



Investor Day – Vodafone NZ



Vodafone Investor Day Agenda



Introduction

Marko Bogoevski

Vodafone Strategy

Jason Paris

Q&A

Financial Update

Kate Jorgensen

Business Improvement Programme

Matt Crockett

Q&A

Regulatory Environment

Juliet Jones

Business and Cloud

Lindsay Zwart

A 5G future

Tony Baird

Summary

Jason Paris

Q&A



A man in a grey polo shirt and a dark cap is seen from the side, holding a drone controller. In the background, two children are running on a grassy field, one holding a ball. A small drone is flying in the sky above them. The scene is set in a hilly, green landscape during sunset or sunrise, with a large red outline of the number '6' superimposed over the center.

Strategy Update – Jason Paris



We have best-in-class assets to compete

Providing strong potential upsides



Strong NZ customer base
across categories;
including #1 mobile, #2 BB

Well balanced across business
and consumer segments

Significant network and
infrastructure assets;
Fixed, Mobile, IoT

Diversified product set;
Fixed, Mobile, Cloud, IoT

Extensive channels to market;
app. Web, retail, MMR, care

Strong partnerships including
Vodafone Group, Nokia, AWS

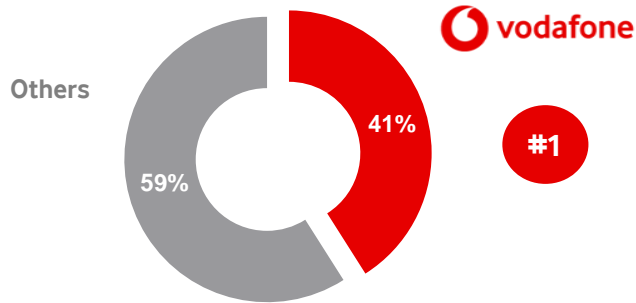


Strong New Zealand customer base across all categories

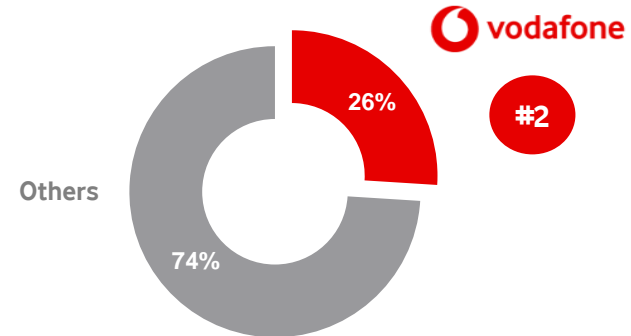
#1 in mobile, #2 in broadband



Mobile subscriber share¹

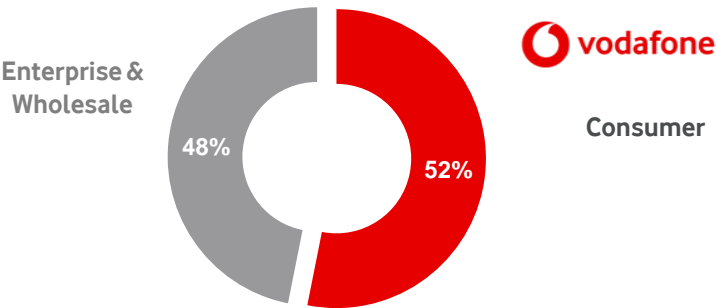


Fixed broadband connection share¹

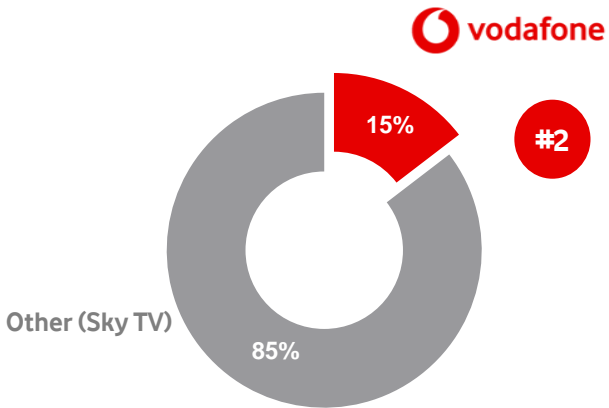


Balanced portfolio mix

Revenue Mix²



Traditional Pay TV connection share



Notes:
1. New Zealand Commerce Commission Annual Telecommunications Monitoring Report – December 2018
2. Based on 30 September 2019 unaudited results



Significant network and infrastructure assets

Across Fixed, Mobile, IoT



Extensive network and spectrum position including 5G leadership

- 5G launching December in Auckland, Wellington, Christchurch, Queenstown
- Over 1,500 mobile cell sites delivering a mix of 2G, 3G and 4G
- 98% population coverage, with over 95% 4G coverage
- 80% broadband coverage of rural New Zealand
- Extensive spectrum holdings available for mass market use
- Roaming network in 200+ destinations (4G in 100+ destinations)

Nationwide fixed network infrastructure

- Over 10,000km of cabling connecting consumer and enterprise customers
- National backhaul network and access to the Tasman Global Access cable
- Local fibre in Wellington, Kapiti and Christchurch
- Hybrid Fibre Coaxial (HFC) gigabit network in Wellington and Christchurch
- Capability to deliver services over all technologies – Fibre, Cable, VDSL and ADSL

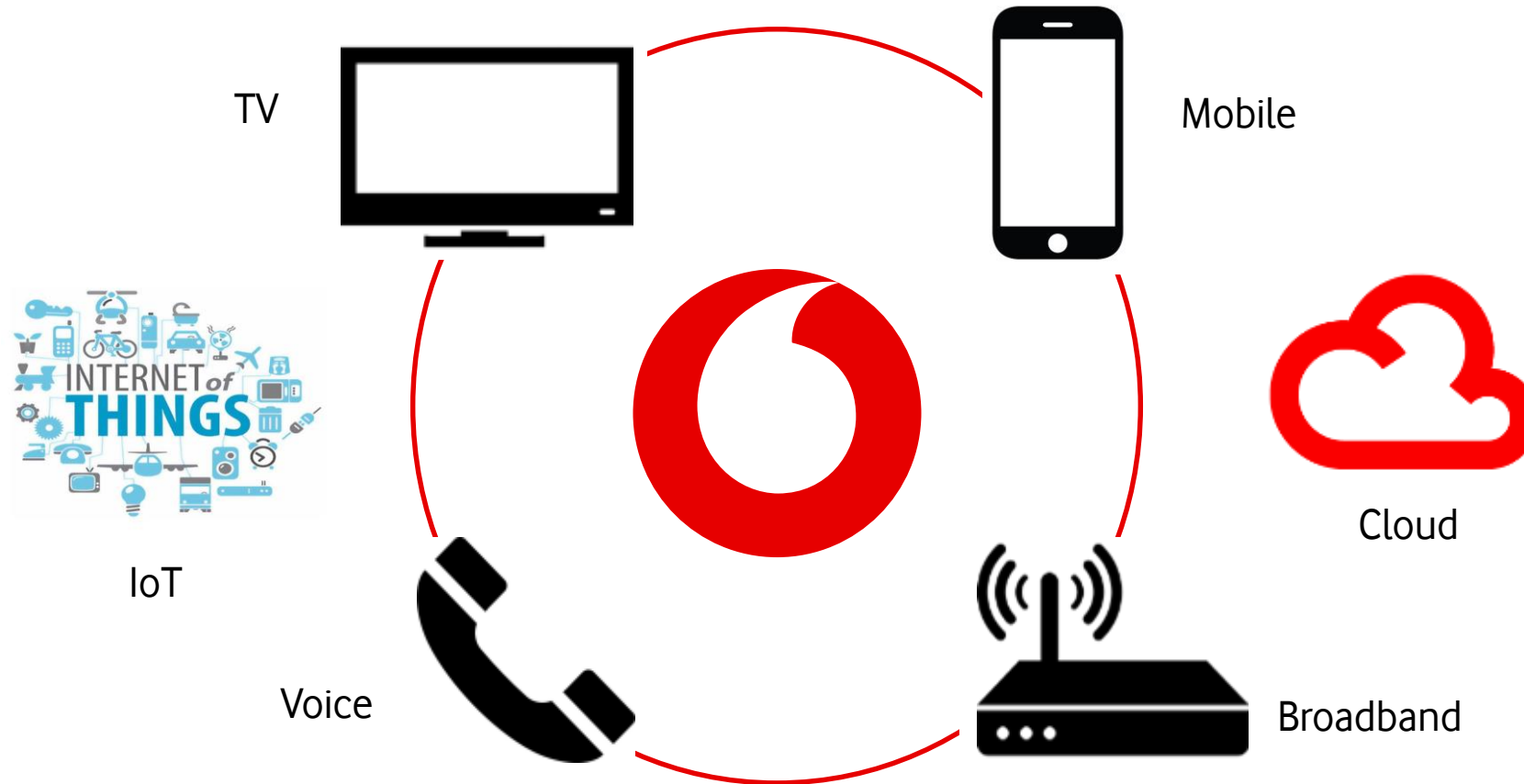
Nationwide Internet of Things ("IoT") networks

- #1 in IoT in New Zealand
- Two nationwide IoT networks (NB-IoT and LTE-M) supporting over 1.6m cellular IoT connections



Diversified and differentiated product set

Across Fixed, Mobile, Cloud and IoT



Vodafone Group's biggest partner market

Gives NZ access to best of both worlds and significant flexibility



- Global roaming
- VodafoneTV
- IoT Platform
- Security products
- Data Analytics
- Vodafone Brand
- Artificial Intelligence
- Vodafone Procurement



Industry dynamics can create new opportunities

Players looking at ways to grow returns in capital intensive industry



- Improving the utilisation of existing networks
- Looking to enhance wholesale and mobile virtual network operator offering and product development
- Vodafone already has wholesale arrangements with other players, including 2Degrees
- Aiming to show industry leadership around sensible network sharing, where the economics make sense
- Arrival of 5G provides opportunity to review network strategies across the industry



Competitive but rational market

Underpinned by strong economic fundamentals



- Industry structure provides strongest correlation to equity returns
- Stable 3-player mobile market with multiple retailers and wholesale customers
- Relatively stable regulatory environment
- Industry dynamics are creating new value opportunities (Infrastructure and Retail)
- Competitive but not irrational behaviour
- Multiproduct or converged offers becoming more prominent
- Vodafone NZ continuing to fund or bundle VAS is not sustainable in the long-term



The Vodafone transformation is underway

Decisive action taken on many fronts, with some big 'work-ons'



- Ownership certainty achieved ✓
- 100% NZ-centric strategy in place ✓
- Group strategic constraints removed ✓
- 5G leadership attained ✓
- Cost reduction delivering ability to reinvest ✓
- Agile way of working introduced ✓
- Step-change in capability & culture underway ✓
- Lagging in digitisation and simplification X
- Complex legacy IT systems to be migrated X
- Poor customer experience holding us back X
- Top-line growth still hard (industry-wide issue) X



Positive early signs

Solid early indicators and successes



- New operating model in place and capability step-change underway
- On track to deliver \$91m of gross cost savings
- 10% year-on-year call volume reduction and 70% of queries solved first time
- New channel expansion with Noel Leeming to significantly improve mobile performance and in home technology experience
- New prepaid brand to target price segment (Kogan) launched
- Retail JV with Digital Mobile launched to lift retail performance
- Healthy deal pipeline for Business/Enterprise
- Best-in-class partnerships in Cloud with AWS and Azure
- 5G leadership underpinning brand reconsideration
- Fixed Wireless Access being scaled

Transforming from old Vodafone to new Vodafone

Turning legacy into opportunity, long-term strategy review underway



From manual, complex,
expensive to...

Digital, simple
and low cost

From lagging on
Customer Experience to...

Leading on Customer
Experience

From missing numbers to...

Making numbers



Digital, modern, simple and low-cost

An opportunity to be a leading modern Telco



Complex product,
IT architecture and
technical debt to...

- Limited velocity, high cost to serve and cost to run
- Cumbersome multi-step migration with issues
- Significant cost saving opportunity

An ambitious but
necessary target
state...

- Move towards a greenfield stack, with simplified products
- Explore cloud/ SaaS native solutions across the full OSS and BSS
- Ensure target state architecture is aligned with strategic choices

...while stabilising
current state and
de-risking

- Decouple front and back-end through agility layer
- Focus in-house development efforts on front-end differentiating layers
- Validate pros and cons of different migration scenarios



Leading on Customer Experience (CX)

Creating a competitive advantage



- Call volumes continuing to decline year on year
- ~70% of calls resolved first time
- Calls getting more complex
- New partners getting up to speed
- Investment in new Case Management team



Long term value creation

From missing our numbers



- Stabilising commercial performance
- Holding churn across all products
- Cost reduction to create headroom
- Investing in Cloud, Security, VTV, IoT and Procurement
- Taking opportunities – e.g. FWA, Multi-brand, 5G, winning key market segments
- Owners mind-set developing
- Optimise balance between revenue/share and margin
- Stronger execution focus
- Shift to long-term investment horizon – targeting uplift in EBITDA margins over time



Risks to manage or mitigate

External and internal factors



- Market dynamics
 - Ongoing commoditisation and price downs
 - Regulatory changes or investment uncertainty
 - Funding of free VAS and OTT services
 - Monetising investment in 5G in core telco and adjacencies
- Organisational dynamics
 - Pace/quality of execution
 - Cost management
 - Culture and capability requirements
 - Trading momentum
- Technology/IT dynamics
 - Migration to future IT state
 - Ongoing simplification, digitisation and automation
 - Timely retirement of legacy
 - Customer Experience impacts



Our purpose

We connect for a better future



Our belief

We believe every New Zealander will thrive with access to the world's best digital services. No one gets left behind.

Our strategy

Deeper customer engagement

New Zealand Consumers

New Zealand Businesses

Digital First

Radically Simple

Always Competitive

Existing Customers First

Scaled platforms & partner of choice

IoT

Vodafone TV

Best Networks

Data + AI

Cloud & Security

with the **people, culture** and **brand** to succeed

Always ahead
of our numbers

eNPS

NPS

EBITDA

Operating
Free
Cashflow

Churn

Service
Revenue

Share of
total Telco

Cost
Mgmt

Strong team now in place to deliver on clear plan

Focus on execution and cadence



Jason Paris

- Chief Executive Officer
- Joined Vodafone NZ November 2018
- Former Chief Executive of Home, Mobile and Business at Spark



Kate Jorgensen

- Finance Director
- Joined Vodafone NZ in April 2019
- Former CFO of KiwiRail



Matt Crockett

- Transformation Director
- Joined Vodafone August 2019
- Experienced executive in telecommunications, and across multiple transformation programmes



Juliet Jones

- Legal, Regulatory & Sustainability Director
- 12 years at Vodafone NZ including as GM Strategy



Lindsay Zwart

- Business Director
- Joined Vodafone NZ in September 2019
- Has held senior positions in Microsoft, most recently as US General Manager Cloud and Enterprise Business



Tony Baird

- Technology Director
- 9 years at Vodafone NZ, 5 years in current technology leadership role
- Former CEO of Farmside





Q & A



A woman in a black and white striped shirt is drawing on a glass wall with a white marker. The glass wall has various blue and black lines and diagrams drawn on it. In the background, another person is visible, looking towards the camera. A large red circle is drawn around the woman's head and the text.

Investor Day – Kate Jorgensen



Financial performance overview

Long-term EBITDA growth achievable, dependent on execution



- Commercial performance has stabilised, largely through tight operating disciplines and cost reduction
- Long-term growth requires execution on business improvement programme, and successful investments, e.g. in 5G and FWA
- Digitisation and simplification will enable a greater range of strategic choices
- Current year performance can be characterised as; our cost management has been excellent but our trading momentum and customer experience needs improvement



Financial Outlook

Vodafone on track to achieve guidance metrics

Summary of Financials (\$ Millions)

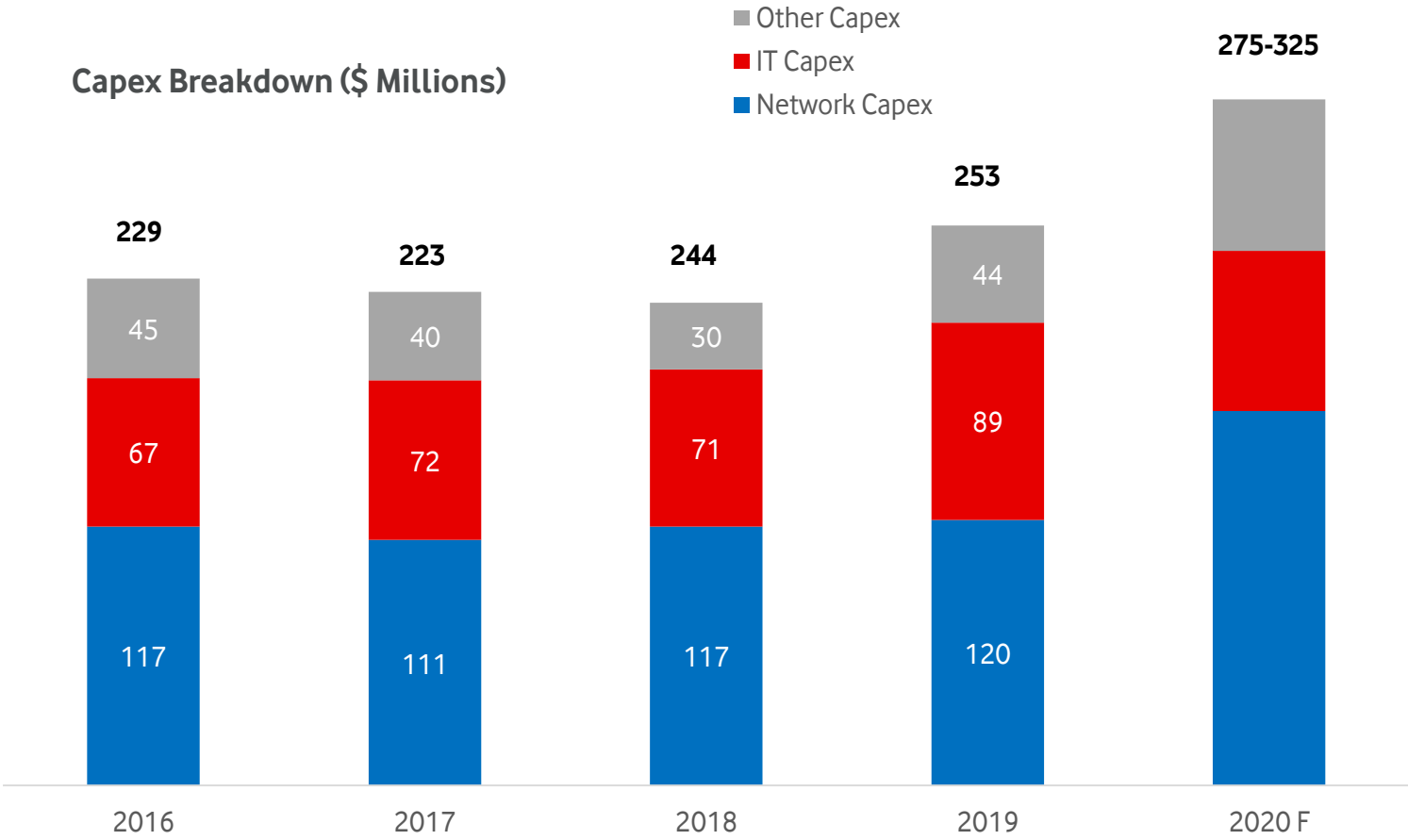
31 March	2016	2017	2018	2019	2020 F
Mobile Revenue	951	953	973	945	
Fixed Revenue	841	854	824	793	
Other Revenue	171	220	242	248	
Total Revenue	1,963	2,027	2,039	1,986	2,000-2,100
Underlying EBITDA¹	422	469	466	463	460-490
Underlying EBITDA %	22%	23%	23%	23%	23%
Capex	229	223	244	253	275-325
Capital intensity ²	12%	11%	12%	13%	14%-15%
Free Cash Flow	193	246	222	210	110-190

¹ Underlying EBITDA excludes acquisition costs and separation costs. ² Capital intensity is shown as Capex as a percentage of Total Revenue



Capital Expenditure

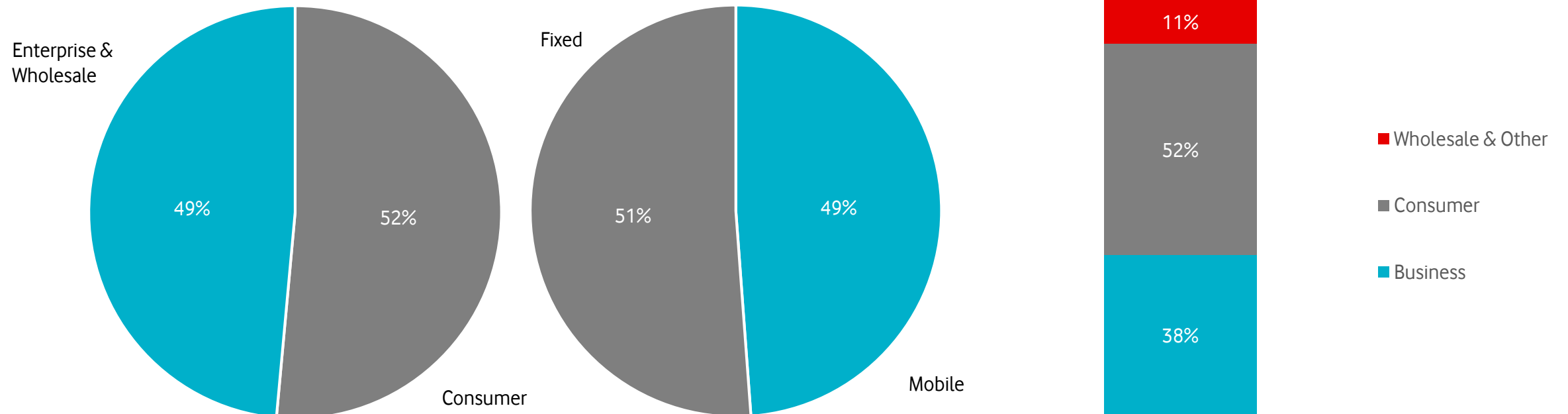
Vodafone fuelled for growth under new ownership



Operational Overview

Balanced portfolio of Vodafone well positioned to deliver

Balanced Portfolio (Revenue Mix)¹



¹ Based on 30 September 2019 unaudited results



Revenue

Strong customer base with the highest mobile ARPUs in the industry



	Subscribers	ARPU
Prepay	1.4 million	\$14
Post-pay	1.1 million	\$47
Broadband	0.4 million	\$104

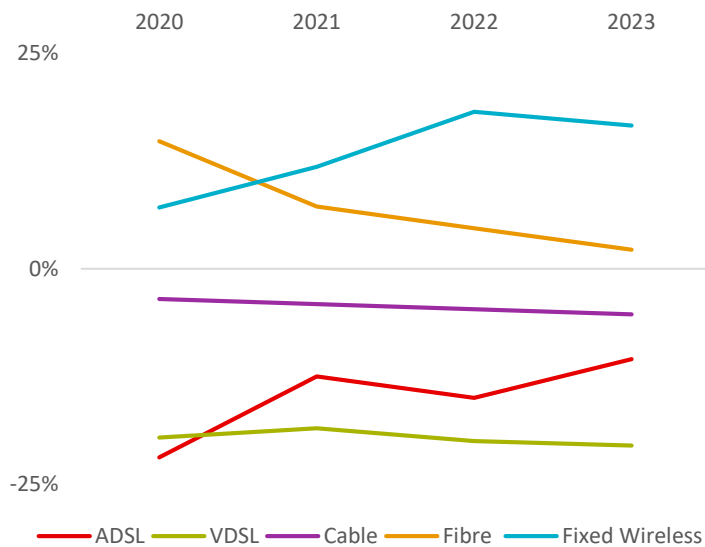
¹ Based on 30 September 2019 unaudited results



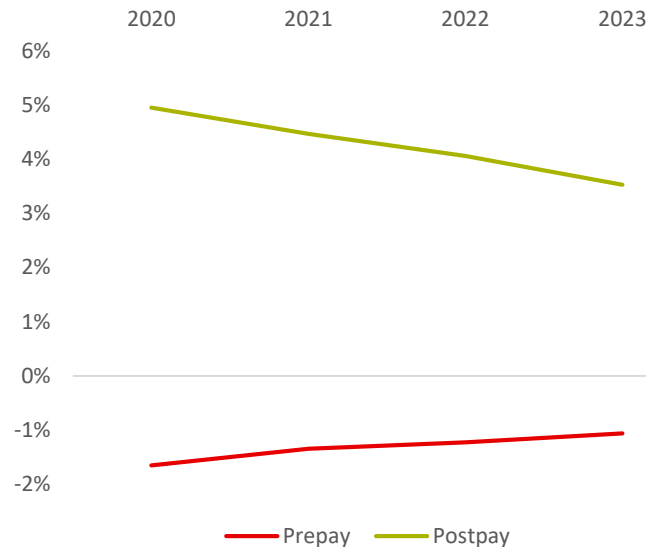
Future Market Growth Trajectory¹

Vodafone in line with external growth projections for next generation access technologies and mobile post-pay

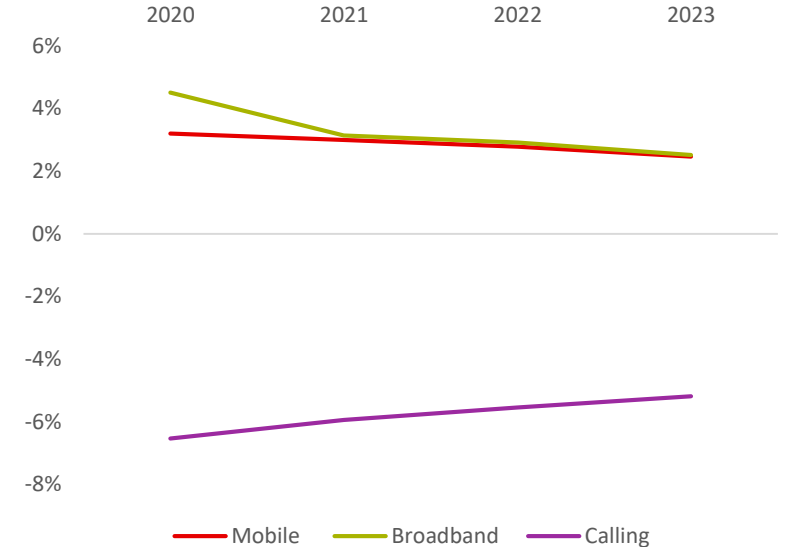
Broadband Connections



Mobile Connections



Market Spend



¹ Based on IDC third party market analysis.



Looking ahead – the important markers

What we view as the key medium-term financial performance levers/measures



- Sustainable industry dynamics/structure
- Business Improvement Programme execution
- Investment incentives and certainty
- Competitive trading performance
- Growth in Fixed Wireless Access and access bypass
- CX as a competitive advantage and churn reduction
- Digitisation and platform rationalisation
- Focus on existing and profitable customers
- Capital intensity
- EBITDA margins



A photograph of three people in a laboratory setting. On the left, a man with glasses and a beard is looking towards the center. In the middle, a woman with long dark hair is smiling and looking towards the right. On the right, a man with a beard and short hair is leaning over a complex robotic arm, smiling. The scene is lit with a strong blue light, and the background shows laboratory equipment and shelves. A large, hand-drawn red circle highlights the man on the right. The text "Investor Day – Matt Crockett" is overlaid in white on the left side of the image.

Investor Day – Matt Crockett



Key beliefs about transformation

Characteristics of successful transformations



1. You can achieve substantial, 20%+ cost reduction through a holistic transformation approach.
2. However, you can't cost-cut your way to greatness.
3. Execution is critical.
4. "Business-as-usual" people and processes won't deliver significant change.
5. Mindsets and behaviours matter.
6. Leadership is critical.



We are building on solid foundations

Focused cost program launched 12 months ago

1 Employment costs



2 Migration off legacy inputs



3 Spend rationalisation and outsourcing



4 Procurement and Property



\$35m savings were delivered in FY19.

The program is on track to deliver \$56m of incremental gross savings YoY (FY19 to FY20)



We recently enhanced the programme

With a focus on all business improvement levers



The what:

all cash improvement
levers



The how:

clearer line ownership,
more regular
governance, more
dedicated resources



A full potential improvement diagnostic

Highlights substantial opportunities



Example: tactical opportunities

Build / improve data and analytics capabilities to reduce churn, uplift cross- and up-sell



Example: transformational opportunities

Review full product portfolio and radically simplify product range while improving customer and financial outcomes



In FY20 we will launch a full transformation programme

Addressing four key requirements for success



**Performance
Infrastructure**



**Mindset &
Behavior Change**



**Capability
Building**



Expertise





Q & A



A surgeon in blue scrubs and a surgical mask is wearing a VR headset. A red circular graphic is overlaid on the image, with a line connecting the text to the headset. The background is a blurred surgical room with bright lights.

Investor Day – Juliet Jones



A stable and predictable operating environment

Relatively stable regulatory settings



- Market regulation has been predictable and in line with international experiences
- National roaming and mobile co-location regulated on a non-price basis
- Cost-based mobile termination rates
- The Commerce Commission annual report highlighted healthy competition and investment in the mobile market
- Mobile market review undertaken by regulator found no need to regulate wholesale access.



Mature legislative framework

Amendments to laws passed in 2018

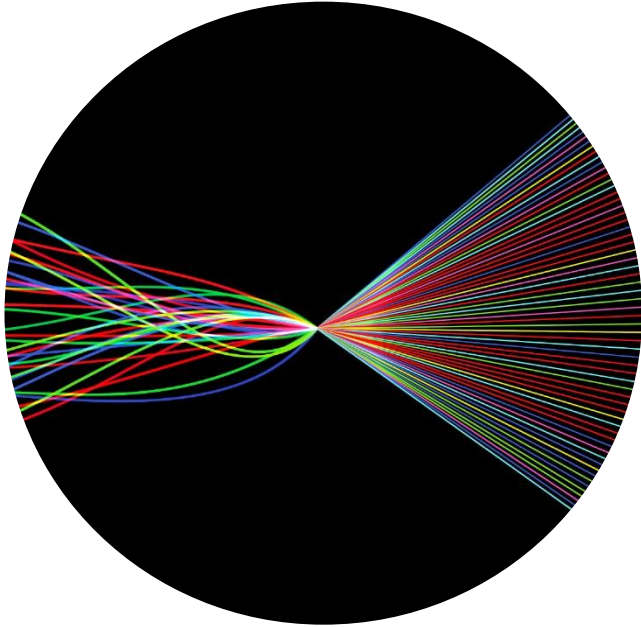


- Amendments to the Telecommunications Act 2001 were passed in November 2018, covering:
 - Defined process to set regulated fibre pricing for “last mile” fixed access infrastructure post 2022
 - Additional consumer safeguards
 - Regulatory oversight of the quality of retail services
 - Rapid responses to any competition issues
- Chorus continues to have requirement to unbundle its UFB network with LFCs expected to follow



Spectrum matters

History of stable renewal processes for spectrum



- Renewal process for rights in 1800/2100MHz which expire in 2021
 - 2x20 MHz 1800MHz for renewal, cut back by 2x5 MHz
 - Vodafone to be offered full 2x25 MHz 2100MHz renewal
 - Government will consider requests to swap 2100 MHz instead of 1800 MHz
- Auction of 3.5GHz spectrum faces continued delays
 - Cabinet paper suggests 80MHz sufficient for each mobile network operator
 - Subject to separate decisions around Maori rights under Treaty of Waitangi
 - Auction late 2020 or early 2021 with 20 year rights from November 2022
 - Consultation on design, rollout requirements and cap will occur later in 2019
 - MBIE is exploring early commercial access due to auction delay and has issued an Expression of Interest to acquire temporary rights












Investor Day – Lindsay Zwart



Become NZ's Leading Trusted Digital Partner for Business

Helping NZ businesses navigate digital transformations



Understanding the Gigabit world	Customer Experience	New technology investment	Cutting costs	Shareholder value
DIGITAL CUSTOMER  Customer engagement	 Contact Centre solutions		 Mobility	
DIGITAL WORKPLACE  Connected employees	 Unified Communications		 Cloud, hosting and managed mobility services	
DIGITAL BUSINESS  Operational agility	 Managed Network Services		 IoT & connectivity solutions	

A skilled & passionate team who are recognised by our customers as the trusted advisers for their digital journey



Vodafone Cloud and Partnering Vision

To be NZ's most trusted digital provider through market leading Cloud Services and Strategic Partnerships

Strategic customer Relationships



Strategic partner with customers in Digital Transformation
Delivering the most engaging digital customer experience

Cloud Network



Network attached to public cloud first strategy
95% Organisations using Private Cloud

Partnership



Strategic Partnering for expertise, market scale, significant investments and thought leadership

International Innovation



Leveraging Vodafone's international innovation and extending through channel partners for IoT, AI and cloud analytics

Procurement



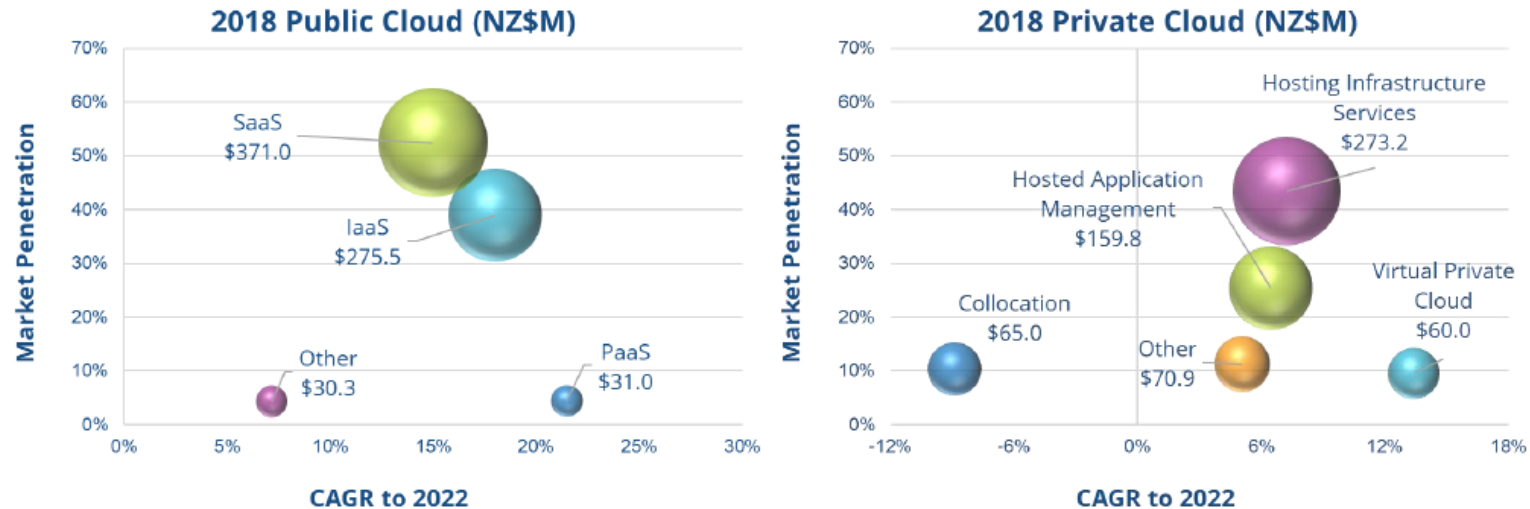
Value added procurement services attached to all deals



The market opportunity in Cloud is significant

IDC: The New Zealand SaaS market is valued \$371m with CAGR over 15%

Market Forecast, 2018 Snapshot: Public Cloud vs Private Cloud



- Public cloud revenue growth is accelerating at a CAGR of 16.2% to 2022. Although PaaS is expected to see the highest growth, it is SaaS that will continue to capture the largest revenue share.
- Private cloud shows a CAGR of 5.9% to 2022, driven by the virtual private cloud, hosted infrastructure services, and hosted application markets.



Vodafone is well placed for the Cloud opportunity

Excellent partnerships in place



Exclusive Cloud reseller agreements with market leading products and services partners

Xone's development of 5G ecosystem. Building innovations ready for the future.

Access to reselling high-growth tech companies solutions [via Telstra-Ventures]

Proven ability to move with speed, with no legacy cloud infrastructure environments

Solid pipeline of new cloud products and services to be released in market in the near term

Strong uptake of early offerings in market, with strategic customers



A photograph of virtual reality equipment, including a VR headset and controllers, resting on a red carpet. A red circle is drawn around one of the VR headsets. In the background, a screen displays a bright, abstract image. The text "Investor Day – Tony Baird" is overlaid in white.

Investor Day – Tony Baird



Market leadership in 5G

Bringing the best of the world to NZ



- We are well placed to leverage 5G with our spectrum, fibre and network assets
- Switching on a large commercial 5G network in December, starting in parts of Auckland, Wellington, Christchurch & Queenstown
- Launching with 100 x 5G-enabled cell-sites and 400 x upgraded 4.5G sites and grow from there – will significantly increase network performance
- Range of devices/handsets will be available at launch, attracting high-value customers and early adopters
- Offers significant potential to scale up our Fixed Wireless Access ambitions
- Adds to our proud heritage of being first to deliver the best technology to Kiwis – including 2G, 3G, and 4G – giving our brand and culture uplift



5G is the next generation network technology

Greater capacity, speed and low latency



2G: The TXT Era

- 1990s
- SMS
- 0.1 MB/second



3G: The Internet Era

- 2000s
- SMS
- Internet
- 0.1-8 MB/second



4G: The Smartphone Era

- 2010s
- SMS
- Internet
- Video
- 15 MB/second



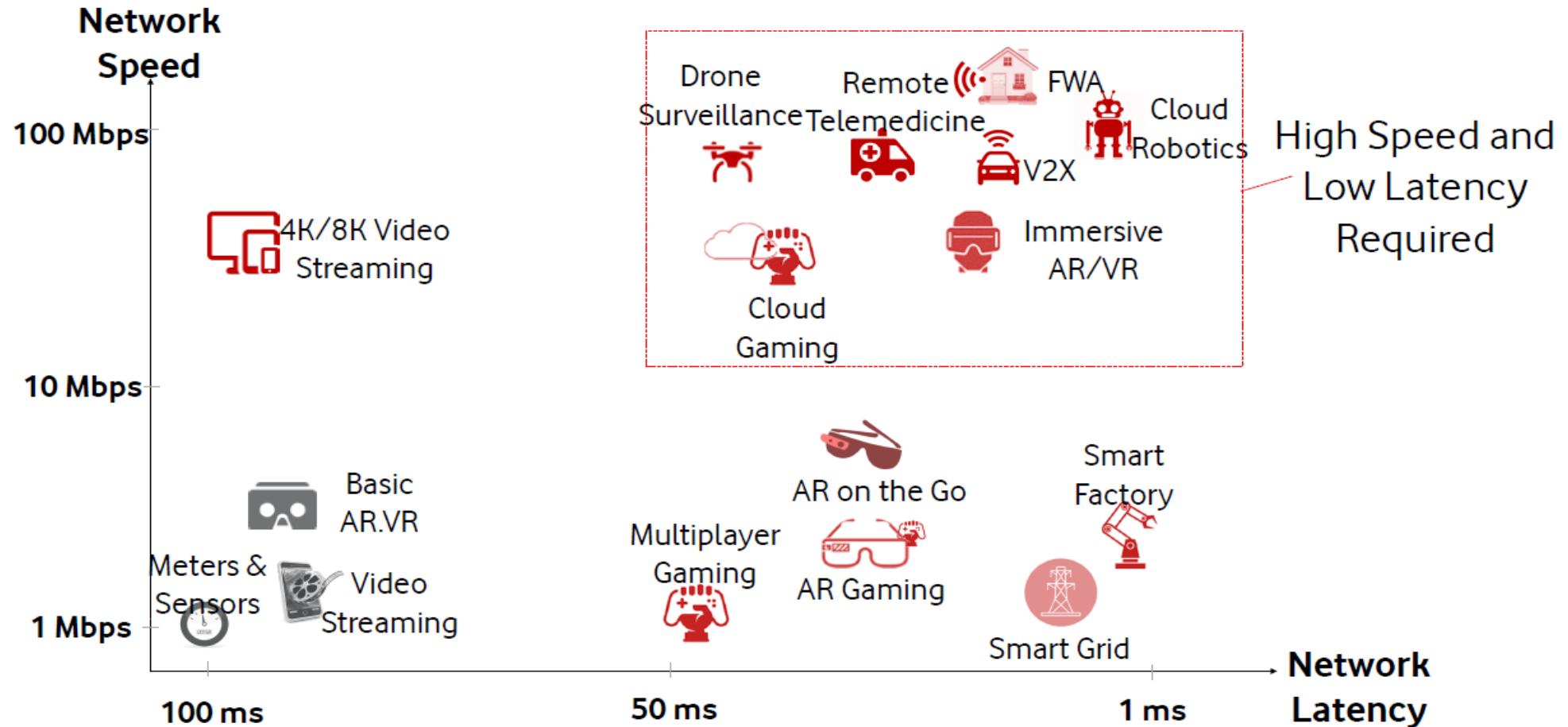
5G: The Internet of Things (IoT) Era

- 2020 and beyond
- SMS
- Internet
- HD, 3D & ultra video
- 1-10 GB/second





































5G unleashes potential of the Internet of Things (IoT)

Vodafone #1 in IoT network connections, with platform advantages



5G builds on the foundation of 4G







Expanding use cases from 4G to 5G

		Capacity	Latency	Slicing	4G	5G
	Smart Networks					
	Health					
	Industry 4.0					
	Logistics					
	Auton. driving / Platooning					
	Smart City					
	Augmented Reality					
Legend		 Low relevance	 High Relevance			



Already real 5G use cases have emerged

Leveraging Vodafone Germany, Spain, Italy & UK as partners

Automotive	Buildings & Integrated Transport	Manufacturing	Health	Utilities	Education & Entertainment
<ul style="list-style-type: none"> • 5G V2X A9 Highway (DE) • AR & assisted reality • Remote steering of vehicles • Adaptive cruise control • Platooning 	<ul style="list-style-type: none"> • Centralised building controls • Traffic assist using street sensors • Drones for aerial security • Drone delivery • Smart parking, smart waste 	<ul style="list-style-type: none"> • 5G connected robots to improve flexibility of production lines • Warehouse automation • Last mile logistics robots, also used in hospitals • Precision agriculture 	<ul style="list-style-type: none"> • Connected Ambulance • Remote surgery • Remote patient monitoring • Remote training (AI) 	<ul style="list-style-type: none"> • Smart grid • Smart meters • Managing energy crises 	<ul style="list-style-type: none"> • Immersive learning – biomedical and mechanical engineering (AR/VR) • Remote events (VR) • Media: drone/shoulder camera images • AR/VR assisted tour-guides
					



5G delivers efficient network economics

Offers exciting potential for lower cost delivery



- Will upgrade/improve existing 4G
- Enables decommissioning of legacy (e.g. 3G)
- Accommodates ongoing explosion in data consumption
- Offers additional wholesale opportunities
- Low cost option (capex intensity neutral)
- Smart reuse of existing 'street' infrastructure
- Network sharing opportunities
- Best-in-class network cost management





Summary – Jason Paris





Q & A



