives to improve cashflow
- Remain confident in ability to generate sufficient free cash flow to support a sustainable and growing dividend
- FY23 Free cash flow aspiration of ~\$460m-\$500m⁽¹⁾

⁽¹⁾Free cash flow of ~\$460m-\$500m under new methodology refer slide 29 in appendix

Net debt

Reported net debt up \$219m, reflecting temporary working capital impacts and investments in long-term growth

Movement in net debt during FY22 (\$m)



- Reported net debt to EBITDAI ratio of 1.32x⁽¹⁾ consistent with S&P A- credit rating
- Net debt position temporarily higher due to timing of receivables and payables impacting free cash flow
- Business acquisitions includes investments in support of long-term growth:
 - Southern Cross NEXT;
 - Full acquisition of Connect8;
 - Rural connectivity via RCG; and
 - Invested in IoT partner Adroit
- Issued a \$100m, 6.5 year Sustainability-Linked Bond to institutional investors in March
- Rising interest rates expected to have a modest impact on financing costs with only ~35% of debt portfolio currently subject to variable rates with one long-term debt maturity in March 2023
- Committed to an investment grade credit rating with sufficient headroom to execute strategy and invest for future growth as outlined in Spark's Capital Management Framework

⁽¹⁾ Spark's internal capital management policy is to ensure that on a long-run basis reported net debt to EBITDAI does not exceed 1.4x; which Spark estimates is approximately equivalent to S&P's 1.7x adjusted net debt to EBITDA threshold Spark's internal threshold of 1.4x excludes S&P's adjustments in relation to IFRS16, and captive finance operations

FY23 indicators of success

Strategic Pillar	Focus Area	Measure	Target 30 June 2023
World class capability	Customer experience	Consumer and small business iNPS	+6 point lift
	Data driven insights	Uplift in data driven marketing campaign conversion	15% ⁽¹⁾
	Smart automated networks	5G roll out	40-50 locations ⁽²⁾
	Growth mindsets	eNPS	+70
Grow established markets	Wireless	Mobile service revenue growth	5-8%
	Broadband	Percentage of broadband base on wireless	~30%
	Cloud	Cloud, security and service management revenue growth	2-5%
Accelerate future markets	Spark IoT	Number of connected IoT devices	~1.2m connections
	Spark Health	Growth in Spark Health Revenues	10-15% ⁽³⁾
Lowest cost provider	Deliver best cost	EBITDAI margin	~31%
Build a sustainable future	Championing digital equity	Skinny Jump connections	+5k
	Sustainable Spark	Reduction in scope 1 and 2 emissions year-on-year to hit SBTi emissions reduction pathway	18.6% reduction

⁽¹⁾Spark consumer base

⁽²⁾Contingent on NZ Government allocation of C-band spectrum

⁽³⁾Excluding procurement and telco revenues

Guidance⁽¹⁾

FY22 Actual

FY23 Guidance

EBITDAI

\$1,150m

\$1,185-\$1,225
(excludes any gain on sale for TowerCo transaction)

Capital expenditure⁽²⁾

\$410m

~\$410m

Dividend per share

Total 25.0cps
(100% imputed)⁽³⁾

Total 27.0cps
(100% imputed)

⁽¹⁾Subject to no adverse change in operating outlook

⁽²⁾Excluding expenditure on mobile spectrum

⁽³⁾Given the anticipated receipt of proceeds from the sale of 70% of TowerCo, the Dividend Reinvestment Plan has been suspended for the H2 FY22 dividend and for the foreseeable future

Now in final year of 2023 strategy



Delivered strong financial returns and maximised shareholder value over last two years



Core capabilities and high performance culture underpinning consistent delivery and strategic execution



Strong momentum in future markets and new commercialisation opportunities emerging from digital infrastructure and technology investments



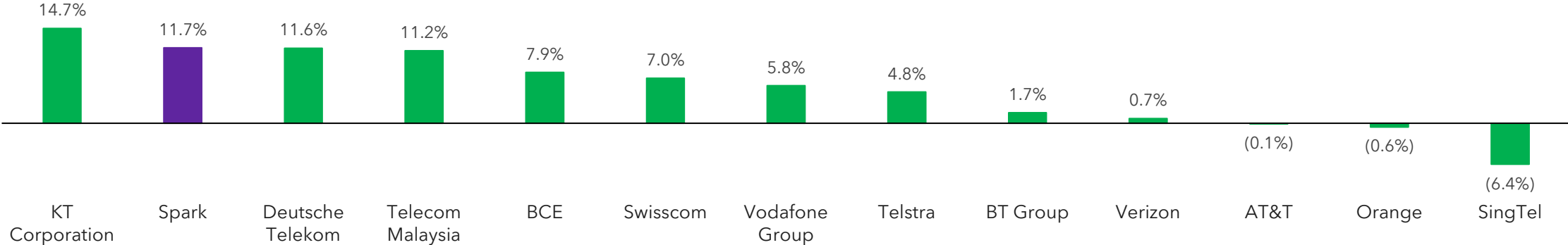
A refreshed strategic plan for the next three years will be shared at an investor day before the end of this financial year

Appendix

TSR⁽¹⁾ vs. International Peers⁽²⁾

Ranked #2 against international peers for three-year Total Shareholder Returns

3-Year TSR CAGR



⁽¹⁾TSR calculated as share price and dividend per share (reinvested at the ex-dividend date). Three-year TSR over Spark's FY20-FY22 period (1 July 2019 to 30 June 2022)

⁽²⁾Peer group is not exhaustive but is a selected group of primarily integrated telco operators that are deemed the closest peers to Spark in terms of market exposure

TowerCo transaction summary

Creating significant shareholder value by enabling direct returns and investment in future growth

- As announced in July, Spark has reached agreement to sell a 70% stake in its TowerCo business to the Ontario Teachers' Pension Plan (OTPP)
- TowerCo will deliver better outcomes for customers and Aotearoa through faster, more efficient deployment of digital infrastructure
- High-caliber investor with a long-term partnering focus and significant experience managing a portfolio of infrastructure investments globally
- Proceeds will maximise value for shareholders through direct returns and by investing in future growth opportunities
- Spark will be the anchor tenant retaining a 30% stake - remaining a key strategic partner as the business grows
- Spark continues to own all the 'smarts' of its network - such as radio equipment and spectrum - which is what drives competitive advantage and differentiation in the market
- Completion only conditional on Overseas Investment Office approval and is anticipated to occur in the first half of FY23

\$1.175 billion

Implied enterprise value

33.8x

FY23 pro-forma EBITDA multiple

~\$900 million

Proceeds after transaction costs

15-year agreement

to secure access to existing and new towers

670 sites

over 10 years - build commitment

Defining free cash flow for Spark's future dividend policy

The Capital Management Framework introduces a dividend policy to provide investors greater certainty on how the Board will consider dividends over the long-run.

Dividend Policy: pay-out ratio of ~80%-100% of free cash flow on a long run basis, with annual guidance expressed on a cents per share basis.

Free cash flow has been redefined from FY23 to minimise the impact of short-term working capital volatility and to support incremental growth capital expenditure.

FREE CASH FLOW DEFINITION

FROM	<p>Underlying free cash flow PLUS: Movements in working capital</p> <p>EXCLUDES: Spectrum; Proceeds from asset sales; and Payments of business acquisitions</p>
TO	<p>EBITDAI LESS: Other gains and impairments; Interest; Tax; Lease costs; and Maintenance capital expenditure</p> <p>EXCLUDES: Growth capital expenditure; Spectrum; and Movements in working capital</p>

If this methodology had been applied in FY22 the impact would be as follows:

	FROM FY22 (\$)m	TO FY22 (\$)m
EBITDAI	1,150	1,150
Less:		
Other gains and impairments	24	24
Interest	49	49
Tax	160	160
Lease costs	112	112
Capex	433	372 ⁽¹⁾
Net working capital movement	76	-
Free cash flow	296	433

⁽¹⁾Maintenance capital expenditure only. New methodology excludes growth capex of \$56m and \$5m growth capex prepayment

Indicative TowerCo financial summary

Following the completion of the TowerCo transaction, the anticipated impacts on Spark's earnings are outlined below

Spark TowerCo Adjustments

	FY23 \$m	FY24 \$m
Operating revenues	2	(1)
Operating expenses	(5)	(8)
EBITDAI Impact	(3)	(9)
Total net finance expense, depreciation and amortisation, and net investment income	11	17
Net earnings before tax	8	8

EBITDAI impacts include:

Operating revenue:

- Reduction in co-location income
- FY23 impact offset by:
 - Transitional services charges to support establishment of TowerCo; and
 - One-off reduction on make good provision for ground leases

Operating expenses:

- Reduced maintenance costs, offset by a portion of the lease charges that are recognised within operating costs in accordance with IFRS16

EBTIDAI:

- TowerCo gain on sale is not included in this analysis, and is excluded from FY23 EBITDAI guidance

Net earnings before tax impacts include:

Sale of TowerCo:

- TowerCo future net earnings will be accounted for in share of associates' and joint ventures' net profits/(losses) below EBITDAI
- Reduction in depreciation and amortisation due to sale of assets to TowerCo
- Reduction in depreciation and interest expense from assignment of ROU assets and liabilities for ground leases
- Reduction in interest expense from cash received from TowerCo divestment

Creation of TowerCo lease obligation:

- Increase in interest expense and depreciation from new ROU asset and lease liability reflecting access pricing from the lease arrangement with TowerCo

Financial impacts are subject to change up until divestment date and finalisation of gain on sale
 These impacts have not been audited
 Financial impacts do not include gain on sale or tax implications
 Analysis based on divestment occurring in November 2022

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-19, 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.