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STOCK EXCHANGE ANNOUNCEMENT

9 November 2022

Investor presentations – Governance Roadshow and UBS Australasia Conference

The attached Chorus presentations will be referenced during a governance roadshow in Australia this week and at the UBS Australasia Conference next week.

Authorised by:

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Chief Financial Officer (acting)

ENDS

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Governance update

Disclaimer

This presentation:

- Is provided for general information purposes and does not constitute investment advice or an offer of or invitation to purchase Chorus securities.
- Includes forward-looking statements. These statements are not guarantees or predictions of future performance. They involve known and unknown risks, uncertainties and other factors, many of which are beyond Chorus' control, and which may cause actual results to differ materially from those contained in this presentation.
- Includes statements relating to past performance which should not be regarded as reliable indicators of future performance.
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- Includes non-GAAP financial measures such as "EBITDA". These measures do not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities. They should not be used in substitution for, or isolation of, Chorus' audited consolidated financial statements. We monitor EBITDA as a key performance indicator and we believe it assists investors in assessing the performance of the core operations of our business.
- Has been prepared with due care and attention. However, Chorus and its directors and employees accept no liability for any errors or omissions.
- Contains information from third parties Chorus believes reliable. However, no representations or warranties (express or implied) are made as to the accuracy or completeness of such information.

Introducing Mark Cross

- > Chorus Chair effective 26 October 2022
 - Chorus director since 1 November 2016
 - previous chair of Audit & Risk Management Committee (ARMC)
 - 20+ years international experience in corporate finance and investment banking
- > Other current governance roles:
 - Board member and investment committee chair of Accident Compensation Corporation (ACC)
 - director of Xero (and chair of ARMC)
- > Previous governance roles:
 - chair of Milford Asset Management (retired July 2022)
 - director of Genesis Energy, Z Energy, Argosy Property



Your Board



Sue Bailey
Appointed 31 Oct 2019



Miriam Dean
Appointed 27 Oct 2021



Will Irving
Appointed 26 Oct 2022










Murray Jordan
Appointed 1 Sept 2015



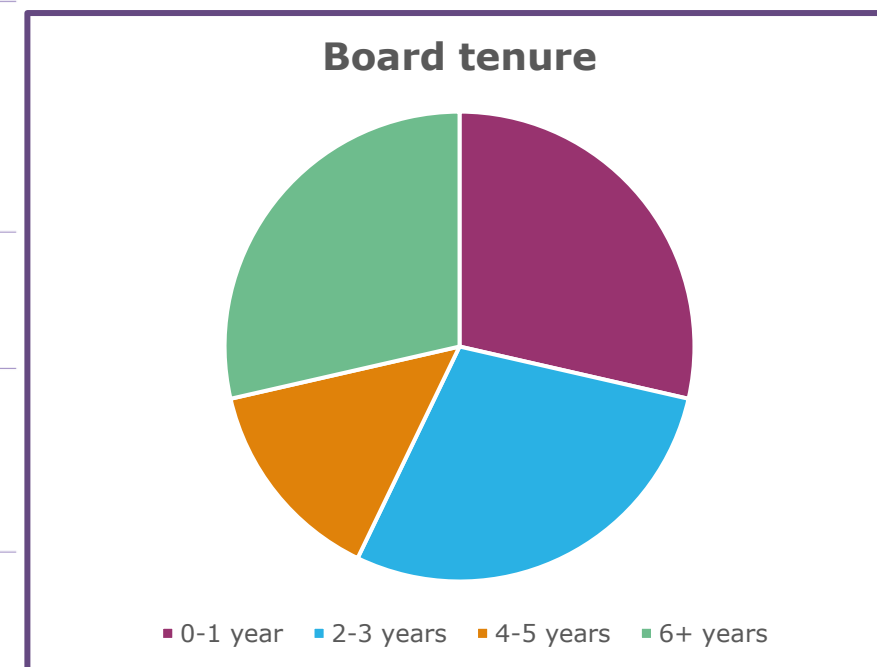
Kate Jorgensen
Appointed 1 July 2020



Jack Matthews
Appointed 1 July 2017

Skill/experience	Description	Combined Board
Capital markets and investment	Experience in, and understanding of, capital markets, market regulation, capital investment and the investor experience	
Communications connectivity and technology	Understanding, expertise and/or experience in communications connectivity, adopting new technologies, leveraging and implementing technologies	
Governance – financial, audit, legal, listed company	Experience with, and a commitment to, high corporate governance standards including in listed companies Understanding financial business drivers, and/or experience implementing or overseeing financial accounting, external reporting and internal financial controls	
Physical infrastructure and operations including contracting, safety and risk	Experience in leading, and/or understanding of, physical infrastructure operations, including contracting Commitment and experience in management of workplace safety Experience anticipating and identifying key risks and monitoring the effectiveness of risk management frameworks and controls	
Governance – executive experience in large businesses	Executive experience in leading large businesses, developing and implementing strategy and strategic objectives, assessing business plans and driving execution	
Infrastructure regulation	Understanding the current and developing regulatory environment, complexities and actual and potential impacts Expertise identifying and managing legal, regulatory, public policy and corporate affairs issues	
Customer experience	Experience in customer-led transformation, customer focus (at both a retailer and consumer level) and/or customer centric organisations	

- Substantial experience
- Moderate experience
- Some experience



Executive Team



JB Rousselot

CEO



Andrew Carroll

GM Customer Network Operations
and Acting CFO



Shaun Philp

Chief People Officer



Elaine Campbell

Chief Corporate Officer and General Counsel



Ed Hyde

Chief Customer Officer



Ewen Powell

Chief Technology Officer

Fibre powers Aotearoa's digital future, enabling a growing business

Connecting
Aotearoa so
that we can all
live, learn, work
and play

CURIOUS

COURAGEOUS

COLLABORATIVE

AUTHENTIC

CHORUS

Thriving
environment

Sustainable
digital futures

WIN IN CORE FIBRE

Maximise fibre
market share
Leading customer
experience
Thrive in
new regulatory
framework

OPTIMISE NON-FIBRE ASSET BASE

Refine rural strategy
Progress UFB copper
withdrawal
Optimise property
assets

Thriving people

Diverse, inclusive and
adaptive Chorus

GROW NEW REVENUES

Incubate new fibre
products (e.g. Hyperfibre)
Monetise close adjacent
opportunities (e.g. Edge)
Ongoing growth
roadmap and strategy

Safe, resilient and
efficient assets

Stronger future
partnerships

Chorus is changing gear: from build to operate

- > 11-year fibre build programme practically complete and copper network withdrawal underway
- > new regulatory regime in place for fibre: requires organisational evolution in reporting and asset management
- > focus on improving customer experience and delivering benefits to all stakeholders
- > updated strategy: emphasis on managing capital to deliver predictable and growing returns to owners
- > growing free cash flow enables us to explore opportunities to grow regulated and/or non-regulated revenues where shareholder value is maximised



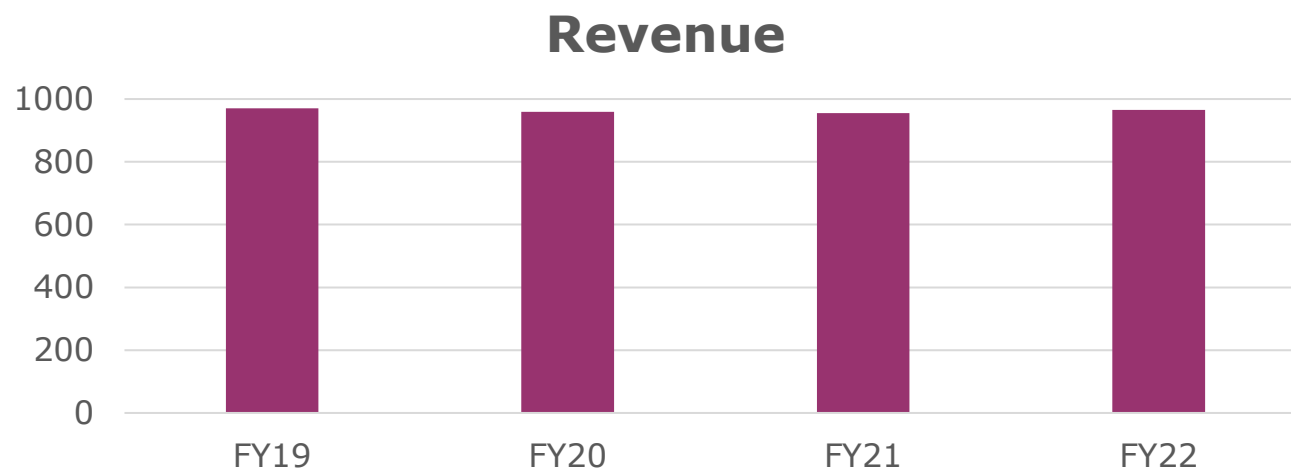
End of fibre rollout = return to positive free cash flow



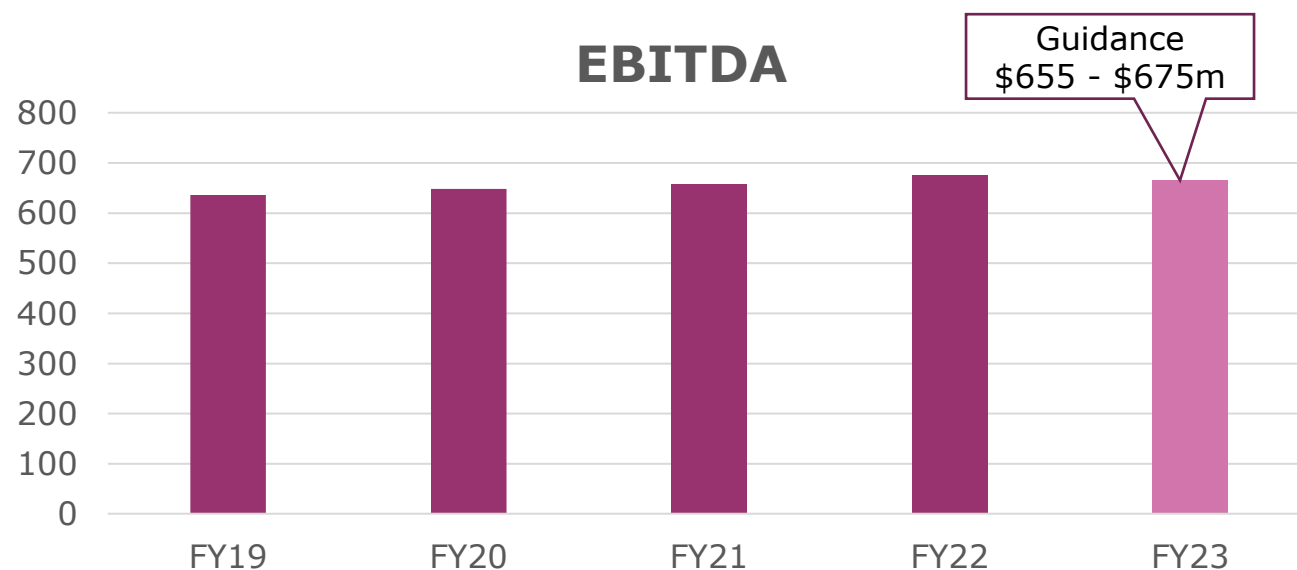
*based on S&P and bank covenant methodologies

- > Chorus' Board considers that a '**BBB**' credit rating or equivalent credit rating is appropriate for a company such as Chorus.
 - 4.08x ND/EBITDA at 30 June
 - total net debt \$2,713m at 30 June
- > ratings agencies thresholds reflect new regulatory regime and growth in free cashflow
 - **S&P: 5.00x** ND/EBITDA on a sustained basis
 - **Moody's: 5.25x** ND/EBITDA on a sustained basis
- > intention that in normal circumstances the ratio of net debt to EBITDA will not materially exceed **4.75 times**
- > **financial covenants** require senior debt ratio to be no greater than **5.50 times**

FY22 marked a return to revenue growth



- > FY22 Revenue of \$965m (FY21: \$955m)
 - Growing consumer fibre uptake and ARPU
 - Strong greenfield demand



- > Objective of modest EBITDA growth

Capital management

Board reviews capital management settings at each result

> **FY23 and FY24 dividend guidance***

- 42.5cps in FY23
- a minimum of 47.5cps in FY24
- dividends unimputed in short to medium term

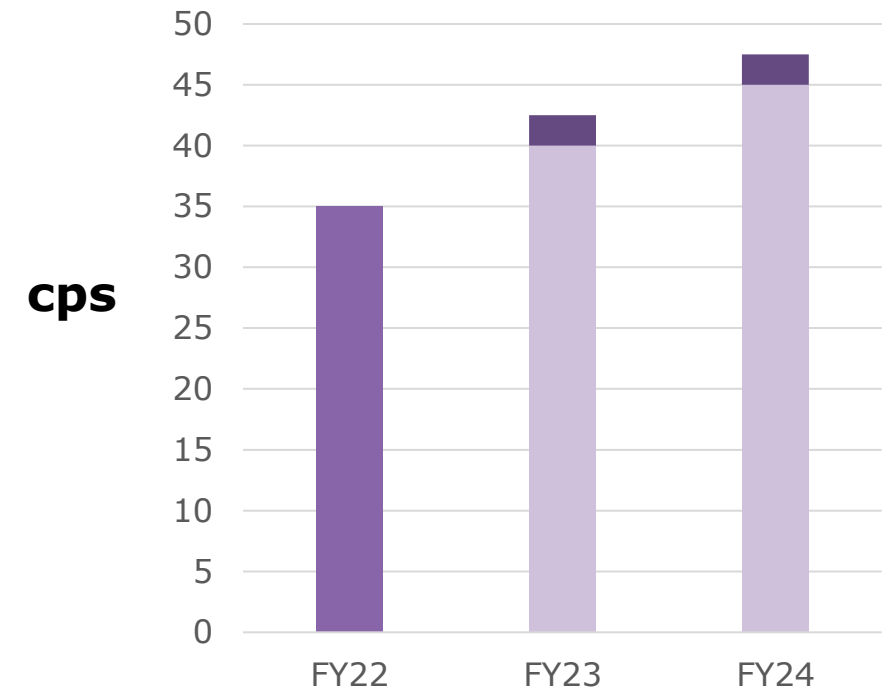
> **\$54m of \$150m share buyback complete**

- tax efficient capital return to shareholders
- Board reserves option to suspend the buyback if more accretive opportunities for shareholder value are identified

> **Dividend Reinvestment Plan**

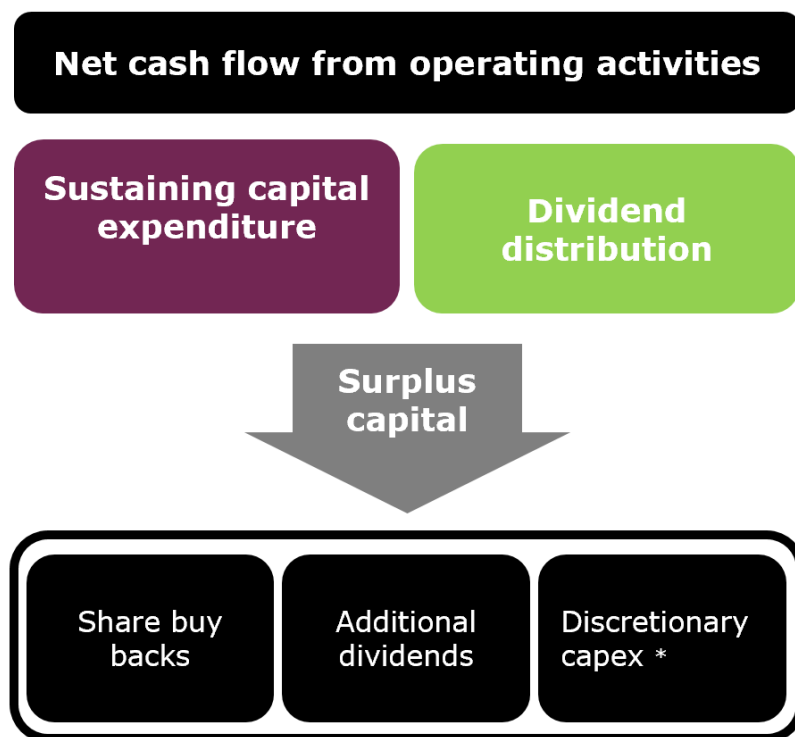
- available with no discount for FY22 dividend: 11% uptake

Dividend guidance – August 2022



* subject to no material adverse changes in circumstances or outlook

Capital allocation framework



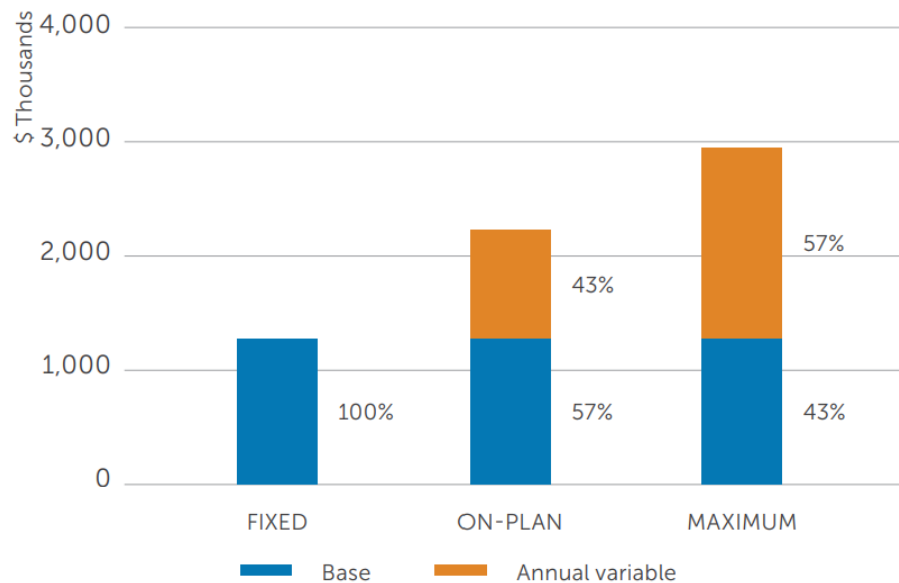
*Examples include fibre footprint expansion, greenfield connections & customer retention spend

- > Surplus capital is allocated based on maximising shareholder value, with discretionary capex only pursued where:
 - greater shareholder value is created compared to share buybacks and/or additional dividends; and
 - regulatory incentives are appropriate (e.g. regulatory WACC vs Chorus WACC)
- > Ordinary dividend: intention to pay out 60% to 80% of free cash flow
 - $\text{free cash flow} = \text{net cash flows from operating activities} - \text{sustaining capex}$

CEO remuneration components

Significant portion of remuneration linked to performance and at risk

FY22 scenario chart (excludes LTI)



	Fixed remuneration	Pay for performance	% STI awarded against maximum
FY22	1,275,000	1,147,500	67%
FY21	1,250,000	768,750	47%

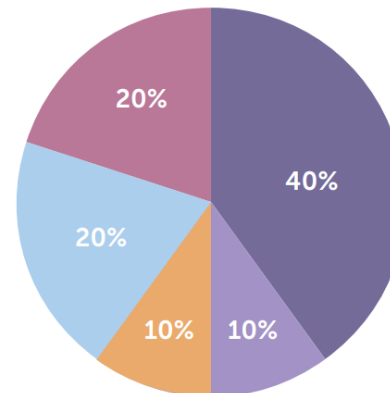
- > Note: Three grants have been made under the LTI scheme
- \$319,829 in 2019 (vested)
 - \$412,500 in 2020 (yet to vest)
 - \$420,750 in 2021 (yet to vest)

Short term incentive

Performance goals reviewed annually to align with shareholder value

- > Company and individual performance components
 - STI bonus is at ultimate discretion of Board
 - CEO STI set at 75% of base remuneration (achieved 67% in FY22)
 - Non-financial measures include targets associated with H&S, overall team engagement scores and gender balance and mix of teams

FY22 STI Goals



Measures	% of target achieved
EBITDA: gateway hurdle of \$618.5m EBITDA. Year end target aligned with objective of modest EBITDA growth.	Exceeded target
Customer experience – fibre fault restoration: measured by consumers' scores (target of 8.1 over three months to March)	Exceeded target
Customer experience – intact fibre connection: measured by consumers' scores (target of 7.7 over three months to 30 June)	Did not meet target
Total Fibre connections: based on total connection target of 967,000 at year end.	Did not meet target
Strategy Regulation Future Chorus: qualitative assessment by Board based on long-term business initiatives including the transition to the new regulatory regime and implementation of a new operating model (including new field services agreement).	Exceeded target

Long term incentive scheme

An absolute return based scheme

- > We use a blended total shareholder return rate to reflect regulated WACC
 - weighted cost of equity calculation, proportional to regulated vs non-regulated components and based on relative enterprise value
 - 0.75% stretch is added to determine the 3-year performance hurdle
- > Re-testing can occur monthly for 12 months (with the hurdle continuing to increase) if performance hurdle is not met by the initial vesting date

LTI – 2019	Three-year grant made November 2019, equivalent to 33% of base remuneration.	• Chorus TSR performance over grant period must exceed 10.35% on an annualised basis, compounding.	Assessed August 2022 with possible retesting ³ up to August 2023.
LTI – 2020	Three-year grant made August 2020, equivalent to 33% of base remuneration.	• Chorus TSR performance over grant period must exceed 9.65% on an annualised basis, compounding.	Assessed August 2023 with possible retesting ³ up to August 2024.
LTI – 2021	Three-year grant made August 2021, equivalent to 33% of base remuneration.	• Chorus TSR performance over grant period must exceed 6.2% ² on an annualised basis, compounding.	Assessed August 2024 with possible retesting ³ up to August 2025.

Our sustainability focus

Second year producing a standalone Sustainability Report

- > enhancing our reporting against **TCFD** framework in preparation for mandatory climate reporting for Chorus' 2024 annual report
- > continued focus on **worker welfare** with dedicated team monitoring contractor and subcontractor field workforce
- > **Modern Slavery Statement**: FY22 focus on imported electronics and telco network equipment
- > **ESG frameworks**:
 - focus on infrastructure-oriented GRESB framework in FY22: achieved B rating
 - received MSCI ESG rating of AA in 2021
 - CDP rating: B



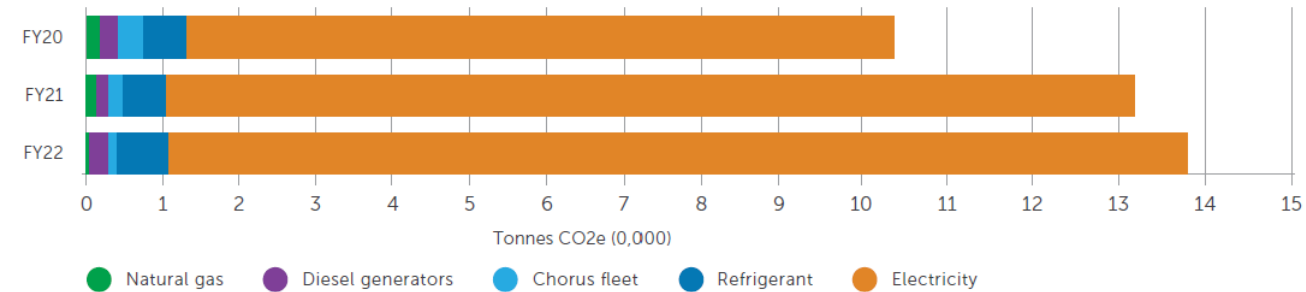
Sustainability metrics



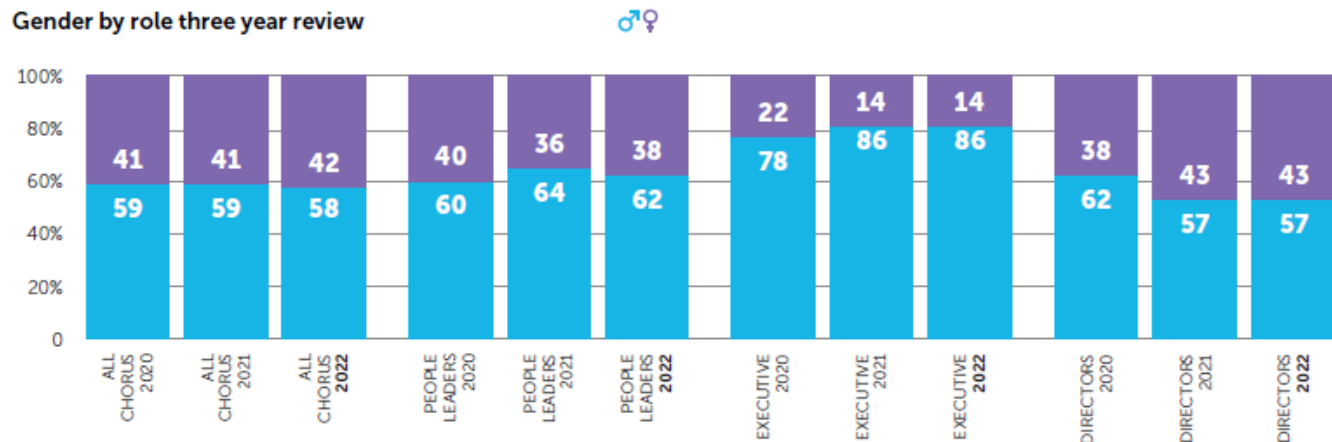
Our targets

- 1 Commitment made to the Science Based Target initiative: To reduce 62% of scope 1 and 2 emissions by 2030, from a base year of 2020.
- 2 15% electricity consumption reduction by 2025. 25% electricity consumption reduction from 2020 by 2030.
- 3 Corporate fleet reduced 25% from 2020 by FY23. Move to 100% Hybrid or EV by FY27.
- 4 Focus on renewables – new electricity provider and commitment to extend solar trial on our exchanges.

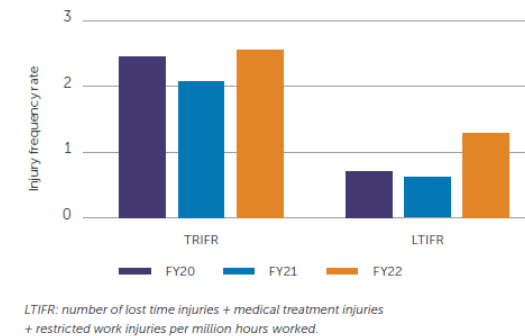
Scope 1 (direct) and 2 (electricity) emissions FY20 - FY22



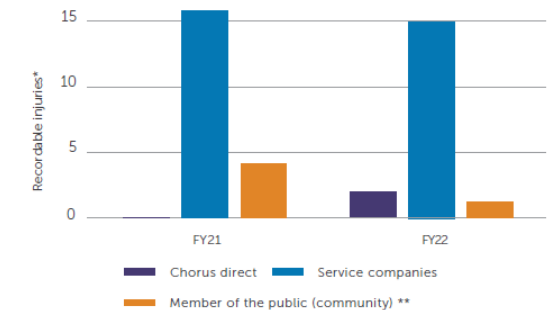
Gender by role three year review



Injury frequency rates FY20 – FY22



Actual recordable injuries* FY21 - FY22



* Recordable injuries are medical treatment, lost time or restricted work injuries
 ** Member of the public (community) injuries reflect those sustained by slips and trips on Chorus infrastructure e.g. manhole covers, which are remediated as quickly as possible.

Cybersecurity and privacy

As a wholesale network operator we hold less personal information than retail providers

- > we comply with the NZ Privacy Act for all personal information we hold and have a public privacy policy
 - privacy is managed within our wider risk management framework
 - our systems, processes and training meet the Act's requirements
- > our ARMC receives cybersecurity reports from our CTO every six months, with interim updates as required
 - we conduct response testing and undertake regular reviews, including external audits
 - we liaise with the National Cyber Security Centre on advanced cyber threats



Shareholder composition

Chorus is a distinctive regulated listed communications infrastructure asset

- > few listed comparators given Chorus is a wholesale only netco

- closest comparator is Netlink NBN Trust in Singapore

- > admitted to Global Listed Infrastructure Organisation Index in 2021

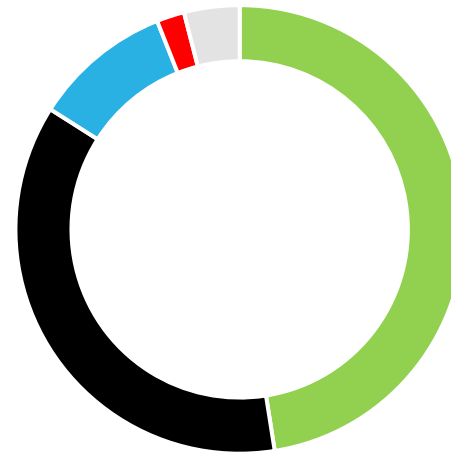
- recently added to GLIO/GRESB ESG Index



GLOBAL LISTED
INFRASTRUCTURE
ORGANISATION

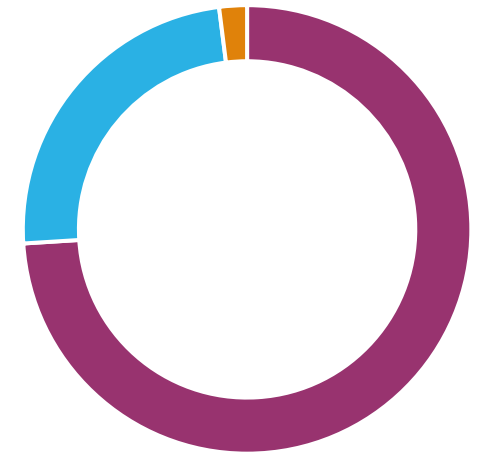
- > 10% ownership cap as part of government demerger requirements in 2011

Investor location



■ Australia ■ NZ ■ USA ■ UK ■ Other

Investor type



■ Institution ■ Retail ■ Other

Data as at August 2022

UBS Australasia Conference

14 November 2022

C H ● R U S

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Shareholder composition

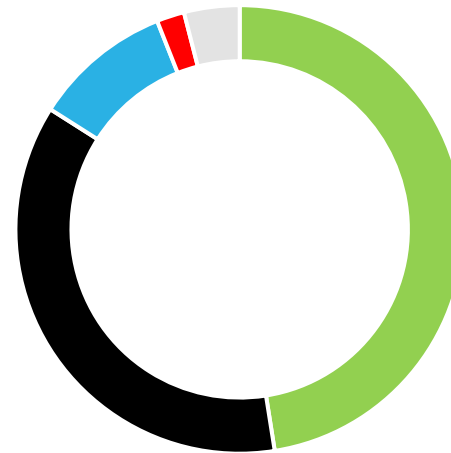
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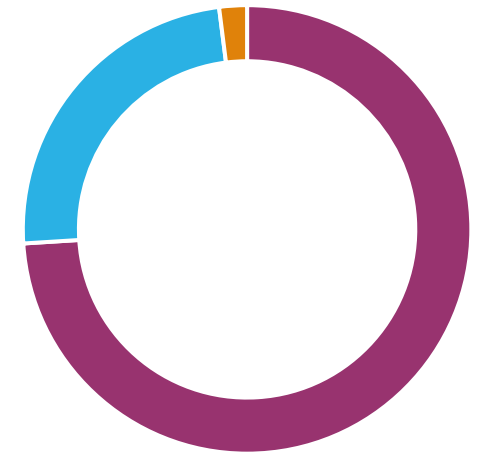
GLOBAL LISTED
INFRASTRUCTURE
ORGANISATION

Investor location



■ Australia ■ NZ ■ USA ■ UK ■ Other

Investor type



■ Institution ■ Retail ■ Other

Data as at August 2022

Fibre has very strong global momentum

New Zealand now among global leaders for fibre uptake and development

> **Recent *Network X* global broadband conference in Europe highlighted a fibre boom with substantial network rollouts**

- 1.2bn fibre-based households by 2027 (Omdia)
- cable networks now upgrading to fibre (e.g. Virgin Media UK)
- separation of retail and network units becoming more common
- copper withdrawal programmes accelerating with leading European nations extending fibre as far as possible

> **Fibre seen as 'future-proof' for capacity, reliability and latency**

- new deployments leapfrogging to 10Gbps capability
- fixed line traffic forecasted to keep growing steadily
- expectation future applications (e.g. metaverse) will need very low latency
- 6GHz spectrum increasingly important to unlock future Wi-Fi performance and enable fibre's full potential for consumers

Omdia Fibre Development Index 2022

Rank	Country
1	Singapore
2	South Korea
3	China
4	UAE
5	Qatar
6	Japan
7	Thailand
8	Romania
9	Spain
10	New Zealand (+5 places)

Auckland fibre uptake reaches 80%

> Total UFB uptake of 71% (rounded) within completed footprint in Q1*

- uptake in UFB1 areas grew from 74% to **75%**
- uptake in UFB2 areas grew from 50% to **51%**
- **938,000** connections (Q4 FY22: 919,000) now within completed footprint, including business premium connections
- **1,330,000** customers able to connect (Q4 FY22: 1,324,000)
- **1,042,000** premises passed** (Q4 FY22: 1,037,000) out of 1,054,000 target = UFB rollout 99% complete

(note: data includes some UFB2 areas that have been partially built, but not yet submitted for Crown sign-off)

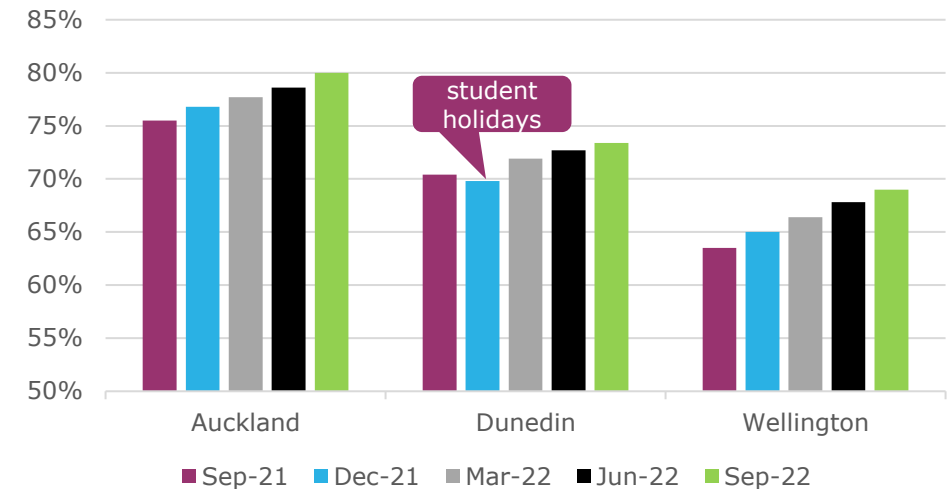
> 26,000 fibre installations completed in Q1 (Q4 FY22: 25k)

- customer satisfaction reduced from 7.8 to 7.7
- WIP reduced from 14k to 13k
- field crews reduced from ~520 to ~450 due to resourcing challenges

* includes ~3k partly subsidised education connections

**under the UFB contract, a multi-dwelling unit or single office block is one premises

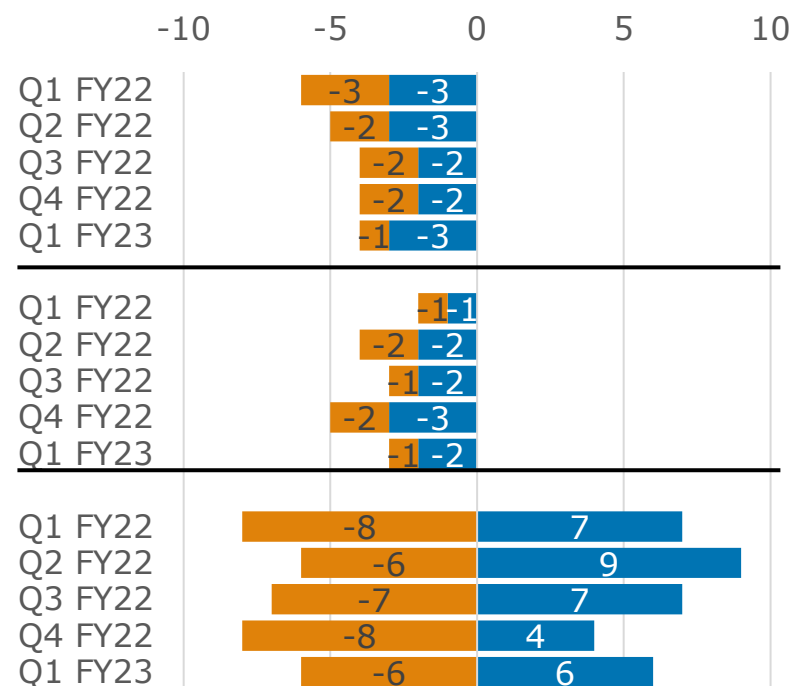
UFB uptake by quarter



- Auckland, Wellington and Dunedin cover >70% of UFB1 homes and businesses able to connect
- 91% of Chorus' broadband connections in our planned UFB zone are now on fibre

Connection changes by Zone (indicative as at 30 Sept)

Quarterly change ('000s) by zone*



Other fibre company (LFC) zone	Broadband connections	32,000	Disconnections continue due to Local Fibre Company and fixed wireless provider activity, with some slowdown due to COVID-19 effects.
	Copper line (no broadband)	18,000	
	TOTAL	50,000	
Non-UFB zone	Broadband connections	140,000	Some expansion of wireless broadband footprint through Government backed programme. New housing outside of UFB zone driving fibre premises growth.
	Copper line (no broadband)	28,000	
	TOTAL	168,000	
Chorus UFB zone**	Broadband connections	1,018,000	Continued broadband growth driven by Chorus incentives and migration campaigns. Copper voice disconnections reflect migration to fibre and targeted fixed wireless activities.
	Copper line (no broadband)	49,000	
	TOTAL	1,067,000	

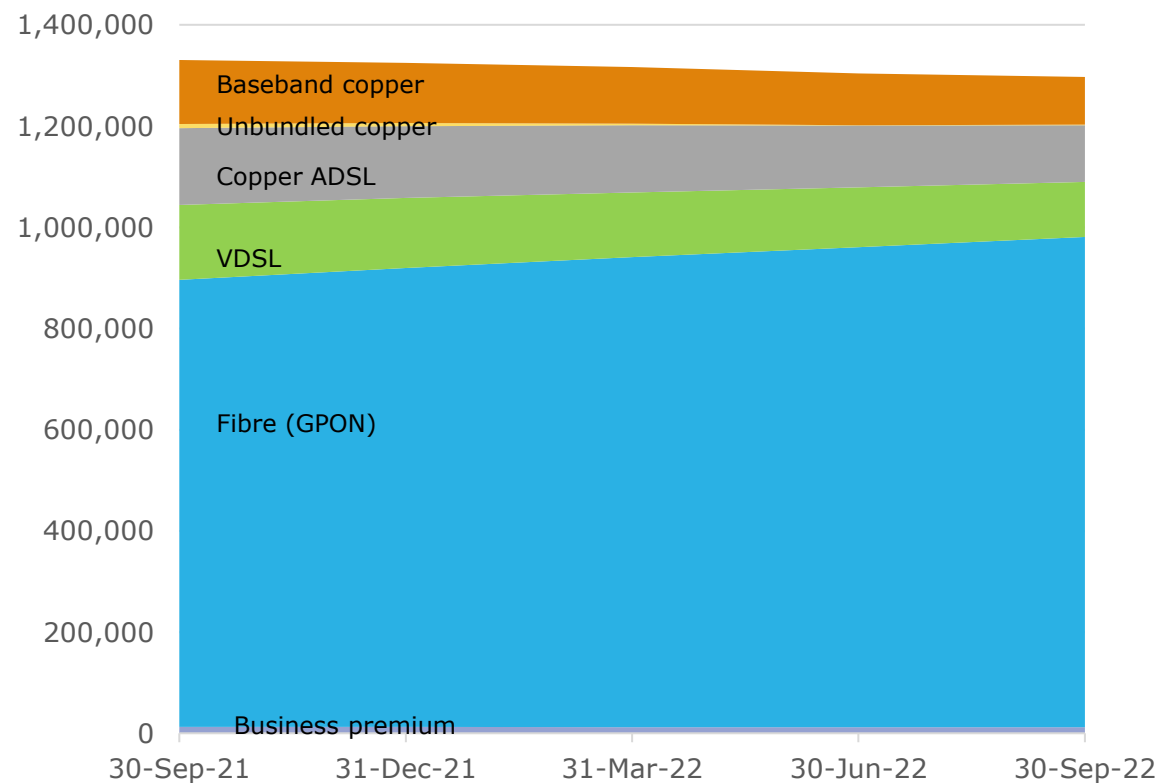
- Broadband connections
- Copper (no broadband) connections

* Excludes 9k partly subsidised education connections and 12k fibre premium and data services (copper) connections

** Includes planned Chorus UFB1, 2 and 2+ coverage

Fibre comprises 76% of Chorus connections

	30 Sept 2021	31 Dec 2021	31 March 2022	30 June 2022	30 Sept 2022
Unbundled copper (no broadband)	8,000	6,000	3,000	1,000	1,000
Baseband copper (no broadband)	127,000	119,000	112,000	102,000	94,000
Copper ADSL (includes naked)	152,000	142,000	133,000	122,000	112,000
VDSL (includes naked)	148,000	138,000	128,000	118,000	109,000
Fibre broadband (GPON)	883,000	907,000	929,000	949,000	969,000
Data services (copper)	2,000	2,000	2,000	2,000	1,000
Fibre premium (P2P)	11,000	11,000	10,000	10,000	11,000
Total connections	1,331,000	1,325,000	1,317,000	1,304,000	1,297,000



> 1,190,000 broadband connections comprises:

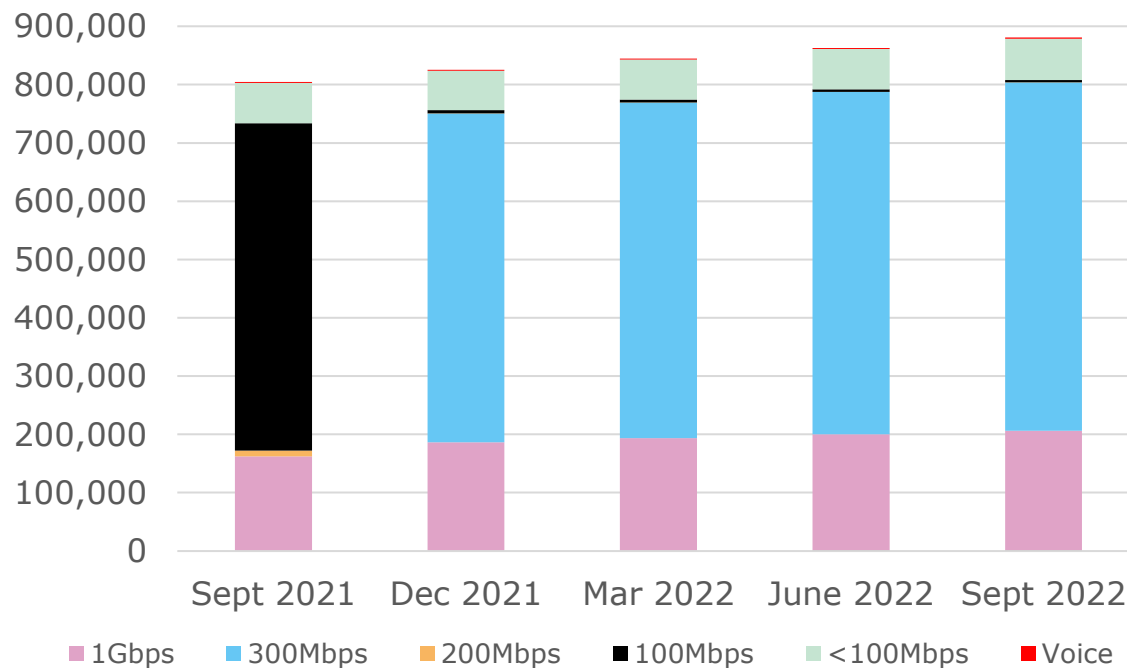
- 969,000 fibre (GPON) connections
- 221,000 VDSL/ADSL (copper) connections

Note: 9,000 partly subsidised education connections are excluded from this data

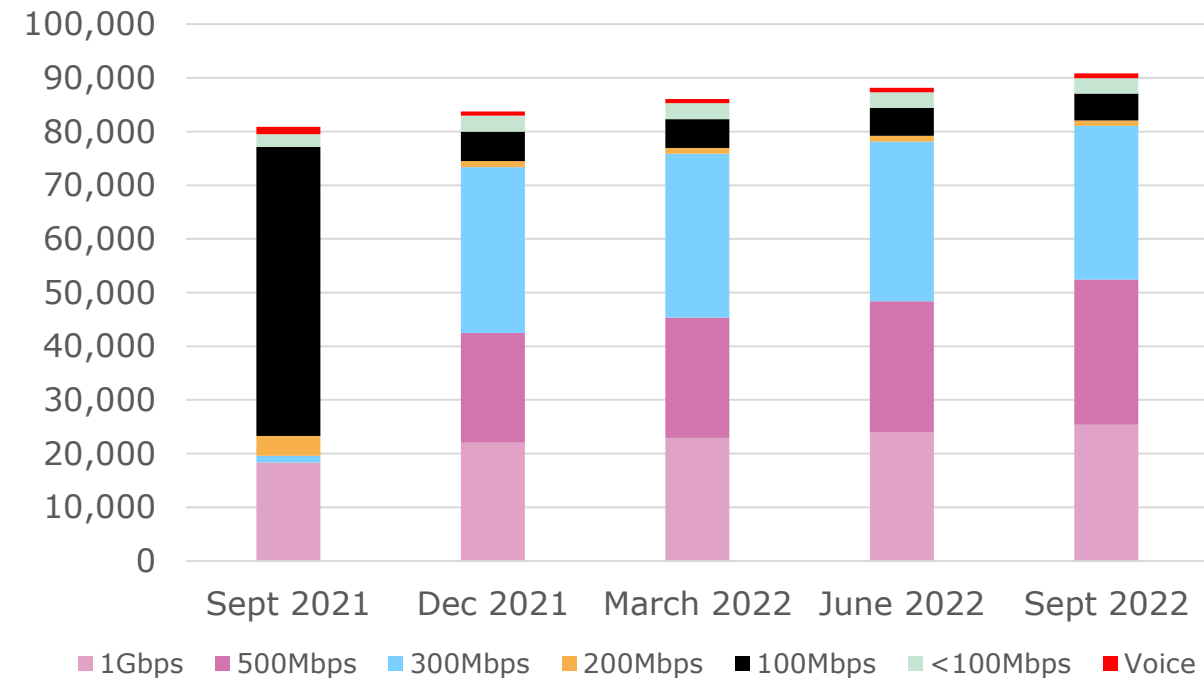
Q1: Mass market fibre connections grew 20k

- > 300Mbps plans account for 68% of residential connections
- > ~1/3 of residential fibre adds were 1Gbps plans in Q1
- > 1Gbps and Hyperfibre uptake now 24% across residential and business broadband connections

Residential



Business



Fibre CPI price changes implemented 1 October

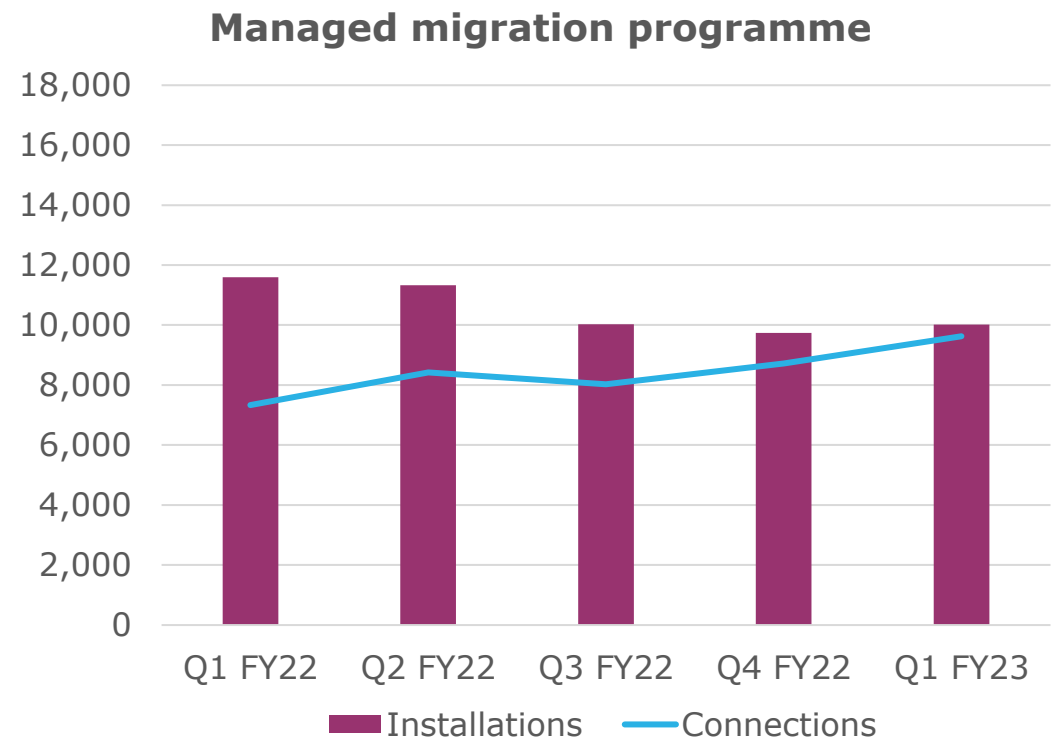
Allowable CPI on anchor product fibre pricing was 6.9%

Fibre plan - consumer	Wholesale price - current	Wholesale price from 1 Oct 2022	Change
Voice line	\$26.02	\$27.45	5.5%
Home starter 50/10Mbps	\$38	\$38	-
50/10Mbps	\$44.22	\$47.28	6.9%
300/100Mbps	\$47.87	\$50.50	5.5%
1Gbps	\$56	\$58	3.6%
Hyperfibre 2Gbps	\$75	\$70	-6.7%
Hyperfibre 4Gbps	\$100	\$85	-15%
Hyperfibre 8Gbps	\$150	\$110	-26%

Copper pricing	Wholesale price <u>before</u> 16 Dec 2021	Wholesale price – current	Change
Copper line	\$32.14	\$33.73	4.93%
Copper broadband	\$42.97	\$45.09	4.93%

Managed migration programme lifts connections

- > 10k managed migration installations completed in Q1 (Q4 FY22: ~10k)
- > marketing activity drove activation of installed fibre sockets (ONTs) from ~9k to ~10k in Q1
 - 45% of these activations were at offnet addresses



Copper shutdown underway

Code enables shutdown with 6 months' notice

- Chorus provides notice to consumers and retailers
- fibre must be available at no installation cost to consumer
- initial focus on copper cabinets and premises with fibre installed

~17,000

initial
notices
issued

~90%

broadband
retention

200+
cabinets
now
empty

lower
fault rate
on fibre:
5%



COPPER WITHDRAWAL

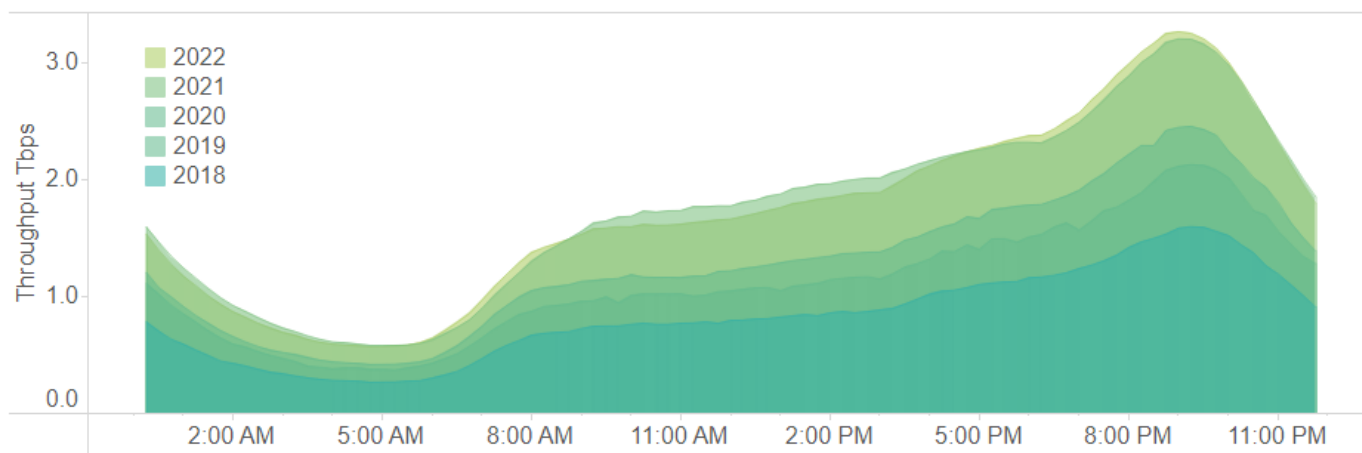
How to get connected to fibre

Fibre installation is free in most circumstances. We work with phone and broadband providers to deliver fibre into homes and ...

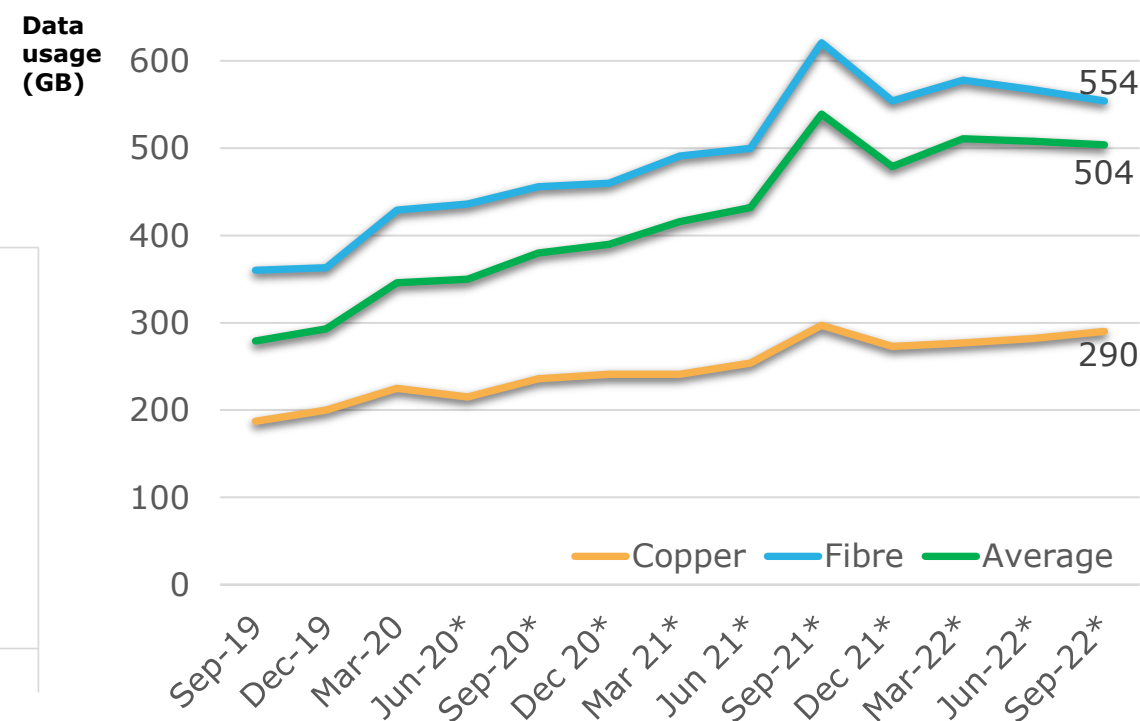
[READ ARTICLE](#)

Monthly average data usage on fibre 559 gigabytes

- > October data shows return to growth in data usage
 - **559GB** on fibre (Sept:554GB)
 - **296GB** on copper (Sept:290GB)
 - **511GB** average (Sept:504GB)
- > Average peak throughput on our network at peak time (~9pm) was consistent at 3.3Tbps



Q1: Monthly average data usage per connection on our network*



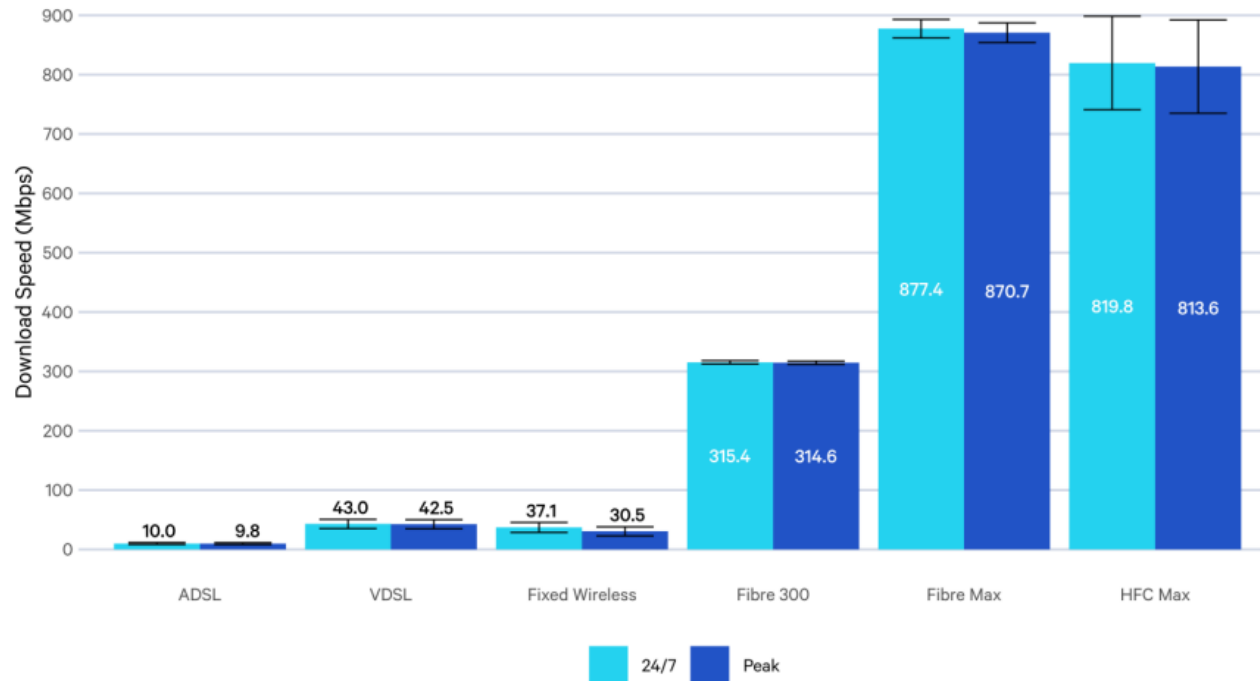
* includes upstream traffic from June 2020 onwards

Commerce Commission broadband testing report

- The Commerce Commission's *Measuring Broadband New Zealand*, Spring Report (October 2022) continues to highlight the strong performance of fibre relative to other technologies.

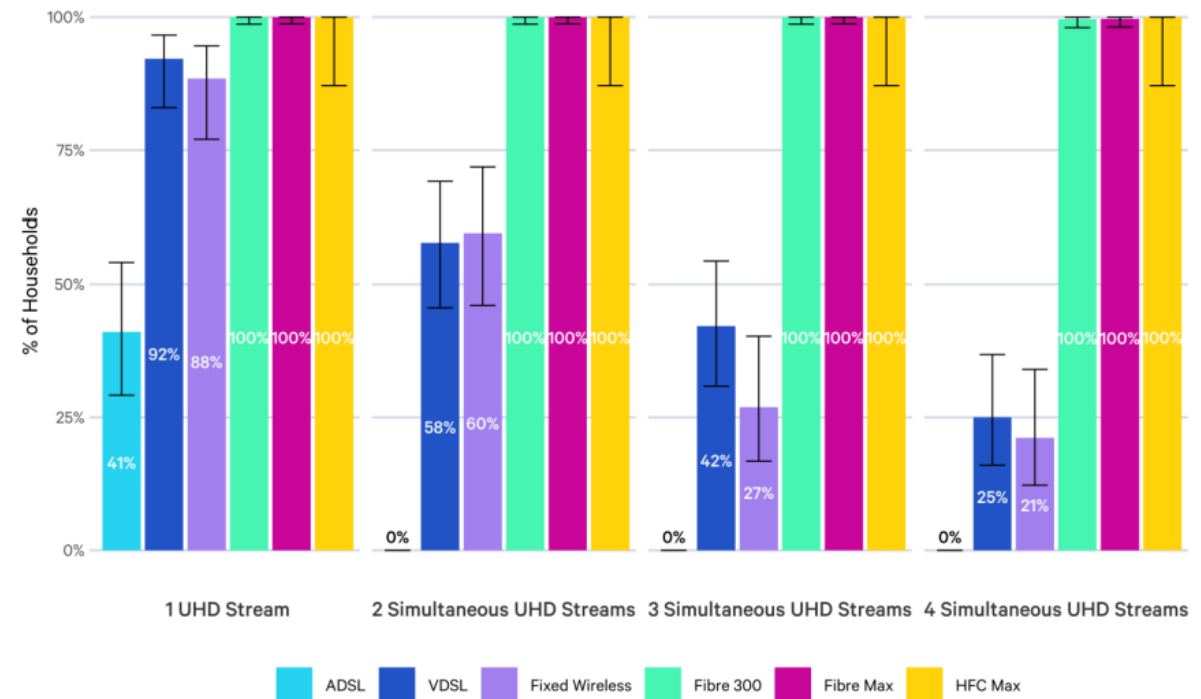
Average Download Speeds by Plan

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



The proportion of households able to stream 1, 2, 3 or 4 simultaneous Ultra High Definition videos from Netflix.

Based on the average download speed to Netflix servers for each household. Error bars show 95% confidence intervals.



Source: Commerce Commission

Fibre powering Aotearoa's digital future

- 90%+ of fibre connections on 300Mbps and above
- strong technology roadmap: trialled 25Gbps
- focus on improving customer experience and delivering benefits to all stakeholders
- pragmatic policy settings could get fibre to at least 90% of the population



Fibre powers Aotearoa's digital future, enabling a growing business

Connecting
Aotearoa so
that we can all
live, learn, work
and play

CURIOUS

COURAGEOUS

COLLABORATIVE

AUTHENTIC

CHORUS

Thriving
environment

Sustainable
digital futures

WIN IN
CORE FIBRE

Maximise fibre
market share
Leading customer
experience
Thrive in
new regulatory
framework

Safe, resilient and
efficient assets

Stronger future
partnerships

OPTIMISE
NON-FIBRE
ASSET BASE

Refine rural strategy
Progress UFB copper
withdrawal
Optimise property
assets

Thriving people

Diverse, inclusive and
adaptive Chorus

GROW NEW
REVENUES

Incubate new fibre
products (e.g. Hyperfibre)
Monetise close adjacent
opportunities (e.g. Edge)
Ongoing growth
roadmap and strategy

Sustainability

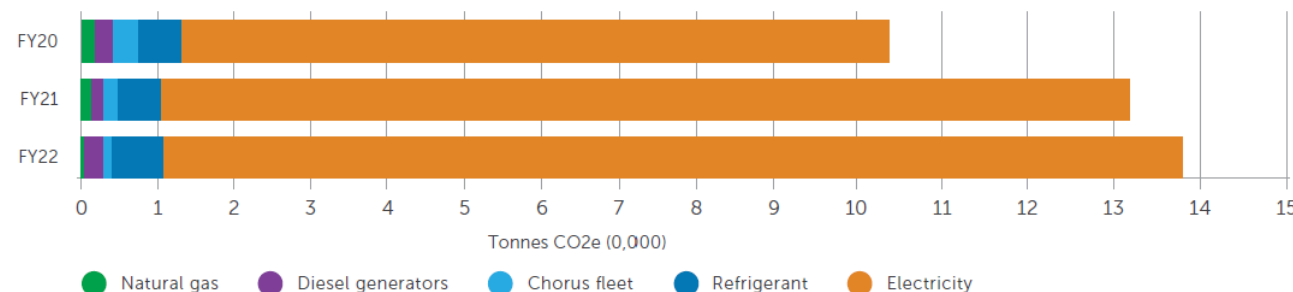
See also <https://company.chorus.co.nz/sustainability>



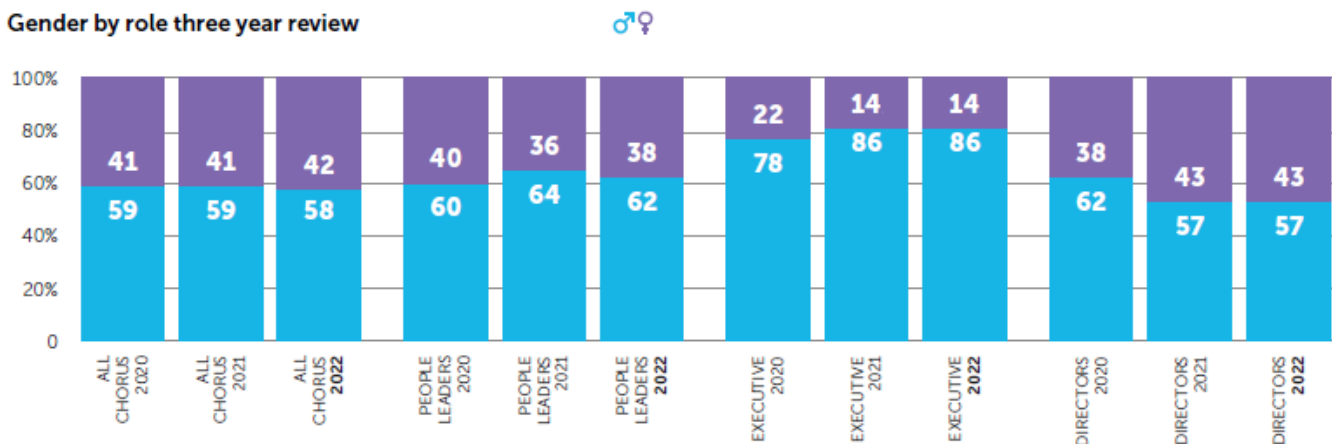
Our targets

- 1 Commitment made to the Science Based Target initiative: To reduce 62% of scope 1 and 2 emissions by 2030, from a base year of 2020.
- 2 15% electricity consumption reduction by 2025. 25% electricity consumption reduction from 2020 by 2030.
- 3 Corporate fleet reduced 25% from 2020 by FY23. Move to 100% Hybrid or EV by FY27.
- 4 Focus on renewables – new electricity provider and commitment to extend solar trial on our exchanges.

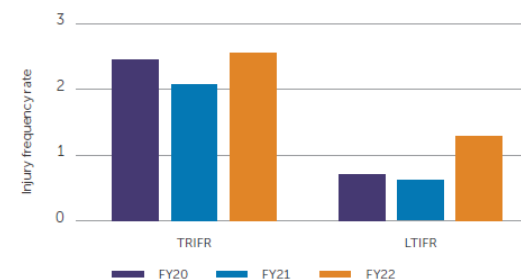
Scope 1 (direct) and 2 (electricity) emissions FY20 - FY22



Gender by role three year review

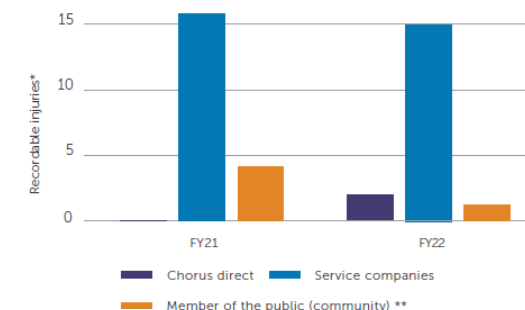


Injury frequency rates FY20 – FY22



LTIFR: number of lost time injuries + medical treatment injuries + restricted work injuries per million hours worked.

Actual recordable injuries* FY21 - FY22



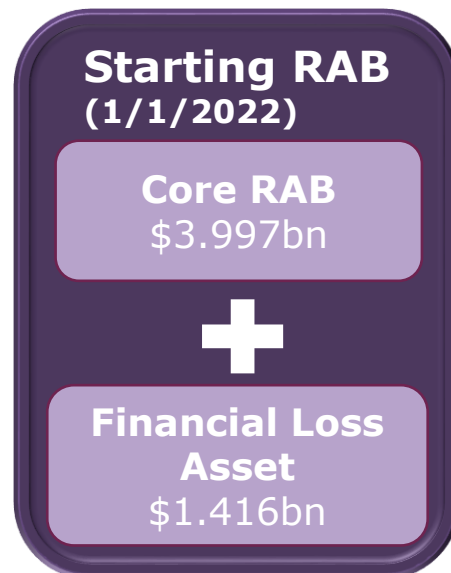
* Recordable injuries are medical treatment, lost time or restricted work injuries
 ** Member of the public (community) injuries reflect those sustained by slips and trips on Chorus infrastructure e.g. manhole covers, which are remediated as quickly as possible.

Regulatory framework

Regulated Asset Base (RAB) finalised

Final RAB of \$5.413 billion vs draft RAB of \$5.425 billion

- > RAB movement reflects lower than forecast actual spend to 31 December 2021, partly offset by increased allocation of central office space spend to fibre (+\$67m)



We expect another ~\$250m of shared assets (current value) to be eligible to enter the core RAB over time (e.g. ducts, poles, exchange space)

What isn't in the fibre RAB:

- fibre in LFC areas
- non-FFLAS fibre (e.g. regional transport; grant funded fibre)
- copper assets

NOTE:

- The effect on maximum allowable revenue (MAR) of the change in total RAB and allocations (from draft to final) will be part of the wash-up process for the next regulatory period starting in 2025.
- The RAB is indexed annually for actual inflation based on Statistics NZ data for the quarter to December. The forecast changes in CPI used for revaluations in the 2022-2024 MAR were 1.8% (2022), 2.2% (2023), 2.13% (2024).

Maximum Allowable Revenue (MAR)

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

Component	2022	2023	2024
Total return on capital	\$122.9	\$99.0	\$100.6
Return on assets (RAB x WACC)	\$260.8	\$260.7	\$258.8
Revaluations	-\$95.5	-\$117.7	-\$113.7
Ex-ante stranding allowance	\$5.4	\$5.5	\$5.4
Benefit of Crown finance	-\$49.8	-\$51.3	-\$51.7
TCSD allowance	\$1.9	\$1.9	\$1.9
Opex allowance	\$160.4	\$158.2	\$156.0
Total depreciation	\$464.6	\$456.3	\$458.9
Core fibre assets	\$261.4	\$274.2	\$296.6
Financial loss asset	\$203.2	\$182.1	\$162.3
Tax allowance	\$0	\$0	\$0
In-period smoothing	-\$71.9	\$19.4	\$58.5
Total	\$676.1	\$732.9	\$774.0
Pass-through costs	14.2	14.5	15.5
TOTAL	\$690.2	\$747.4	\$789.5

> RP1 WACC of 4.72% would be ~7% if re-run at recent risk free rates (determined by the linearly-interpolated, annualised, bid yield to maturity on New Zealand government bonds with a term to maturity of the regulatory period)

> The 'benefit of Crown finance' deduction will reduce from 2025 as Crown finance is redeemed

> Reflects an implied 14-year asset life through regulatory process.

> Reflects asset life of 14.2 years and tilted annuity depreciation (-13% tilt rate)

> CPI forecast assumptions were 2.71% in 2022, 2.17% in 2023, 2.04% in 2024. 2023 and 2024 will be updated for actual CPI as part of wash-up process (see next slide). Chorus has made a submission to the Commission on the status of the 2022 wash-up.

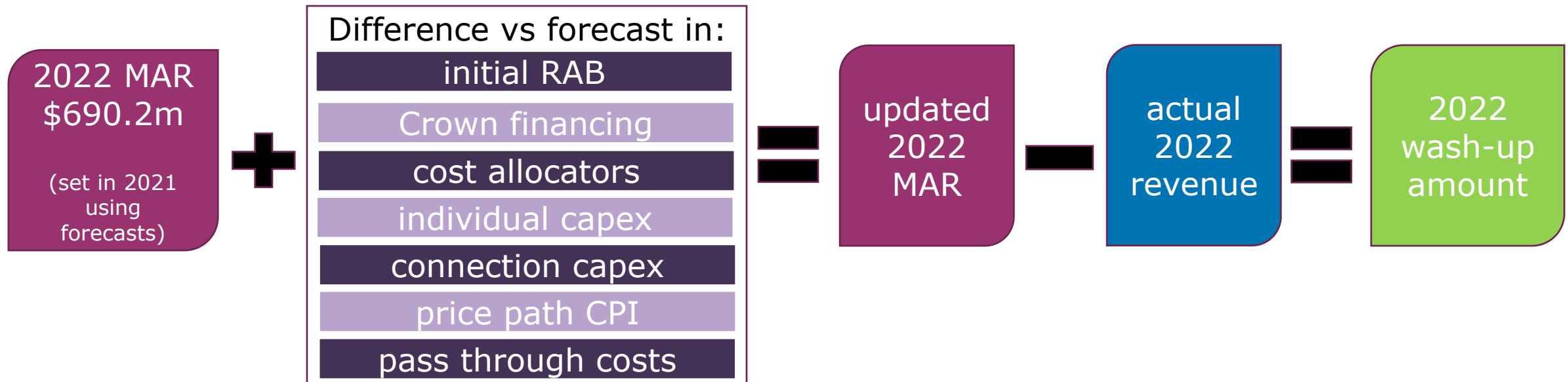
> MAR reflects draft starting RAB and allocations. Changes in the final RAB will be reflected in the next regulatory period wash-up.

Source: Commerce Commission, price-quality path final decision, 16 Dec 2021

MAR wash-up mechanism

Regulatory framework updates the MAR for actual costs on 7 cost items

- > the wash-up for each calendar year is calculated annually in May via Information Disclosure process
- > the wash-up amount (positive if under-earn MAR; or negative if over-earn) is added to MAR for the next regulatory period
- > the wash-up balance is rolled forward each year using the post-tax WACC as the time-value of money to preserve NPV neutrality



Looking ahead

Upcoming milestones and RP2 outlook

- **15 December 2022:** final decision on 2023 market incentive payments due
 - draft decision approved \$12.5m of \$16.8m proposed spend; the Commission noted incentive payments can promote competition, accelerate uptake and drive cost efficiencies
- **31 May 2023:** information disclosure submission and wash-up report for 2022 submitted to Commission
- **30 June 2023:** annual quality compliance statement for 2022 submitted to Commission
- **31 August 2023:** annual price compliance statement for 2024 submitted to Commission
- **31 October 2023:** Chorus RP2 submission due to Commission

- > **next regulatory period (RP2) settings will be calculated from mid-2024 and should reflect:**
 - future risk-free rate (RP1 WACC used 0.51%)
 - tax building block commences from ~FY27 and grows to ~\$90m
 - ~\$250m (current value) of existing shared assets that should be eligible to enter the RAB over time
 - 2025 repayment of Crown financing (regulator only allows ~2% return on funded assets)
 - cost allocations will need to be addressed in RP2, or reflected in policy framework for copper Telecommunications Service Obligations

Financial overview

Significant refinancing milestone completed in Q1

- > Q1 update
 - EMTN due in October 2023 refinanced with new 7-year EUR500m EMTN at similar rates as the existing 2023 EMTN
 - ~60% of the 2023 EMTN was tendered with stub of NZ\$328m remaining (see next slide)
 - ~65% of CNU interest rate exposure was fixed as of 31 October
- > ratings agency thresholds (net debt/EBITDA):
 - **Moody's 5.25x**
 - **S&P 5.0x**
- > the Board considers that a 'BBB' credit rating or equivalent is appropriate for a company such as Chorus
 - intention that in normal circumstances the ratio of net debt to EBITDA will not materially exceed 4.75x
 - financial covenants require senior debt ratio to be no greater than **5.5x**

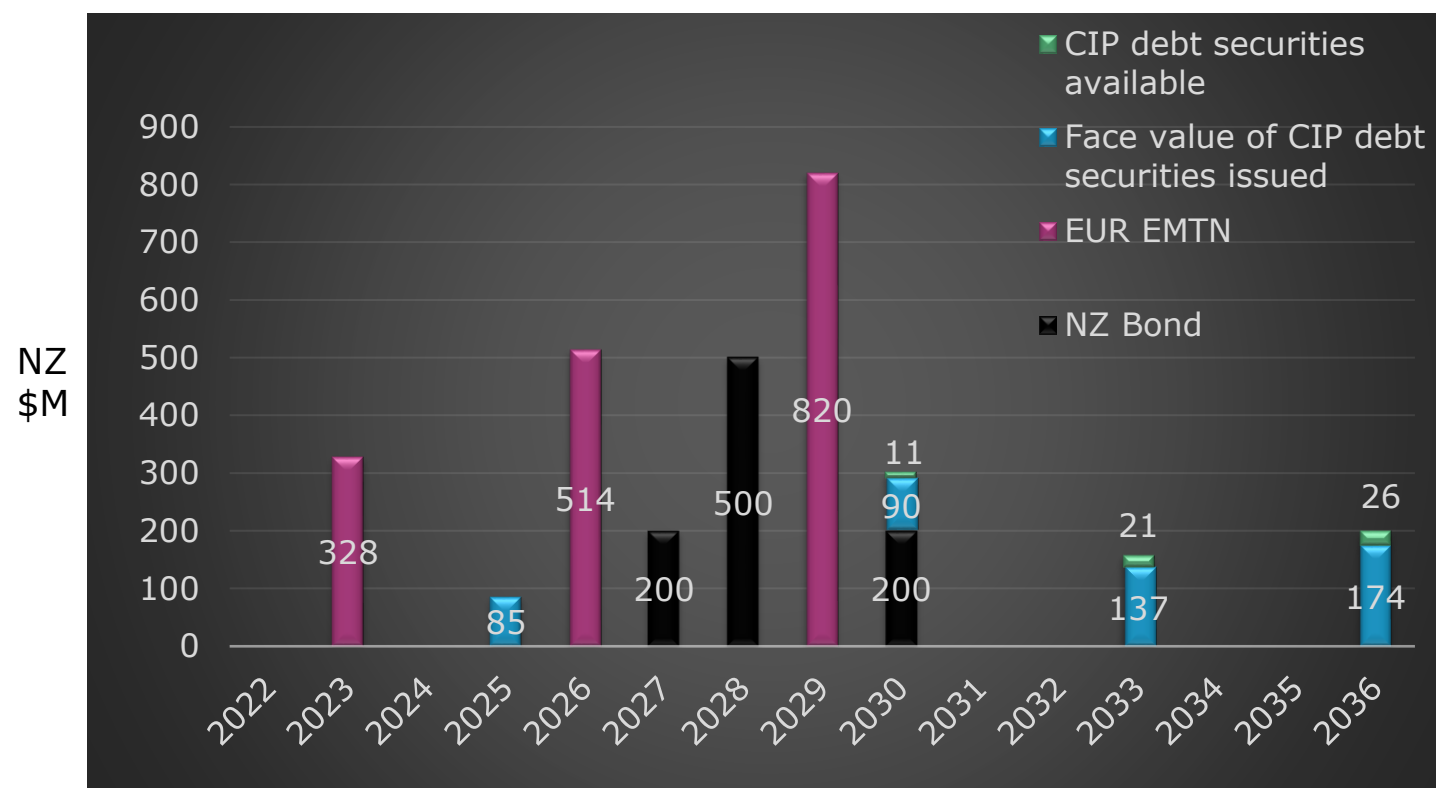
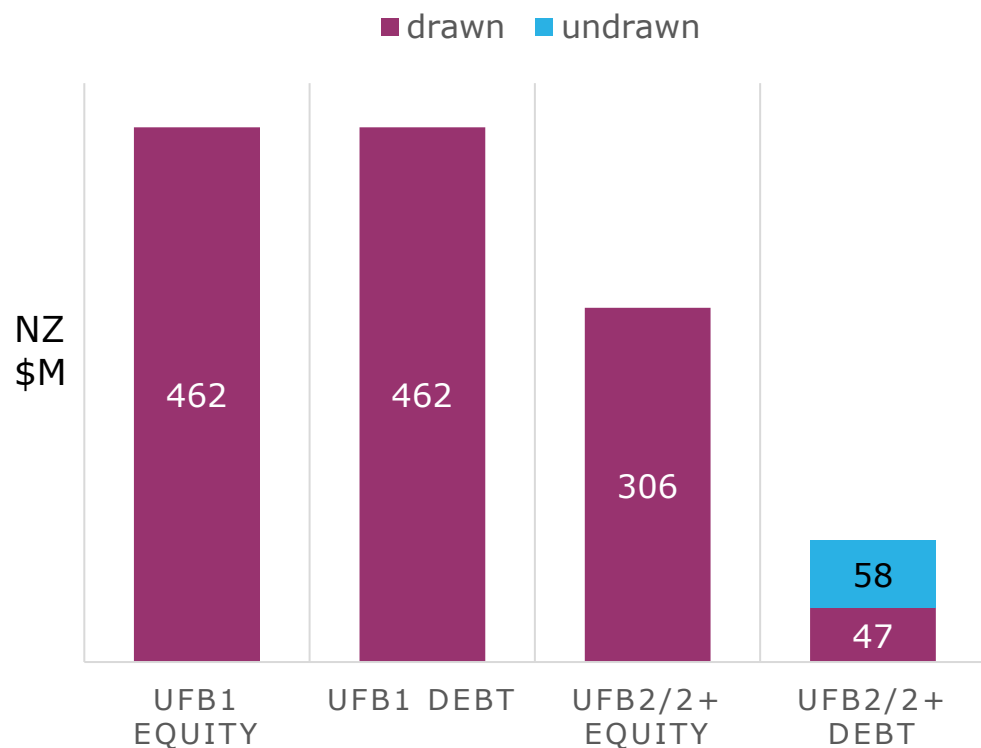
Net debt/EBITDA	As at 30 June 2022 \$m
Borrowings	2,389
+ PV of CIP debt securities (senior)	225
+ Net leases payable	<u>187</u>
Sub total	2,801
- Cash	88
Total net debt	2,713
Net debt/EBITDA*	4.08x

*Based on S&P and bank covenant methodologies

Crown financing and debt profile

- > up to \$1.33 billion CIP financing available by 2023 (57:43 equity/debt)
- > \$1,277m drawn at 30 September 2022

- > At 30 September, debt of \$2,562m comprised:
 - Long term bank facilities of \$350m (Undrawn)
 - NZ bonds: \$400m and \$500m
 - Euro Medium Term Notes \$1,662m (NZ\$ equivalent at hedged rates)



Crown financing summary

■ 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)

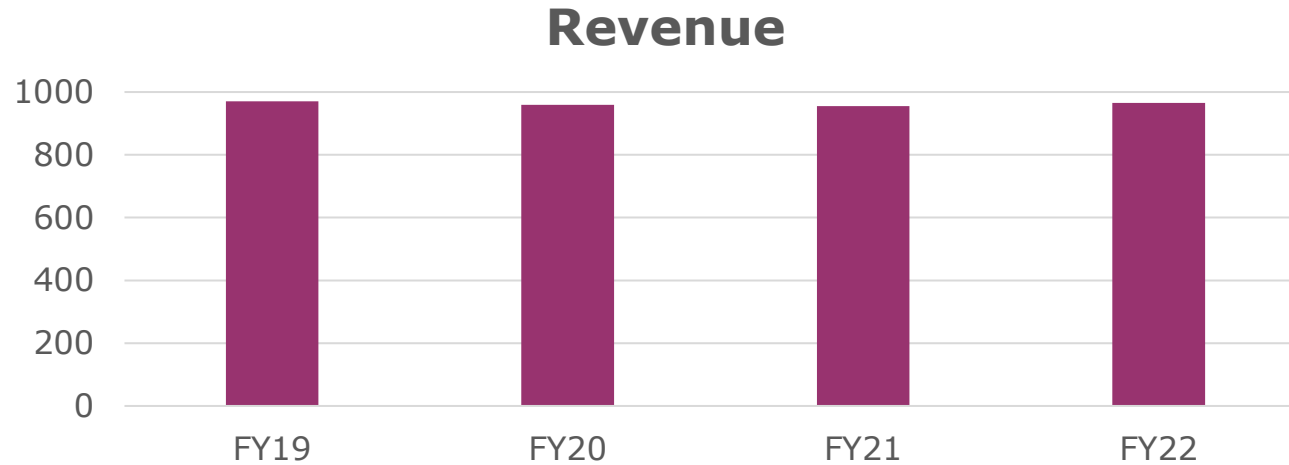
Equity securities subject to paying dividends (cumulative)	30 June 2025	30 June 2030	30 June 2033	30 June 2036	TOTAL
UFB1 & 2	\$85.3m	\$197.1m	\$377.7m	\$766.4m	\$766.4m

■ CIP debt securities

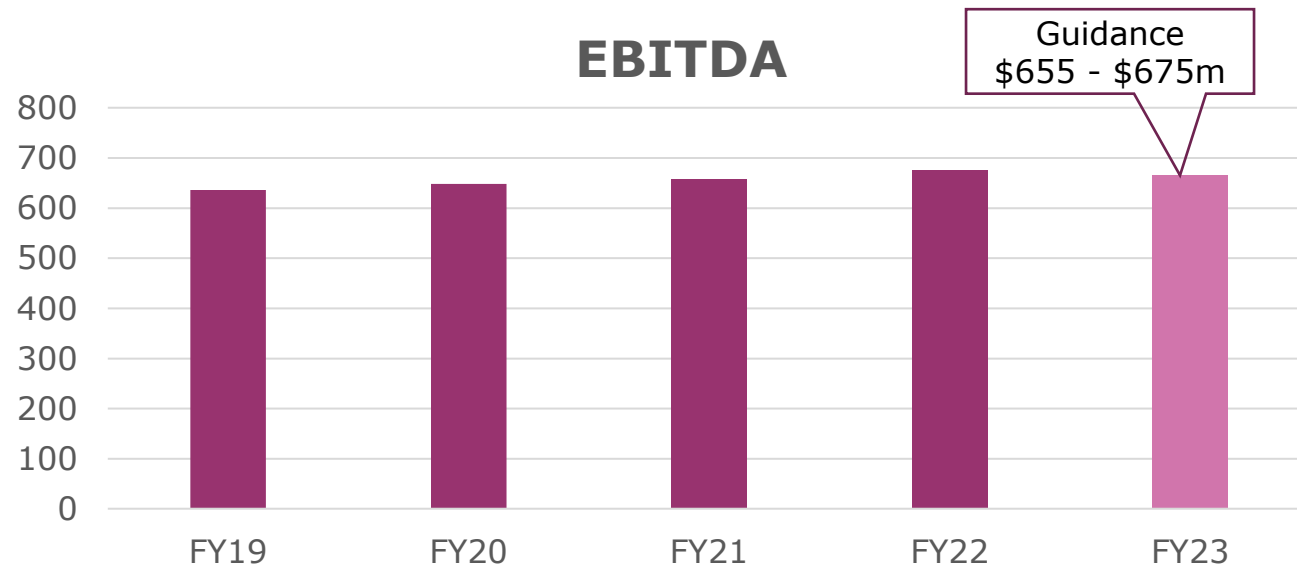
- unsecured, non-interest bearing and carry no voting rights at shareholder meetings
- Chorus is required to redeem the securities in tranches from 30 June 2025 to 2036 by repaying the issue price to the holder

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

FY22 marked a return to revenue growth

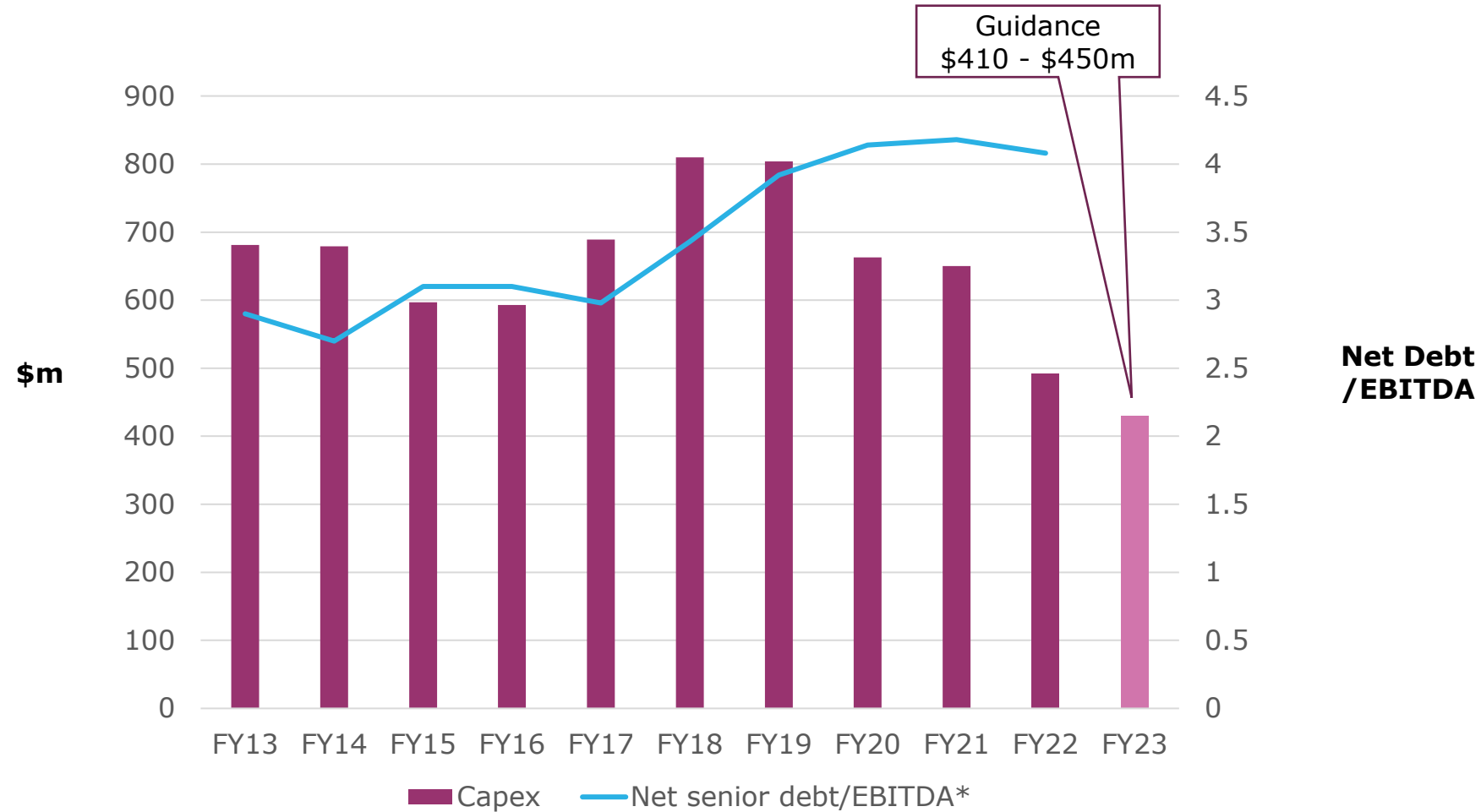


- > FY22 Revenue of \$965m (FY21: \$955m)
 - Growing consumer fibre uptake and ARPU
 - Strong greenfield demand



- > Objective of modest EBITDA growth

End of fibre rollout = return to positive free cash flow



Sustaining vs non-sustaining capex

- > \$161m of FY22 capex was sustaining vs \$331m non-sustaining
- > fibre sustaining capex is expected to increase over time as the asset ages
- > sustaining capex expected to be ~\$200m (midpoint within a range)

Non-sustaining capex	FY22 \$m	FY21 \$m
UFB communal	77	147
Fibre installations	166	244
Greenfield growth* and product development	59	51
Footprint expansion (West Coast)*	15	32
Customer retention (incentives)	14	18
Subtotal	331	492

*majority funded by third party contributions

Fibre capex: sustaining	FY22 \$m	FY21 \$m
Layer 2	29	31
Fibre products & systems	7	11
Network sustain	13	11
Other fibre	10	11
Customer retention costs*	13	11
Subtotal	72	75
Copper capex: sustaining	FY22 \$m	FY21 \$m
Network sustain	27	29
Copper connections	1	1
Copper layer 2	3	4
Customer retention costs**	7	11
Subtotal	38	45
Common capex: sustaining	FY22 \$m	FY21 \$m
Information technology	32	46
Building & engineering services	19	14
Subtotal	51	60

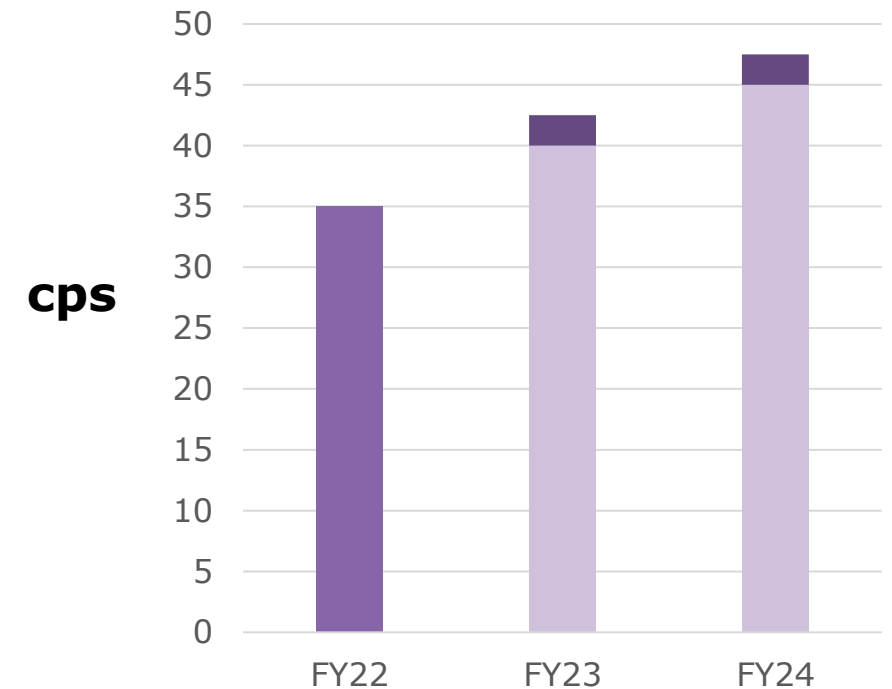
**Relates to provisioning, systems and service desk costs

Capital management

Board reviews capital management settings at each result

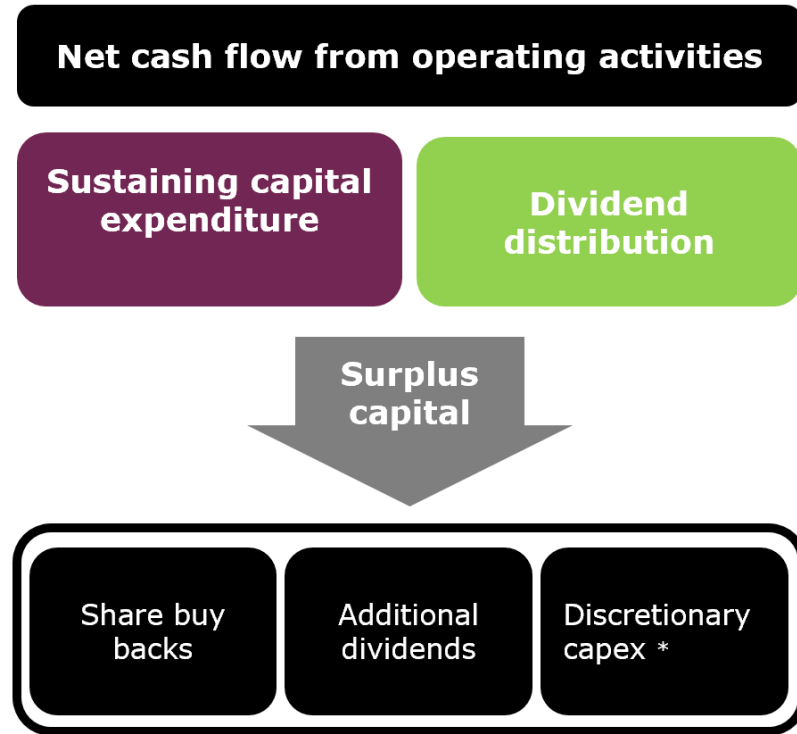
- > **FY23 and FY24 dividend guidance***
 - 42.5cps in FY23
 - a minimum of 47.5cps in FY24
 - dividends unimputed in short to medium term
- > **\$54m of \$150m share buyback complete**
 - tax efficient capital return to shareholders
 - Board reserves option to suspend the buyback if more accretive opportunities for shareholder value are identified
- > **Dividend Reinvestment Plan**
 - available with no discount for FY22 dividend: 11% uptake

Dividend guidance – August 2022



* subject to no material adverse changes in circumstances or outlook

Capital allocation framework



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

- > Surplus capital is allocated based on maximising shareholder value, with discretionary capex only pursued where:
 - greater shareholder value is created compared to share buybacks and/or additional dividends; and
 - regulatory incentives are appropriate (e.g. regulatory WACC vs Chorus WACC)
- > Ordinary dividend: intention to pay out 60% to 80% of free cash flow
 - free cash flow = net cash flows from operating activities minus sustaining capex

Reactive maintenance: Chorus network

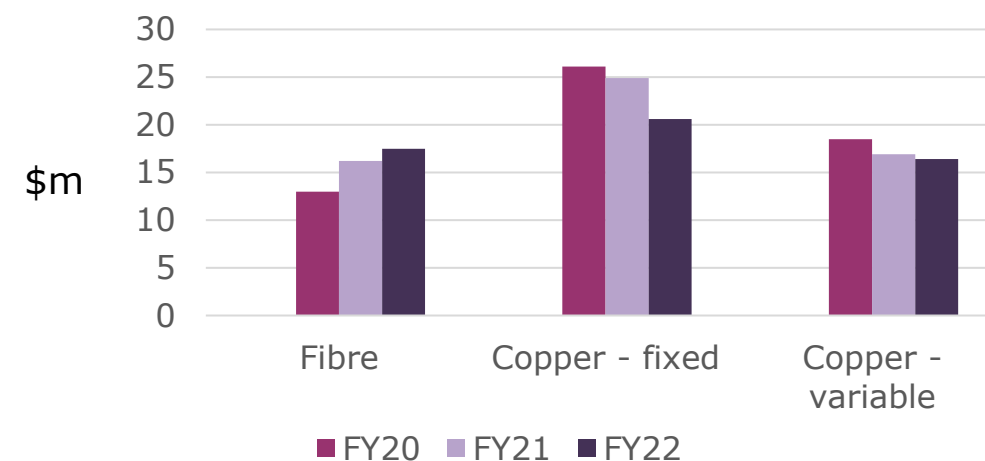
Key drivers for \$54m spend

- fibre maintenance increasing as share of connections grows; ~5% fault rate on fibre
- copper fault volumes reducing as connections reduce in UFB zone; beginning to realise fixed cost savings
- non-UFB zone copper spend stable ~\$20m p.a.

Note:

- reactive maintenance excludes spend on proactive maintenance and customer networks (i.e. premises wiring, no fault found, cancellations)
- 'fixed' faults: occur in parts of the network that affect multiple customers (e.g. cable between exchange and cabinet)
- 'variable' faults: only affect one customer (e.g. cable on customer property)

Reactive spend by type



Copper - reactive spend by area

