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STOCK EXCHANGE ANNOUNCEMENT

12 November 2021

Investor presentation - UBS Australasia Conference

The attached Chorus presentation will be referenced at the UBS Australasia Conference next week.

Authorised by:

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ENDS

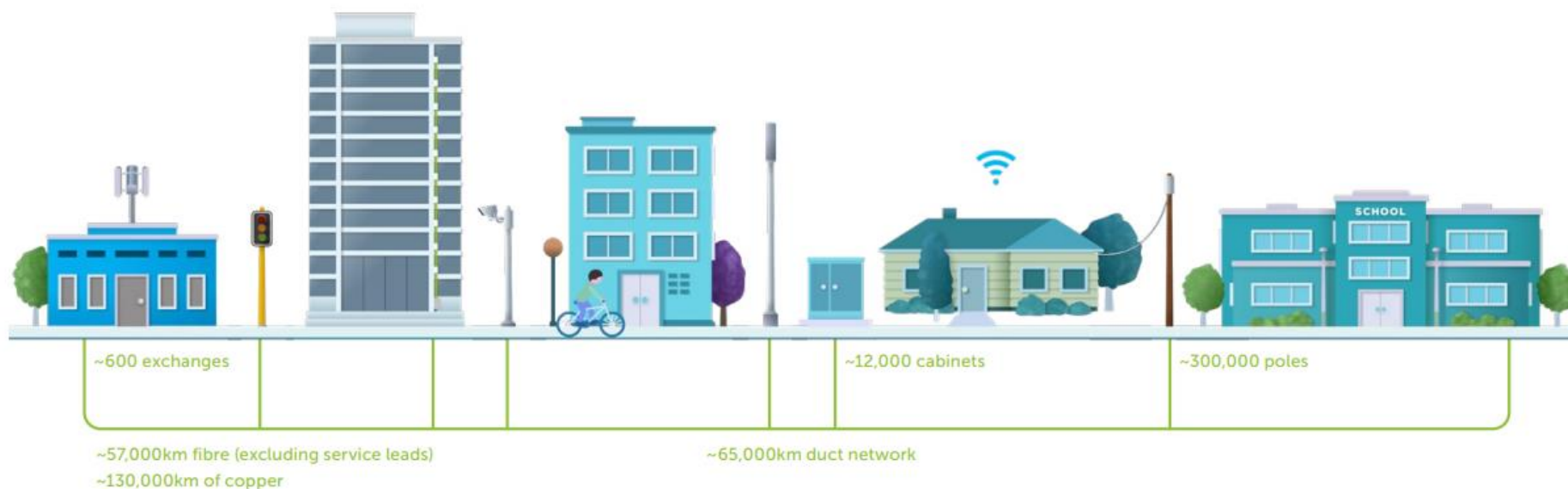
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Fibre infrastructure comes of age

Our network infrastructure



We're a wholesale only, fixed line telecommunications network operator.



Our network infrastructure enables ~100 retail service providers to connect homes and businesses nationwide.



We have about 820 permanent and fixed term employees and 140 independent contractors for our core operations. Several thousand service company workers and subcontractors undertake activity on our behalf.



73% of our broadband connections are fibre, enabling rapid growth in broadband speeds and data demand. 8Gbps Hyperfibre speeds just launched.



Gigabit broadband and our fibre backhaul is underpinning the development of sustainable communities through connections to devices and other network connectivity.

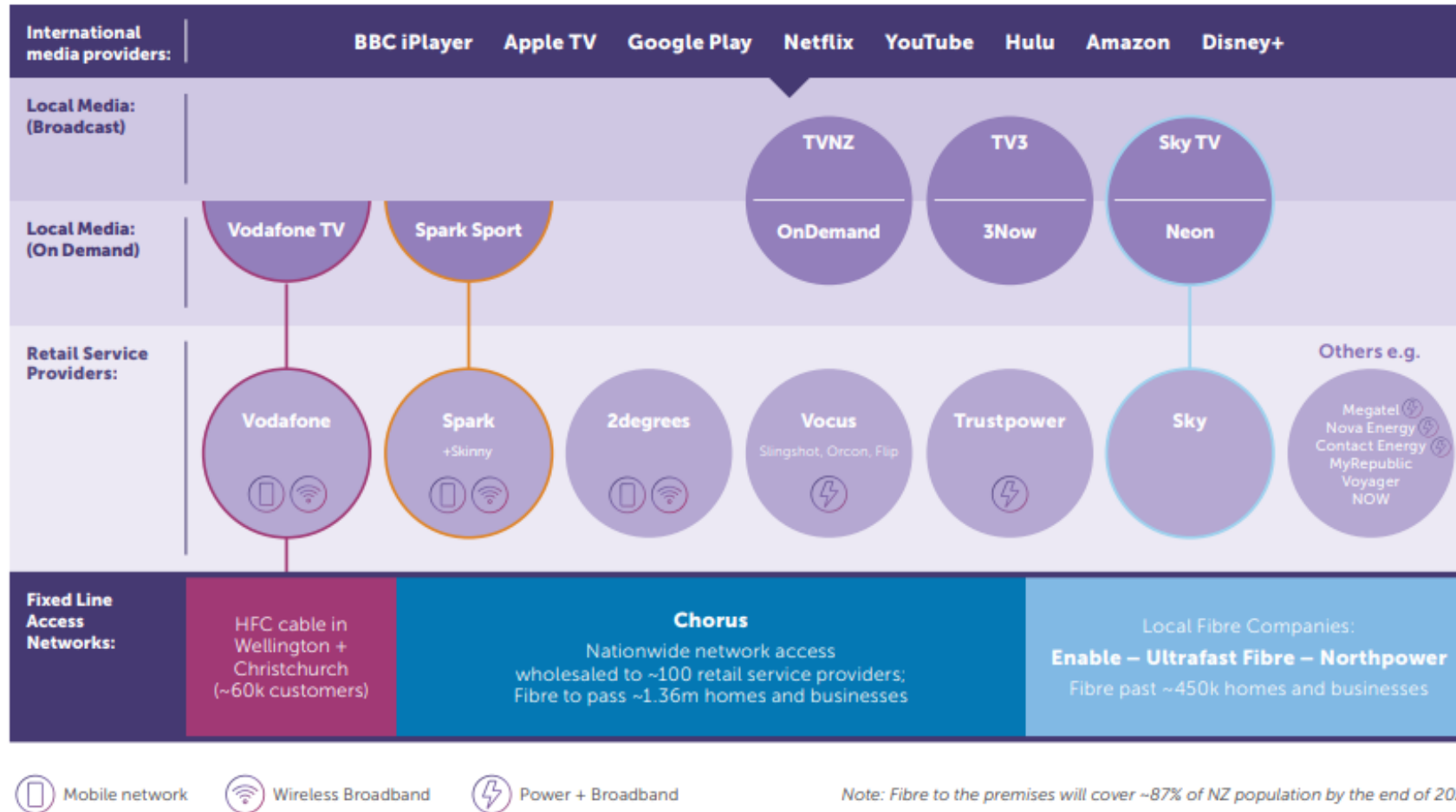


A 2017 study¹ estimated the wider social benefits from fibre uptake at about NZ\$2 billion annually, in addition to a \$3 billion annual contribution to GDP from business uptake.

1. Sapere Research Group: Estimating the wider socio-economic impacts of Ultra Fast Broadband for New Zealand, August 2017.

New Zealand market structure

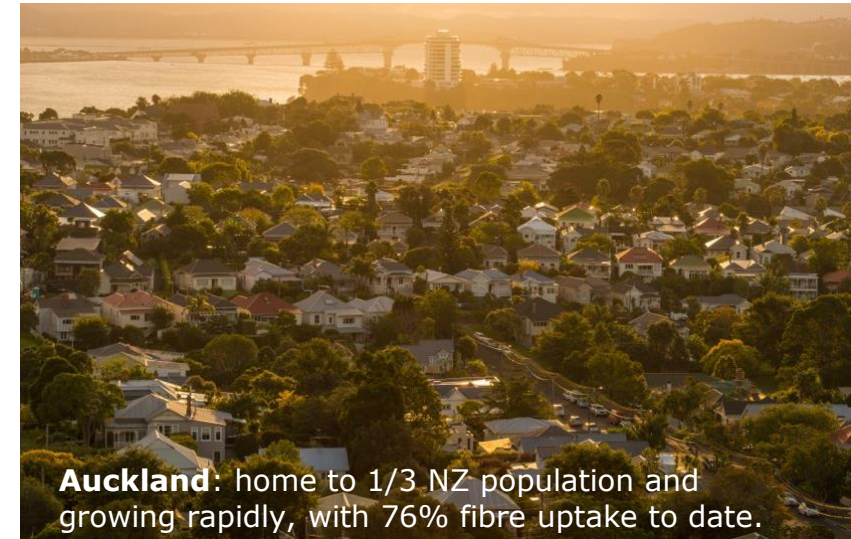
Chorus structurally separated from Telecom NZ (retail) in 2011 for fibre PPP



Fibre PPP rollout 96% complete

10-year rollout programme coming to an end

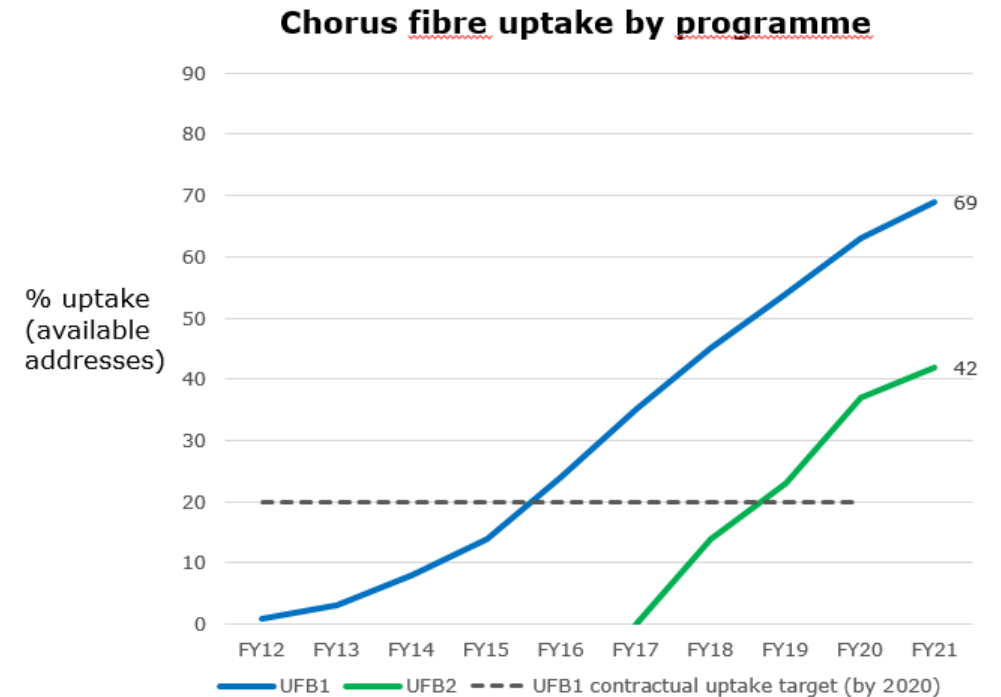
- > **<50k premises remaining to pass by December 2022**
 - ~**1.3m** customers now able to connect in Chorus fibre rollout areas
 - Chorus' fibre footprint covers 300+ cities and small communities, from Auckland to Franz Josef on the South Island's West Coast
- > **87% of NZ population will have access to fibre**
 - Chorus share of government PPP footprint equates to ~75%
 - the other 25% is served by three other local fibre companies (~450k end customers in Chorus' existing copper network areas)



COVID-19: reliable broadband is essential

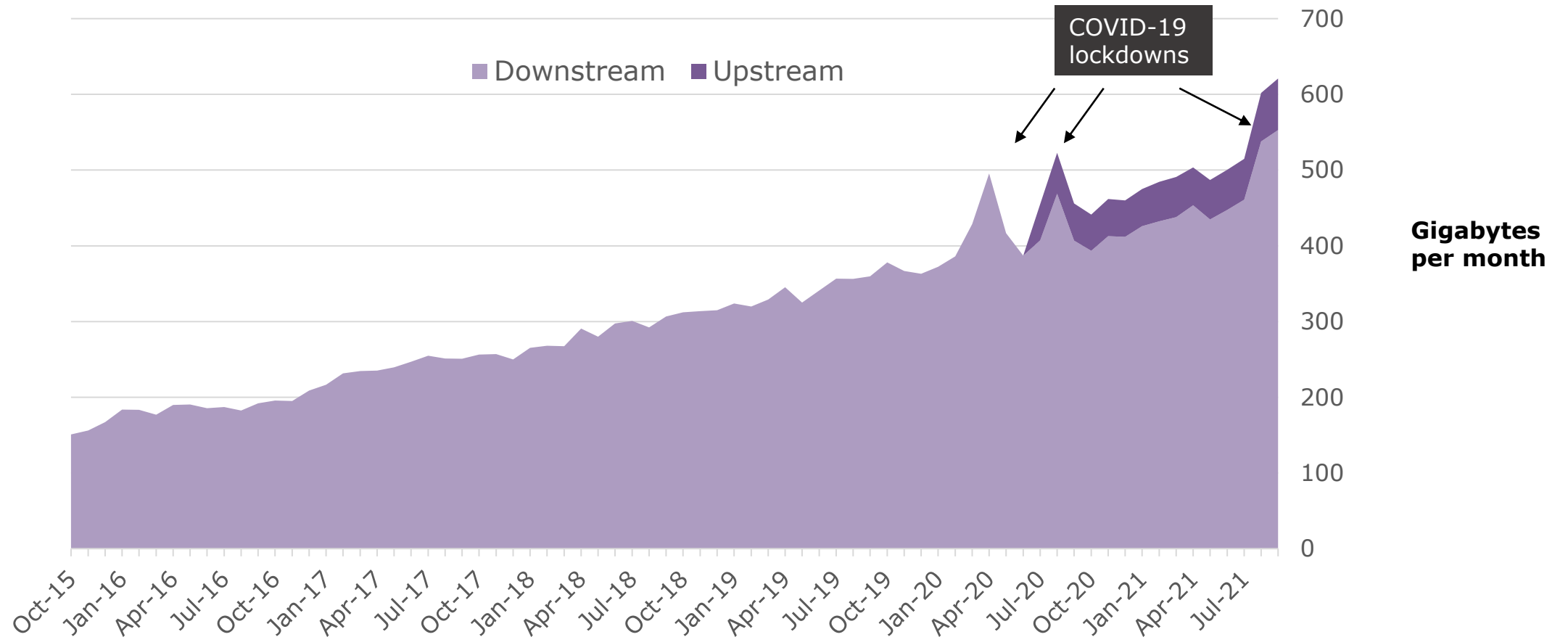
On track for our target of 1 million fibre connections in 2022

- > **First four months of FY22 have delivered positive net monthly broadband connections**
 - fibre broadband connections up 23k in Q1, despite COVID 19 impact on installation activity
 - COVID lockdowns helping drive migration from copper to fibre and upgrades to 1Gbps plans
- > **Reached 900,000 fibre connections in October (GPON+P2P)**
 - 858,000 connections in fibre PPP areas (at 30 Sept) out of ~1.3m able to connect
 - uptake in UFB1 areas grew to **71%** in Q1, up from 69%
 - uptake in UFB2 areas grew to **44%** in Q1, up from 42%
 - Auckland uptake at **76%**
 - strong growth in greenfields fibre demand outside fibre PPP areas



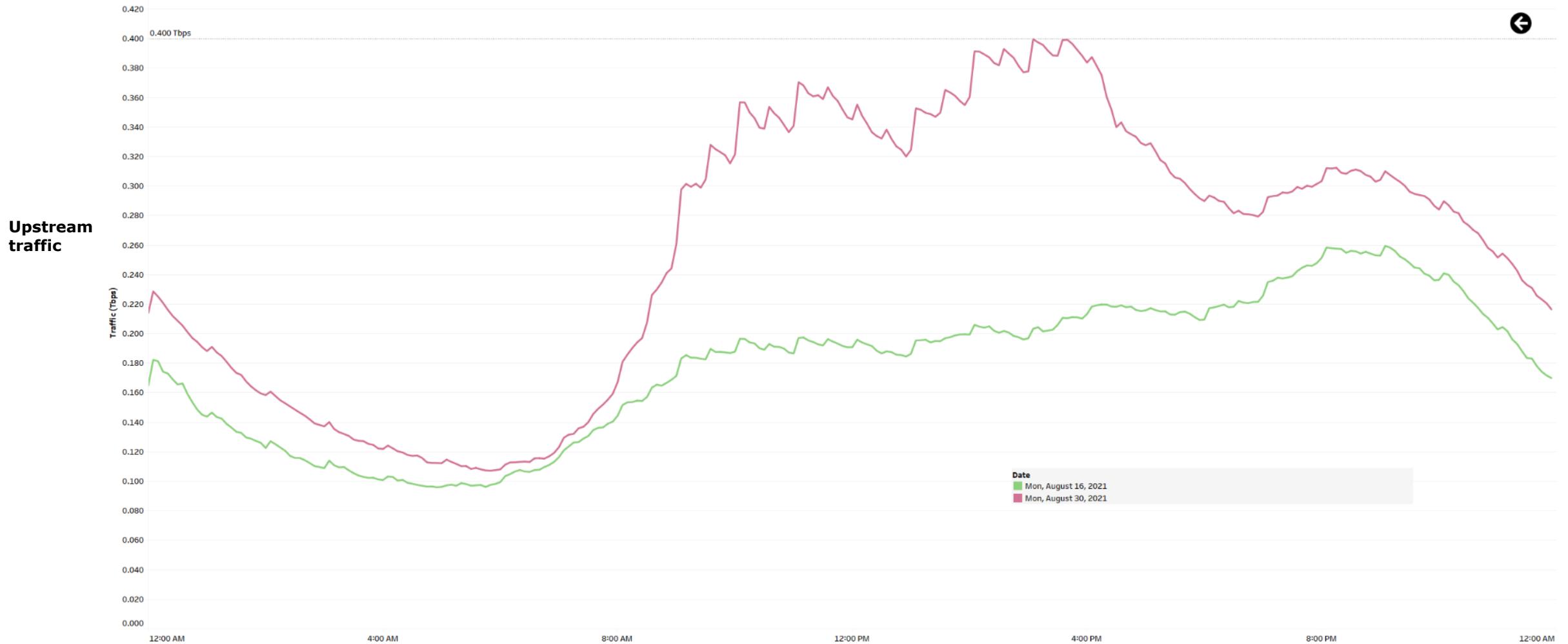
Data demand accelerates

Record 621GB average monthly usage per fibre connection in September



Note: upstream traffic only shown from June 2020 onwards following COVID-19 effects on daytime usage trends

Working from home creates upstream need



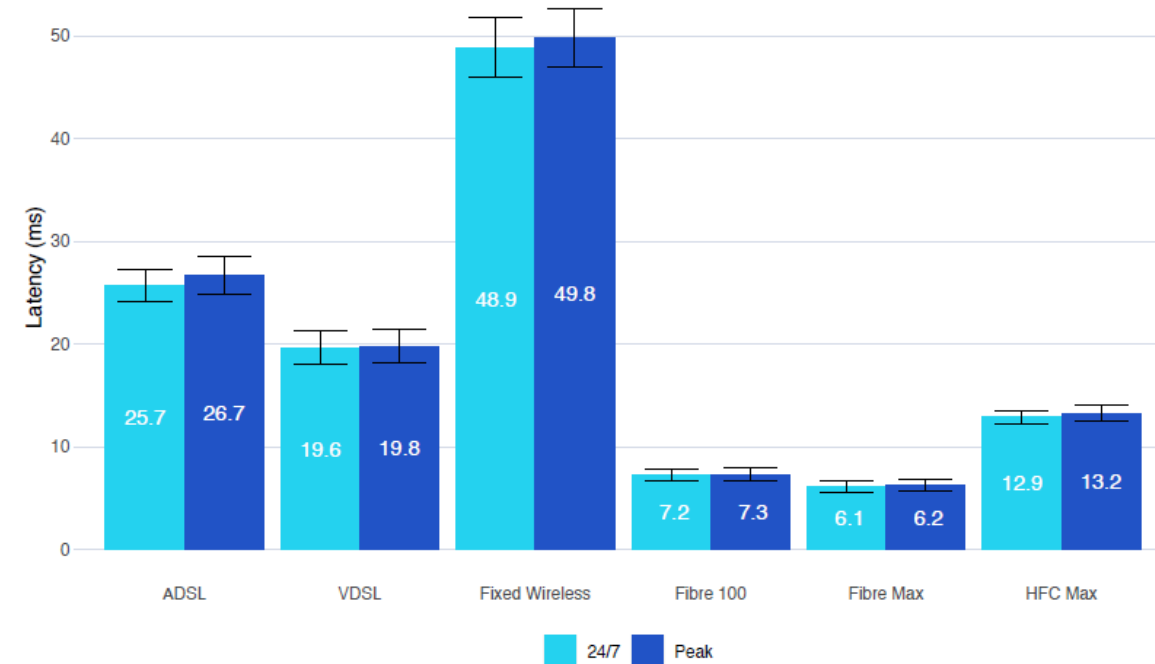
Fibre for speed, capacity, low latency

New code to address telco marketing practices

- > Commerce Commission quarterly monitoring shows fibre outperforms other technologies on key measures (e.g. peak time speed, latency - see chart)
- > **industry-led code** to be introduced following Commission concerns about marketing of alternative services during copper withdrawal. Proposed requirements include:
 - consumers should provide express consent for a change in telco service
 - at least 4 months' notice should be provided by retailers where a copper service is being withdrawn
 - service performance measures to be clear, accurate and up-to-date, with reporting of actual likely peak time broadband speed

Figure 3: Average Latency to Test Servers by Plan. Lower is better.

Average of monthly household averages. Peak hours are Monday - Friday, 7pm - 11pm. Error bars show 95% confidence intervals of the mean.

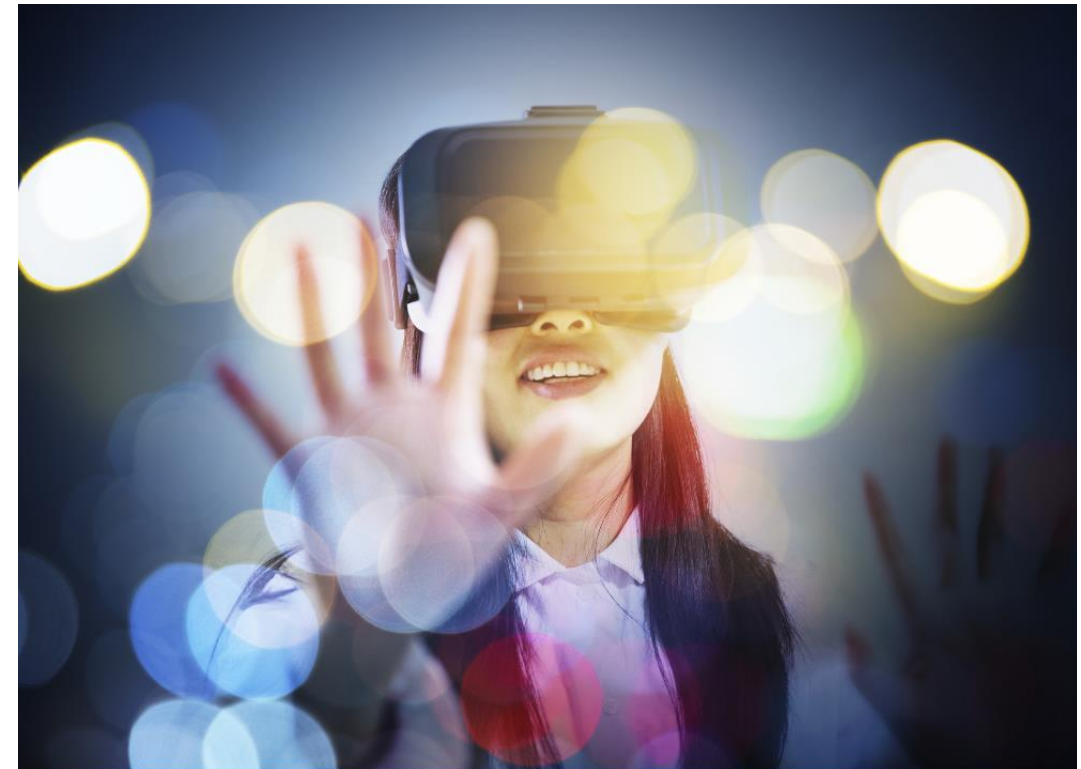


Source: Commerce Commission, *Measuring Broadband New Zealand, Winter Report (August 2021)*

Demand for higher data and speed will keep growing

We forecast 1,000GB average monthly usage in 2024

- > adoption of streaming services has been accelerated by lockdowns, with more services expected to launch (e.g. Discovery+) and retailers bundling streaming services with broadband
- > our pre-lockdown consumer research showed about a third of households expected their data usage to increase due to increased streaming, more devices and more use (e.g. working from home, older children)
 - 38% of households would like more content in 4K quality
 - smart home devices (e.g. AI digital assistants, CCTV) add to bandwidth demand and need for reliable broadband
- > cloud-based gaming, 8KTV expected to drive future bandwidth requirements

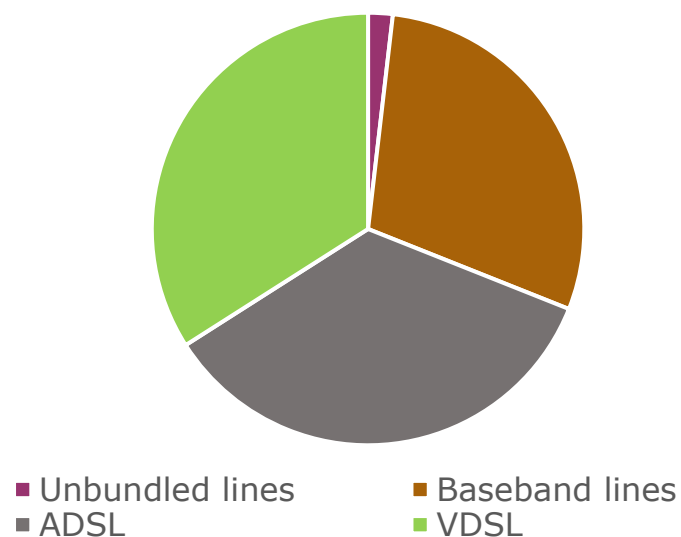


1 Gigabit plans now 22% of mass market

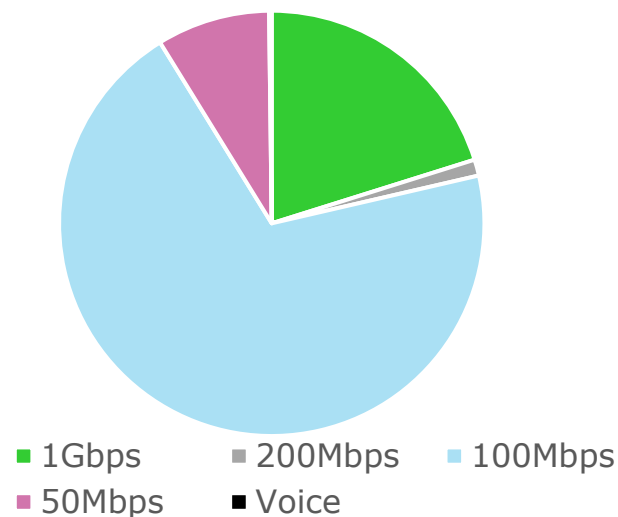
- > 1Gbps connections are growing strongly, up from 20% (30 Sept) to 22% of GPON connections in October
 - reflects consumer-led demand for upgrades, migrations from the 200Mbps plan, in-market Chorus incentives and retailer offers
- > CPI changes to pricing:
 - 1.52% applied to selected fibre services from 1 October: residential 50Mbps \$44.22 and 100Mbps \$47.87
 - 4.93% to apply to copper services from mid December: baseband \$33.73; broadband \$45.09

Chorus mass market connections by plan type (as at 30 Sept)

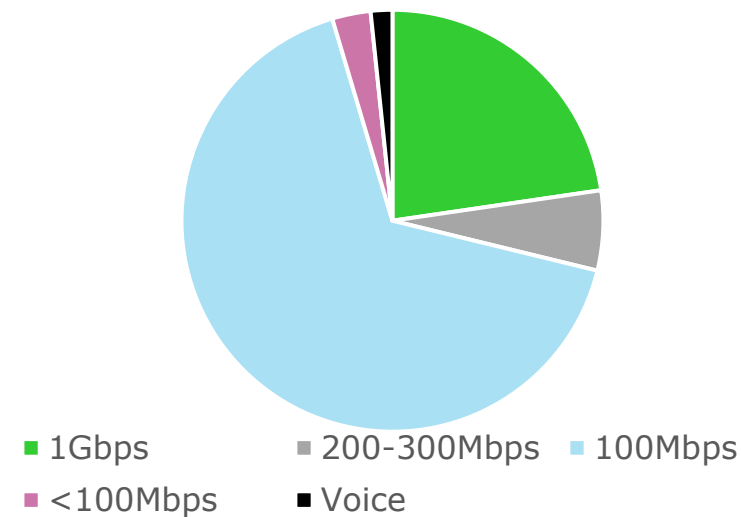
Copper connections: 435,000



Residential fibre (GPON): 802,000



Business fibre (GPON): 81,000



Note: business plan pricing shown is indicative entry level option for each speed tier

Refining our product proposition

Boosting NZ into global top 10 for average speed

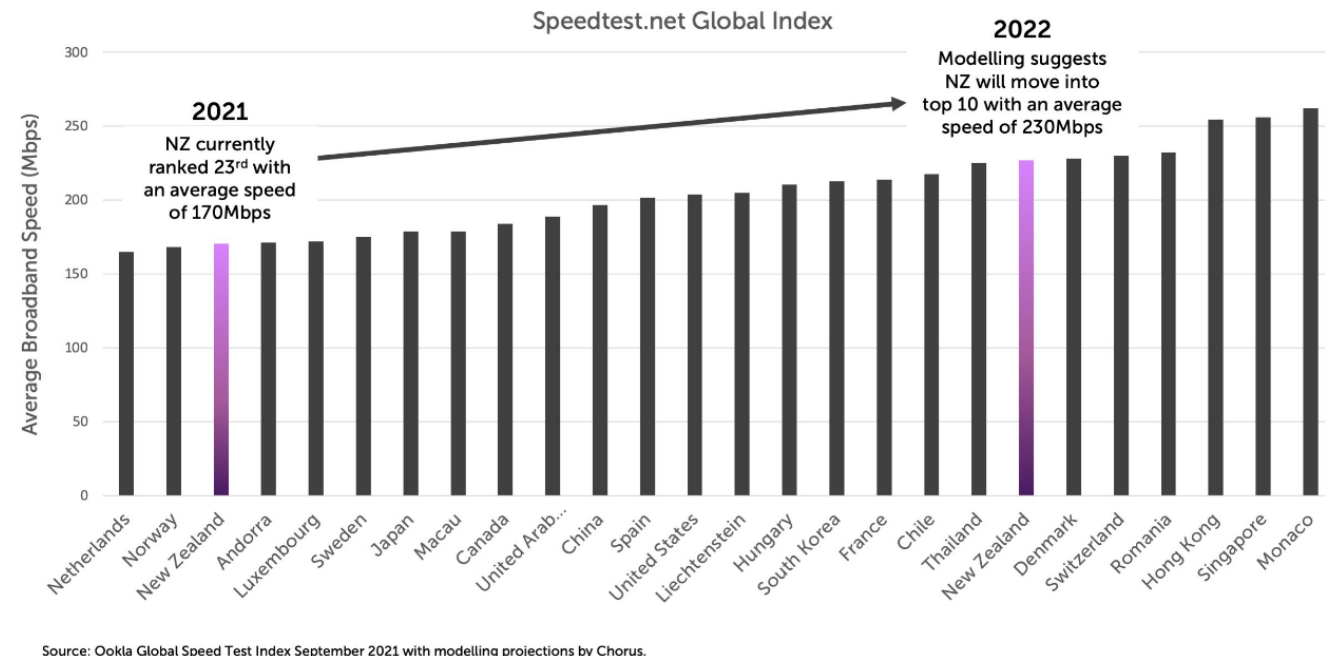
BIG FIBRE BOOST

> retailers can choose to apply our plan upgrades:

- consumer 100/20 ➡ 300/100
- business evolve 100/100 ➡ 300/300
- small business 100/100 ➡ 500/500

> currently consulting with retailers on possible introduction of entry level consumer plan:

- 40/10 speed at \$44.22 per month
- price could reduce to \$39 per month where retail pricing is \$63 or less (incl GST)
- **note:** plan introduction and make-up is subject to Chorus assessment of industry feedback

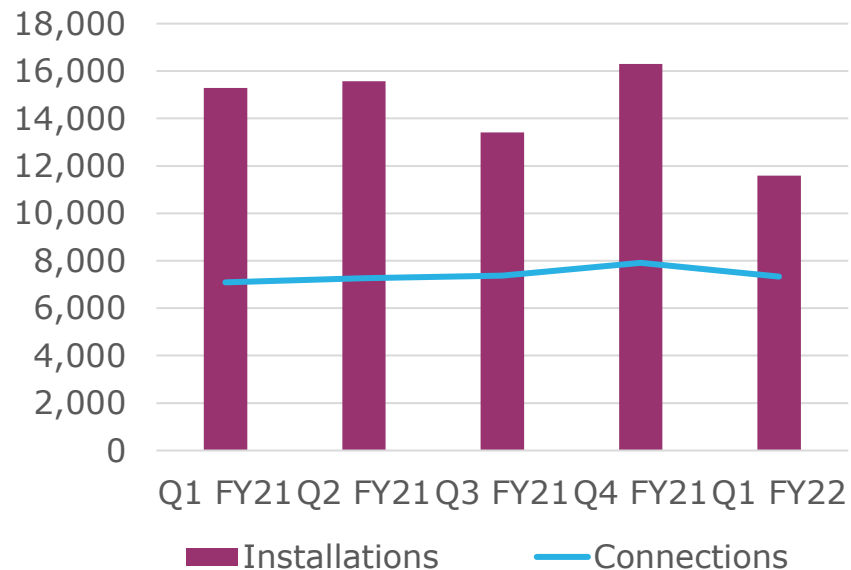


Active wholesaler programme lifting fibre uptake

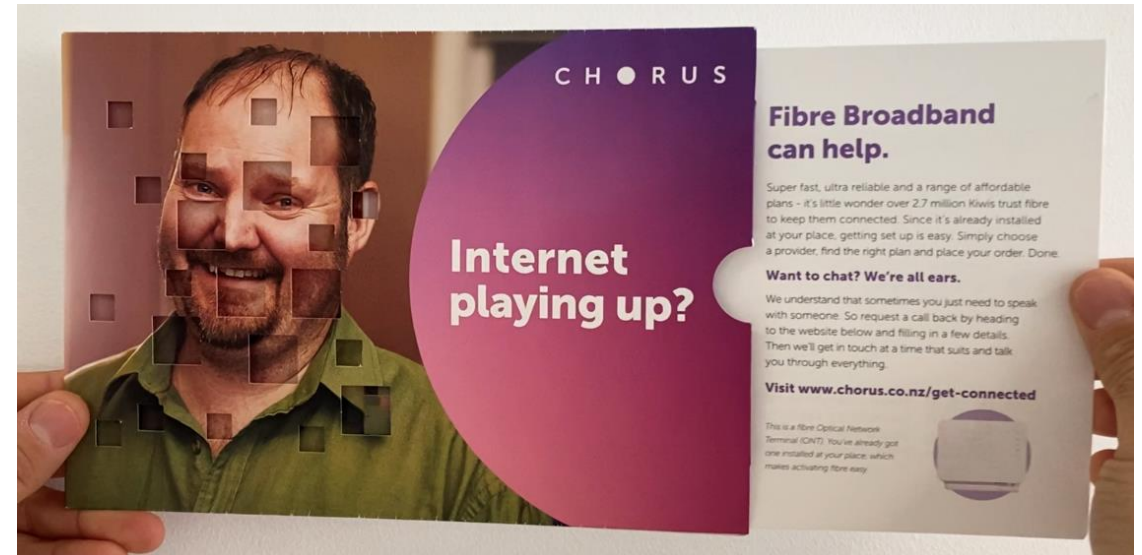
Targeted advertising, incentive and installation programme continues

- > **270,000 addresses have fibre at their gate**
 - ~12k of 30k installations in Q1 were via our managed migration programme

Managed migration programme

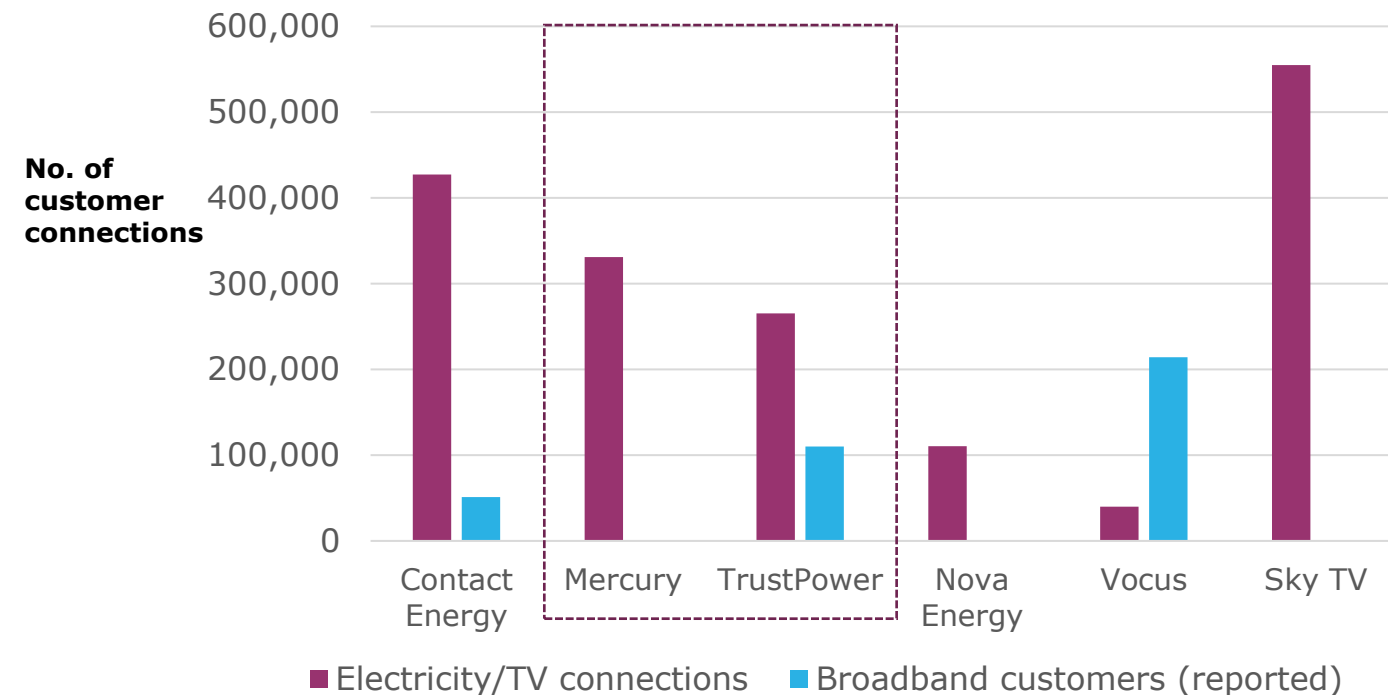


- > **~140,000 addresses have fibre installed but not activated**
 - ~7k activations in Q1 with ~3k from offnet addresses
 - direct marketing: \$100 Prezzy Card incentive



New 'broadband bundlers' growing market share

Retail broadband competition growing with energy and pay TV bundlers



Note: Electricity customer numbers reflect Electricity Authority ICP data as at 30 Sept 2021. Broadband customer numbers reflect publicly reported data where available.

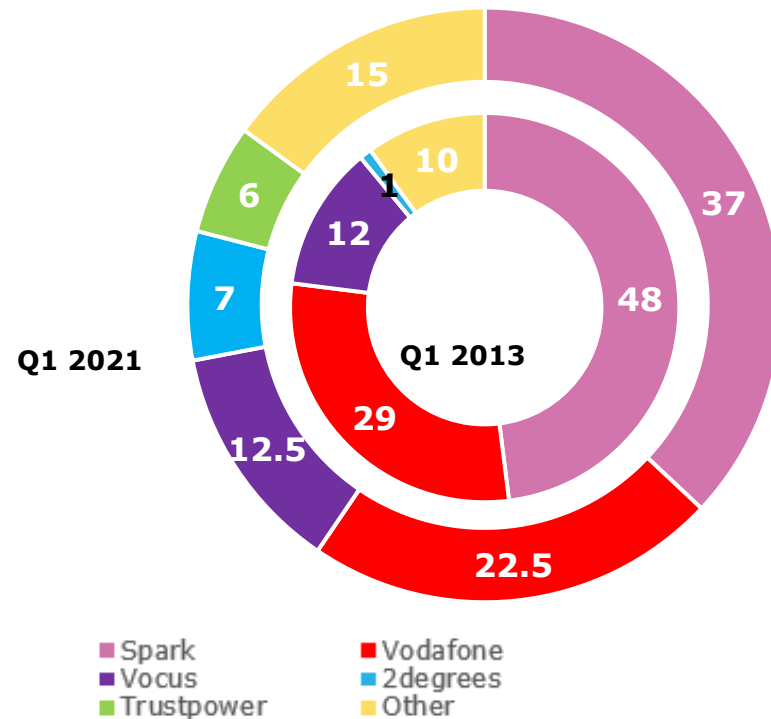
> Energy and pay TV 'broadband entrants' serve ~1.7m customers on their core services

- Contact Energy entered the broadband market in late 2017. Their connections increased 96% in FY21.
- Mercury NZ is in the process of purchasing Trustpower with a focus on bundling services. Trustpower is NZ's 5th largest broadband retailer, while Mercury has not previously provided broadband services.
- Sky TV entered the broadband market in March 2021 with a focus on its large base of Sky Box customers.
- Nova Energy entered the broadband market in late 2018. Broadband connections aren't publicly reported.
- Vocus NZ acquired power retailer Switch in late 2016.

Growing retail diversity

Lift in retail competition as new entrants grow share

NZ broadband market share by retailer (Q2 2021 vs Q1 2013) %



Source: IDC market data

Delta outbreak: Slingshot extends six months' free internet offer to supermarket workers, bus drivers, others

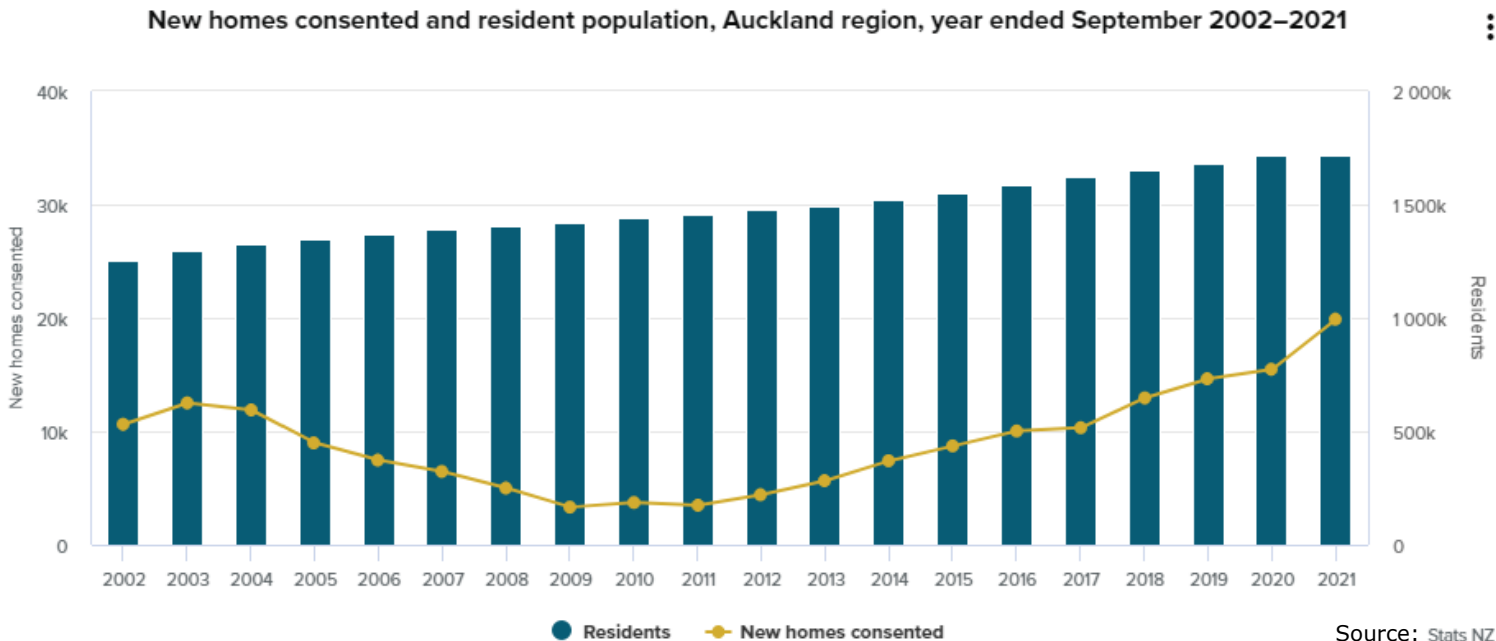
Broadband wars: Skinny dangles six months' free broadband

Spark's New Broadband Line-up Offers Greater Transparency, Simplicity, And More Value For Less

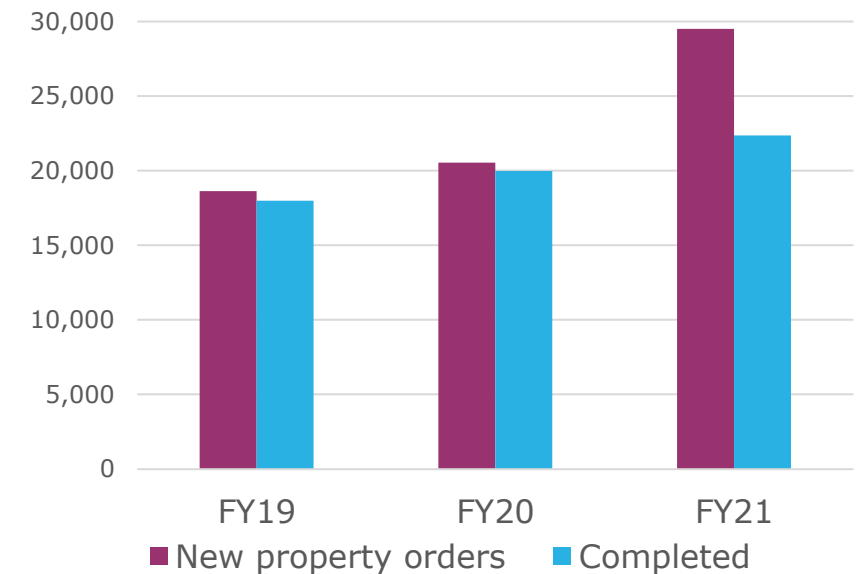
Sky TV hooks up with Disney to lure broadband customers

Home building growth supports fibre demand

New homes consented in Auckland up 29% to year ended Sept 2021

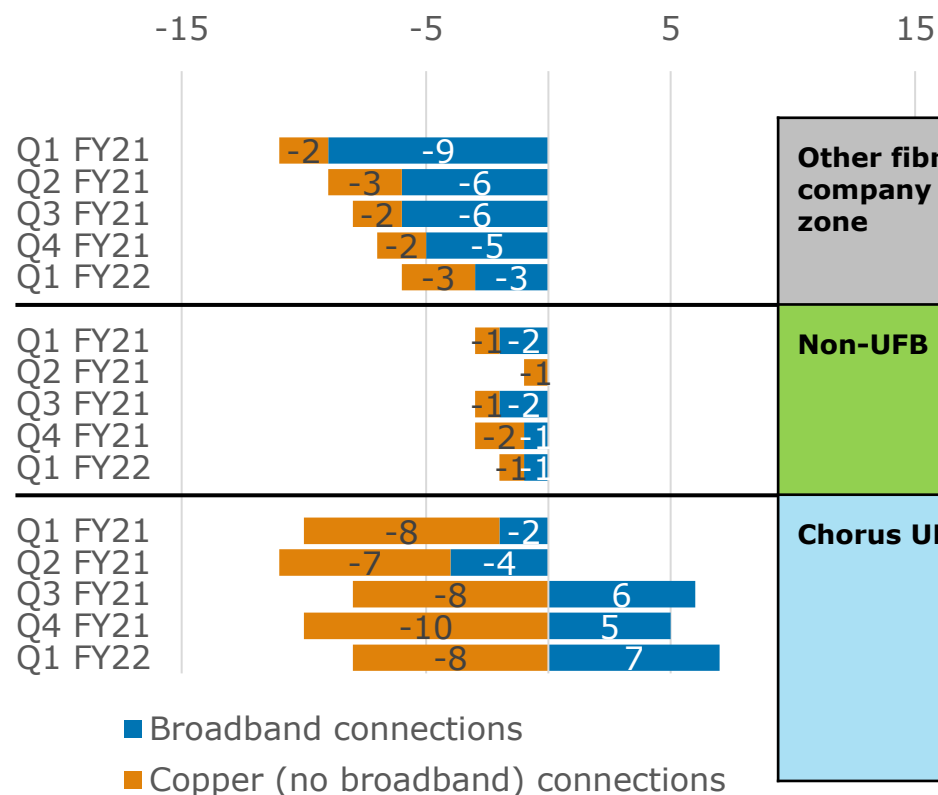


Chorus new property connection pipeline (all NZ)



Connection changes by Zone (indicative)

Quarterly change ('000s) by zone**



Other fibre company (LFC) zone	Broadband connections	42,000	Disconnections continue due to Local Fibre Company and fixed wireless provider activity, with some slowdown due to COVID-19 restrictions.
	Copper line (no broadband)	25,000	
	TOTAL	67,000	
Non-UFB zone	Broadband connections	149,000	Some expansion of wireless broadband footprint through Government backed programme. New housing outside of UFB zone driving fibre premises growth.
	Copper line (no broadband)	34,000	
	TOTAL	183,000	
Chorus UFB zone*	Broadband connections	992,000	Continued broadband growth driven by Chorus incentives and migration campaigns. Copper voice disconnections reflect migration to fibre and targeted fixed wireless activities. COVID-19 restrictions slowed market activity in Q1 and broadband growth has been constrained by COVID-19 limits on net migration.
	Copper line (no broadband)	76,000	
	TOTAL	1,068,000	

* Includes planned Chorus UFB1, 2 and 2+ coverage

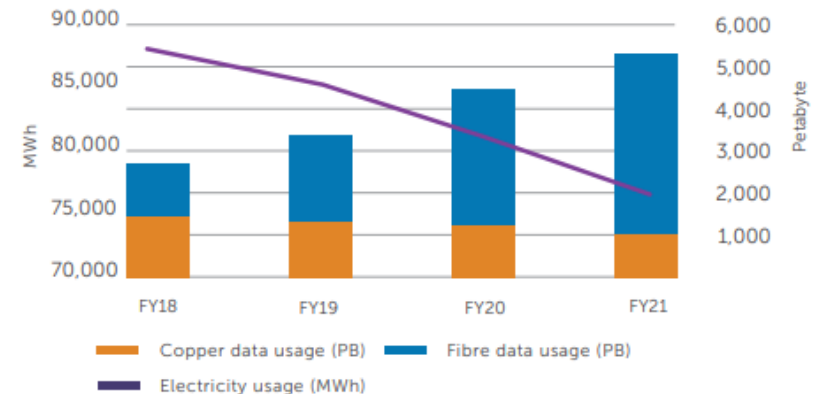
**Excludes 10k partly subsidised education connections and 13k fibre premium and data services (copper) connections

Fibre enables sustainability

- > inaugural **Sustainability Report** in 2021
 - sustainability strategy focused on: thriving environment, champion digital futures, thriving people
 - aligning our reporting with GRESB communications infrastructure framework
- > **targeting 80% emissions reduction** (scope 1&2) from FY12 level by 2030
 - electricity consumption expected to reduce 30-40% as customers migrate to fibre
 - assisted by NZ electricity decarbonisation: grid typically ~80% renewable with Climate Change Commission recommended target of 95% to 98% by 2030
 - broadband underpins significant emissions reduction by enabling activities such as working from home, telemedicine and reduced travel
- > **Diversity and inclusion**
 - Chorus Board: 43% women, 57% men
 - targeting 40:40:20 people leader gender ratio: 36% women, 64% men in FY21
 - objective of 0% gender career level pay gap by 2022
 - employee engagement: 8.5/10 in FY20 and FY21



Data vs Network Electricity Usage FY18 – FY21



Financial highlights and regulatory framework



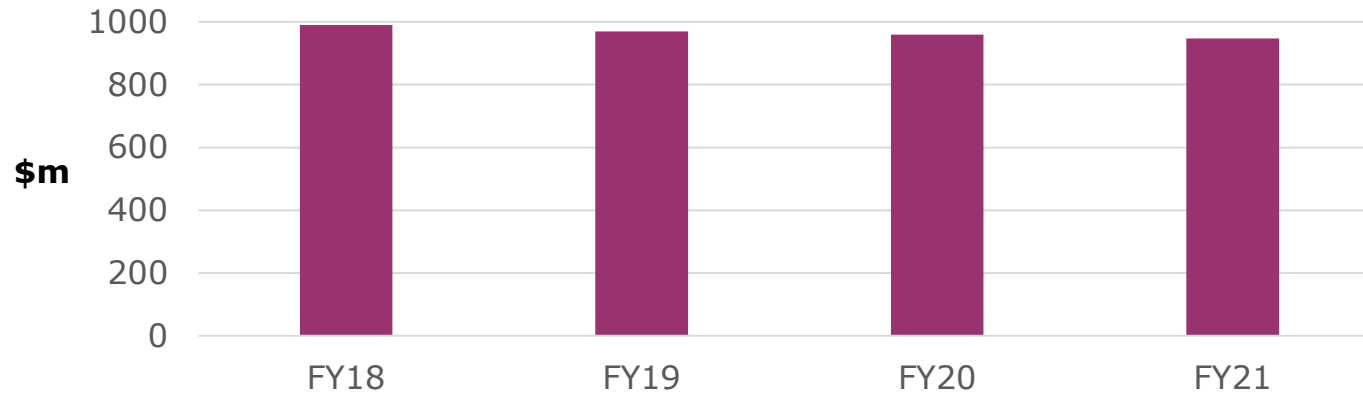
15 November 2021

UBS AUSTRALASIA CONFERENCE

C H ● R U S

Financial snapshot

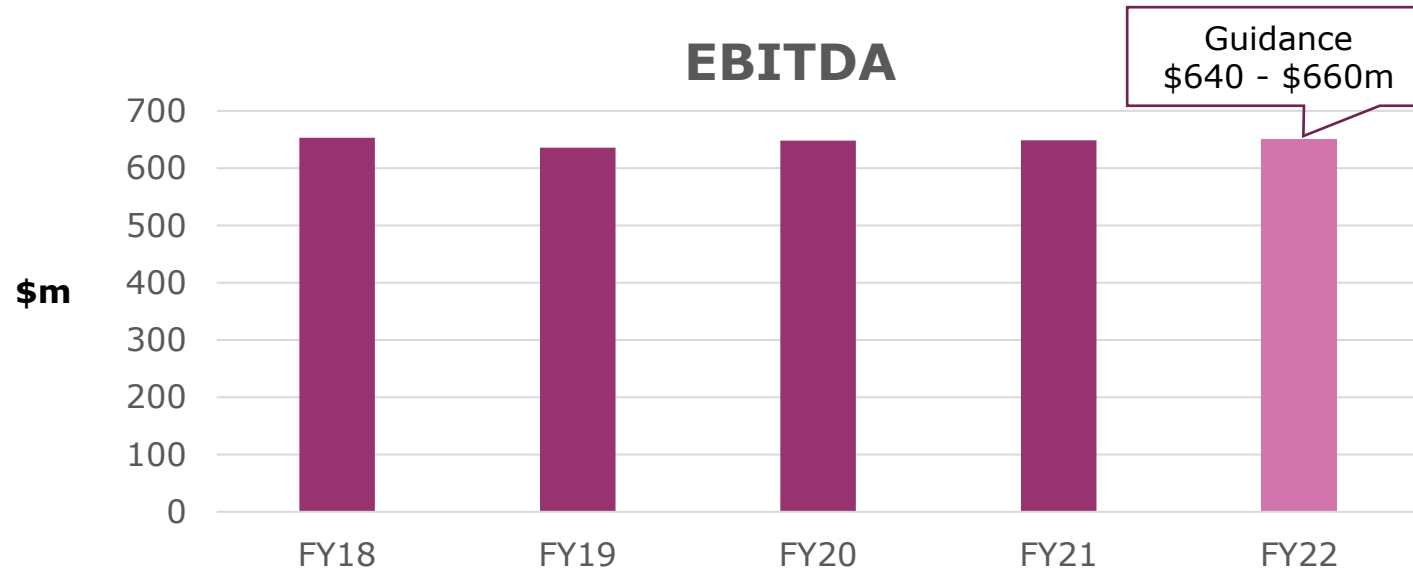
Revenue



- > Revenue has reduced due to:
 - copper line loss in areas where Chorus is not the Government's chosen fibre network provider
 - fixed wireless competition

- > Revenue loss partially offset by:
 - strong fibre uptake at higher ARPU than copper
 - consumers upgrading to higher speed plans (e.g. 1Gbps)

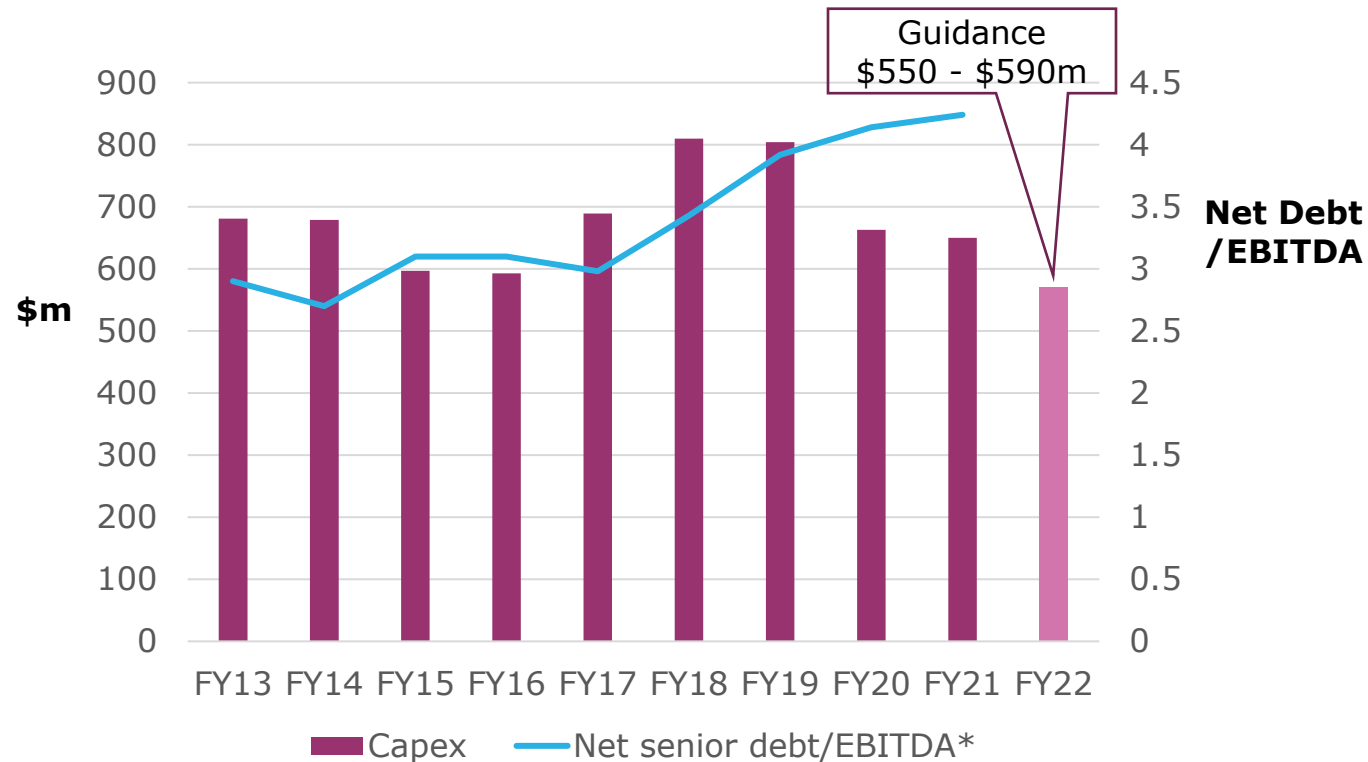
EBITDA



- > Objective of modest EBITDA growth:
 - expect continued fibre ARPU growth
 - ongoing focus on cost reduction as fibre rollout ends and transition to operational mode

* New accounting standards IFRS 9, 15 and 16 were adopted from FY18

Capex & Leverage



*based on S&P and bank covenant methodologies

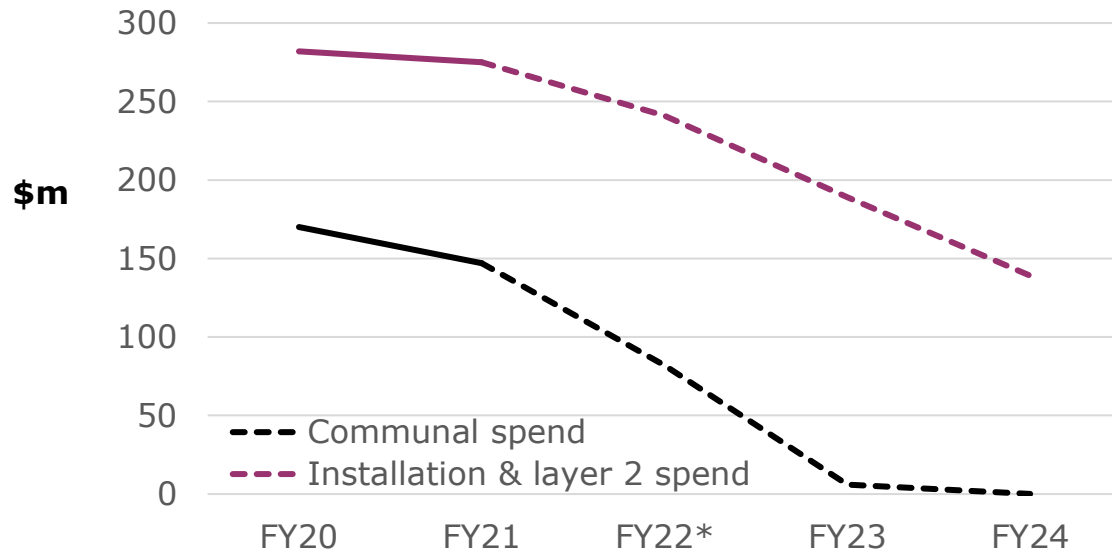
- > Chorus' Board considers that a '**BBB**' credit rating or equivalent credit rating is appropriate for a company such as Chorus.
 - 4.24x ND/EBITDA at 30 June
 - total net debt \$2,748m at 30 June
- > ratings agencies expected to review current thresholds to reflect new regulatory regime and growth in free cashflow
 - **S&P: 4.25x** ND/EBITDA on a sustained basis
 - **Moody's: 4.2x** ND/EBITDA on a sustained basis
- > **financial covenants** require senior debt ratio to be no greater than **4.75 times**
- > member of **GLIO infrastructure index** from Sept 2021



GLOBAL LISTED
INFRASTRUCTURE
ORGANISATION

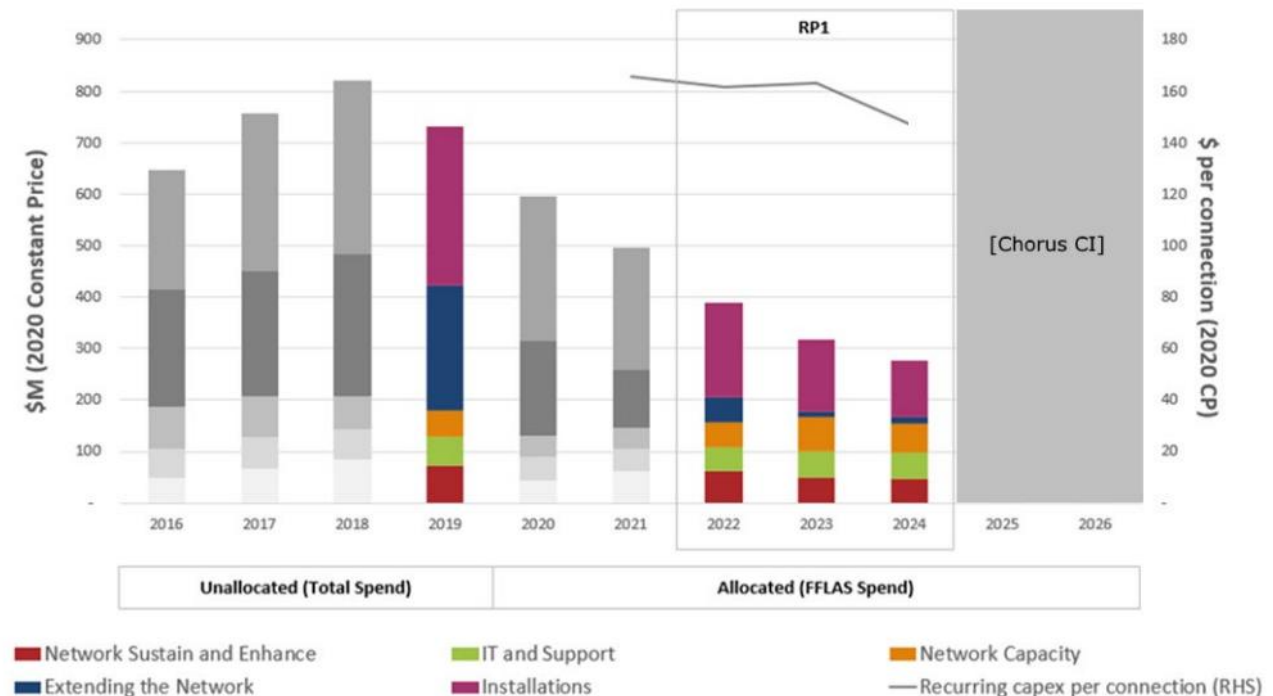
Free cash flow grows as fibre rollout ends

- > significant downward trajectory for capex:
 - communal fibre spend ends in FY23 as rollout ends; installation capex slows as uptake is maximised
 - copper capex will reduce as fibre migration migration enables copper withdrawal
 - other ongoing discretionary capex subject to market drivers and regulatory incentives



*based on midpoint of FY22 guidance and regulatory proposals

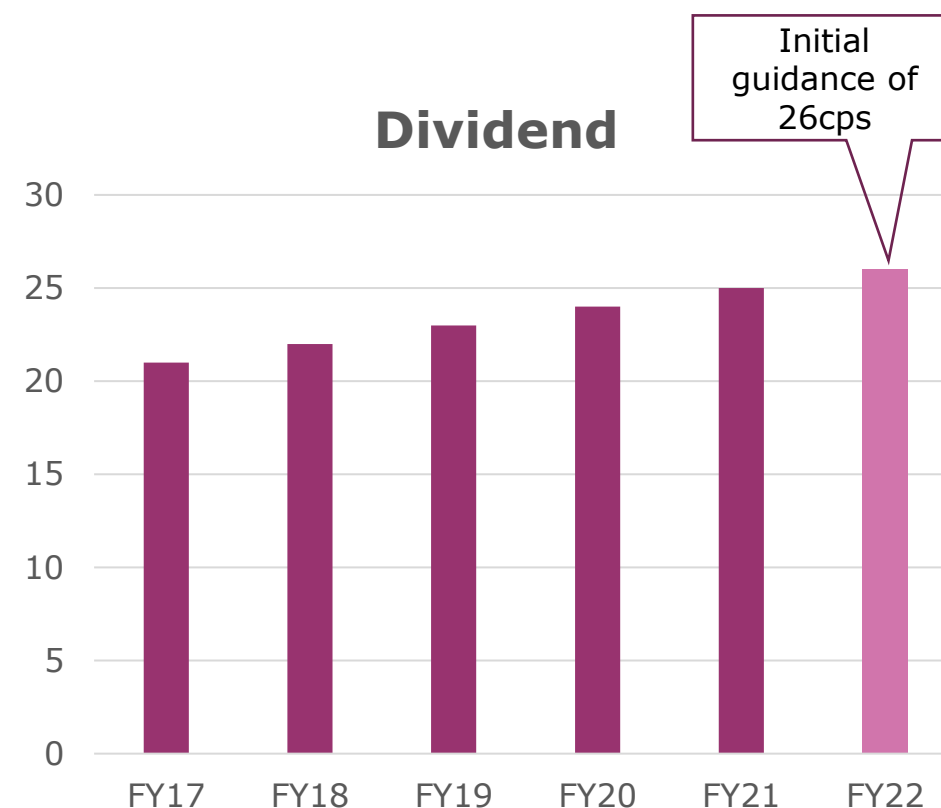
- > installation demand is the bulk of expected RP1 capex (see chart)
 - Chorus' RP1 proposal forecasts ~\$1 billion of capex for 2022 to 2024 (calendar)



Source: Chorus proposed fibre capex, *Our Fibre Plans 2020*
Chorus CI = confidential information

Transition to new dividend policy underway

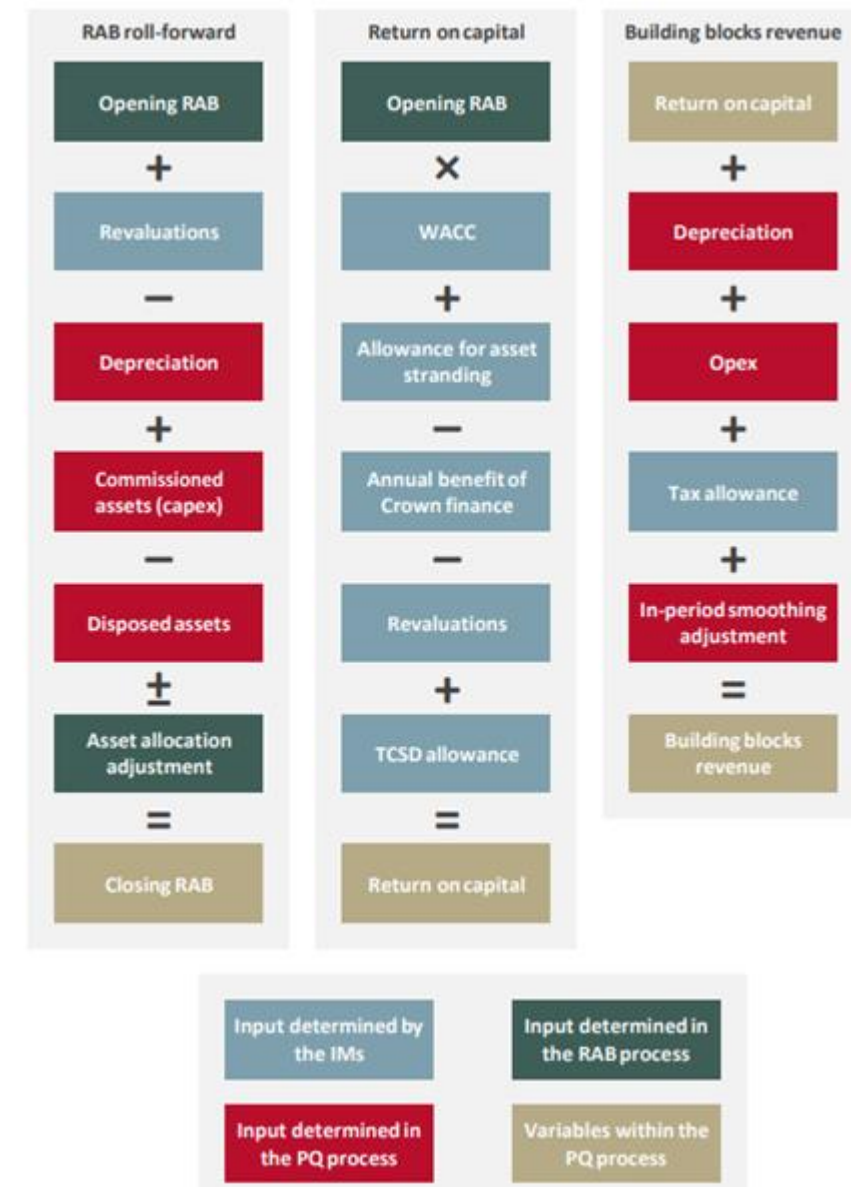
- > we expect to provide further detail on dividend outlook, including expected pay-out range, in February 2022, following finalisation of key regulatory outputs
- > policy based on a majority pay-out range of free cashflow (net cash flows from operating activities minus sustaining capex)
 - sustaining capex was \$180m in FY21 and expected to be ~\$200m (midpoint within a range) in future
- > dividend levels through the transition period will reflect the maintenance of a BBB credit rating and non-sustaining capex demands (fibre rollout and connections)
 - we expect the April 2022 interim dividend will be fully imputed, followed by unimputed dividends for the short to medium term



Regulatory process

Final RAB and MAR decisions due December

- > **2022-2024 parameters confirmed so far:**
 - vanilla WACC: 4.72%
 - post tax WACC: 4.52%
 - CPI forecast: 1.63% (2022), 2.03% (2023), 2.17% (2024)
- > **regulatory framework provides allowance for inflation:**
 - RAB will be indexed by actual inflation over the regulatory period (reflected in RAB at start of second regulatory period)
 - forecast inflation is applied to the RAB to set the initial MAR, with the MAR reduced by the value of the revaluation - there is no adjustment for actual inflation in the period



Source: Commerce Commission, stylised key building blocks equations

Regulatory asset base (RAB)

Draft Commission decision (19 August) suggested 1 Jan 2022 RAB of **\$5.4bn**



- > Chorus' conservative initial valuation of \$5.5 billion was based on extensive modelling work undertaken by Analysys Mason
 - the Commission's draft \$5.4bn RAB doesn't reflect Chorus' business operations, particularly allocation of technology costs, duct sharing and exchange space
 - the draft RAB amounts exclude ~\$1.3bn assets: copper assets (including shared assets currently allocated to copper), non-regulated fibre assets (e.g. fibre in local fibre company areas) and fibre assets part or wholly funded with third party capital contributions (e.g. government subsidised Rural Broadband Initiative network, greenfields developers).

Maximum allowable revenue (MAR)

Draft Commission decision (27 May)

> **Table X3 (right) summarises key MAR components but doesn't reflect potential final decision changes for:**

- Commission draft RAB of \$5,427m in August vs Commission's use of Chorus initial valuation of \$5,507m in May
- changes in risk free rates reflected in final WACC (increased from .43% to .51%)
- updated indexation forecasts following May quarter
- Chorus' submissions noting fundamental issues with the Commission's proposed reductions to capex (\$158m or 16.2% reduction) and opex (\$52m or 10.6% reduction)
- treatment of depreciation for the financial loss asset (Commission draft MAR decision proposed diminishing value of 14.3%)

The Commission noted on 19 August: *"If all other aspects of our draft PQ decision remained unchanged, our indicative estimate of the combined impact of these decisions would lead to a 2%-2.5% reduction in allowable revenue over the PQP1 period."*

Table X3 Draft building blocks revenue components (\$m, nominal)

Component	2022	2023	2024
Total return on capital	139.8	115.1	100.8
Return on assets (RAB x WACC)	260.0	257.3	253.9
Revaluations	-78.7	-99.2	-109.5
Ex-ante stranding allowance	5.5	5.4	5.4
Benefit of Crown finance	-48.9	-50.4	-50.8
TCSO allowance	1.9	1.9	1.9
Opex allowance	154.1	150.1	146.0
Total depreciation	466.4	448.8	447.0
Core fibre assets	263.1	271.4	291.4
Financial loss asset	203.3	177.4	155.6
Tax allowance	0.0	0.0	0.0
In-period smoothing	-85.1	15.6	76.9
Total	675.2	729.6	770.7

Source: Commerce Commission

Looking ahead...

- > We expect MAR for the second regulatory period to reflect:
 - future risk-free rate
 - inclusion of tax building block once tax loss of ~\$280m (tax effected) is used up
 - ~\$250m (current value) of existing shared assets that should be eligible to enter the RAB over time
 - partial repayments of Crown financing (regulator only allows ~2% return on funded assets)

- > we estimate that \$158m (53%) of FY21 expenditure was regulated FFLAS*, up from 47% in FY20, vs 59% of FY21 total revenue**
 - cost allocators remain consistent with the initial RAB unless there is a justifiable reason to change



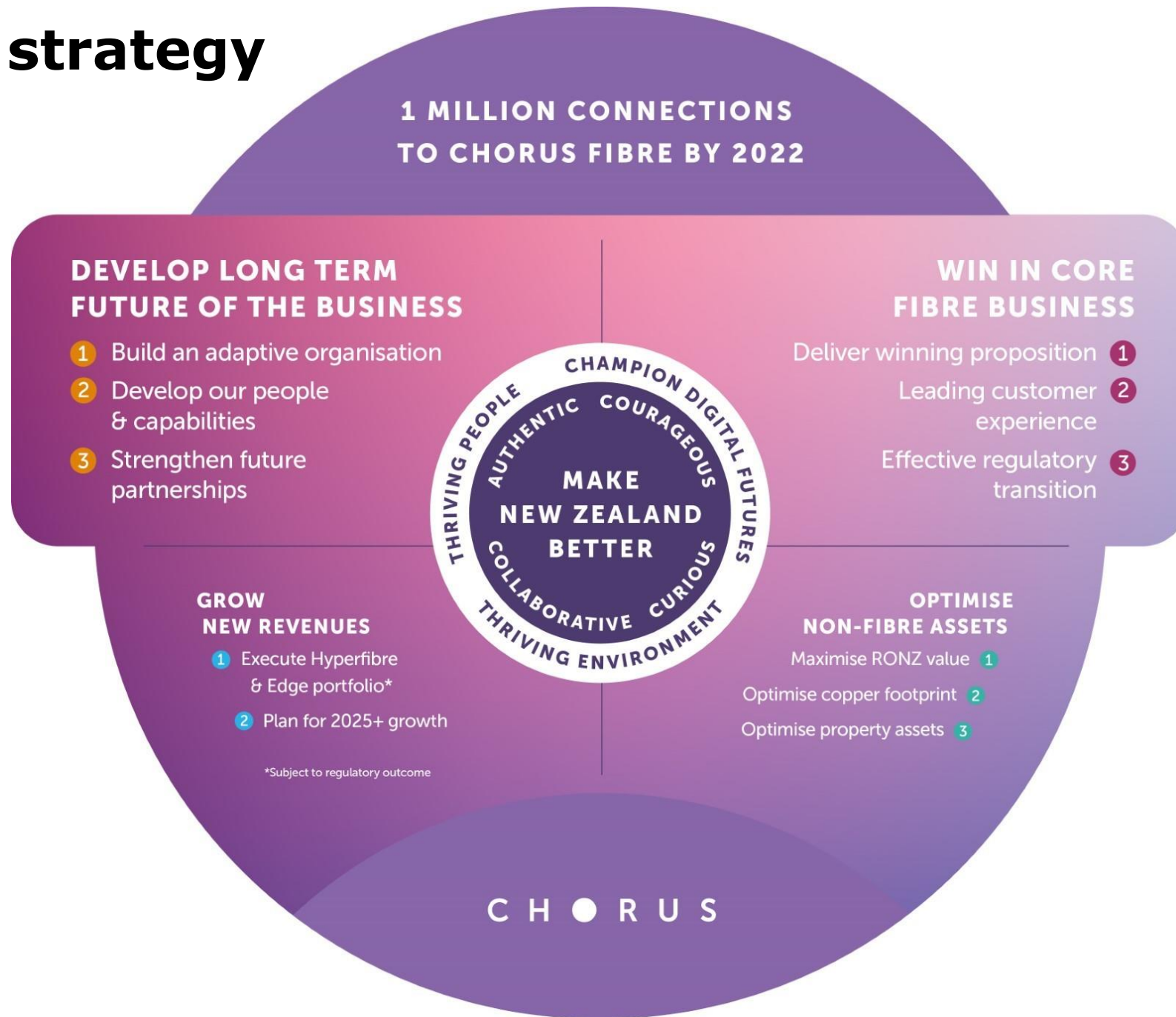
* based on Chorus' March Initial Asset Value and May Expenditure proposals

** based on Input Methodologies

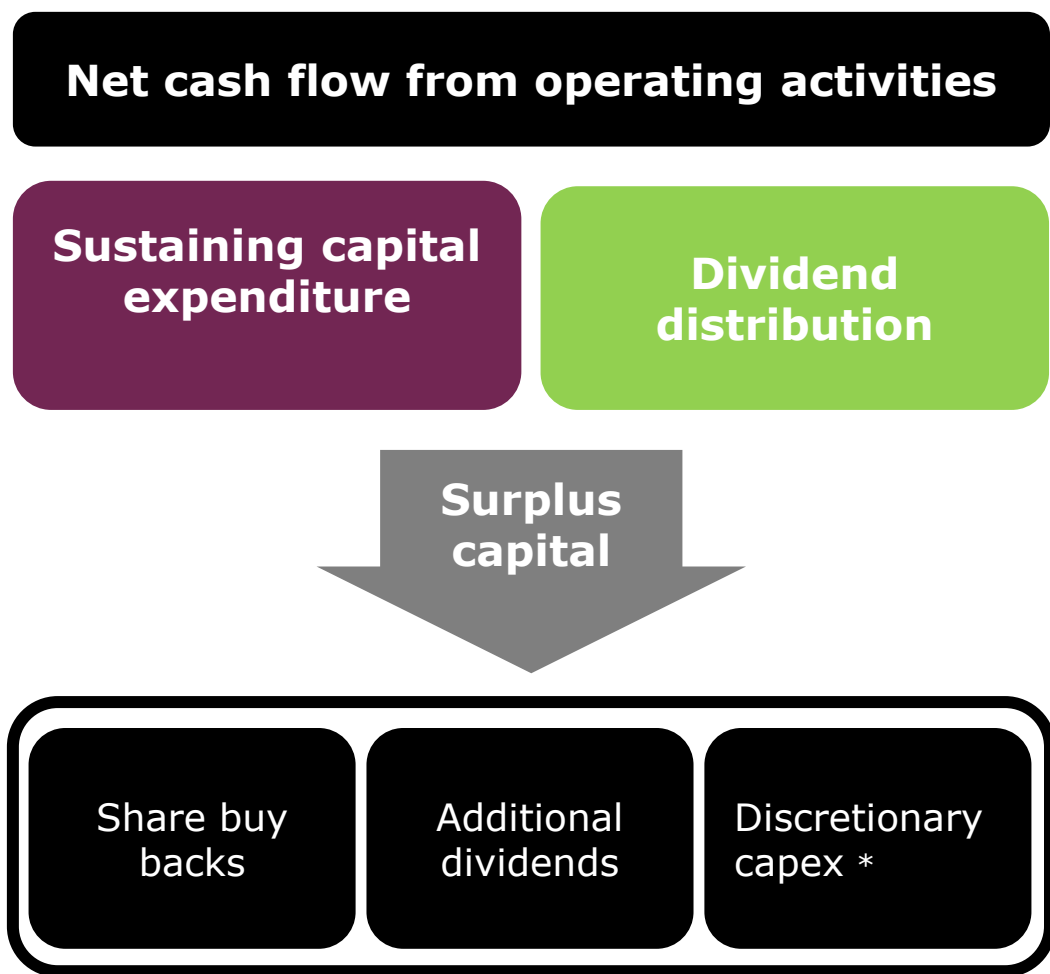
Appendices



FY22 strategy



Capital allocation framework driven by shareholder value



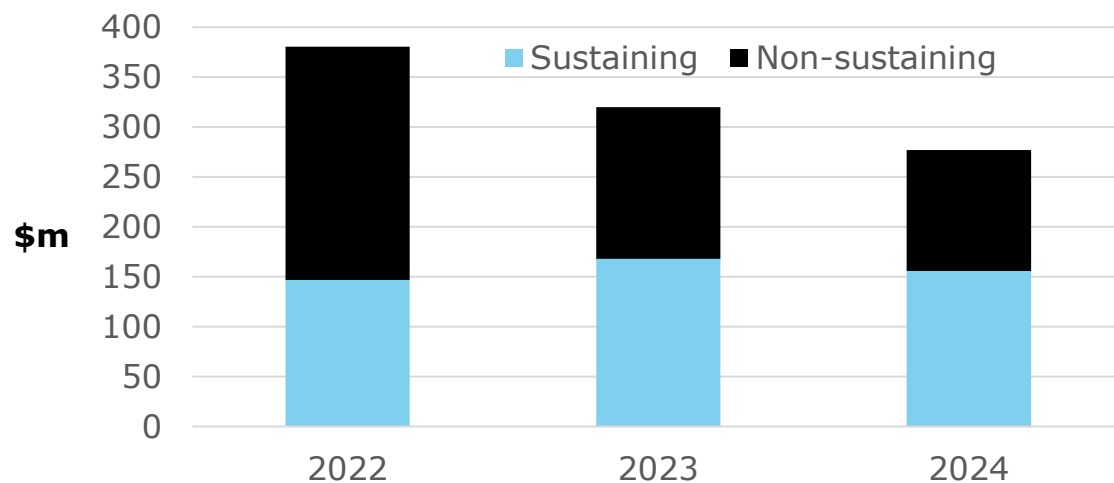
- > **Transition from FY22 to dividend distribution based on pay-out range of free cash flow to reflect:**
 - a focus on providing shareholders with dividend predictability, stability and sustainable growth
 - comparable Australasian infrastructure and utility-like businesses that pay out the majority of FCF
 - robust management of sustaining capital expenditure
- > **Transition driven by reductions in non-sustaining capex, mainly UFB build & installations**
 - dividend levels & surplus capital temporarily constrained by credit rating thresholds
- > **Future surplus capital after dividend to be allocated based on maximising shareholder value, and guided by:**
 - debt levels consistent with existing credit rating, noting potential re-gearing from any relaxation of rating thresholds
 - discretionary capex will only be pursued where:
 - greater shareholder value is created compared to share buy backs and/or additional dividends; and
 - regulatory incentives are appropriate (e.g. regulatory WACC vs Chorus WACC)

*Examples include fibre footprint expansion, greenfield connections & customer retention spend

Sustaining capex

- > \$180m sustaining capex in FY21 vs FY20:\$186m (see table on right)
- > chart (below) shows proposed regulated fibre capex for RP1 (calendar years) as per our general definition of sustaining vs non-sustaining:
 - see 17 December 2020 presentation slide 12 for more detail on regulatory categories
 - is net of capital contributions, excludes FFLAS in LFC areas and includes regulatory inflation
 - actual RP1 spend subject to regulatory outcomes

Proposed regulatory fibre capex



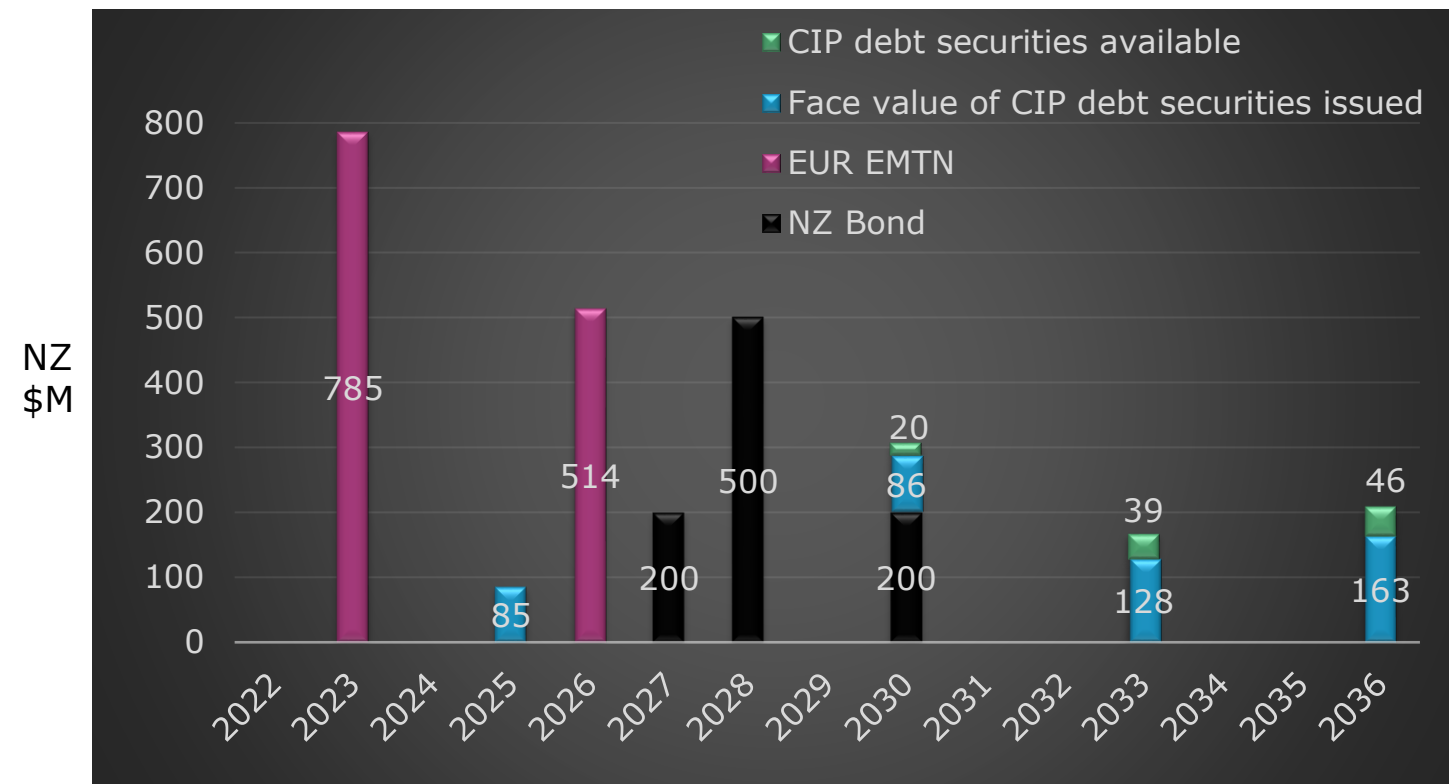
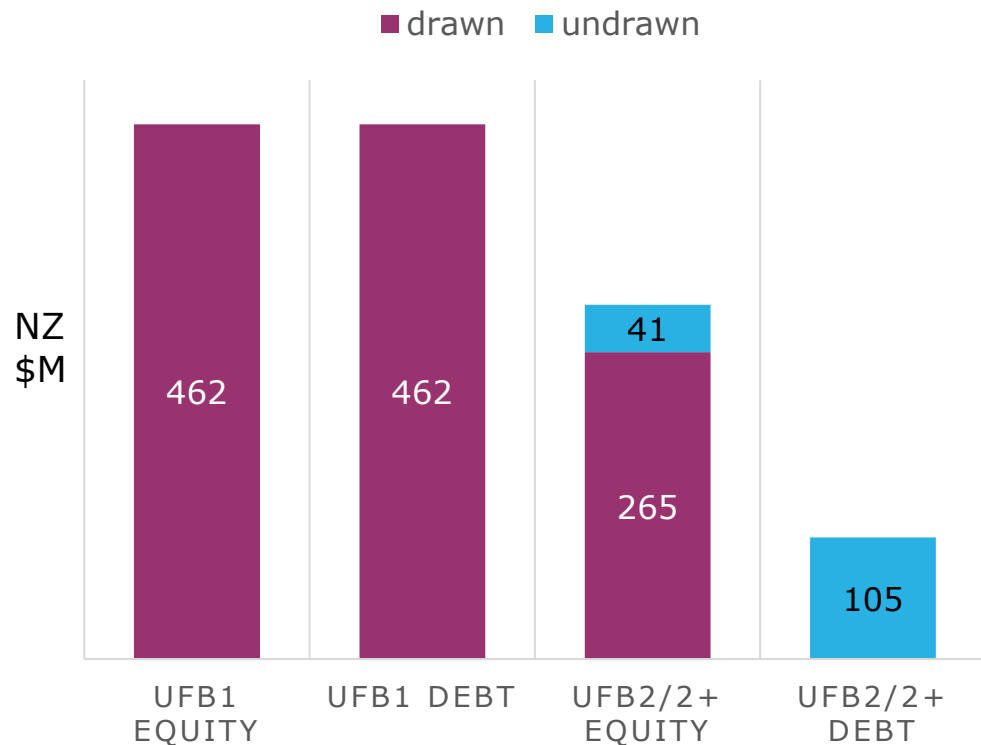
Fibre capex: sustaining	FY21 \$m	FY20 \$m
Layer 2	31	31
Fibre products & systems	11	14
Other fibre	11	12
Fibre sustain	11	8
Customer retention costs*	11	7
Subtotal	75	72
Copper capex: sustaining	FY21 \$m	FY20 \$m
Network sustain	29	31
Copper connections	1	1
Copper layer 2	4	7
Customer retention costs*	11	15
Subtotal	45	54
Common capex: sustaining	FY21 \$m	FY20 \$m
Information technology	46	43
Building & engineering services	14	17
Subtotal	60	60

*Relates to provisioning, systems and service desk costs

Crown financing and debt profile

- > up to \$1.33 billion CIP financing available by 2023 (57:43 equity/debt)
- > \$1,189m drawn at 30 June 2021

- > At 30 June, debt of \$2,339m comprised:
 - Long term bank facilities of \$350m (\$140m drawn)
 - NZ bonds: \$400m and \$500m
 - Euro Medium Term Notes \$1,299m (NZ\$ equivalent at hedged rates)



Crown financing

■ CIP equity securities

- unique class of security with no right to vote at shareholder meetings, but entitle the holder to a right to repayment preference on liquidation
- an increasing portion of the securities will attract dividend payments from 30 June 2025 onwards
- the dividend rate is based on 180 day NZ bank bill rate, plus 6% p.a. margin
- may be redeemed at any time by cash payment of total issue price or the issue of Chorus shares (at a 5% discount to the 20-day VWAP for Chorus shares)

Equity securities subject to paying dividends (cumulative)	30 June 2025	30 June 2030	30 June 2033	30 June 2036	TOTAL
UFB1 & 2	\$85.3m	\$197.1m	\$377.7m	\$766.4m	\$766.4m

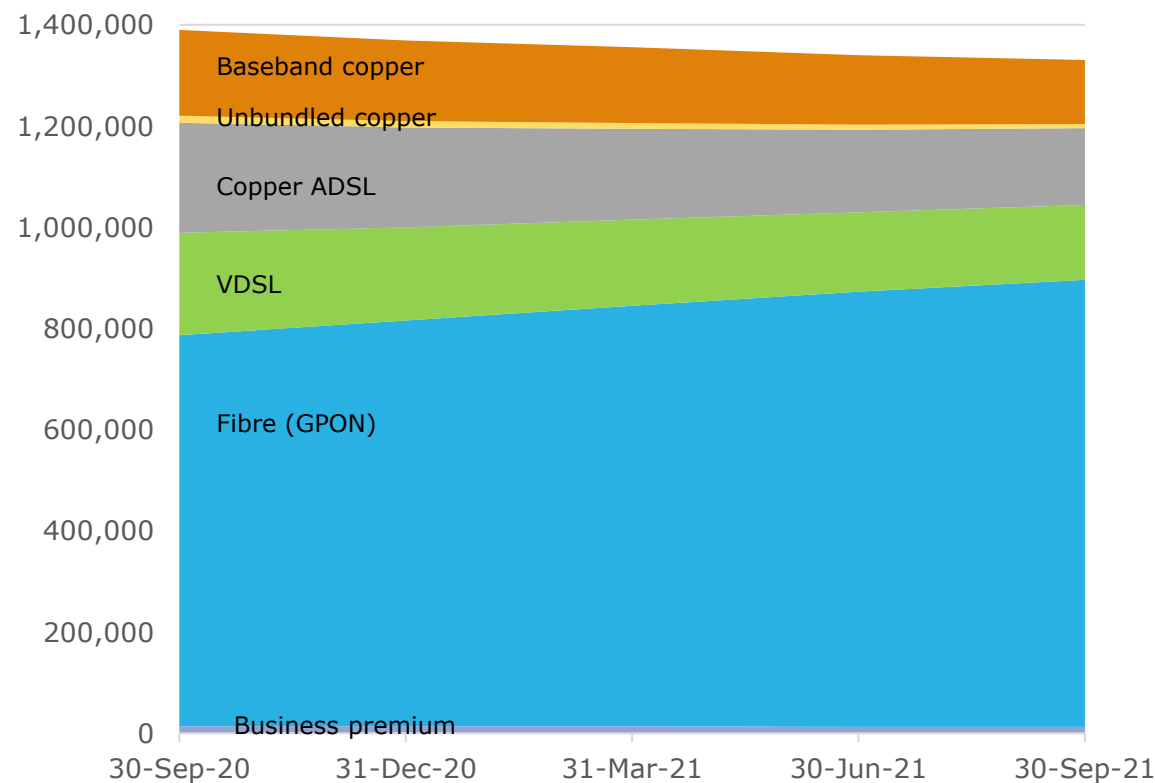
■ CIP debt securities

- unsecured, non-interest bearing and carry no voting rights at shareholder meetings
- Chorus is required to redeem the securities in tranches from 30 June 2025 to 2036 by repaying the issue price to the holder

Debt securities maturity profile	30 June 2025	30 June 2030	30 June 2033	30 June 2036	TOTAL
UFB1 & 2	\$85.3m	\$104.7m	\$166.7m	\$210.2m	\$566.9m

Fibre comprises 67% of Chorus connections

	30 Sept 2020	31 Dec 2020	31 March 2021	30 June 2021	30 Sept 2021
Unbundled copper (no broadband)	14,000	13,000	11,000	10,000	8,000
Baseband copper (no broadband)	169,000	159,000	150,000	137,000	127,000
Copper ADSL (includes naked)	218,000	197,000	180,000	163,000	152,000
VDSL (includes naked)	202,000	184,000	170,000	157,000	148,000
Fibre broadband (GPON)	773,000	802,000	831,000	860,000	883,000
Data services (copper)	3,000	3,000	3,000	2,000	2,000
Fibre premium (P2P)	11,000	11,000	11,000	11,000	11,000
Total connections	1,390,000	1,369,000	1,356,000	1,340,000	1,331,000



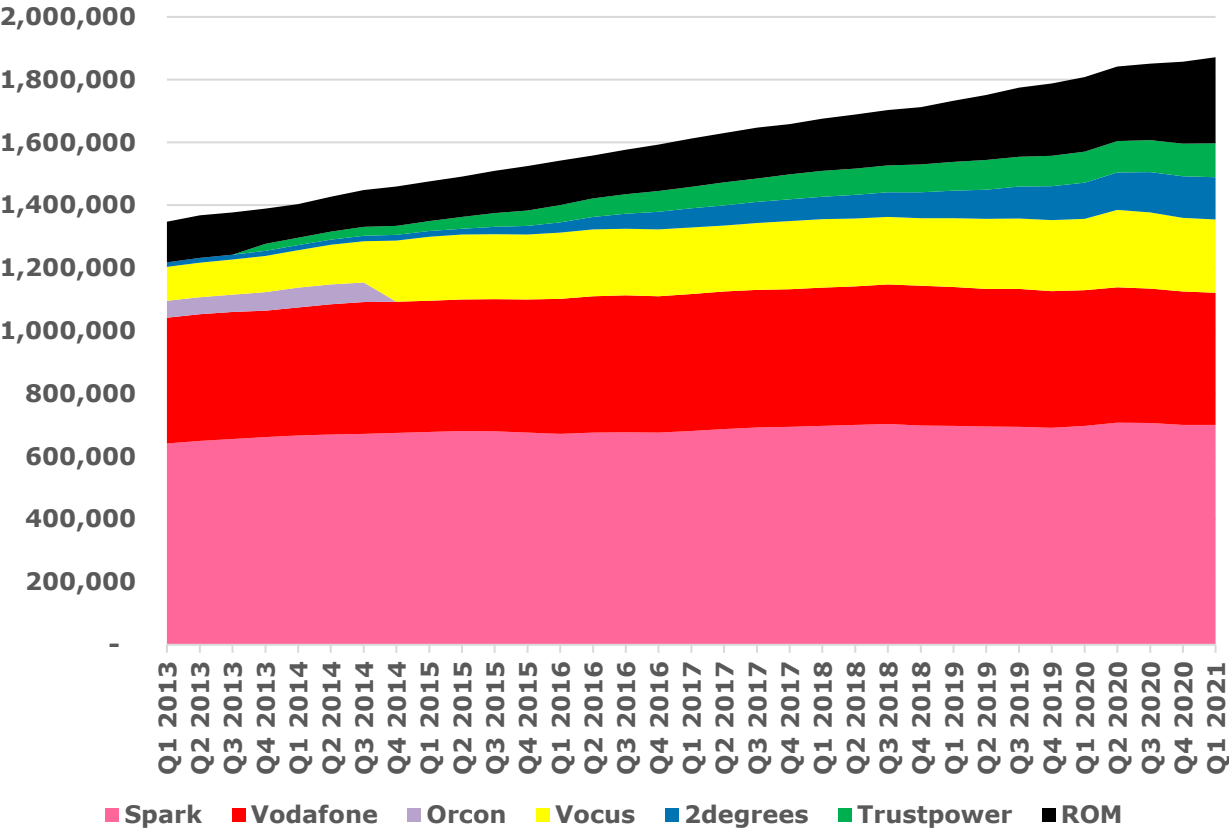
> 1,183,000 broadband connections comprises:

- 883,000 fibre (GPON) connections
- 300,000 VDSL/ADSL (copper) connections

Note: 10,000 partly subsidised education connections are excluded from this data

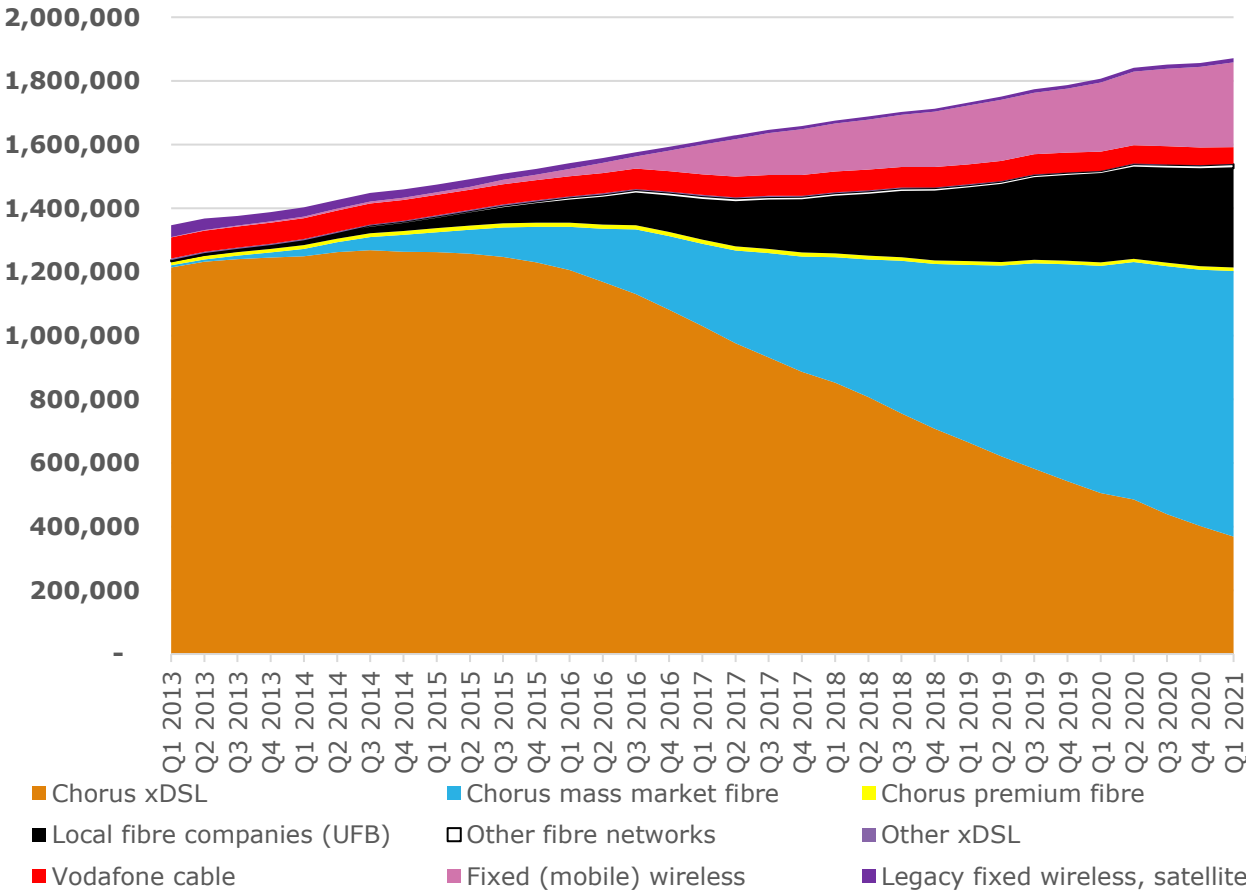
Connection and market trends

Broadband uptake by retailer (all technology)



Source: IDC

NZ broadband market – by technology



Source: IDC

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