

HY23 RESULT

20 February 2023

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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.
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JB Rousselot, CEO

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Andrew Carroll, Acting CFO

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- > Long-term growth and RAB 19-21

JB Rousselot, CEO

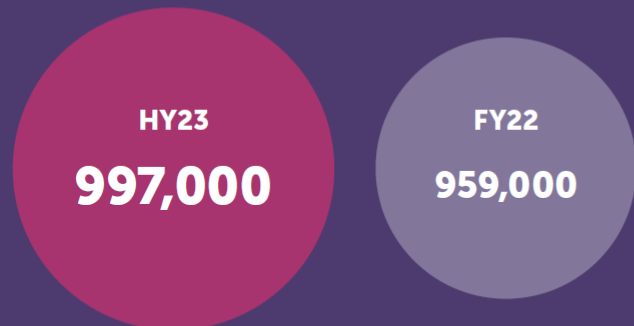
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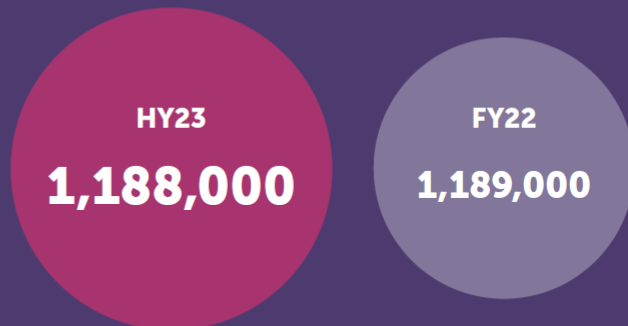
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HY23 overview

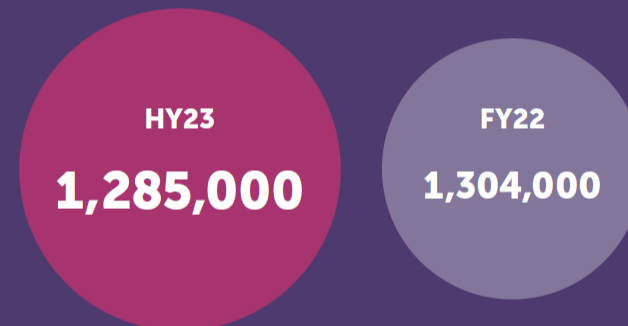
Fibre connections¹



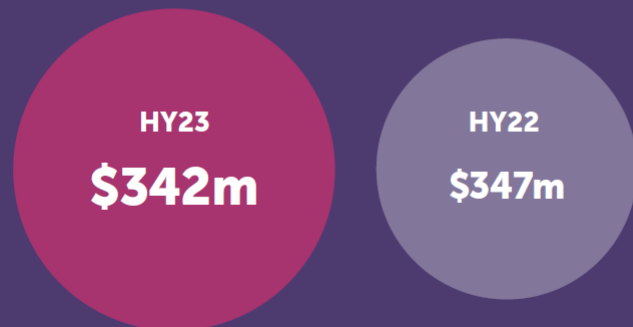
Broadband connections¹



Fixed line connections¹



EBITDA²



Net profit after tax



Dividend



1. Excludes partly subsidised broadband connections provided to student homes as part of Chorus' COVID response.

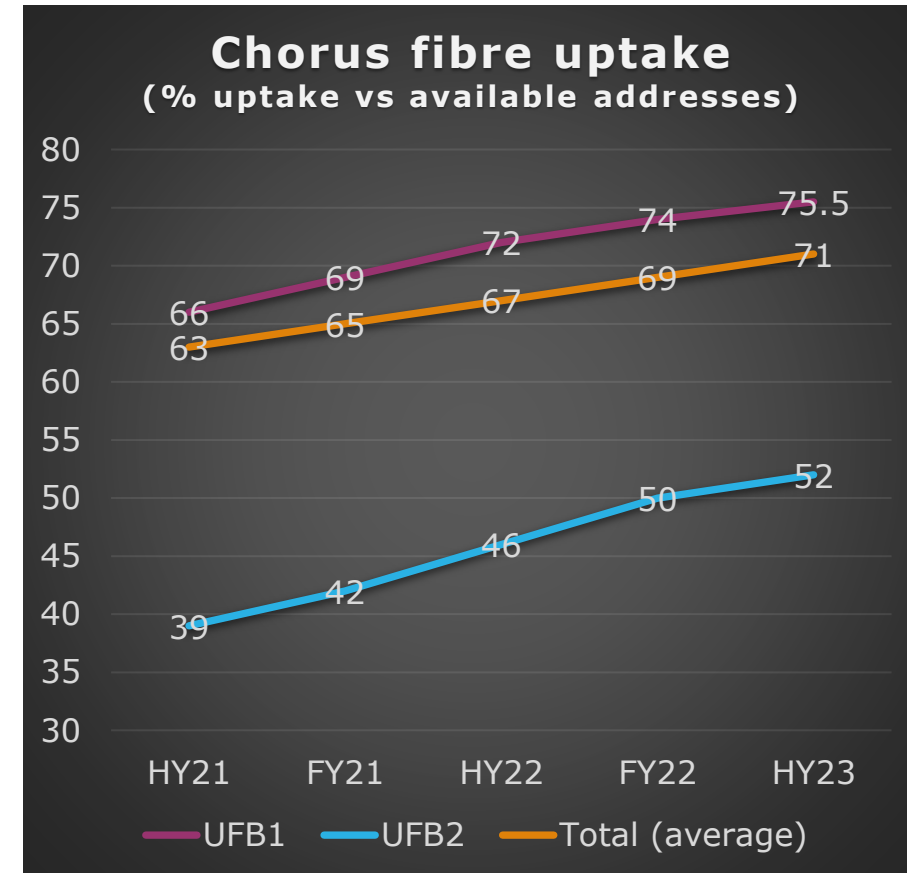
2. Earnings before interest, income tax, depreciation and amortisation (EBITDA) is a non-GAAP profit measure without a standardised meaning for comparison between companies. We monitor EBITDA as a key performance indicator and we believe it assists investors in assessing the performance of the core operations of our business.

UFB complete; achieved 1 million fibre connections

- > UFB rollout completed in December within capex guidance
- > Total UFB uptake of 71% (rounded)
 - uptake in UFB1 areas grew from 74% to **75.5%**
 - uptake in UFB2 areas grew from 50% to **52%**
 - **954,000** connections within completed UFB footprint (includes business premium and partly subsidised education connections)



In December, the Hokianga Harbour community of Opononi was the last centre to be connected to fibre under our 11-year public-private partnership.

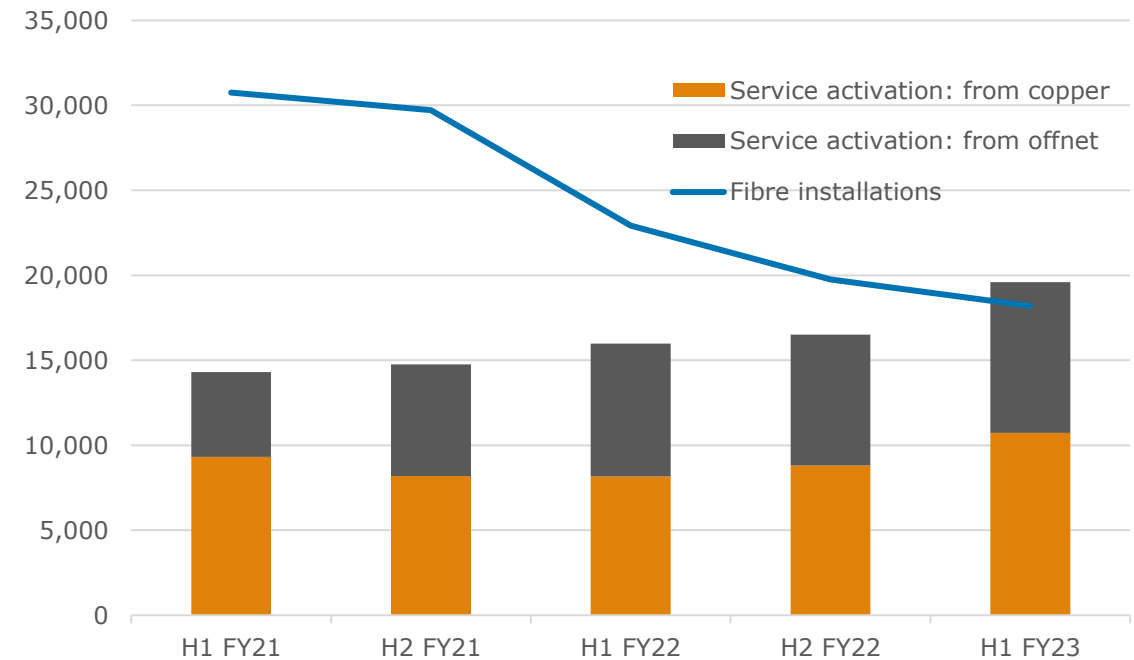


Workforce challenges reduced fibre installations

- > **Post-COVID workforce dynamics (NZ and overseas) led to a shortage of ~380 technicians**
 - fibre installation volumes fell from 53,000 (H2 FY22) to 48,000 (H1 FY23)
 - managed migration installation resource was re-focused to regular fibre demand
 - marketing focus shifted to activation of pre-installed fibre sockets to support ongoing fibre connection growth
- > **Initiatives have reduced the gap to ~220 technicians at current demand levels**
 - line of sight to recruiting 150 technicians by May
 - Chorus providing funding and direct assistance for service company recruitment initiatives
 - Government added technicians to immigration green list in December

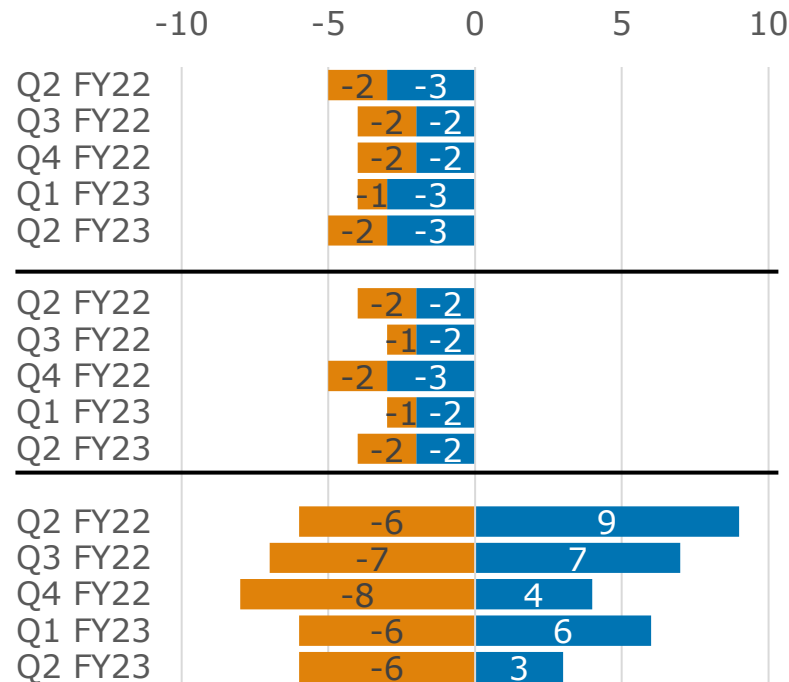
Shift in marketing focus helped maintain fibre connection growth

Managed migration: installations vs activations



Connection changes by Zone (indicative as at 31 Dec)

Quarterly change ('000s) by zone*



- Broadband connections
- Copper (no broadband) connections

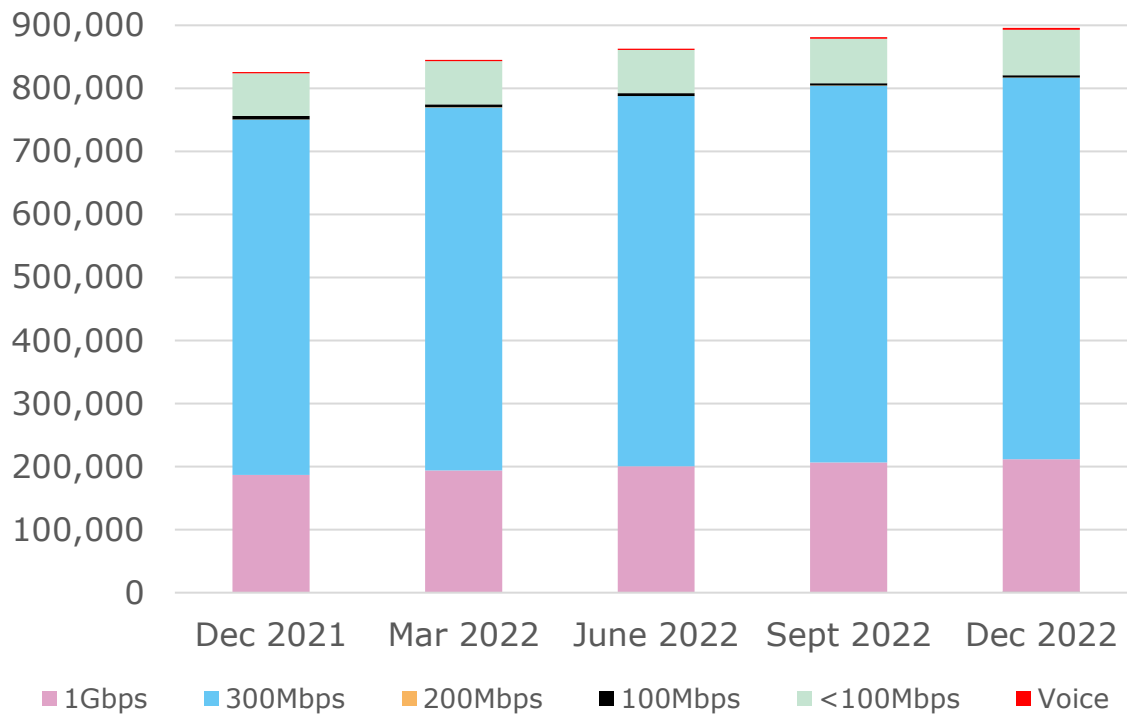
Other fibre company (LFC) zone	Broadband connections	29,000	Local Fibre Company and fixed wireless provider activity is driving a gradual decline in copper connections.
	Copper line (no broadband)	16,000	
	TOTAL	45,000	
Non-UFB zone	Broadband connections	138,000	Gradual decline in copper connections due to mobile/fixed wireless/satellite footprint expansion. Partly offset by fibre connections growth for greenfield developments.
	Copper line (no broadband)	26,000	
	TOTAL	164,000	
Chorus UFB zone	Broadband connections	1,021,000	Lower broadband growth in Q2 reflecting field resource constraints. Continued reduction in copper connections due to Chorus fibre migration activity and fixed wireless/mobile competition.
	Copper line (no broadband)	43,000	
	TOTAL	1,064,000	

* Excludes 8k partly subsidised education connections and 12k fibre premium and data services (copper) connections

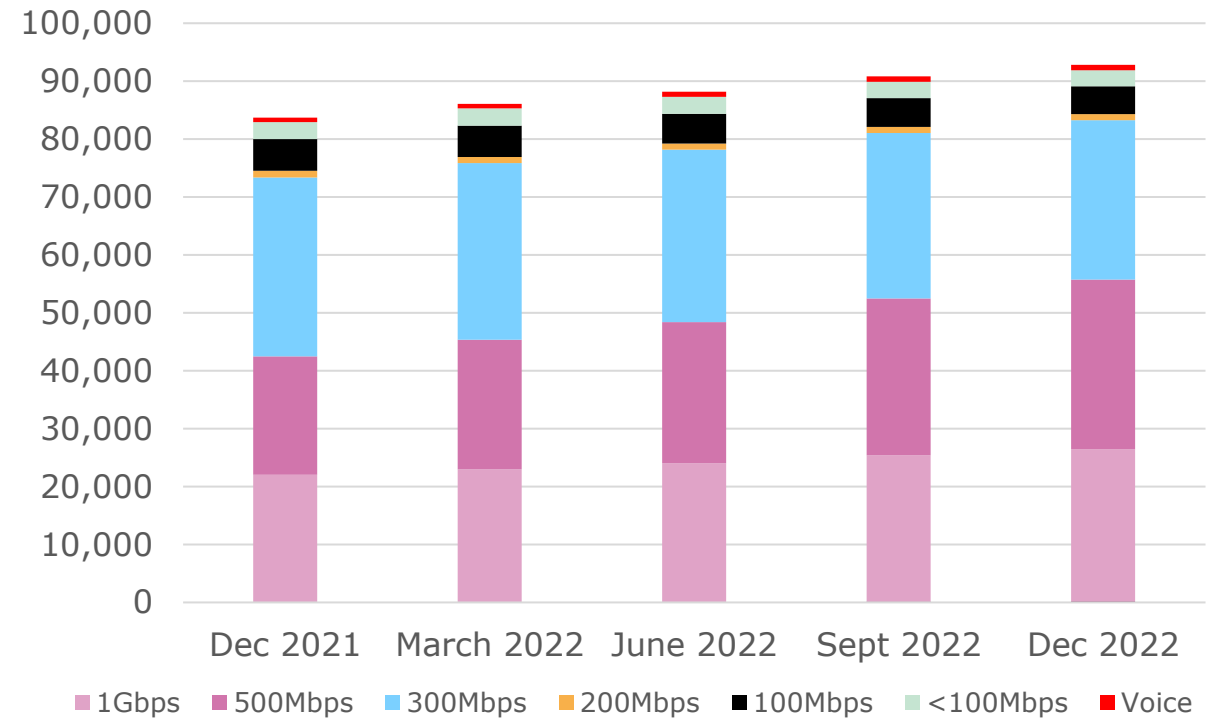
Mass market fibre connections grew 37k (HY22:47k)

- > 300Mbps plans account for 68% of residential connections
- > 1Gbps and *Hyperfibre* (2-8Gbps) were 24% of residential connections (HY22:23%) and made up 1/3 of residential fibre adds in H1
- > residential and business Hyperfibre connections grew ~60% in H1 with monthly volumes lifting steadily

Residential



Business



Financial performance

Andrew Carroll, Acting Chief Financial Officer

Income statement

	H1 FY23 unaudited \$m	H2 FY22 unaudited \$m	H1 FY22 unaudited \$m
Operating revenue	487	482	483
Operating expenses	(145)	(154)	(136)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	342	328	347
Depreciation and amortisation	(222)	(212)	(215)
Earnings before interest and income tax	120	116	132
Net interest expense	(103)	(71)	(71)
Net earnings before income tax	17	45	61
Income tax expense	(8)	(23)	(19)
Net earnings	9	22	42

- > H1 FY23 EBITDA of \$342m vs underlying H1 FY22 EBITDA of \$332m (see slide 31)
- > \$8m increase from accelerated copper cable depreciation in fibre areas
- > \$11m one-off net repurchasing cost for Oct 2023 EMTN and \$15m interest expense for new Sept 2029 EMTN; weighted average interest rate on debt increased from 3.7% to 4.4% vs H1 FY22

Revenue

	H1 FY23 unaudited \$m	H2 FY22 unaudited \$m	H1 FY22 unaudited \$m
Fibre broadband (GPON)	302	281	267
Fibre premium (P2P)	34	33	33
Copper based broadband	62	73	80
Copper based voice	21	25	27
Data services copper	2	3	3
Field services	37	36	35
Value added network services	13	14	13
Infrastructure	15	15	15
Other	1	2	10
Total	487	482	483

> growing fibre uptake and ARPU: \$53.38 end of HY23 vs \$50.67 end of FY22

- copper revenues declining as customers migrate to Chorus fibre or competing fibre/wireless networks
- CPI increase of 7.2% applied to some services from mid-December

> greenfields revenue \$20m vs \$13m in HY22; partly offset by reduced roadworks revenue

> H1 FY22 included \$6m property optimisation and \$3m legal settlement

see p32 for regulated fibre revenue in H1 FY23

Expenses

	H1 FY23 unaudited \$m	H2 FY22 unaudited \$m	H1 FY22 unaudited \$m
Labour	38	36	28
Network maintenance	28	31	28
IT	20	27	23
Other network costs	16	14	15
Rent, rates and property maintenance	11	14	14
Electricity	9	9	8
Provisioning	1	-	1
Insurance	2	2	2
Consultants	4	5	3
Regulatory levies	6	5	4
Other	10	11	10
Total	145	154	136

- > CPI impact and increased employee numbers; H1 FY22 included \$9m holiday pay benefit and \$2m COVID impact
- > reducing fault volumes but higher average cost per fault
- > release of \$2m software provision in H1 FY23
- > H1 FY22 included one-off costs for office relocation and rationalisation

see p33 for regulated fibre expenses in H1 FY23

Gross capex: \$222 million (HY22 \$263m)

Sustaining capex of \$90m (see p34 for summary)

Fibre capex	H1 FY23 \$m	H2 FY22 \$m	H1 FY22 \$m	
UFB communal	5	30	47	
Fibre installations & layer 2	100	92	103	> 48,000 installations (HY22: 64,000)
Fibre products & systems	5	5	7	
Other fibre & growth	53	36	43	> greenfields \$38m; Milford Sound fibre backhaul \$2m
Fibre sustain	4	8	5	
Customer retention costs	15	8	19	> fibre incentive spend varies subject to connection volumes and retailer activity
Subtotal	182	179	224	

- **Average cost per UFB premises connected: \$1,066** vs \$1,000 - \$1,115 guidance (excludes layer 2 and includes standard installations, some non-standard single dwellings and service desk costs)

Capex: Copper and Common

Copper capex	H1 FY23 \$m	H2 FY22 \$m	H1 FY22 \$m
Network sustain	9	14	13
Copper connections	-	-	1
Copper layer 2	1	2	1
Customer retention costs	3	4	3
Subtotal	13	20	18

> reduced roadworks and pole replacement activity, partly offset by government-funded \$2m rural broadband project

Common capex	H1 FY23 \$m	H2 FY22 \$m	H1 FY22 \$m
Information technology	20	15	16
Building & engineering services	7	15	5
Subtotal	27	30	21

> IT lifecycle projects commenced in HY23

> building projects resumed after COVID delays; H2 FY22 included office relocation costs

FY23 guidance - updated

EBITDA: \$675m to \$690m

(previously \$655m to \$675m)

- guidance lifted to reflect favourable trends including connections and ARPU mix, strong greenfields demand and network maintenance
- subject to no material changes in circumstances or outlook

GROSS CAPEX: \$410m to \$450m

- no change – tracking to upper end of range

NOTE: this guidance does not include potential flood and cyclone-related impacts

Net debt/EBITDA

	As at 31 Dec 2022 \$m
Borrowings	2,561
+ PV of CIP debt securities (senior)	256
+ Net leases payable	<u>182</u>
Sub total	2,999
- Cash	172
Total net debt	2,827
Net debt/EBITDA*	4.22x

*Based on S&P and bank covenant methodologies

- > ND/EBITDA increased from 4.03x (HY22) to 4.22x
 - borrowings increased from \$2,369 million (HY22)
 - cash balance higher due to early refinancing of Oct 2023 EMTN
 - ~65% of CNU interest rate exposure was fixed at 31 December

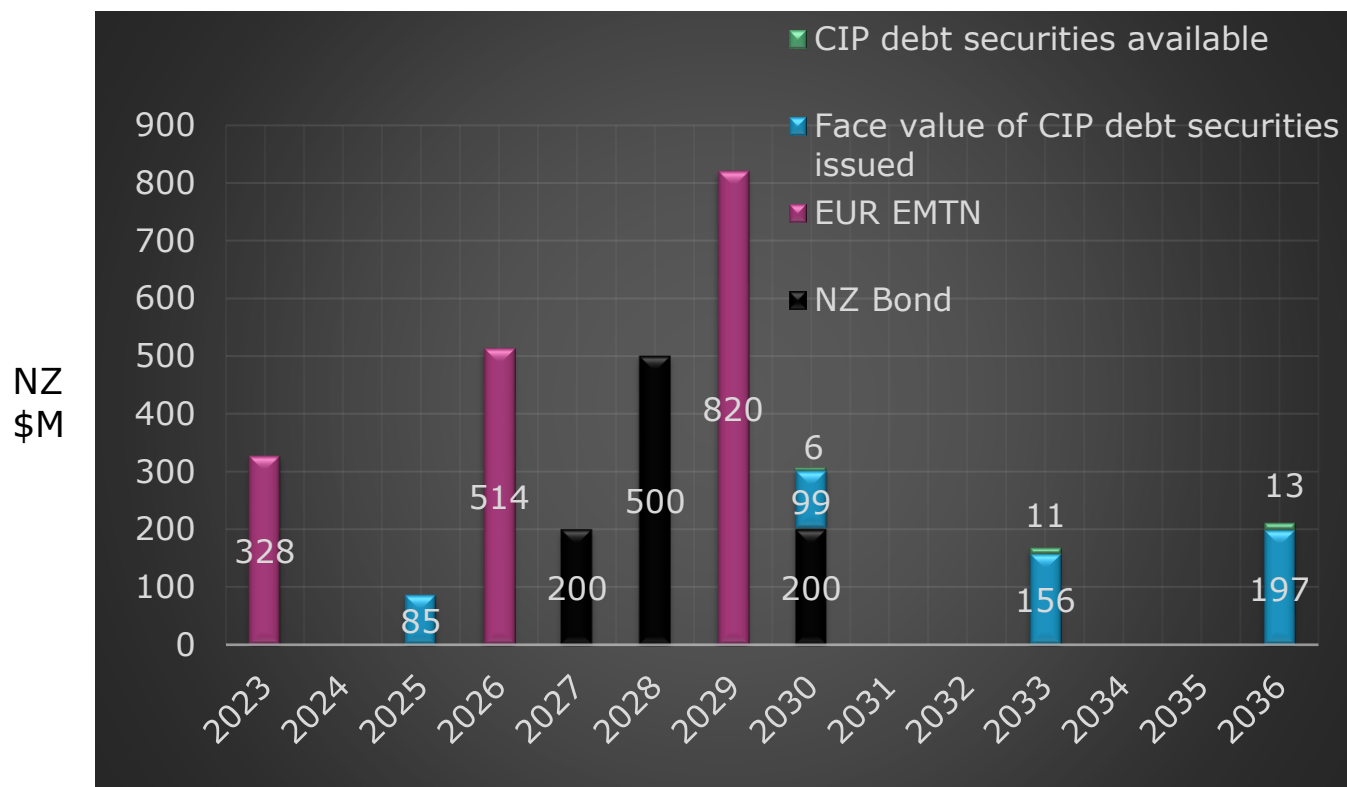
- > ratings agency thresholds
 - Moody's 5.25x
 - S&P 5.0x

- > 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

Crown financing and debt profile

- > At 31 December, debt of \$2,561m comprised:
 - Long term bank facilities of \$350m (Undrawn)
 - NZ bonds: \$900m
 - Euro Medium Term Notes \$1,662m (NZ\$ equivalent at hedged rates)

- > up to \$1.33 billion CIP financing available (57:43 equity/debt)
- > \$1,305m drawn at 31 December 2022



Crown securities \$m	30 June 2025	30 June 2030	30 June 2033	30 June 2036	TOTAL
Equity securities (cumulative total)	85.3	197.1	377.7	766.4	766.4
Debt securities (maturity profile)	85.3	104.7	166.7	210.2	566.9

Crown equity securities

- unique class of security with no voting rights but a repayment preference on liquidation
- an increasing portion attract dividend payments from 30 June 2025 onwards based on 180 day NZ bank bill rate, plus 6% p.a. margin
- redeemable 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)

Crown debt securities

- unsecured, non-interest bearing and carry no voting rights
- to be redeemed in tranches from 30 June 2025 to 2036 by repaying the issue price to the holder

Dividend and share buyback

> FY23 interim dividend

- 17cps, unimputed
 - **record date:** 14 March 2023
 - **payment date:** 11 April 2023
 - no Dividend Reinvestment Plan available

> FY23 and FY24 dividend guidance* (unchanged)

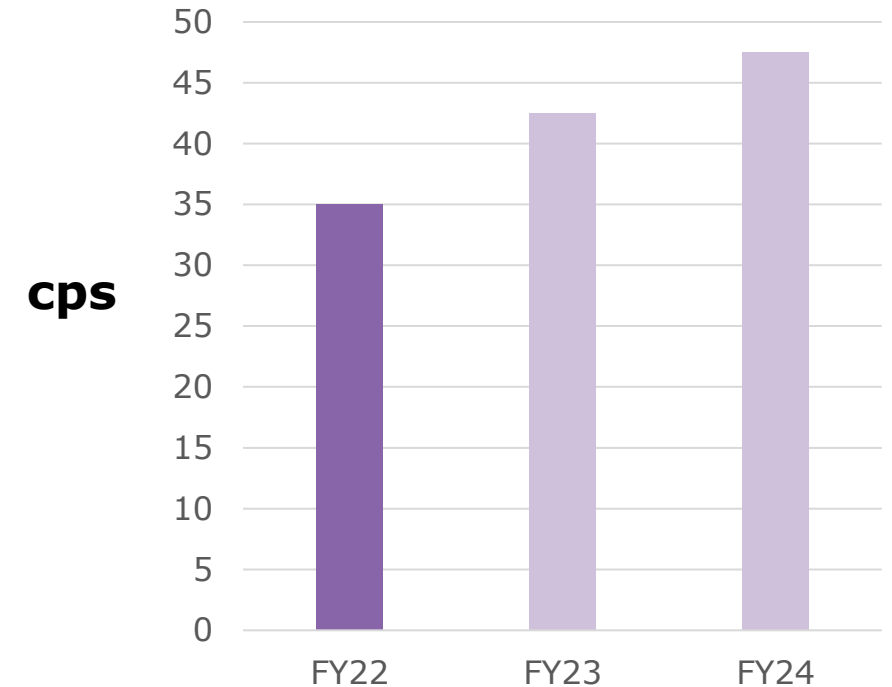
- 42.5cps in FY23
- a minimum of 47.5cps in FY24
- dividends unimputed in medium term

> \$72m of \$150m share buyback complete

- 443 million shares on issue at 31 December
- Board reserves option to suspend the buyback if more accretive opportunities for shareholder value are identified

* subject to no material adverse changes in circumstances or outlook

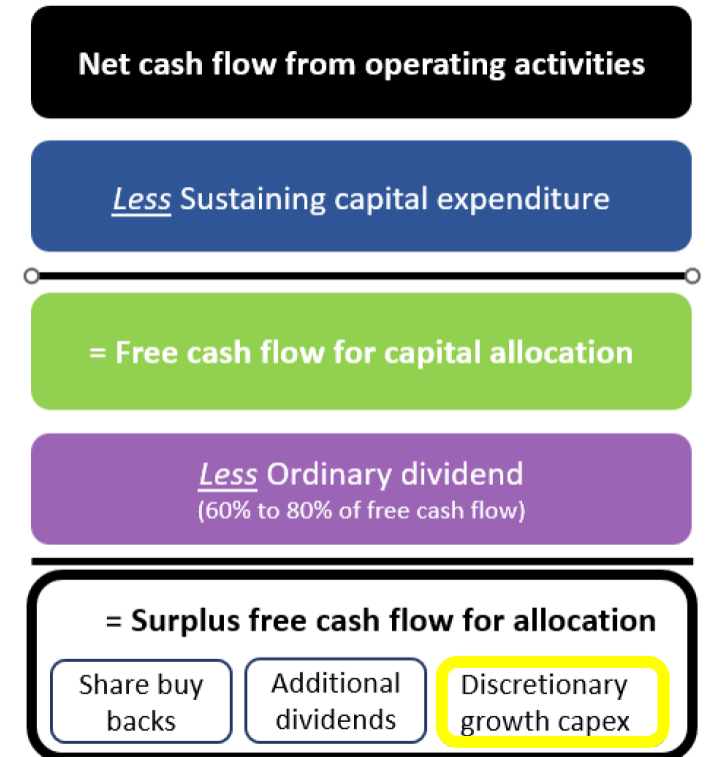
Dividend guidance



Looking ahead: long-term growth capex

Confirming our core principles and priorities

- > **As noted previously, key principles and components of our capital management framework include:**
 - growing shareholder value and delivering a sustainable, growing dividend through time
 - operating within our investment grade, BBB, 5x net debt/EBITDA ceiling (internal limit 4.75x)
 - *sustaining network capex* (i.e. investment to maintain, replace or improve an existing copper or fibre asset) is expected to be ~\$200m per annum (midpoint within a range)
- > **Investment in discretionary growth capex:**
 - can be phased to fit the parameters of the dividend policy and debt limits
 - will be subject to business casing, market conditions and regulatory settings/approvals
 - includes *RAB investment* (e.g. new fibre installations, greenfields growth and footprint expansion) and *non-RAB investment*
- > **Chorus expects the core RAB value (i.e. excluding the Financial Loss Asset) to be at least maintained in the longer term**



Indicative long-term investment opportunities

> Below are examples of RAB and non-RAB investment being evaluated for 10-year planning:

- dollar ranges are indicative only and reflect a 10-year total in 2023 dollars
- opportunities to invest in discretionary long-term growth capex could range up to ~\$300 million per annum, subject to consumer demand (e.g. installations and greenfields), business casing and regulatory settings/approvals

KEY: **S** Small: <\$100m **M** Medium: \$100m to \$400m **L** Large: \$400m+

Non-RAB investment
(assessed on a risk-adjusted return basis vs other capital allocation/investment options)

S — M

- New products
- Edge Centre
- Regional backhaul
- Other

RAB investment opportunities

SUSTAINING CAPEX – NEW PROJECTS

- XGS-PON electronics (1):** **L**
migration to multi-gigabit capability
- Rural fibre electronics:** **S**
lifecycle update for RBI* network
- Sustainability:** **S**
(e.g. solar power options)

DISCRETIONARY GROWTH CAPEX

- Fibre installations:** **L**
connect fibre to premises
- Greenfields (2):** **L**
communal fibre to new premises
- Smart locations:** **M**
non-building installations (e.g.CCTV)
- Network resilience:** **M**
enhance network robustness
- Rural fibre(3):** **L**
fibre up to 90% population

*RBI is Rural Broadband Initiative

1. Limited XGS-PON investment in RP1. Broader rollout as technology matures.
2. Greenfields investment is gross amount including customer contributions.
3. Communal rollout cost only.

Regulated Asset Base (RAB) and CPI

> Starting fibre RAB finalised in Oct 2022

- starting RAB (1 Jan 2022) of \$5.413 billion comprises:
 - core RAB \$3.997bn
 - Financial Loss Asset \$1.416bn
- the RAB is indexed annually for actual inflation in the December quarter: the forecast CPI used for revaluations in the 2022 MAR was 1.8% vs 7.22% actual.
- we expect another ~\$250m (current value) of existing shared assets to be eligible to enter the RAB over time

> The 2023 and 2024 MAR will be updated for forecast CPI changes as part of in-period smoothing

- 2023 MAR used 2.17% forecast CPI and will be updated for June 2022 forecast of 3.37%, with actual CPI applied in the RP1 wash-up process for RP2
- Note: the regulations omitted a 2022 wash-up for actual CPI and Chorus has requested a correction

Commerce Commission WACC calculation for Chorus

WACC parameter	RP1 ¹ WACC (1 July 2021)	ID ² WACC (1 Jan 2023)
Risk-free rate	0.51%	4.54%
Average debt premium	1.70%	1.50%
Cost of debt	2.54%	6.37%
Cost of equity	5.62%	8.52%
Mid-point vanilla WACC	4.72%	7.9%
Mid-point post-tax WACC	4.52%	7.38%

Source: Commerce Commission

1. RP1: Regulatory Period 1 from 2022-2024

2. ID: Information Disclosure. Latest calculated WACC is used for reporting purposes only.

From build to operate

JB Rousselot, Chief Executive Officer

A challenging period for weather events

- > **Widespread customer impact from Cyclone Gabrielle due to power outages and some damaged regional cable routes**
 - restoration focus in Gisborne and Hawke's Bay regions included temporary fibre lays of up to 3km on damaged highway routes
 - experience from Auckland city floods (27 January) is fewer faults and faster restoration for customers on fibre, as compared to volume and work required for powered copper cabinets and cables



Road washout near Tutira.



Damage to the regional fibre route on the bridge crossing the Hikuwai River, north of Gisborne, required 800 metres of overlaid fibre.

Regulatory landscape

Recent developments

- > **Market incentive payments:** final Commerce Commission decision in December approved \$12.5m of \$16.8m proposed spend for 2023 incentives.
[Note: this will increase allowable revenues for RP1 via the RP2 wash-up process]
- > **Future regulatory periods:** the Commerce Commission has proposed a 4-year period (i.e. January 2025 to December 2028) for the next regulatory period.
- > **Anchor services:** Chorus was successful in challenging detailed product specifications in the legislative framework. The High Court (December) asked parties to consider alternatives.

Upcoming milestones

- > **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

Continuing to drive fibre uptake

> Positive market trends

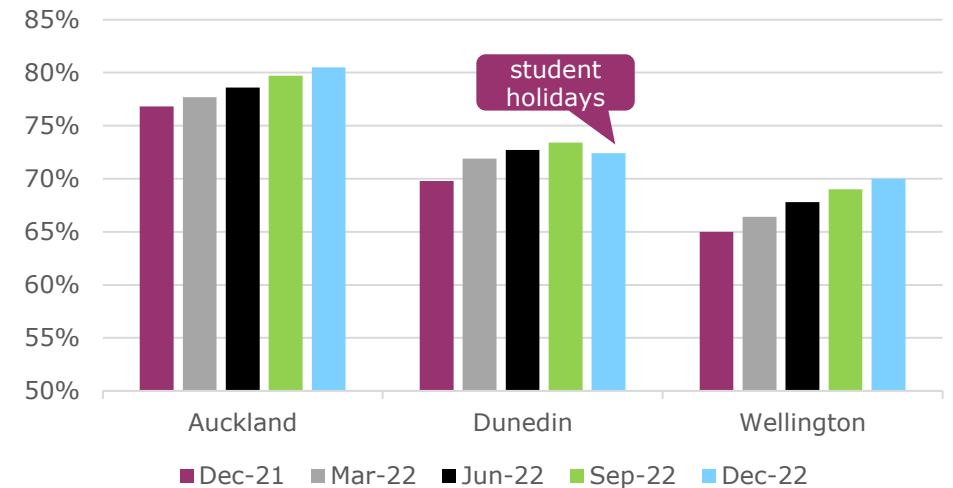
- copper withdrawal programme ramping up
- offnet winback trend continues in Wellington cable areas
- diverse range of retailers promoting fibre and offers (e.g. Wi-Fi devices) improving the consumer experience
- steady greenfields pipeline

> H2 product activity focused on:

- *Home Fibre Starter* (50Mbps) – reduced monthly price from \$38 to \$35 (where retail price is \$60 or less) from 1 Feb 2023; ~10% of residential net adds
- growing the number of retailers promoting *Hyperfibre* services (2-8Gbps)
- targeted marketing to ~170,000 intact fibre sockets (i.e. fibre already installed) that are currently inactive

Uptake (%)

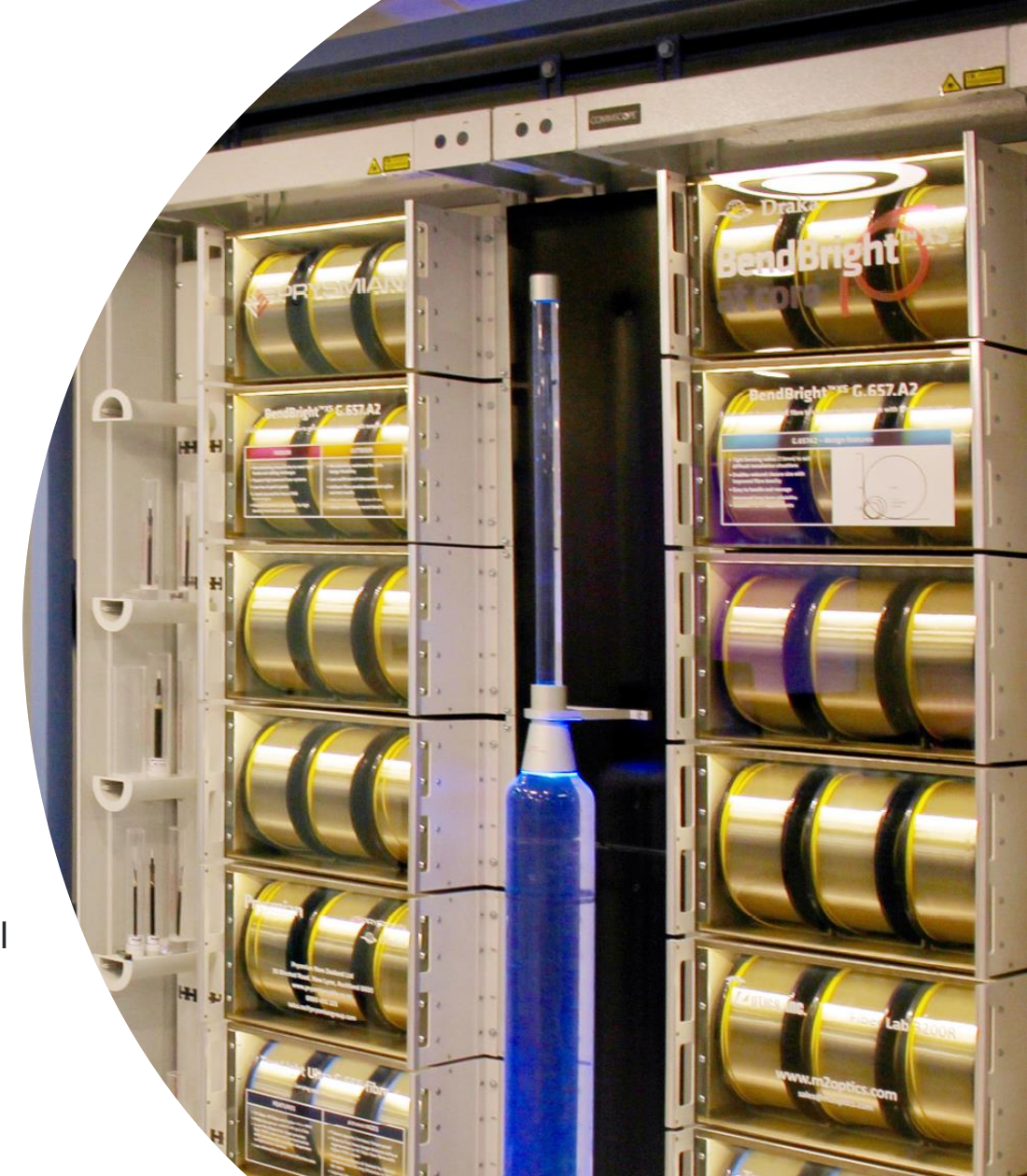
UFB uptake by quarter



- Auckland, Wellington and Dunedin cover >70% of UFB1 homes and businesses able to connect
- 93% of Chorus' broadband connections in our completed UFB zone are on fibre

Steady progress

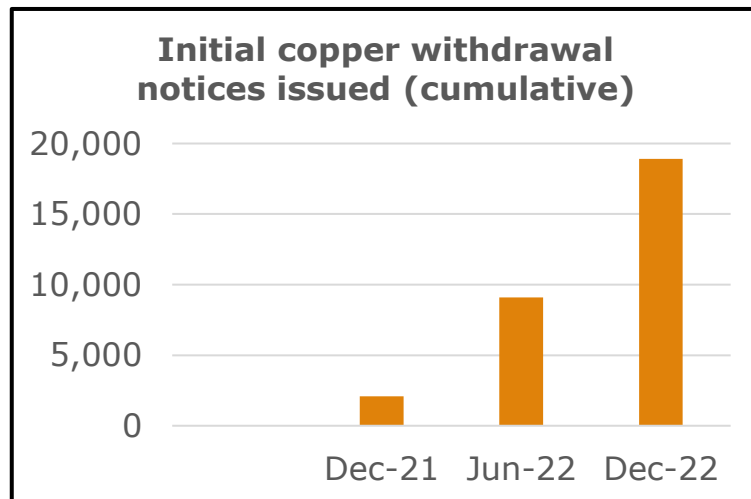
- > **Business fibre (GPON)**
 - 40%+ of new business connections taking 1Gbps
- > **Premium fibre**
 - steady growth in dark fibre connections (now 6k) and cellsite backhaul
 - fibre nodes now in 7 data centres to enable backhaul services
- > **EdgeCentre**
 - doubling rack capacity at Mt Eden site
- > **PowerSense**
 - value proposition reinforced by recent weather events; several lines companies already using service
- > **Other opportunities**
 - continuing to explore other potential services/markets



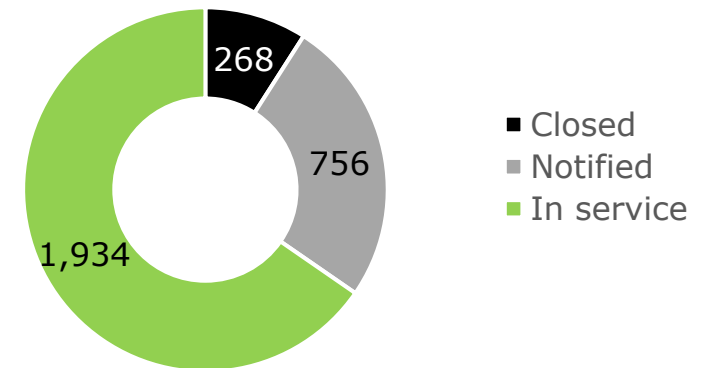
Copper withdrawal workstream

- > **~19,000 initial withdrawal notifications issued**
 - copper service ceased for ~10,000 notified connections
 - 268 copper broadband cabinets closed; withdrawal notices issued across another 756
 - broadband retention rate of 90% across closed cabinets

- > **site optimisation continues but slowed by property market conditions**
 - 7 property/lease sites exited and 4 subdivided properties on market in H1

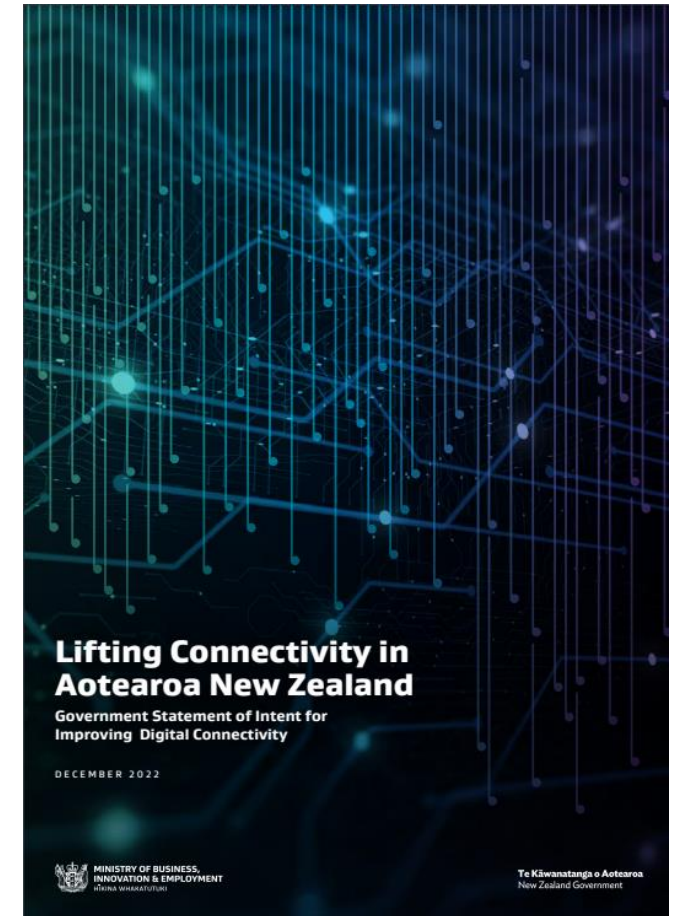


Copper broadband cabinets – Chorus UFB area



Government's digital vision supports rural fibre

- > **Statement of Intent for Improving Digital Connectivity acknowledges:**
 - data demands are growing and network congestion challenges affect ~5% of the population today
 - fibre is high speed, high capacity, low latency and comparatively low energy requirements also make it well suited for handling the expected future growth in demand for data and network speeds and fibre backhaul can lift all technology boats (i.e. fixed/wireless/mobile)
 - wireless technology has a place, but note 5G has propagation challenges and consumer needs are likely to change over time
 - low earth orbit satellites an option subject to need for line of sight
- > **Government says it will support or encourage the extension of fibre, including backhaul, to improve network performance and resilience in areas:**
 - not already served by fibre and where customer density and expected demand is sufficient to make fibre a cost-effective long-term solution, and
 - where the commercial viability of fibre backhaul to support various access modes is the best long-term solution but is not commercially viable for the private sector to provide on its own



But rural regulatory settings need to catch up

NZIER study estimates \$16.5 billion benefit in closing the rural digital divide

URBAN

Chorus & LFC* fibre rollout covers 87% population (1.8m+ homes and businesses)

- regulatory framework intended to encourage ongoing investment
- copper withdrawal underway in fibre areas
- subdivision growth driving urban fringe fibre rollout

*Local Fibre Company

NON-URBAN

~45,000 VDSL connections

~60,000 ADSL connections

~20,000 voice only connections

~3,000 multi-access radio (MAR) connections

- potential for further fibre rollout, subject to regulatory and policy settings
- Telecommunications Service Obligation (TSO) applies to residential addresses that had telephone service in 2001 and includes outdated requirements for voice/dial-up/fax services
- the economics of TSO delivery and ongoing investment have changed:
 - Chorus cannot cross-subsidise rural copper connections from urban fibre revenues
 - retirement of copper networks is accelerating globally with migration to fibre and the emergence of other technologies (e.g. fixed wireless, satellite)
 - government has helped fund alternative services/overbuild
- Commerce Commission required to review copper regulatory settings no later than 2025

- the most remote and therefore most underserved consumers
- MAR technology at end of life
- should be focus of government \$15m Remote Users Scheme

Questions?



20 February 2023

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Appendix A: Additional financial information

Underlying EBITDA

	H1 FY23 unaudited \$m	H2 FY22 unaudited \$m	H1 FY22 unaudited \$m
EBITDA	342	328	347
Operating revenue adjustments			lease change (3) legal settlement (3)
Operating expenses adjustments			Holidays Act provision (9)
UNDERLYING EBITDA	342	328	332

H1 FY23 revenues: FFLAS vs non-FFLAS

> **indicative FFLAS revenue of \$348m or 71% of HY23 revenue**

- FFLAS total excludes an estimated \$26m allocation of fibre-related capital contributions to be netted off fibre RAB assets
- NOTE: FFLAS numbers are indicative and have been calculated using the Commission's final RAB decision model from October 2022. Actual 2022 FFLAS numbers will be finalised as part of Information Disclosure reporting in May 2023.

	Other \$m	Regulated FFLAS \$m	H1 FY23 \$m
Fibre broadband (GPON)	1	301	302
Fibre premium (P2P)	7	27	34
Copper based broadband	62	0	62
Copper based voice	21	0	21
Data services copper	2	0	2
Field services	30	7	37
Value added network services	8	5	13
Infrastructure	7	8	15
Other	1	0	1
Total	139	348	487

H1 FY23 opex: FFLAS vs non-FFLAS

> **indicative FFLAS opex of \$80m or 55% of HY23 opex**

- FFLAS total includes pass through costs of \$8m
- NOTE: FFLAS numbers are indicative and have been calculated using the Commission's final RAB decision model from October 2022. Actual 2022 FFLAS numbers will be finalised as part of Information Disclosure reporting in May 2023.

	Other \$m	Regulated FFLAS \$m	H1 FY23 \$m
Labour	14	24	38
Network maintenance	18	10	28
IT	7	13	20
Other network costs	11	5	16
Rent, rates and property maintenance	6	5	11
Electricity	6	3	9
Provisioning	1	-	1
Insurance	-	2	2
Consultants	-	4	4
Regulatory levies	1	5	6
Other	1	9	10
Total	65	80	145

Sustaining vs non-sustaining capex

- > \$90m of H1 FY23 capex was sustaining vs \$132m non-sustaining
- > fibre sustaining capex is expected to increase over time as the asset ages

Non-sustaining capex	H1 FY23 \$m	H1 FY22 \$m
UFB communal	5	47
Fibre installations	77	91
Greenfield growth	41	31
Footprint expansion (West Coast)	2	11
Customer retention (incentives)	7	13
Subtotal	132	193

Fibre capex: sustaining	H1 FY23 \$m	H1 FY22 \$m
Layer 2	23	12
Fibre products & systems	2	4
Fibre sustain	4	5
Other fibre	13	4
Customer retention costs*	8	6
Subtotal	50	31
Copper capex: sustaining		
Network sustain	9	13
Copper connections	0	1
Copper layer 2	1	1
Customer retention costs*	3	3
Subtotal	13	18
Common capex: sustaining		
Information technology	20	16
Building & engineering services	7	5
Subtotal	27	21

*Relates to provisioning, systems and service desk costs

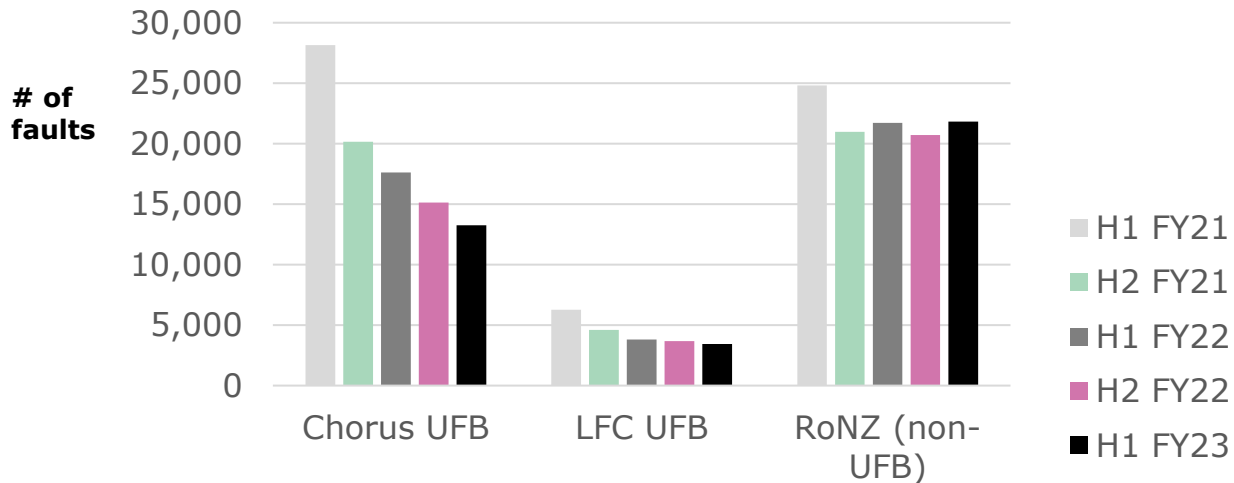
Maintenance trends

- fibre fault volumes consistent at ~20k in H1 FY23 and H2 FY22 respectively, despite fibre connections growing 79k
- copper faults will continue to fall in Chorus fibre areas as we withdraw copper services
- non-fibre areas (~13% of population) make up the majority of copper network faults and reactive costs

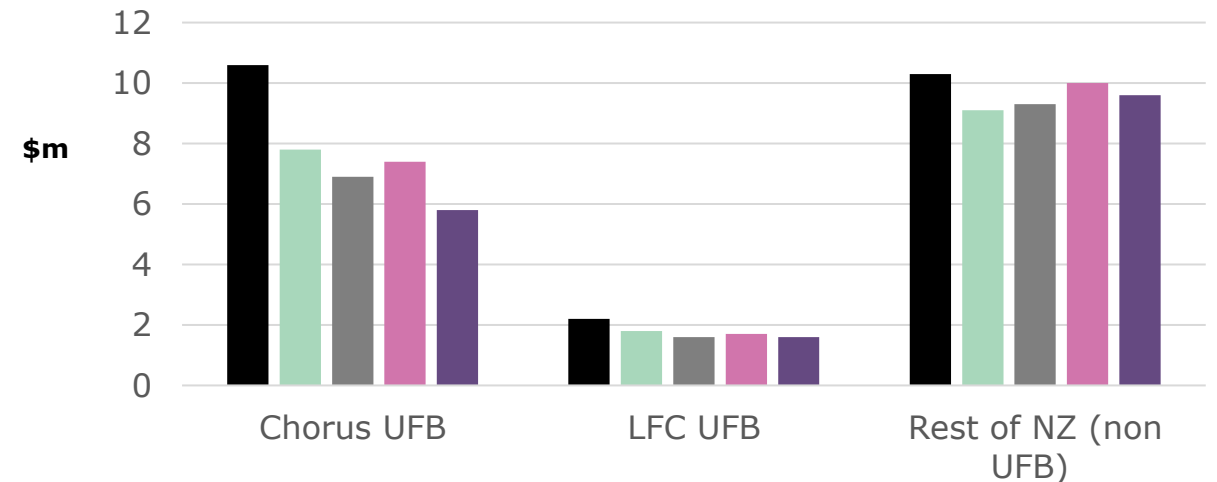
Note:

- reactive maintenance excludes spend on proactive maintenance and customer networks (i.e. premises wiring, no fault found, cancellations)

Copper – fault volumes by area



Copper - reactive fault spend by area



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
TCS D 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

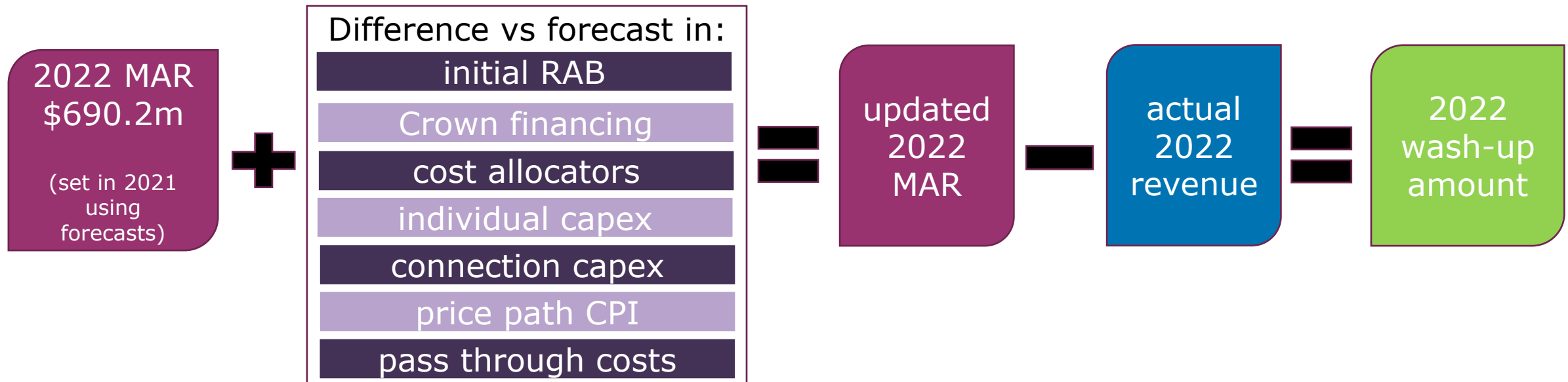
- > RP1 post-tax WACC of 4.72% (used 0.51% risk-free rate) would be 7.38% if recalculated at 1 Jan 2023 using recent rates.
- > forecast CPI used for revaluations in 2022 was 1.8% vs 7.22% actual in December quarter. 2023 forecast used 2.2% and 2024 is 2.13%. Higher revaluation rates during RP1 will be reflected in the opening RAB for RP2.
- > the 'benefit of Crown finance' deduction will reduce from 2025 as Crown finance is redeemed. Regulator only allows ~2% return on funded assets.
- > cost allocations will need to be addressed in RP2 given the increasing dominance of fibre in Chorus' business operations.
- > reflects an implied 14-year asset life through regulatory process.
- > reflects asset life of 14.2 years and tilted annuity depreciation (-13% tilt rate)
- > tax building block commences from ~FY27 and grows to ~\$90m
- > CPI forecast assumptions were 2.71% in 2022, 2.17% in 2023, 2.04% in 2024. The 2023 and 2024 MAR will be updated for preceding June forecasts and then for actual CPI as part of the RP2 wash-up process. Chorus has made a submission to the Commission on the status of the 2022 CPI wash-up.
- > MAR totals reflect draft starting RAB and allocations in 2021. Changes in the final RAB announced in October 2022 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

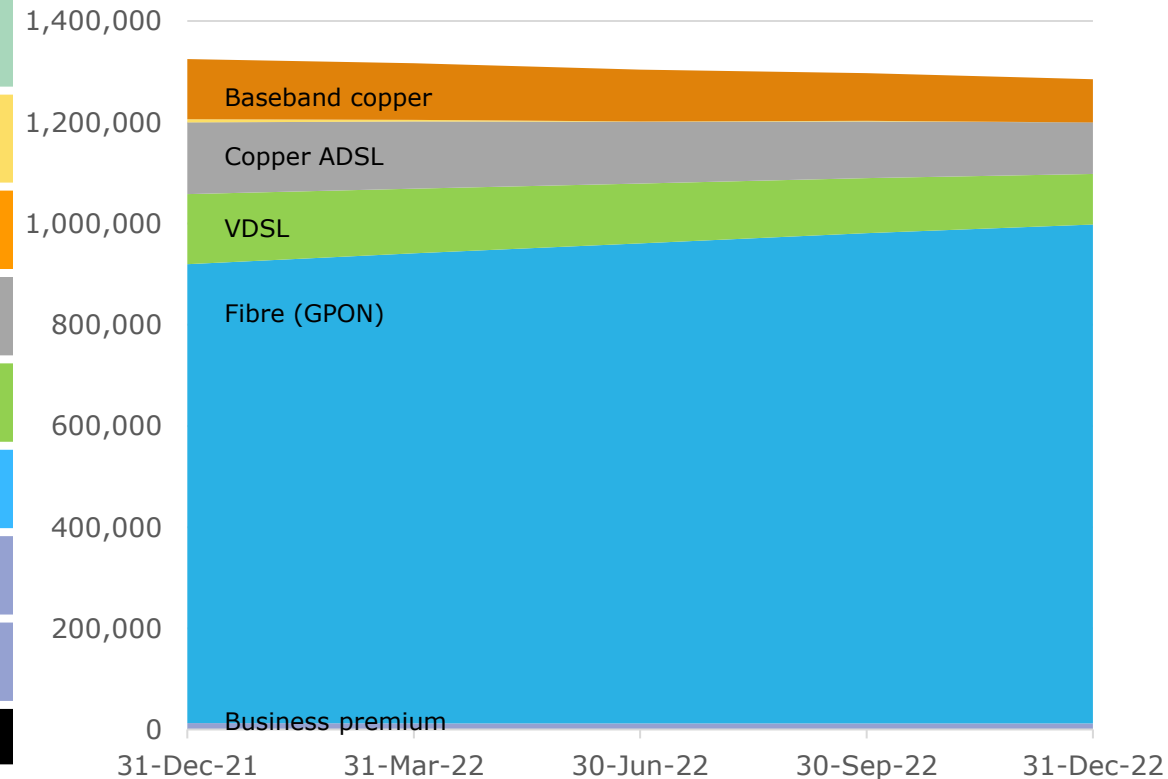
Regulatory framework updates the MAR for actual costs on 7 cost items

- > 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



Appendix B: Connections data, market trends, pricing

CHORUS CONNECTIONS	31 Dec 2021	31 March 2022	30 June 2022	30 Sept 2022	31 Dec 2022
Unbundled copper (no broadband)	6,000	3,000	1,000	1,000	not material
Baseband copper (no broadband)	119,000	112,000	102,000	94,000	85,000
Copper ADSL (includes naked)	142,000	133,000	122,000	112,000	102,000
VDSL (includes naked)	138,000	128,000	118,000	109,000	100,000
Fibre broadband (GPON)	907,000	929,000	949,000	969,000	986,000
Data services (copper)	2,000	2,000	2,000	1,000	1,000
Fibre premium (P2P)	11,000	10,000	10,000	11,000	11,000
Total connections	1,325,000	1,317,000	1,304,000	1,297,000	1,285,000

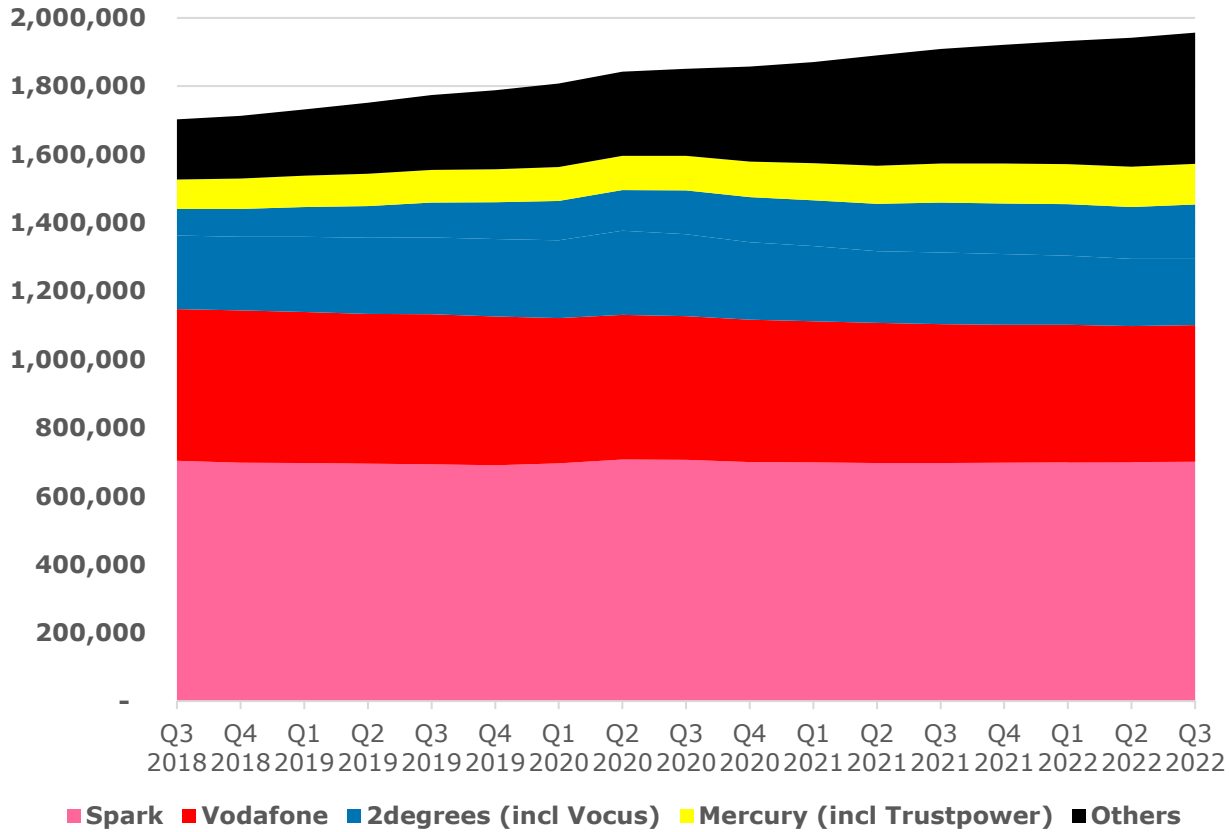


> **1,188,000 broadband connections comprises:**

- 986,000 fibre (GPON) connections
- 202,000 VDSL/ADSL (copper) connections

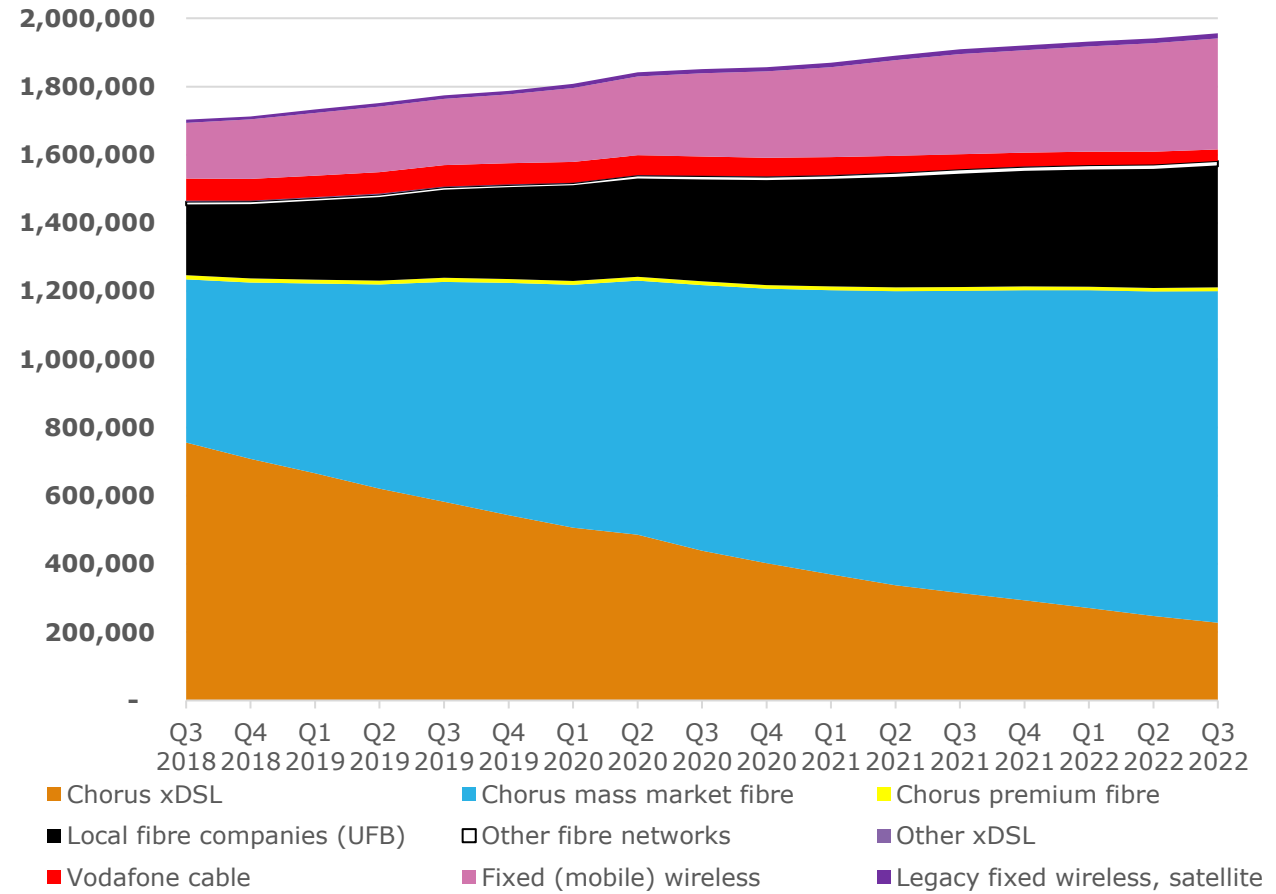
Note: 8,000 partly subsidised education connections are excluded from this data

Broadband uptake by retailer (all technology)



Source: IDC

NZ broadband market – by technology



Source: IDC

Pricing summary

Fibre plan - consumer	Current wholesale price	Price before 1 Oct 22	Notes
Voice line	\$27.45	\$26.02	
Home starter 50/10Mbps	\$35	\$38	Applies where retail price is \$60. Price reduced to \$35 from 1 Feb 2022
50/10Mbps	\$47.28	\$44.22	
100/20Mbps 300/100Mbps	\$50.50	\$47.87	100Mbps is anchor service. 300Mbps plan introduced late 2021.
1Gbps	\$58	\$56	
Hyperfibre 2Gbps	\$70	\$75	
Hyperfibre 4Gbps	\$85	\$100	
Hyperfibre 8Gbps	\$110	\$150	

Copper pricing	Current wholesale price	Price before 16 Dec 22	Notes
Copper line	\$36.17	\$33.73	Annual CPI adjustment mid-December
Copper broadband	\$48.35	\$45.09	