

Chorus Annual Meeting – 24 October 2024

CEO’s Address

Tēnā koutou katoa – nau mai haere mai.

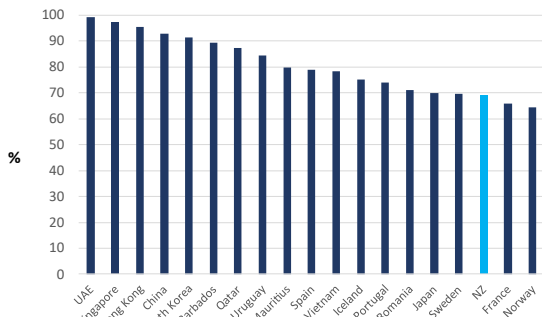
Greetings, and welcome everyone. I have been in the Chorus business for the past 18 months, with the recent six months in the Chief Executive role.

As Mark has noted, we are pleased with our solid FY24 financial result, one that demonstrates the resilience of our core fibre business of essential digital infrastructure.

With our step change in strategy and in our operating model to being a more simple, more efficient and more competitive operator, we feel emboldened by the opportunities we see in front of us.

NZ ranked 17th for uptake

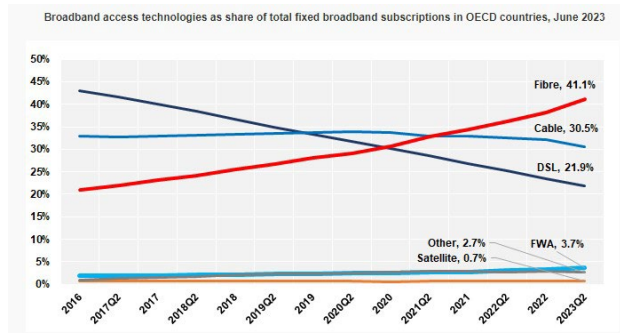
- Global leaders show opportunity to grow addressable market



FTTH/B uptake % by households- FTTH Council Europe, Sept 2023

Fibre connections surging globally

- OECD: fibre connections +73% post-pandemic to 211m
- cable and copper DSL connections declining



In the wake of the COVID pandemic, and as usage behaviour changes, many countries are switching to fibre because of its quality, consistency, reliability and most importantly scalability.

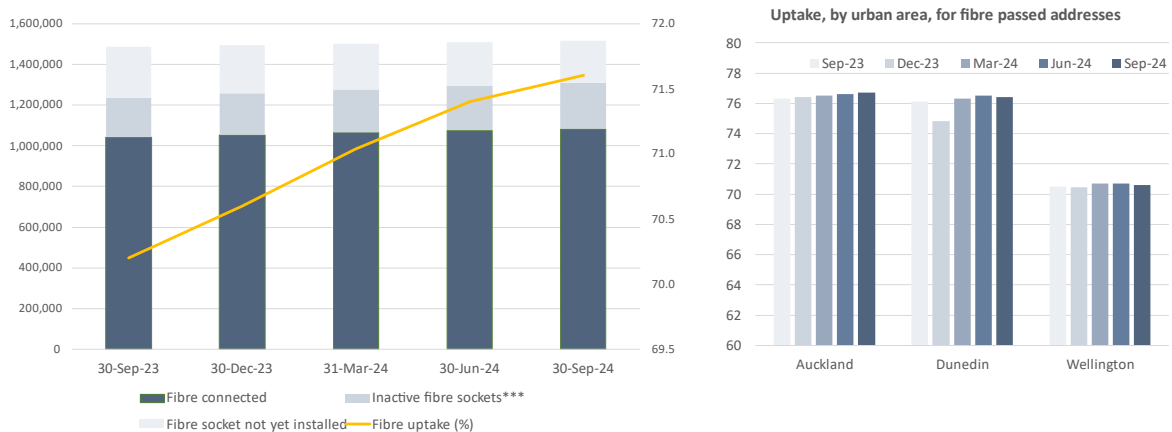
We’re encouraged by the strong global push for fibre, with OECD data showing fibre connections almost doubling to more than 200 million between late 2019 and 2023, with cable and copper connections in material decline.

New Zealand had the foresight long before and was fortunate to begin investing in fibre since 2011. A vision to provide high speed fibre connectivity to now over 87% of our population has fundamentally changed the way we live today and delivered tens of billions of dollars in economic and productivity benefits.

Today we rank amongst global leaders at 17th in the world according to the Fibre to the Home Council in Europe and fibre has been a key digital enabler for NZ.

Their September 2023 data places us just behind Sweden and Japan. But more importantly shows that fibre uptake of 80% and above is achievable.

1,514,000 addresses passed - uptake 71.6%



*based on independent address data and Chorus network data for addresses passed by fibre; excludes Chorus fibre in LFC areas
 ** includes ~7k fibre premium connections to addresses; excludes smart location (GPON) connections and connections in LFC areas
 *** not active on 30 June 2024



Our latest quarterly connections update shows our fibre footprint now covers more than 1.5 million addresses. Of those, 1,084,000 are connected. That’s close to 72% uptake.

Within that total, uptake rates vary from region to region. For example, the uptake rate is higher again at over 76% in Auckland and Dunedin. Wellington is lower at 70.6% where we face fixed line competition from the old TelstraClear coax cable network.

In those UFB2 areas where the fibre rollout was completed in the last few years, uptake is now at 59%, up from 53% a year ago and has more opportunity to grow.

As Mark mentioned, we're also expanding our fibre footprint to another 10,000 existing premises in 59 communities by mid-2025. We've already had 3,000 registrations of interest from customers and installed fibre into about half of the 900 addresses passed so far.

A new Aspiration...

A simplified all-fibre business with 80% uptake by 2030



With the 10-year UFB fibre rollout finished, Chorus needs to transition from being the great network builder, to the great network operator.

To enable this we've undertaken a reset in our strategy and developed a Horizon model over 10 years with 3 distinct phases.

We also now have a clear aspiration that provides the clarity and specificity of what we want to become and what success looks like.

A simplified all fibre business with 80% uptake by 2030.

That speaks to driving efficiency and operational excellence;

A need to exit from legacy copper technology completely and transition to fibre only;

To drive an 80% uptake in premises passed – it's ambitious, but we believe achievable, and it anchors everything we do.

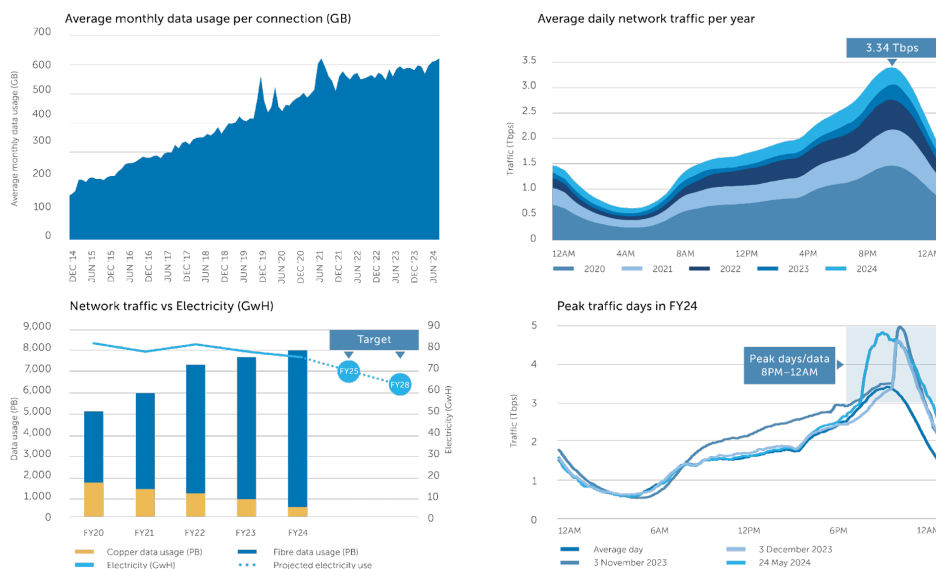
And it's timebound, to do so by 2030

The three horizons create a distinct shift in strategy, to be simpler, more focused, more competitive.

Horizon 1 (FY25): is about getting future fit for purpose and embedding our new operating model.

Horizon 2 (FY26 to FY29) is about accelerating the benefits from our transition to an all-fibre business, with growth, simplicity and efficiency.

And Horizon 3, FY30 and beyond, is our future state with one single technology. Fibre.



Our strategy is underpinned by our belief that fibre will continue to serve consumer needs well into the future.

Ten years ago, annual data usage was just 400 petabytes.

Annual traffic this year on our network grew to almost 8,000 petabytes. That’s the equivalent of 8 billion gigabytes. To put that in context, we now consume the annual usage from 10 years ago in just over 2 weeks.

Our fibre network carried 94% of that traffic and it can carry even more at much lower cost than other technologies.

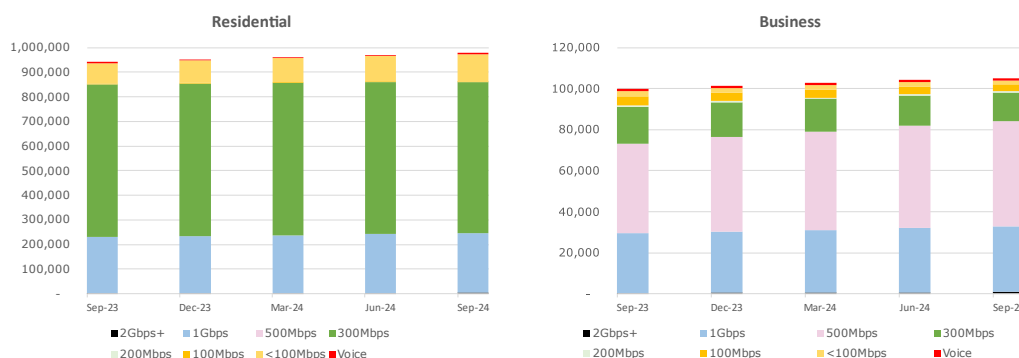
Most traffic occurs at peak times in the evening and we are seeing some evenings with traffic about a third higher than the average - usually when major gaming updates or online events occur.

Despite this growth, fibre’s greater efficiency enabled us to reduce our net electricity use by 3% in FY24, by shutting down legacy network equipment. This transition means we’re well on our way to reducing our electricity consumption by 25% between FY20 and FY28.

This reduction also supports our target of a 62% reduction in our scope 1 and 2 emissions, from FY20 levels, by 2030.

Hyperfibre lifts to over 4k connections

- Home Fibre Starter (50Mbps) connections now 57k; plans below 300Mbps are 12% of residential connections
- 81% of business connections are on 500Mbps or faster; 25% of residential plans are on 1Gbps or faster
- Hyperfibre connections of 2Gbps and above grew to more than 4k with ~81% on residential plans



With cost-of-living pressures on customers it is no surprise that we’ve seen our entry level 50 megabits plan – Home Fibre Starter – grow strongly in the last year. It now connects close to 60,000 customers.

We introduced this plan to help low usage and price sensitive consumers, as well as provide a defence to fixed wireless and it has worked well.

At the other end of our product mix, we continue to see good growth in demand for our one gigabit and multi-gigabit Hyperfibre services, now over 25% of our total customer base.

Our Hyperfibre services are still niche and in their infancy, but have just passed 4,000 connections as more retailers promote those services, and there are some sharp offers in-market for consumers that shop around. We expect demand to evolve over time with greater use case applications.

As context, as part of their Digital Connectivity Blueprint, Singapore is offering a \$100 million grant to support service provider investment in 10 gigabit capability. This is to prepare the city state’s infrastructure for expected growth in internet-linked appliances and data intensive applications. They expect half a million households to sign up to these plans by 2028.

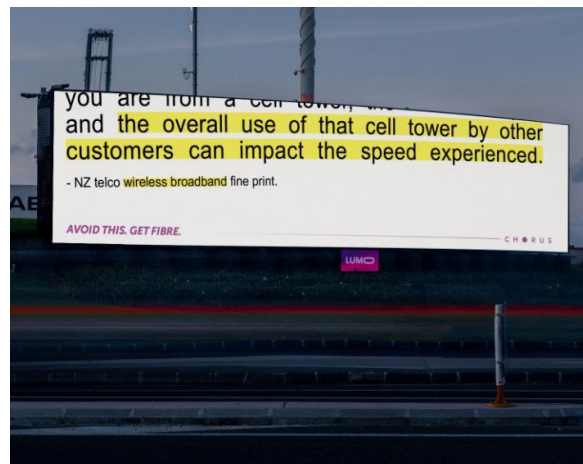
Only fibre is fibre-like

██████████ phoned me two weeks ago trying to get me off the fibre which they forced me to connect to a year ago. \$60 vs the \$80 I am paying for unlimited broadband. I asked the nice lady offering me the deal if it would mess with the speed as we have two gamers in the house and she assured me that it was just as good, I did 5 seconds worth of Googling to realise it was a ██████████ and opted to stay with the fibre.

Source: Reddit user

Extremely 'variable' is how I could best describe the 5g wireless broadband service in central Auckland where I am, sometimes 600 mbps down sometimes (esp last few weeks) so slow and laggy I couldnt run a sd video without it stopping and starting.

Source: Geekzone user



We are certainly in a competitive market.

We’ve said before that when comparing broadband technologies, there is no such thing as “fibre-like”. The Commerce Commission’s quarterly report shows this across a range of factors, such as speed, latency and reliability.

But, too often, we’re seeing examples of customers who have been given the impression that fixed wireless is “just as good” as fibre. We’ve included some customer examples from online forums on the slide and we are increasingly seeing more of these.

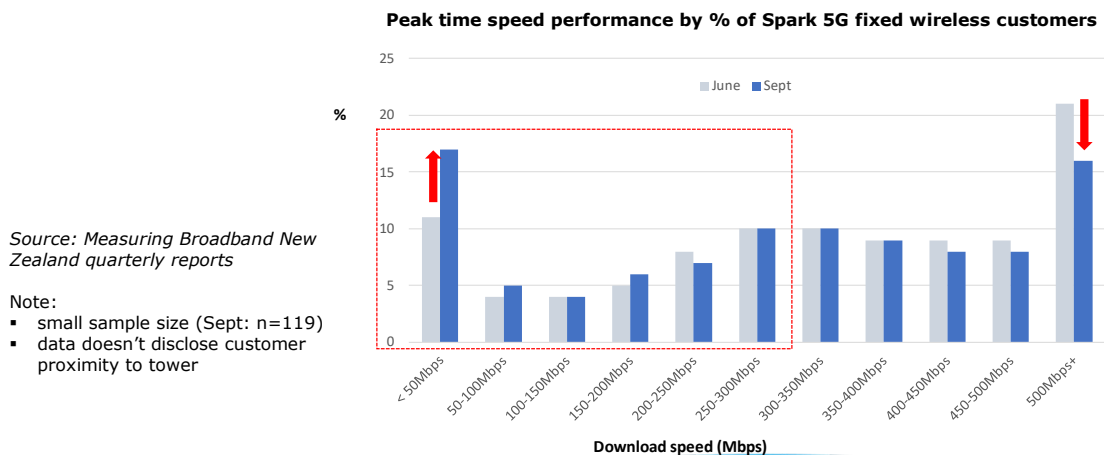
We’re concerned that headline comparisons are being made between fibre and fixed wireless on the basis of average download speed performance. Such

comparisons can be misleading when fixed wireless performance can vary significantly due to a wide range of factors – such as how far a customer is located from a cell tower, trees, house construction materials, and the number of customers using the cell tower at any one time.

In contrast, a fibre network means you can expect to receive the marketed speed at any time of the day.

That’s why we’ve launched a new campaign to help customers better understand the difference – referencing the mobile network operators’ own terms and conditions that talk to the variability in network experience. We believe transparency and product disclosure to consumers of broadband technology options is essential.

Commission reports show fixed wireless variability

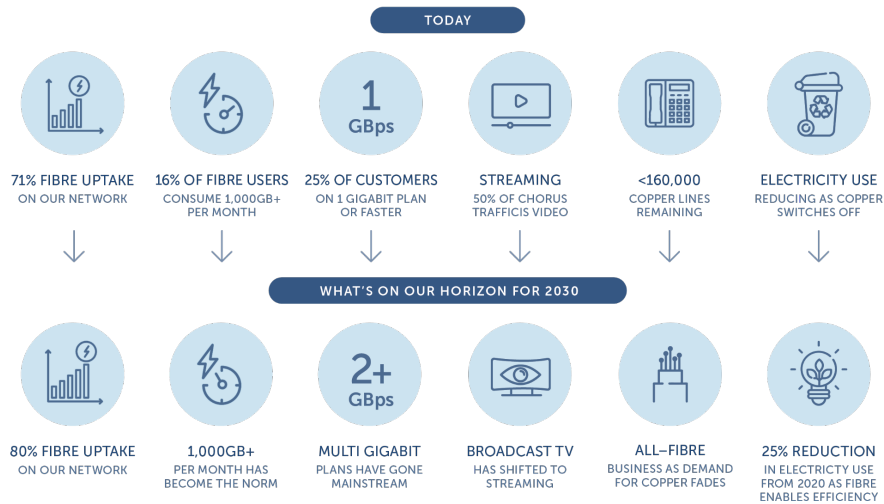


We were pleased last week to see the Commerce Commission has proposed improved broadband marketing guidelines. These include consumers having the right to exit fixed wireless services if real world broadband performance is consistently less than 70% of average reported speeds.

The Commerce Commission’s reporting shows 5G fixed wireless performance has varied significantly in the last two quarters – possibly as more customers use the

network. The chart shows the very wide range of speeds that about half the monitored customers were receiving below the reported average speed. And 17% were getting less than 50 megabits – which is more comparable to 4G and below our entry level fibre plan. Compare this to fibre which sees very little variability from stated plan speeds.

Demand for high-quality broadband networks - characterised by high speeds, high reliability and low latency – continues to grow as data hungry digital applications become integral to economies and daily life.



Finally as we look ahead to 2030, while New Zealand may be facing macro market challenges, the investment we’ve already made in fibre means we are well placed for the future. We have picked the technology that is in high demand and can cater for the expected ongoing growth in data. That growth doesn’t require the development of fantastic new applications on virtual reality headsets, although they will likely also come.

We can see it right in front of us with simple steps such as the switch from terrestrial to internet broadcast TV, and more 4K content at mass market level as it becomes the default standard for video content. That’s before we see the ongoing evolution of AI adoption and cloud-based applications.

This financial year marks the step change in what has been a very successful story to date for Chorus, ...but now is the transition time to a more simplified future state, with one superior technology. And that is Fibre.

ENDS