

Question and Answer

Unknown Attendee

My name is Arthur Miller. One question I would like to ask you, what is the level of the customers you have in your books at the moment?

Mark John Verbiest

Former Chairman

Simon, would you like to answer that? It's over a couple of million isn't it, in total?

Simon Moutter

Former MD & Executive Director

So [indiscernible] by customer numbers?

Unknown Attendee

Yes, the numbers we participate in Sparks and buy, use your telephone and so forth.

Simon Moutter

Former MD & Executive Director

Sure. So 660,000 broadband customers, just a little bit under half of the -- all of the broadband customers in New Zealand, around 2.2 million mobile customers -- between 2.1 million and 2.2 million mobile customers which is around sort of 40 to high 30s, 40% of the mobile customers in New Zealand. Rather than a customer measure on IT platforms which is the other big place we operate, we have around about a 15% of the New Zealand IT services market which is about level with one other company in New Zealand at the top of the IT business. IT is a fragmented business. We compete against IBM and Hewlett-Packard and to mention that, organizations from all around the world are in that market.

Unknown Attendee

So what do we expect to go for the next 12 months? What are you aiming for?

Simon Moutter

Former MD & Executive Director

We are, as I said before, we are aiming to be #1 in mobile. That's the most important aim.

Unknown Attendee

But what do you mean by #1? Tell me more or less the level you have in there? How much would be another 10%, 20%?

Simon Moutter

Former MD & Executive Director

We measure mobile market share by the revenue share. So a lot of connections in mobile, a very low value in what we call churn. They change suppliers a lot in prepaid in particular. So we're much more interested in the revenue share and we think revenue share for #1 needs to be around about 43, Jolie? I think we would have to get to around about 43%.

Unknown Attendee

And how many competitors you have at the moment?

Simon Moutter

Former MD & Executive Director

In mobile?

Unknown Attendee

Yes, in mobile.

Simon Moutter

Former MD & Executive Director

Three network companies, about 7 brands in mobile that some brands just operate on other people's networks. We have several operating on ours as we call them mobile virtual network operator. We have around 80 competitors in fiber and the broadband market, at least 20 or 30 significant competitors in IT.

Unknown Attendee

Thank you.

Simon Moutter

Former MD & Executive Director

Great.

Mark John Verbiest

Former Chairman

Further questions? The gentleman over there.

Unknown Shareholder

It's Michael Trough [ph], a shareholder. There's quite a lot of information or discussion in the media about cyberattacks, even on Al Jazeera last night, was a fascinating program on cyber warfare. Do you have any plan, contingency plans for dealing with people taking down your networks and so on?

Mark John Verbiest

Former Chairman

Absolutely. And I can attest to the fact that yesterday, in fact, the board had one of its regular updates on that very topic. And our risk profile, as you can imagine, cybersecurity is right up there in terms of risks that we potentially face as a business. And one that the team is totally focused on. We are also -- we've also engaged some external consultants to assist with that. So we're not just relying on our own information and knowledge, if you like. So I think we've got a pretty involved and an extensive program and we've put in place a process whereby the board or more particularly, the order and risk management committee is updated every 6 months on that specific issue.

Simon Moutter

Former MD & Executive Director

I think, it's probably worth adding, this part of the IT business that we run, we're also New Zealand's biggest provider of security management services to other companies in the business. We have a very substantial team of the best people in New Zealand who provide security management services to many companies who operate on our networks. So it's a big piece of our business going forward. And we have some very sophisticated software that watches over those networks and picks up attacks and anomalies, and a team who help companies address those risks when they occur on our networks. And these attacks are happening hundreds of times a month. So it's an ongoing process and we won't see the end of it for many, many years.

Mark John Verbiest

Former Chairman

Mr. Hawkins, good morning.

Unknown Shareholder

John Hawkins, I'm a shareholder and I'm also the chair of the shareholders association and a proxy holder here for 74 other people. During the very interesting and animated presentation you gave, Simon, you talked about various parts of the market and you mentioned Skinny and a few years ago, \$260 and now, \$19 or something like that. Obviously, something like Skinny is aimed to reach a younger market and obviously, over time, I guess you hoped that those people will move into the heavier duty, higher revenue type of mainstream products. And that approach at this point in time, comes at a cost to the company and to the shareholders. Can you give any insight into whether Skinny is actually generating any bottom line profit at this time? And is there any evidence that, that migration to more mainstream, higher revenue products is actually occurring even though it's fairly early days?

Mark John Verbiest

Former Chairman

I'll introduce you to Jolie Hodson. Jolie runs Skinny reports into Jolie, so she can take that one.

Jolie Hodson

CEO & Executive Director

So from a Skinny perspective, you said it's making money, we don't disclose here probably what that is, but yes it is. But keep in your mind too that the mobile market in New Zealand, 65% of that is made up of, again, of prepaid mobile. So Skinny does play an important part in terms of gaining market share for us. We work closely across our multibrand strategy. So we have the Spark Mobile brands and we have Skinny. And we think about how we continue to increase the ability for our consumers and customers to buy all of our products and how we think about how they can transition up. And we do see in the marketplace, we do see people transitioning from both prepaid to postpaid mobile. So we see that opportunity for people to move up the product set. But Skinny itself, is actually improving ARPU's and is making money, yes.

Unknown Shareholder

Can you give any sort of indication as to the degree of transition that you're seeing at this relatively early stage? Do we get a 1% or 2% crossover or do we get a 10% crossover over time? I think it's quite important looking at the long-term for the company.

Jolie Hodson

CEO & Executive Director

I think, we haven't publicly disclosed that before in terms of that shift up. But we're certainly seeing -- we're seeing that also as we see data needs move and people grow the smartphone penetration and it shift up. So I don't -- I haven't had the number to disclose for you today in terms of that potential shift though.

Mark John Verbiest

Former Chairman

We appreciate, John, there's some commercial sensitivity around it. I was about say, very diplomatic answer, thank you. Okay, I see no more questions at the moment from the floor. I have 2 online questions that have been submitted by Mr. Lang [ph]. How important is it for you to have staff with skin in the game i.e. an ownership stake in the company?

Well, we actually have participatory offer to our employees, an employee share purchase plan. I'm pretty sure there's about 1 in 4 or approximately 1,000 people that are currently participating in that plan. We believe it's positive for our employees to have a stake or skin in the game. Obviously, at senior levels, we have a more developed LTI, long-term incentive structure, whereby a good portion of senior management's remuneration is tied up in shares. And that reflects the degree of influence they have over making changes that can add value. So overall, we think our structure is pretty good, we're very pleased with our shareholders, how our employees participation in the shareholder scheme to date and we're looking forward to that continuing.

Second question from Mr. Avery, a question relating to customer advocacy. As he says, it's fundamental to today's telcos and what measure and target is Spark going to be using going forward?

I think Simon earlier on in his address talked about what we call the Net Promoter Score. This is not about customer satisfaction. How satisfied are you with our service, but it's a level beyond that.

Are you prepared -- would you advocate Spark services to someone else?

So obviously, that's a very powerful -- you have to actually reach a high standard before people are prepared to recommend to someone else. That is the measure that we go by. And Simon, you've got internal metrics that the team are focused on each of their divisions, particularly in home, mobile and business as to what that's supposed to achieve in respect to Net Promoter Score. So there's a great focus on them.

Simon Moutter

Former MD & Executive Director

Yes, and look, we begin -- we shifted away from older satisfaction measures about 12 months ago. So we are continuing to expand the footprint of which. The coverage of Net Promoter Score through the business, it takes a bit of systems to set it up because when you interact with a customer, there has to be an automated process for them to be able to give the feedback on how that occurred but it's sort of building through the organization. And we've spent a lot of time benchmarking what great companies look like, particularly in the digital services world. And so we focused very hard on achieving those sort of benchmarks. And certainly, in the newer businesses we develop, we do achieve very high Net Promoter Scores and we're confident we're on the right path there.

Mark John Verbiest

Former Chairman

Thank you. Ladies and gentlemen, we will now conduct the polls on the items of business set out in the notice of meeting and described today.

The company's auditors will act as scrutineers on the polls. For shareholders attending in person, you should have a ballot paper which was given to you when you registered. Please put up your hand if you don't have the ballot paper and someone will assist you. Please complete your voting paper by either ticking: for; against; or abstain, in appropriate place in the ballot paper for each resolution. If you have any difficulty, again, please raise your hand and we'll get someone to come and assist you.

For shareholders attending via the Virtual Annual Meeting trial, once you have clicked on the box Get Voting Card and registered as a shareholder, you should be able to select: for; against; or abstain, in relation to each resolution. You can edit your voting card at any time up to the close of voting and call 0800 200-220 at any time for assistance.

Ballot boxes and collectors will be available to shareholders present in the room today at the conclusion of the meeting and is situated to the side of the aisles. Ballot paper should be placed in the ballot boxes on the way out of the room. For those shareholders voting online, once you've completed your voting card, submit the card to cast your votes.

Ladies and gentlemen, thank you for your attendance today. We'll be announcing the results of the polls to the stock exchange and media this afternoon. Particularly those shareholders who put up their hands to participate in our online virtual trial, thank you very much for your attendance.

For those of you who are attending here in person, please join us now, the directors and auditors and management, to have some refreshments. The meeting will close on completion of the voting procedures. Thank you very much.