

A man with dark hair, wearing a grey t-shirt, is sitting on a trampoline. He is looking down at a young girl with her hair in a ponytail, who is also sitting on the trampoline. The girl is holding a tablet and looking at it with a smile. The background shows a wooden fence and some greenery.

# Vodafone Investor Update

October 21<sup>st</sup> 2020

Jason Paris, Chief Executive





**A year of new  
ownership**



# On track for our multi-year reinvestment and reinvention



















- Solid market position, good quality underlying assets, and loyal customer base
- Industry structure and regulatory assumptions remain (i.e. competitive but rational)
- Strategy and Customer Value Proposition (CVP) in place
- Higher utilisation of our fixed and mobile infrastructure is underway
- Digital transformation has begun and is at the core of our future operating model
- FY21 heavily disrupted by COVID-19 but has also brought forward opportunities
- Cost and capex discipline will deliver reasonable operating earnings outcomes and cash flows
- Created room and confidence to make new strategic choices and investments
- Capability uplift across the business and in key areas is well underway
- Major foundations laid for performance improvement and transformation

# A lot to be proud of, and a lot more to do

## Opportunity

## Progress

|             |   |  |   |
|-------------|---|--|---|
| Strategy    |  | Plan complete and execution underway   |  |
| Stability   |  | CX NPS up 29 points, IT and Network stability best in 3 years, FTF up 34% YoY, complaints down 53% |  |
| Simplicity  |  | Over 1500 products and plans retired or improved and digital acceleration underway                 |  |
| Automation  |  | 86% of all transactions now digital, on-app self-service up 33%, 34% using IVR chatbots            |  |
| Utilisation |  | 5G mobile network leadership, FWA on track for FY21, increase in Wholesale activity                |  |
| Cost        |  | Good gross cost & revenue improvements for FY21, allowing reinvestment elsewhere                   |  |
| Trading     |  | Good consumer and enterprise mobile and fixed performance. Consumer broadband remains challenging  |  |
| Culture     |  | New executive talent, new performance processes, upskill/reskill focus, and getting digital-ready  |  |

NB: CX (Customer Experience), NPS (Net Promoter Score), FTF (First Time Fix), IVR (Interactive Voice Response), FWA (Fixed Wireless Access)

# COVID-19 impacts will be felt for a long time

## Impact on Vodafone

- Projected EBITDA impact in FY21 of between \$60m and \$75m (YTD impact to Sep-20 of \$29m)
- Negative impact on roaming, pre-paid and retail for FY21, expected to run into FY22
- Made voluntary commitments to look after impacted customers
- Bad debt profile to date better than expected
- IT, network, and CX stability already back above pre-COVID-19 levels
- No debt refinancing until July 2022 and significant headroom in place



## Industry Trends

- Digital adoption rates have been accelerated by many years
- Mobile and fixed network data traffic up significantly
- Industry-wide challenge to monetise increased data demand
- Seismic shift from physical towards online and in-home
- Impact on digital divide exacerbated - connectivity more essential than ever



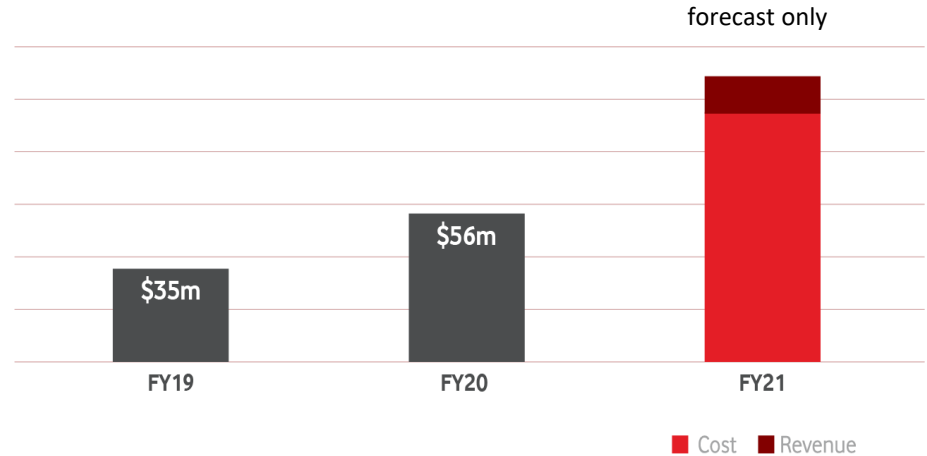
## COVID-19 opportunities

- Increased demand for our unique set of network assets as connectivity resilience becomes critical
- ICT opportunities accelerating as security, public cloud, IoT and data privacy becomes essential
- Digital uptake sees us delivering a number of cost reduction and CX benefits earlier than expected
- Has provided the platform for greater and faster strategic change
- Attracting the best talent from across New Zealand and overseas

# Rapid business improvements are being delivered

## Cost-out to date has largely been reinvested in:

- Maximising network efficiency and utilisation
- CX enhancement and IT stabilisation
- Trading interventions to improve revenue and share trajectory
- Digital acceleration and transformation
- Talent development and new capability



# More details on the rapid performance improvement programme



## Reducing cost

- Reduce dependency on LFC's to reduce access costs
- Reduce labour costs aligned with digitisation and automation
- Reduce external spend – improved procurement and spend control



## Protecting core revenue base and moving to higher-value mix

- Improve churn and base management
- Migrate legacy managed network services to connected business
- Introduce new retention offers



## Growing revenue in focused areas

- Pleasing mobile momentum
- Develop and launch enhanced Wholesale offerings, e.g. MVNO
- Drive growth in priority Enterprise Practices, e.g. Security



## Prioritising capex

- Improve portfolio planning and execution
- Sourcing driven unit cost reductions
- Reduce spend and simplify outsource constructs



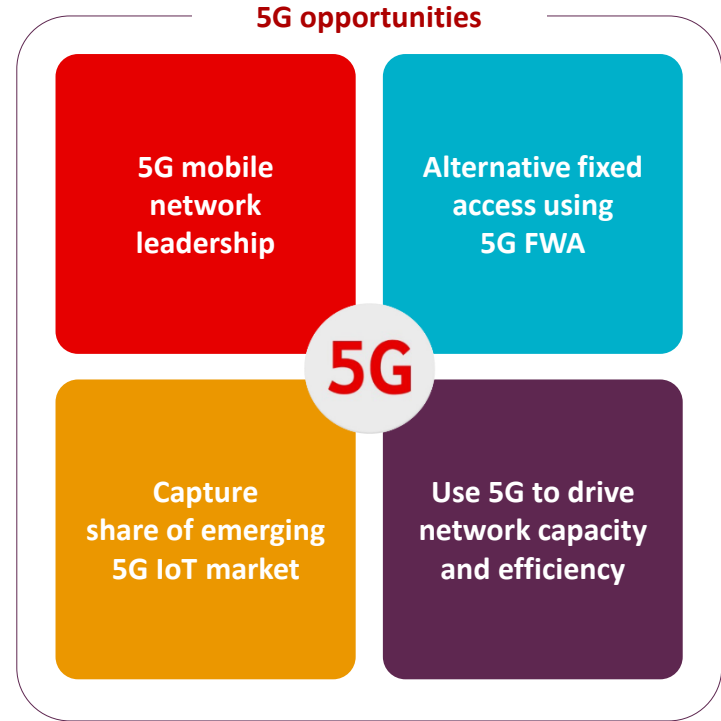
## Freeing up working capital

- Alignment of payment terms of key suppliers
- Review and optimise inventory holdings/ageing for terminals
- Disciplined AR management

# 5G leadership will underpin next phase of margin growth

## Vodafone a clear 5G mobile network leader in the New Zealand market:

- New Zealand's largest 5G mobile network (around 3 times the size of nearest competitor)
- New 5G capable phones (including new iPhone) expected to drive uplift in customer demand
- 5G will be a significant enabler of FWA and on-net acceleration and we will target FY21 and FY22 rollout locations with this in mind
- Likely to be a transition point for the NZ mobile industry, where providers consider infrastructure sharing options
- New 5G use-cases rapidly emerging, still predominantly in the business space, but consumer use-cases are coming





The background is a solid dark red color. It is overlaid with numerous thin, white, curved lines that sweep across the frame, creating a sense of motion and energy. In the center, there is a large, white, stylized shape that resembles a leaf or a drop with a pointed top and a curved bottom. The text "Our forward plan" is centered within this white shape.

**Our forward plan**



# Assumptions around our future operating environment



## Customers

- Customer experience (CX) will be a competitive differentiator
- Customers will increasingly value simplicity and price
- Dramatic rise in digital channel use to continue
- Demand for data will continue to surge
- Digital divide a growing concern, we are working with Government to address inequalities



## Economics

- Networks can create significant additional value
- Digital channels will reduce costs
- New tech will enable new business models
- COVID-19 will impact economy until at least mid 2022
- Broadband economics 'out-of-whack' and driving market behaviour
- Spectrum as an enabler of investment, not a tax on industry

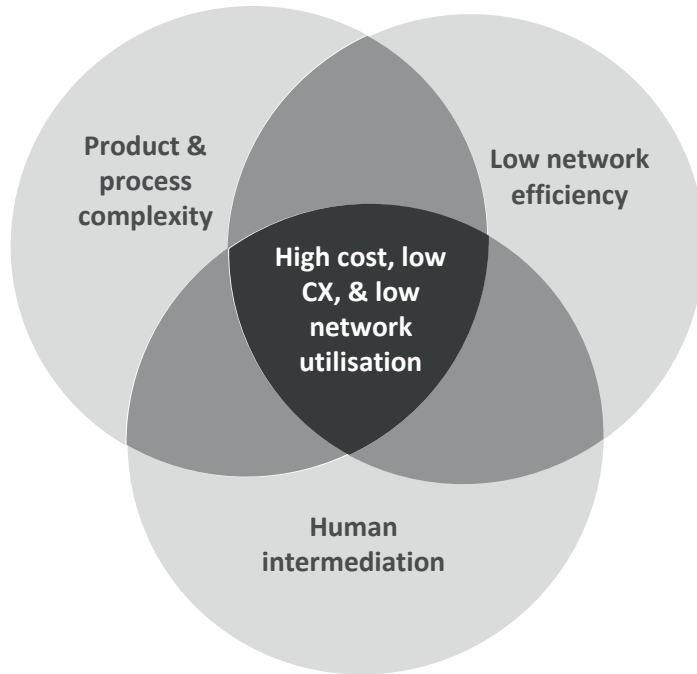


## Market

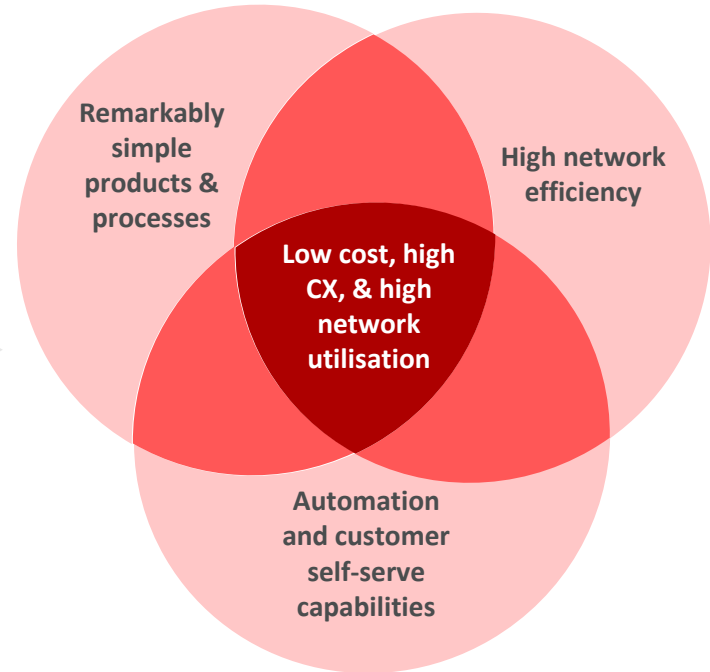
- Changing customer behaviours will drive digital acceleration
- Competitive dynamics will continue to intensify
- 'Asset-Light' challengers to thrive
- Business customers need help to go digital, creating ICT growth
- 5G provides network efficiency opportunities and will be a transition point for the industry

# Current state to future state

Our starting position (FY20)



An improved future-state



# The three strategic pillars that will transform our business



**Network Forward**  
Maximising our  
network assets



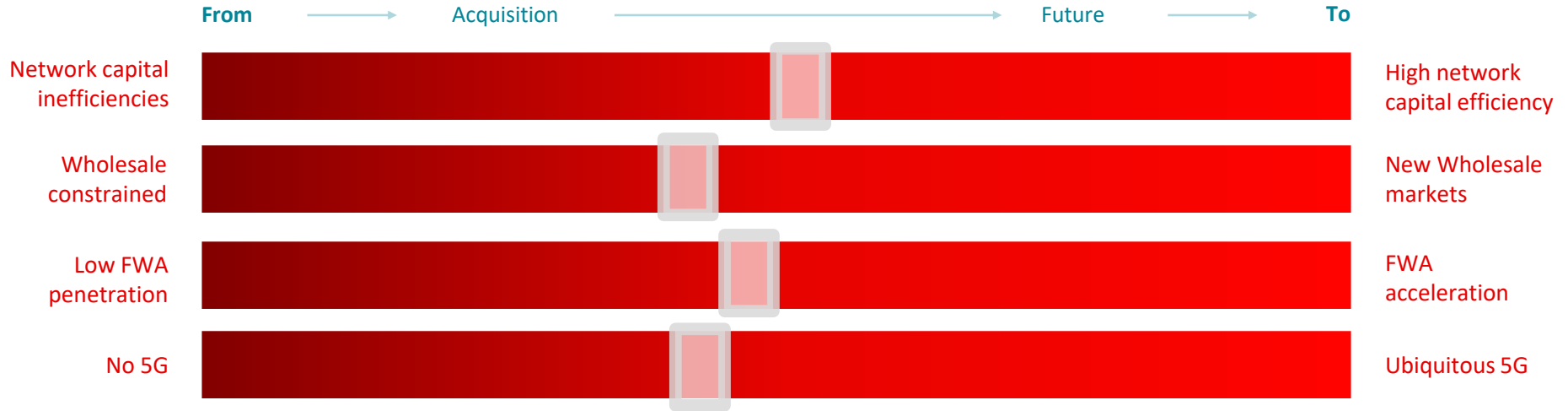
**Remarkable Simplicity**  
Digital-first, low-cost  
business



**High Performance Culture** – the best capability within a modern operating model

# Network Forward

Maximising the value of our network assets via smarter network utilisation and efficiencies, growing our Wholesale business and the acceleration of our unique on-net technologies



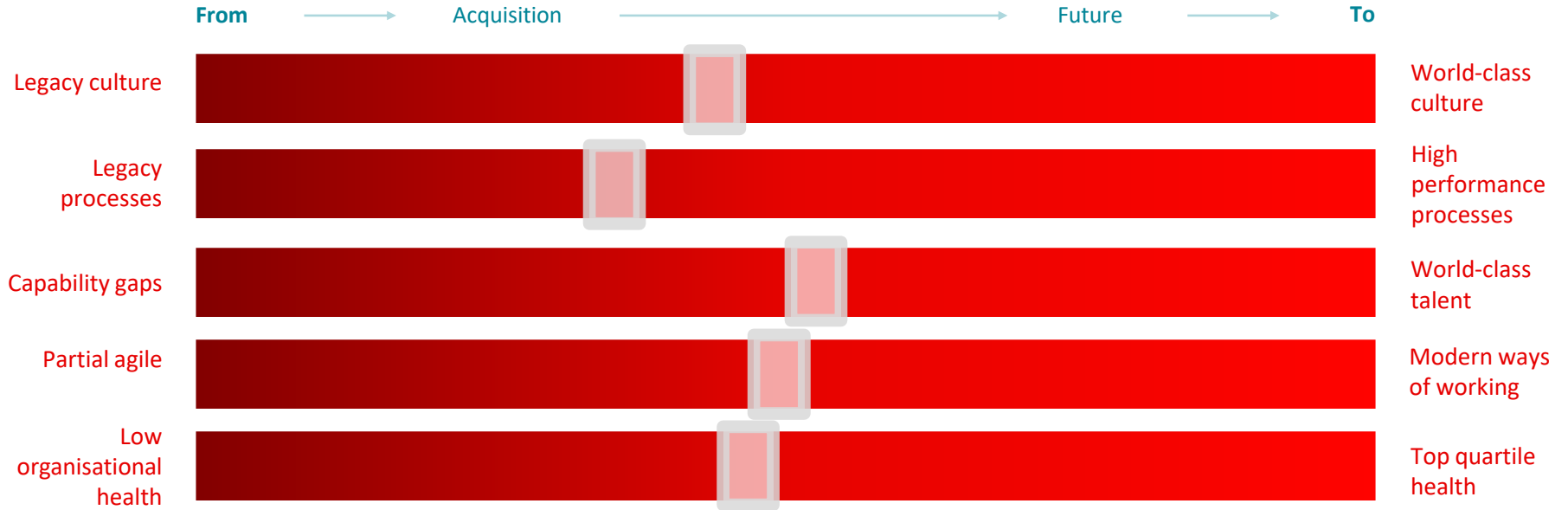
# Remarkable Simplicity

A simpler, better and lower-cost digital-first telco based on a re-imagination of what we sell, how we sell and serve, and how we operate



# High performance culture

The Capability ambition will be realised through org-wide health and performance initiatives, focused upskilling and reskilling, application of modern ways of working, setting up for digital transformation and targeted attraction of talent

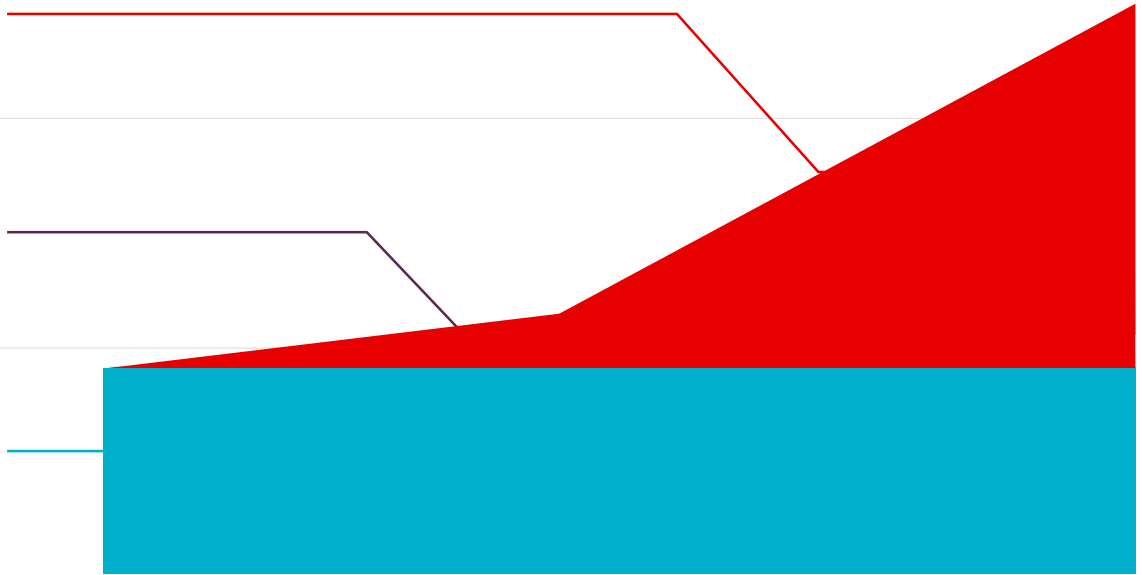


# We are rapidly improving and reinventing ourselves in parallel

**Reinvention Moves** are the choices we make to transform the business and reposition for future growth

**Rapid Performance Improvement Moves** are the initiatives that improve our operations under any future strategy

**Do nothing momentum** describes the financial outlook under previous ownership and without strategic intervention



ILLUSTRATIVE



# World-class Executive Talent adding strength to existing team

RECENTLY JOINED



**Richard Mooney**  
Chief Strategy Officer



**John Boniciolli**  
Chief Financial Officer



**Jodie King**  
Chief People Officer



**Lindsay Zwart**  
Business



**Carolyn Luey**  
Consumer



**Matt Crockett**  
Transformation



**Tony Baird**  
Wholesale & Infrastructure



**Ross Parker**  
IT & Digital



**Antony Welton**  
Customer Operations



**Juliet Jones**  
Legal & Regulatory

# Creating a world-leading telco



- The ownership change has created the best of both worlds – a NZ-centric strategy with global products, platforms and scale
- Global strategy and historic under-investment in some areas has created strategic choices
- COVID-19 has reinforced the essential importance of our services and provided a platform for acceleration of our strategy to bring forward change and benefits
- These benefits to be delivered through three pillars; Network Forward, Remarkable Simplicity, and a High Performance Culture
- Our two biggest challenges are; prioritisation and sequencing of strategic opportunities, and the ongoing commoditisation and erosion of industry profitability
- A high conviction in the capability of the team in place to deliver on our forward plan

# Questions

