



SPARK NEW ZEALAND LTD

INVESTOR UPDATE

SESSION 1 OF 3

30 JUNE 2017





INTRODUCTION

SIMON MOUTTER

MANAGING DIRECTOR



INTRO

Simon Moutter

Overview of changes in emphasis to elements of the business strategy

1

Jason Paris

The Spark HMB market game-plan to use our brands and partnerships to compete and win in a rapidly digitising world

Jolie Hodson

The Spark Digital market game-plan to compete and win by adding value and simplifying our offers in commoditised and disrupted business markets

Ed Hyde

The role of Ventures in growing new and reshaping existing markets

2

Mark Beder

Network investments to position Spark to win in the post-copper era of fibre, wireless and converged communications

Dr Claire Barber

Becoming one of the world's best companies for digital self-service and customer experience

Joe McCollum

Developing our people and culture

3

David Chalmers

Driving Spark's long term, sustainable revenue and EBITDA growth and shareholder value

Simon Moutter

Wrap up

Strategic shift from Telco to Digital Services commenced in 2013 has driven positive change

- Business portfolio reset from International Telco to NZ Digital Services Company, through effective divestment, investment and acquisition
- Dominant old-world brand replaced by portfolio of vibrant new brands
- Slow defensive culture switched to customer-inspired, fast, winning culture
- Outdated, complex network and IT systems rebuilt to market-leading data network and service platforms
- Market leadership in fixed telco, mobile/wireless and platform IT services achieved
- Returned to earnings growth after a decade of slow decline

We are now evolving our strategy in line with market forces and rapid advances in digital technologies

- Digital customer experience is new source of market power – and we've got a way to go
- Customers want wireless everywhere and fixed broadband is nothing more than backhaul to a wireless hub (WiFi) in most Consumer and SME situations
- Core telco product commoditisation is rampant and margin pressure is increasing in the face of massive demand increases
- Value is continuing to drift away from physical networks (us) to digital networks, OTTs, OEMs and ultimately, customers
- Consolidation and industry convergence continues to impact industry structure
- Accelerating technology change is shortening product life-cycles and pressuring technology platform investment choices
- Many adjacent profit pools (e.g. advertising, pay TV) are under heavy pressure from disruption
- Cost-out momentum is constrained by the cost of change and the cost to serve customers struggling to cope with the pace of technology advancement

Where we aspire to be by 2020

- Mostly ex-copper, enabled by pervasive 4G and 5G wireless coverage and capability, together with rapid adoption of fibre access in urban areas
- Taking advantage of disruptive technologies like virtual assistants and machine learning at scale, to improve our business and better serve our customers
- Benchmarking ourselves against the world's best digital companies for digital sales, self-service and customer experience (measured by NPS)
- Fully leveraging our brand portfolio to address the forces of commoditisation and lift market share in certain segments, while encouraging market growth
- Hosted in the Cloud, with best in class automated, software-defined converged network and digital service platforms enabling a marked increase in productivity
- Creating real value for customers sufficient to sustain ongoing growth in returns to shareholders

Three key insights since 2013 are motivating our next moves



4G/5G

Rapid advances in wireless capability and economics, together with scale uptake of mobile apps, means customers are now strongly preferring wireless connectivity and digital self service



\$

A larger than expected portion of the market is buying primarily on price which is fuelling price competition and consequent margin pressure



↓

Our work to reduce unit costs to date has been good, but not enough for the future. Customers are getting “more for less” and therefore profitability must be underpinned by further cost reduction

The key threads for today

We have set our sights on...

+30_{NPS}

Outstanding
customer experience



Growing
key segments



Holding market
share



Top-decile culture



Lowest cost
operator



Top 10
global telco ROI

Which means we will...

1. Up-weight our emphasis on wireless services and investment
2. Do better at serving price-sensitive customers, by further developing our multi-brand strategy
3. Become the lowest cost operator, through radically simplified and digitised processes, products and services

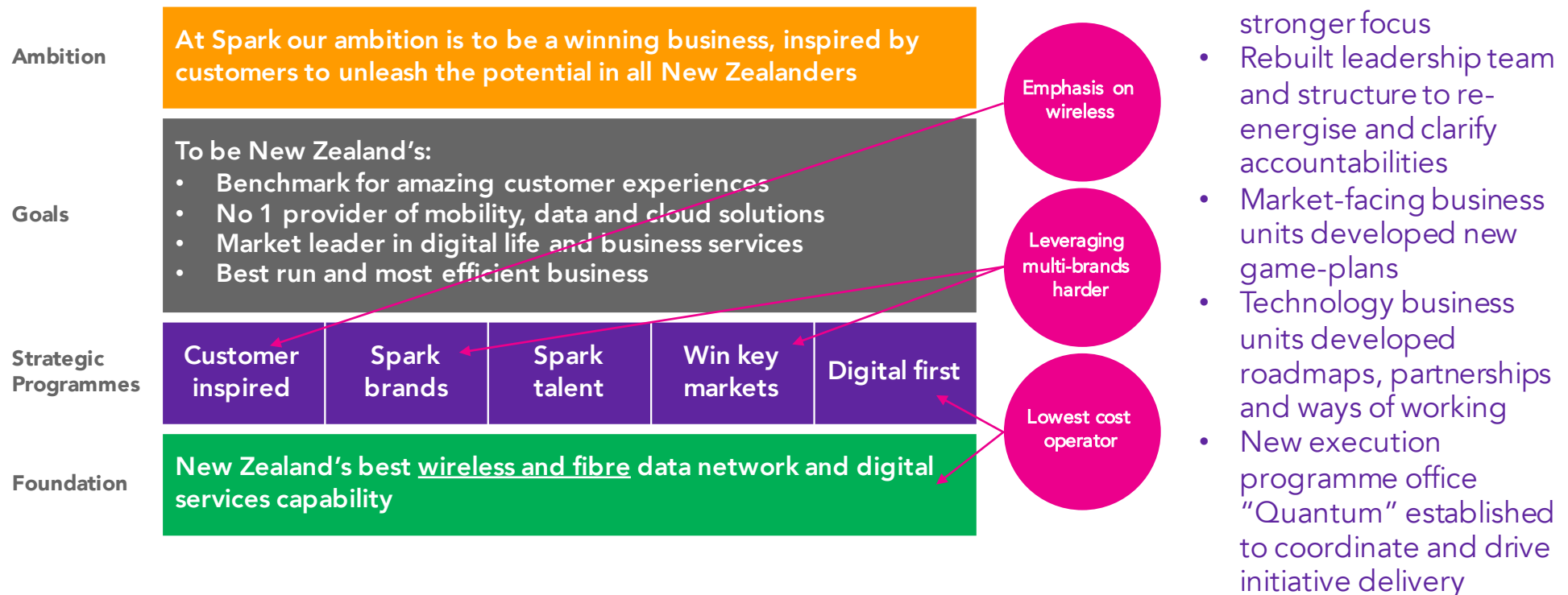
NB: +30 NPS is the minimum standard we aspire to for all NPS measures including market, relationship, interaction, journey and employee metrics

Supporting a clear long term strategy with only one change in emphasis



Emphasis on wireless and fibre added to capture intent to shift off copper

Executing plans via our consistent strategic programmes



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Wrap up



SPARK

HOME, MOBILE

& BUSINESS

JASON PARIS

CEO SPARK HMB



Delivering the Spark of the future

Wireless and fibre migration

Mobile network investment

Skinny won't be beaten on price

Spark won't be beaten on value

Big calls on simplification

Call volume reduction and DIY capability

Advanced analytics and digital experiences

Position for the future



+30NPS
Outstanding
customer experience


Growing
key segments


Holding
market share


Top-decile culture


Lowest cost
operator


Top 10
global telco ROI

Unleashing New Zealanders' potential through amazing technology

Customers tell us they want...



**Always on
connectivity**



**More
data**



**At a
cheaper price**



**Even more
value-added services**



**Less complicated
plans**



**Better
service**

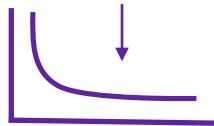


**Digitally
enabled**

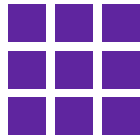


**Position for
the future**

Market forces are ever present



- Broadband market commoditisation
- Long tail of broadband providers
- ~80 providers is not sustainable in the long term
- **New approaches to drive rapid uptake**



- Market consolidation and services bundling:
- Trustpower (energy + broadband)
 - Vodafone / Sky (telco + pay TV)
 - **Spark and Spotify, Netflix, Lightbox**



- The NZ mobile market remains extremely competitive
- However, still room for growth in ARPU and customer connections
- **Spark Mobile, Skinny, Skinny Direct**



- Higher expectation for digital experiences and self-service tools
- Proactive and real-time management
- **Redesigned online journeys and Spark App**








- Chorus prices continue to increase
- Mobile access network economics improving
- Fibre and wireless are future-proofed
- **On the path to 5G**











- In 20 years, NZ population = 5.8m*
- Auckland as the largest growth opportunity
- Changing face of NZ
- **Brand strategies and global partnerships**

* Stats NZ Population Projections

Delivering for customers

Customer insight	Strategic programme	What we've delivered
 Always on connectivity	Wireless and fibre migration	<ul style="list-style-type: none"> • 35% of broadband customers migrated off copper to fibre and wireless
 More data	Mobile network investment	<ul style="list-style-type: none"> • >30% of pay-monthly mobile customers on plans with high usage revenue
 At a cheaper price	Skinny won't be beaten on price	<ul style="list-style-type: none"> • ~10% of Skinny base already on Skinny Direct in <9months • 20% of broadband annual market growth
 Even more value-added services	Spark won't be beaten on value	<ul style="list-style-type: none"> • 1pp improvement in pay-monthly mobile churn • 1pp improvement in broadband churn
 Less complicated plans	Big calls on simplification	<ul style="list-style-type: none"> • Fewer, simpler and more competitive mobile and broadband plan portfolios
 Better service	Call volume reduction and DIY capability	<ul style="list-style-type: none"> • 14pp improvement in calls answered in <180s • 11pp improvement in abandoned call rates
 Digitally enabled	Advanced analytics and digital experiences	<ul style="list-style-type: none"> • 0.75m downloads of new app since launch • Qrious capability used to sharpen offer
 Position for the future	Future-proof NZ and New Zealanders	<ul style="list-style-type: none"> • Spotify, Netflix, Spark Arena • Brought Yahoo! e-mail accounts home to NZ

Our strategic programmes will continue to deliver clear financial and operational benefits

Customer insight	What we've already delivered	What we will deliver
 Always on connectivity	<ul style="list-style-type: none"> 35% of broadband customers migrated off copper to fibre and wireless 	<ul style="list-style-type: none"> >85% of broadband customers migrated off copper to fibre and wireless
 More data	<ul style="list-style-type: none"> >30% of pay-monthly mobile customers on plans with high usage revenue 	<ul style="list-style-type: none"> >50% of pay-monthly mobile customers on plans with high usage revenue
 At a cheaper price	<ul style="list-style-type: none"> ~10% of Skinny base already on Skinny Direct in <9months 20% of broadband annual market growth 	<ul style="list-style-type: none"> Strong market share growth in lower cost to serve digital brands
 Even more value-added services	<ul style="list-style-type: none"> 1pp improvement in pay-monthly mobile churn 1pp improvement in broadband churn 	<ul style="list-style-type: none"> Market differentiation with the leading portfolio of global brand partnerships, delivering market leading retention
 Less complicated plans	<ul style="list-style-type: none"> Fewer, simpler and more competitive mobile and broadband plan portfolios 	<ul style="list-style-type: none"> Innovative new customer plans leading to market growth
 Better service	<ul style="list-style-type: none"> 14pp improvement in calls answered in <180s 11pp improvement in abandoned call rates 	<ul style="list-style-type: none"> Automated customer experiences designed to remove the need to call
 Digitally enabled	<ul style="list-style-type: none"> 0.75m downloads of new app since launch Qrious capability used to sharpen offer 	<ul style="list-style-type: none"> Digital channels are the preferred first point of contact Data-accelerated digital adoption
 Position for the future	<ul style="list-style-type: none"> Spotify, Netflix, Spark Arena Brought Yahoo! e-mail accounts home to NZ 	<ul style="list-style-type: none"> Organisational agility and cadence that rapidly delivers more New Zealander's to more digital services and more partners

Provide New Zealanders with a unique set of quality entertainment options

Spark won't be beaten on value

Long term goals

- New Zealand's most trusted 'over-the-top' (OTT) content aggregator
- Tangible digital and physical entertainment value

Achievements

- >250k Lightbox subscribers
- Well underway on Lightbox platform improvements to increase capacity and capability
- Successful Netflix partnership launch
- Strong Spotify partnership
- Clear acquisition and churn reduction benefits for broadband and mobile customers
- Spark Arena, live experiences launched

Focus areas

- Execute on media marketplace strategy with emphasis on:
 - multiple monetisation models; and
 - local and global content partnerships
- Continued streaming network improvement
- Enhanced personalisation options

Use data smarts to improve customer experiences

Advanced analytics and digital experiences

Long term goals

- Use smart data to have real time, seamless sales and service experiences with customers across all products and channels

Achievements

- Qrious mobile market share model created to provide timely customer insight, by region
- Over 50% of website traffic is from mobile devices
- 33% improvement in customer experience for online self-service
- 0.75m customers have downloaded the new Spark App since launch.
- 13% increased Livechat adoption as an alternative to calling contact centres

Focus areas

- Smart data to identify areas of improvement that will drive greatest return
- Driving digital adoption to accelerate self-service interaction growth, improving cost to serve
- Automation and machine learning to reduce manual processes

Revenue growth in mobile and broadband to help offset commoditisation pressure

The prize

How

Mobile

\$40m to \$50m
revenue per annum

Broadband

- Leading propositions and offers
- Increasing role of Skinny in the market
- Value-added services uptake to drive upsell and reduce churn

Resulting in:

- Increased mobile and broadband connections
- Increased mobile usage ARPUs
- Holding broadband market share
- Increasing mobile market share in key segments

This plan has the potential to improve efficiency and drive significant gross reductions in cost

	The prize	How
Wireless and fibre migration	\$45m per annum gross reduction in access costs	<ul style="list-style-type: none">• Reduced copper input costs through migration of 20% to 25% of copper broadband customers to wireless broadband
Other operating cost savings	\$25m per annum gross reduction in opex and CoS	<ul style="list-style-type: none">• Simplification• Digitisation and automation• Leaner operating structure• Reduced channel costs• Improvements in mobile cost of sale

Key risks are being actively managed

Focus

As global brands begin to disrupt the market, Spark mitigations include:

- Prioritising future projects alongside today
- More strongly leveraging partnering to move at the speed customers expect
- Using smart analytics to grow and protect our relationships with existing customers

Service delivery

- Accelerate wireless broadband and fibre migrations to mitigate high cost to serve on copper
- Product and plan simplification
- Use technology to automate and digitise manual processes and answer transactional customer queries

Network performance

- Utilise wireless broadband as an alternative to copper where fibre is not available
- Increase investment in mobile capacity and coverage
- Continued vigilance on security and Business Continuity Plan

Market commoditisation

- Being the lowest cost operator, through radically simplified and digitised processes, products and services
- Favouring the most cost effective technologies to deliver connectivity to customers
- Better meeting the needs of price sensitive customers, leveraging our multi-brand portfolio



SPARK

DIGITAL

JOLIE HODSON

CEO – SPARK DIGITAL



Delivering the Spark of the future

Benchmark for amazing customer experiences

All NPS measures above +30

No 1 provider of mobility, data and cloud solutions

Hold market share

NZ's most valuable business partner

Recognised market leader in mobility, Cloud, security, analytics and IoT

Build NZ's most sought after place to work

eNPS +70

Best run business, offering relevant, modular solutions

EBITDA margin growth



+30NPS

Outstanding customer experience



Growing key segments



Holding market share



Top-decile culture



Lowest cost operator



Top 10 global telco ROI

Unleashing the potential in New Zealand businesses

Customers tell us they want...



Enabled business transformation



Mobility and cloud



Security



Data driven insights



Simplification

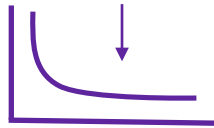


Digital enablement



Flexible service options

Our market is facing commoditisation pressure



Competition is driving commoditisation in core telco



Businesses use entry-level consumer pricing as a reference point, but still expect full service – “consumerisation of IT”



Hyper-scale cloud providers are re-setting price expectations and broadening the public cloud product range



Higher expectation for digital experiences and self-service



Continuous technological innovation drives shorter product lifecycles

These programmes will deliver improved customer experience and financial and operational benefits

	Voice of the customer	Service differentiation	Cloud Wise	One Spark Business	Digitisation	Spark Talent
Objective	Become NZ's benchmark for amazing customer experiences	Enhance value through improved product and service offerings	Establish ourselves as the custodian for NZ's business hybrid cloud workloads	Become a winning business in the small and medium business (SMB) market	Accelerate our business using digital tools, processes and ways of working	Building New Zealand's most sought after place to work
KPIs	<ul style="list-style-type: none"> • Growth in NPS measures to +30 	<ul style="list-style-type: none"> • +5% growth in margin for key products • Simplified portfolio 	<ul style="list-style-type: none"> • 80% workloads managed via digital marketplace 	<ul style="list-style-type: none"> • Growth in IT, cloud, mobile, data market share 	<ul style="list-style-type: none"> • Labour efficiency: revenue per employee 	<ul style="list-style-type: none"> • eNPS +70

Cloud Wise will position Spark Digital as the leading aggregator of cloud services

Cloud Wise

Long term goals

- Establish ourselves as the custodian for NZ's business hybrid cloud workloads

COMBINED CLOUD PORTFOLIO



Focus areas

- Launch a combined cloud portfolio with the best of Revera, CCL and Spark
- Build-out the proprietary Cloud Creator cloud platform
- Actively sign new partners who are relevant to NZ business

Customer outcomes

- Service and price options to suit all needs
- Ability to leverage the best cloud capability from across the group
- Improved ability to self-manage cloud, multi-cloud and public cloud options via a digital marketplace

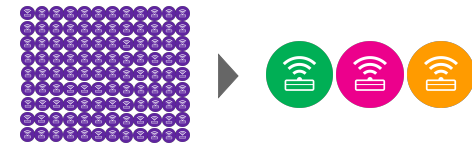
Service differentiation will simplify the business and better meet customer needs

Service differentiation

Long term goals

- Enhance our value proposition through improved product and service offerings

FROM 1000s TO 100s OF PRODUCT VARIATIONS



Focus areas

- Significantly simplify go-to-market proposition and rationalise our legacy product set
- Enhance the current service model to better serve both value and premium customers

Customer outcomes

- Products modernised with future-proofed development roadmap
- Easier for customers to understand how we can meet their needs
- Service levels can be provided based on customer needs as they change over time, rather than their size
- Ability to engage via a more digital interface for business

Revenue growth comes from targeting the big 'prizes'

	The prize	How
Cloud	<ul style="list-style-type: none"> ~80% of NZ market not yet utilising cloud services and will likely migrate over the coming 3-5 years Targeting 10-15% revenue growth per annum, with market projected to grow at ~15% to ~30% per annum 	<ul style="list-style-type: none"> Position Spark Digital as the aggregator for hybrid cloud solutions Utilise multi-brand to target different market segments, including small and medium business (SMB)
Security	<ul style="list-style-type: none"> Concerns from CEOs and Boards around cyber risk are driving market growth Capture 30%+ of market growth, with market projected to grow at ~20% to ~30% per annum 	<ul style="list-style-type: none"> Focused team to build out 'as a service' managed cybersecurity Identify partners to bring best of breed cybersecurity capability to NZ
Managed IT	<ul style="list-style-type: none"> Large enterprises increasingly focused on their 'core strengths' and bringing in partners to drive their IT transformation 	<ul style="list-style-type: none"> Leverage success with Government transformations Build expertise in common platforms and replicate across enterprise customers
Medium Business	<ul style="list-style-type: none"> Currently underweight in SMB market compared to other segments Targeting 10% uplift per annum on current EBITDA run-rate 	<ul style="list-style-type: none"> Common service experience for business customers Develop tiered service offerings

NB: Data and analytics revenue growth to be captured in Qrious

There are also further opportunities for efficiency

	The prize	How
Automation	<ul style="list-style-type: none"> • Efficiency gains through reduced administration and increased automation • Potential to remove 5% to 50% of manual tasks allowing greater focus on value-adding and complex activities 	<ul style="list-style-type: none"> • Increased sales productivity through better tools • More effective service desks and improved provisioning times through automated processes
New capability		<ul style="list-style-type: none"> • Early adoption of Artificial Intelligence • People capability developed to focus on high value or complex issues
Removal of duplication	<ul style="list-style-type: none"> • Identification of overlap between market facing and operational teams 	<ul style="list-style-type: none"> • Back office delivery integrated into Spark's Connect and Platforms business units • Creation of leveraged support models
Simplification	<ul style="list-style-type: none"> • 270 mobile products to ~20 • ~5,000 managed data variants to <200 	<ul style="list-style-type: none"> • Reduce plans and portfolios, and migrate customers • Transition from legacy access inputs • Tiered service model to align costs more closely with price

Targeting a \$50m cumulative gross reduction in opex over 3 years

Key risks are being actively managed

Maintaining service levels and customer satisfaction during ongoing business change

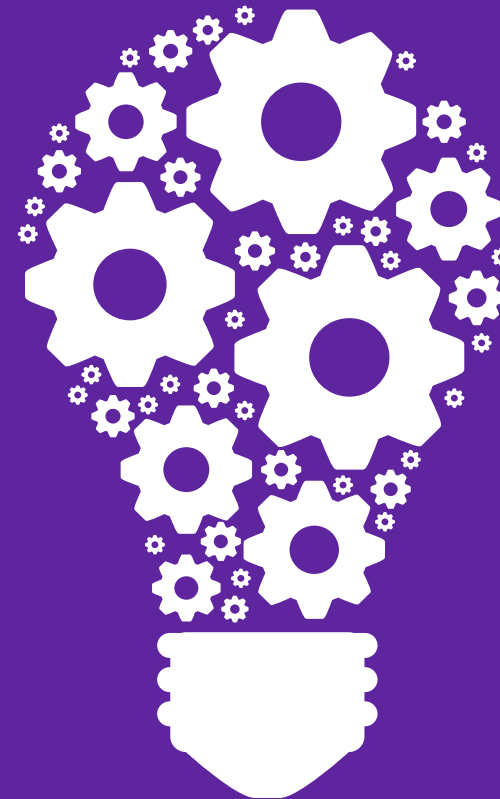
- Simplification to reduce customer calls to service desks
- Automation to increase back office efficiency

Commoditisation of cloud, driven by hyper-scale providers such as Amazon Web Services (AWS)

- Focus on supporting customers' journey to hybrid-cloud environments
- Strong partnerships with hyper-scale cloud providers
- Investment in the proprietary *Cloud Creator* platform

Price erosion on mature product lines

- Standardised product offering to reduce cost to serve
- Drive migration to lower cost IP based platforms
- Careful management of pricing and contracting decisions



SPARK

VENTURES

ED HYDE

CEO SPARK VENTURES

Delivering the Spark of the future

Contribute to group objectives

Help grow EBITDA from new sources of value

One Spark

Align to business unit strategies

Boost brand efforts

Create 'wow me' moments through innovation

Long term success

Create new markets, capacity, revenue and business models



+30NPS

Outstanding customer experience



Growing key segments



Holding market share



Top-decile culture



Lowest cost operator



Top 10 global telco ROI

Nothing ventured, nothing gained

It's been delivering growth

Since the beginning of FY14, Venture's businesses have delivered \$125m in new revenue, along with significant strategic benefits to the wider Spark portfolio

LIGHTBOX



QRIOUS

putti

morepark

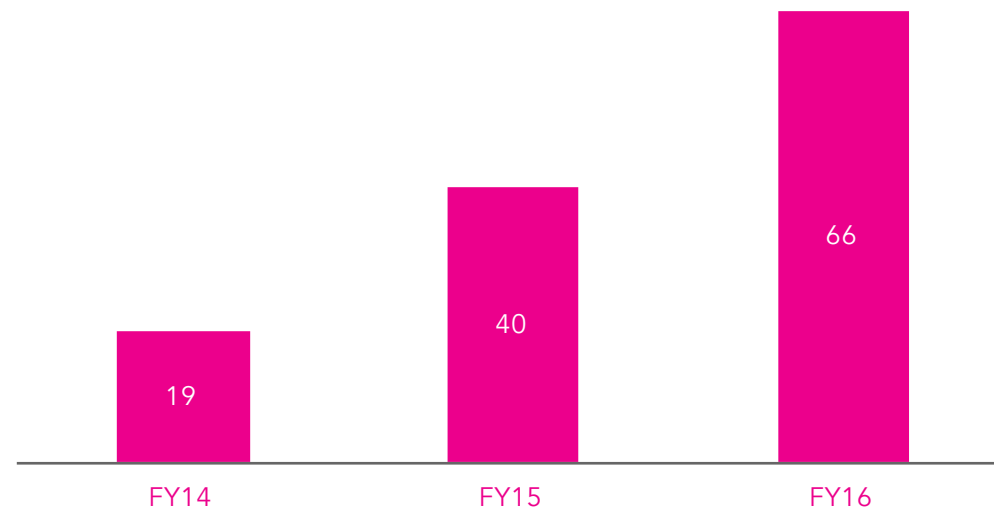


Bigpipe™

MyCare

jupl.

Revenue from Ventures (\$m)



Data and analytics

The logo for QRIOUS, featuring the word "QRIOUS" in a white, dotted, sans-serif font on a dark blue rectangular background.

Aspiration

- To be the number one big data and analytics software product company in New Zealand with global reach and annual turnover in excess of \$100M. We aim to help customers “unleash intelligence”

Achievements

- 260% YoY revenue growth
- Launch of Qrious Data Platform
- Solid customer growth: 55 customers
- Strategic acquisitions: Clarity in FY17, Ubiquity in FY18 (targeting July 2017 completion)

Focus areas

- Advance our analytics ‘as a service’ software product offerings
- Leverage the Ubiquity acquisition to fuel our data-driven marketing product
- Continue to lay the foundations for growth across systems, processes, talent, and marketing
- Recruit world-class analytics capability/investor partners

Ventures 2.0 strategy

We have adopted a four-pronged strategy to creating growth

cloudera

Differentiate our core with innovative digital partners



New core services and infrastructure to capture new markets



Near term

Long term

Ubiquity
Marketing
MADE PERSONAL

Acquire mature, profitable businesses aligned to our core



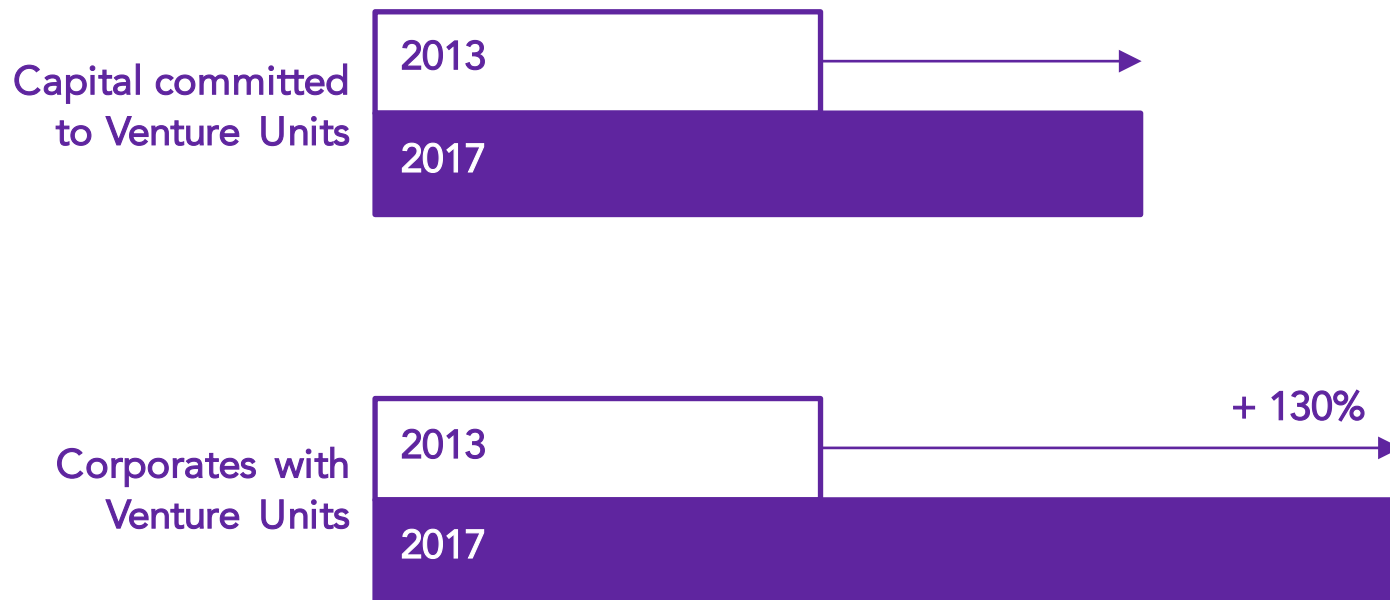
Invest in early-stage businesses today for growth tomorrow



Internal

External

Leading global corporates use 'venture capital' operating models to boost innovation



BCG Consulting

Investment opportunities



Data and analytics

- Marketing automation
- Big data platforms
- Customer experience
- Artificial intelligence

QRIOUS



Marketplaces

- Home services
- Retirement services
- Sharing economy


HOMES.CO.NZ


MyCare



Internet of things

- Precision agriculture
- Smart cities
- Commercial security
- Home automation

morepark



SME solutions

- Business insights
- Operations automation
- Finance and accounting
- Productivity

putti



Health

- Aging in place
- Connected health ecosystems

jupl.



Sustainability.

- Energy and water reduction
- EV enablement



Digital and technology

- Augmented and virtual reality
- Media
- Advertising
- Cyber security

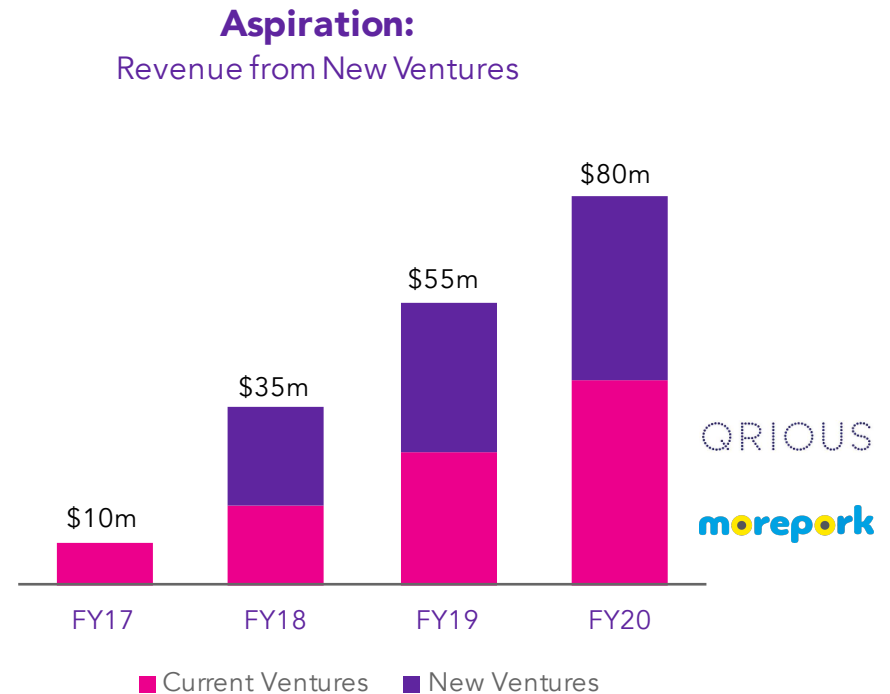
Investments: our aspiration

Building out a portfolio of investments to deliver future revenue growth for Spark

- Total investment envelope of \$12m per year
- 5-7 new investments per year
- Contributing \$80m+ revenue per annum by FY20 with strong ROI

Through a rigorous filtering process

- Market attractiveness
- Scale and growth potential
- Domestic defensibility
- Spark can boost value
- Spark could be natural owner in future



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 '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, 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.