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Spark New Zealand releases three-year strategy

Spark today released details of its next three-year strategy to FY26, which will focus investment on data centres and new technologies to fuel growth in Spark's core markets and across its growing high-tech portfolio.

Spark Chair Justine Smyth said "Over the last almost three years Spark has built competitive advantage through a strategic focus on simplification, data, new technology investment, and building a high-performance culture, which is delivering better customer experiences and fueling market growth. This focussed execution has seen Spark's total shareholder returns outperform most international peers¹.

"When combined with effective portfolio management that has delivered substantial proceeds from the TowerCo transaction, Spark is now in a strong position to invest for future growth."

Spark CEO Jolie Hodson said the new strategy positions Spark for success in an increasingly uncertain environment, with a focus on empowering the people and businesses creating Aotearoa's tomorrow.

"If there is one thing the last three years have taught us, it is that the businesses that will thrive are the ones that can adapt the most quickly to change. We see a number of supportive tailwinds ahead of us, including the continued exponential growth in data, acceleration of technology convergence, the return of international travel, and rising levels of immigration. At the same time, we expect economic uncertainty to be a hallmark of the years ahead, and as Aotearoa gets bigger, older, and more diverse, we must ensure Spark is changing alongside it.

"In this kind of environment adaptability is key, so we have set a dual focus on resilience and growth – ensuring our investments strengthen our core today, while also building new opportunities for tomorrow. Over the next three years, we will invest \$250-\$300 million in the high-growth data centre market and \$40-\$60 million in 5G Standalone, which will open up new commercialisation opportunities across our core markets of mobile and broadband, while underpinning growth into new high-tech solutions."

In mobile and broadband, Spark will leverage its data capability and 5G investment to deliver the latest digital experiences, personalised for its customers.

"We have really strong momentum in mobile and have stabilised our broadband base in a highly competitive market," continued Jolie. "Our dual brands of Spark and Skinny serve different ends of the price spectrum, we have a unique ability to target the right product to the right customer at the right time through data, and our 5G coverage is densifying. This sets us up to continue to grow value in mobile and to move wireless broadband towards 35% of our base by the end of FY26."

In the business market, Spark will grow the small-medium and enterprise segments by enabling its customers to become more productive and sustainable through technology. Jolie said "We are an enabling business, which means we grow when others grow. We know the inflationary environment is hitting small businesses hard, and we are in a strong position to support our customers to unlock revenue generation and efficiency improvements.

"In enterprise, we have seen changing competitive dynamics in cloud, with the ongoing move from private cloud to public creating sustained margin pressure. In this environment, we will upweight our focus on hybrid cloud, where our deep expertise, local knowledge and service differentiates us, and capital investment is lower. We will then invest to further expand our data centre capacity."

Spark's high-tech portfolio – which extends beyond traditional connectivity and ICT into areas such as IoT, 5G Standalone, data and AI, and digital identity – is a focus for growth over the next three years. Spark will leverage these capabilities to continue growing Spark Health, which delivered a 2.5-year CAGR of around 17%² since the start of FY21, a new focus on converged technologies, and continued investment in subsidiary MATTR.

¹ 3-year TSR CAGR of 11.7% for the period FY20-22. TSR calculated as share price and dividend per share (reinvested at the ex-dividend date). 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.

² FY21-H1 FY23 CAGR based on overall Health revenues including telco and procurement.

“We have rapidly matured our high-tech capabilities over the last three years, but at this stage these technologies are operating largely independently of each other,” Jolie continued. “We are now seeing the rapid acceleration of convergence – which is about bringing these different technologies together to solve business problems where it was not possible, or cost effective, to do so in the past.

“When you consider the challenges businesses are facing – from inflation and labour shortages, to climate change and increasing regulation – there is a big role for technology to play in helping us do things differently. We have grown Spark IoT from under a quarter of a million connections to 1.2 million today, with 2.5-year revenue CAGR³ of around 21%, and this provides a solid platform for growth into converged solutions.

“We will also continue to invest in our digital identity business MATTR, which is now working across several international markets and recently secured a significant contract with the New South Wales (NSW) Government in Australia. MATTR has been appointed the technology partner on the NSW Digital ID and Verifiable Credentials programme that will be providing products that enable digital credentials to be issued via the NSW Government’s apps, and independently verified by third parties.”

The strategy includes three enablers that underpin Spark’s success in the market: building a simple, data-driven organisation, investing in next evolution technology, and creating an innovation culture, with sustained investment into skills and capabilities that drive growth for both Spark and its people.

“We know our greatest asset is our people, and we will continue to invest in their development while building innovation capability across our business and delivering sustainable high performance through a focus on wellbeing and inclusive progression.”

Jolie reiterated that *how* Spark does business will remain just as important as *what* it will do. “Our commitment to sustainability and weaving te ao Māori perspectives into our business is enduring and integrated throughout our strategy. We remain focussed on supporting Aotearoa’s economic transformation, championing digital equity, and improving our own sustainability performance.”

The strategy sets an FY26 aspiration for Spark to be digital and data-driven everywhere, the home of high-tech solutions with digital infrastructure investments fuelling growth, and a more innovative, diverse, and sustainable business. Jolie finished “Achieving this will lead to more highly engaged customers and people, deliver top-line revenue growth, and sustainable EBITDAI and free cash flow growth that supports a rising dividend for our shareholders over time.”

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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.

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³ FY21-H1 FY23

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