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STOCK EXCHANGE ANNOUNCEMENT

6 May 2016

Chorus investor presentation and fact sheet

Attached is a presentation to be delivered by Chorus CEO Mark Ratcliffe at the Macquarie Australia Conference in Sydney today and an investor fact sheet on Chorus.

ENDS

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Macquarie Australia Conference

6 May 2016

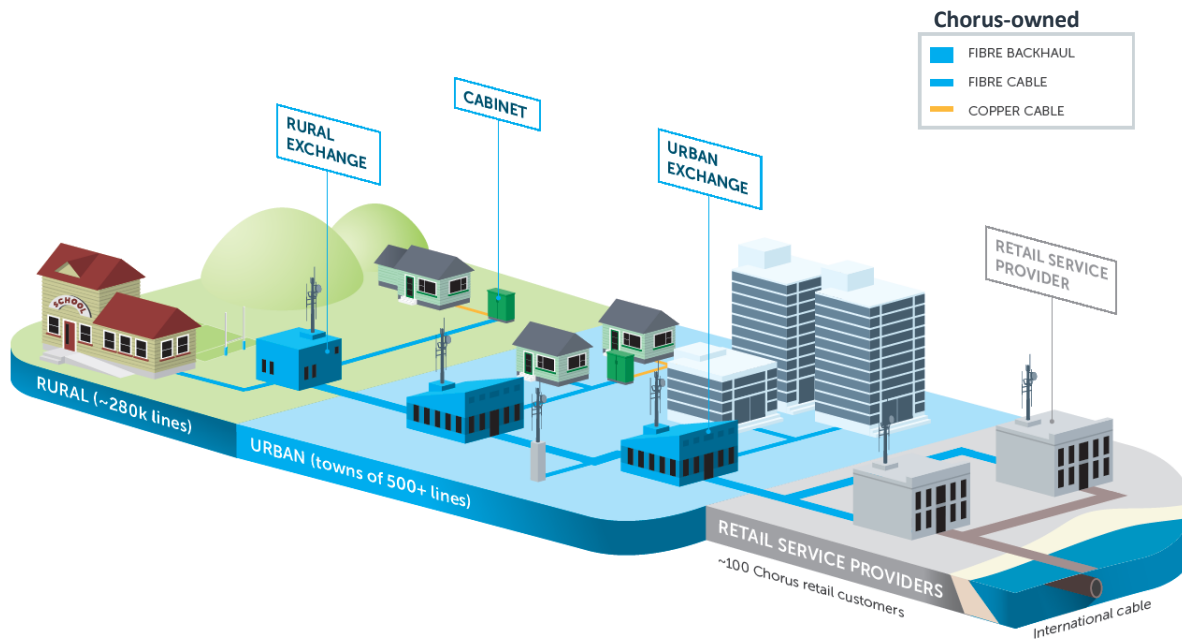
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- This presentation may contain forward-looking statements regarding future events and the future financial performance of Chorus, including forward looking statements regarding industry trends, regulation and the regulatory environment, strategies, capital expenditure, the construction of the UFB network, possible business initiatives, credit ratings and future financial and operational performance. These forward-looking statements are not guarantees or predictions of future performance, and 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 expressed in the statements contained in this presentation. No representation, warranty or undertaking, express or implied, is made as to the fairness, accuracy or completeness of the information contained, referred to or reflected in this presentation, or any information provided orally or in writing in connection with it. Please read this presentation in the wider context of material published by Chorus and released through the NZX and ASX.
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- This presentation does not constitute investment advice or a securities recommendation and has not taken into account any particular investor's investment objectives or other circumstances. Investors are encouraged to make an independent assessment of Chorus.

Introducing Chorus

New Zealand's largest fixed line communications infrastructure business

THE CHORUS NETWORK



- > Chorus operates a nationwide wholesale access network of fibre optic and copper cables connecting homes and businesses
 - cables typically connect back to Chorus' local exchanges, often via broadband cabinets
 - Chorus fibre connects many mobile phone towers owned by mobile service providers and provides backhaul to retail service provider networks
- > Chorus' network competes with:
 - local fibre companies building fibre past ~360,000 homes and businesses in nine areas
 - the Vodafone cable network in Christchurch, Wellington and Kapiti
 - other fibre networks typically focused on the backhaul and business markets
 - mobile and fixed wireless networks

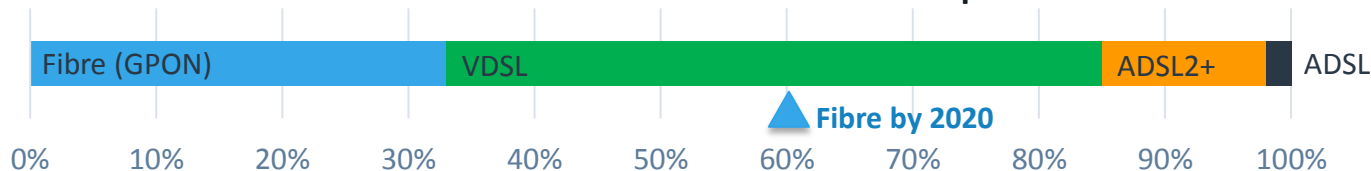
BRINGING NEW ZEALAND BETTER BROADBAND



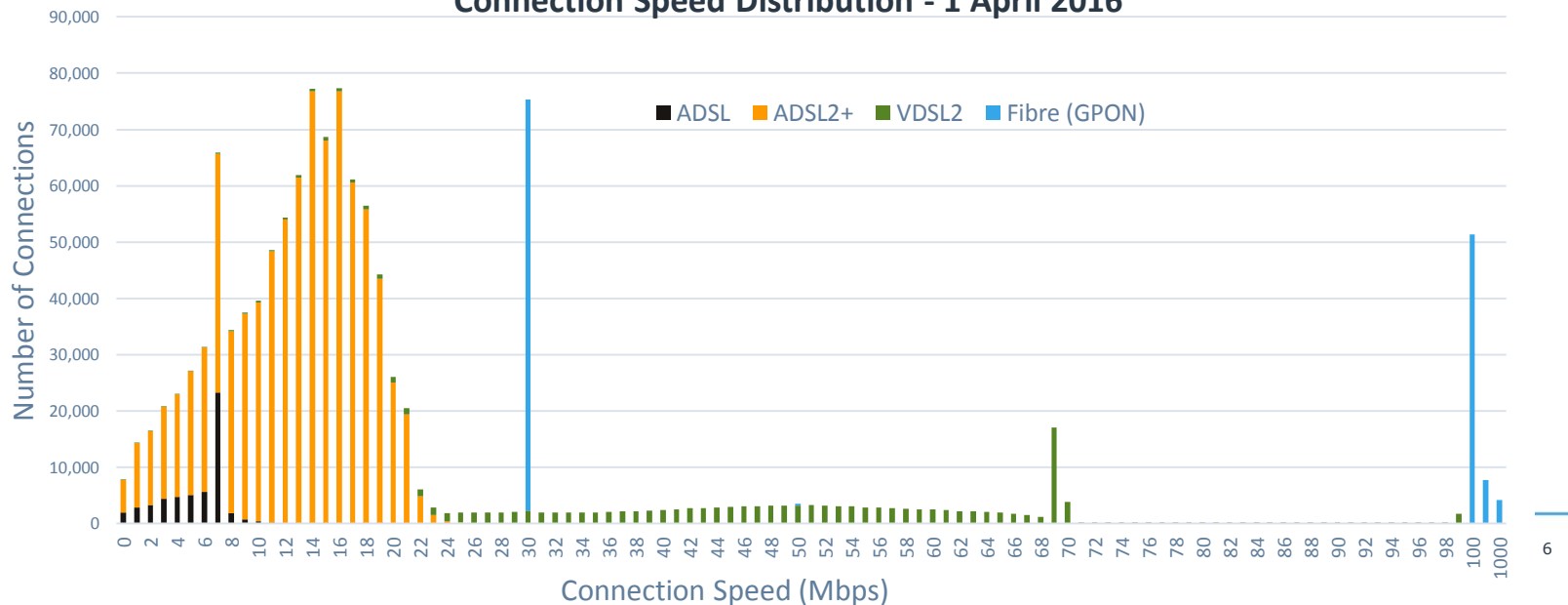
- > Established in December 2011 following demerger from Telecom NZ
 - listed on NZX and ASX
 - ~NZ\$1.6 billion market capitalisation
 - S&P "BBB" stable; Moody's "Baa2" stable
- > New Zealand's largest fixed line communications infrastructure business
 - nationwide copper and fibre network: **~1.74m connections**
 - halfway through fibre to the premises rollout to 830k premises
 - ~87% of revenue subject to regulated or contracted pricing
- > Broadband demand continuing to grow: **~1.22m connections**
 - streaming video services driving significant data consumption
 - average NZ household consumed 96GB in January 2016
- > First NZ employer to win supreme award in Aon Hewitt Best Employers awards

BROADBAND CAPABILITY

Best available broadband to broadband capable lines

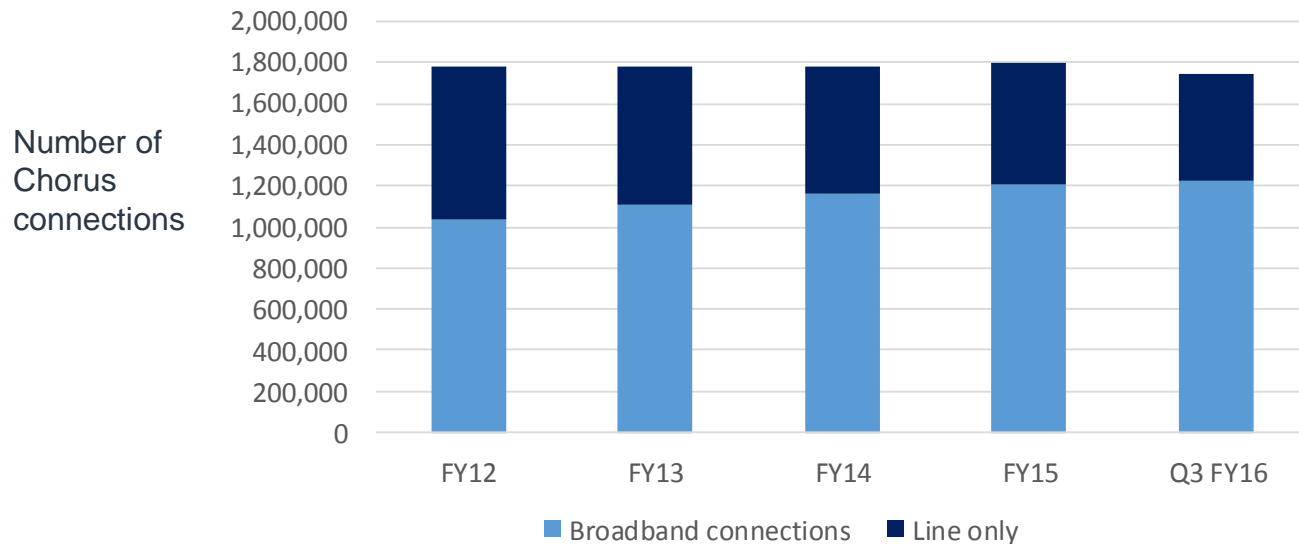


Connection Speed Distribution - 1 April 2016



Fixed line market and trends

GROWING DEMAND FOR BROADBAND

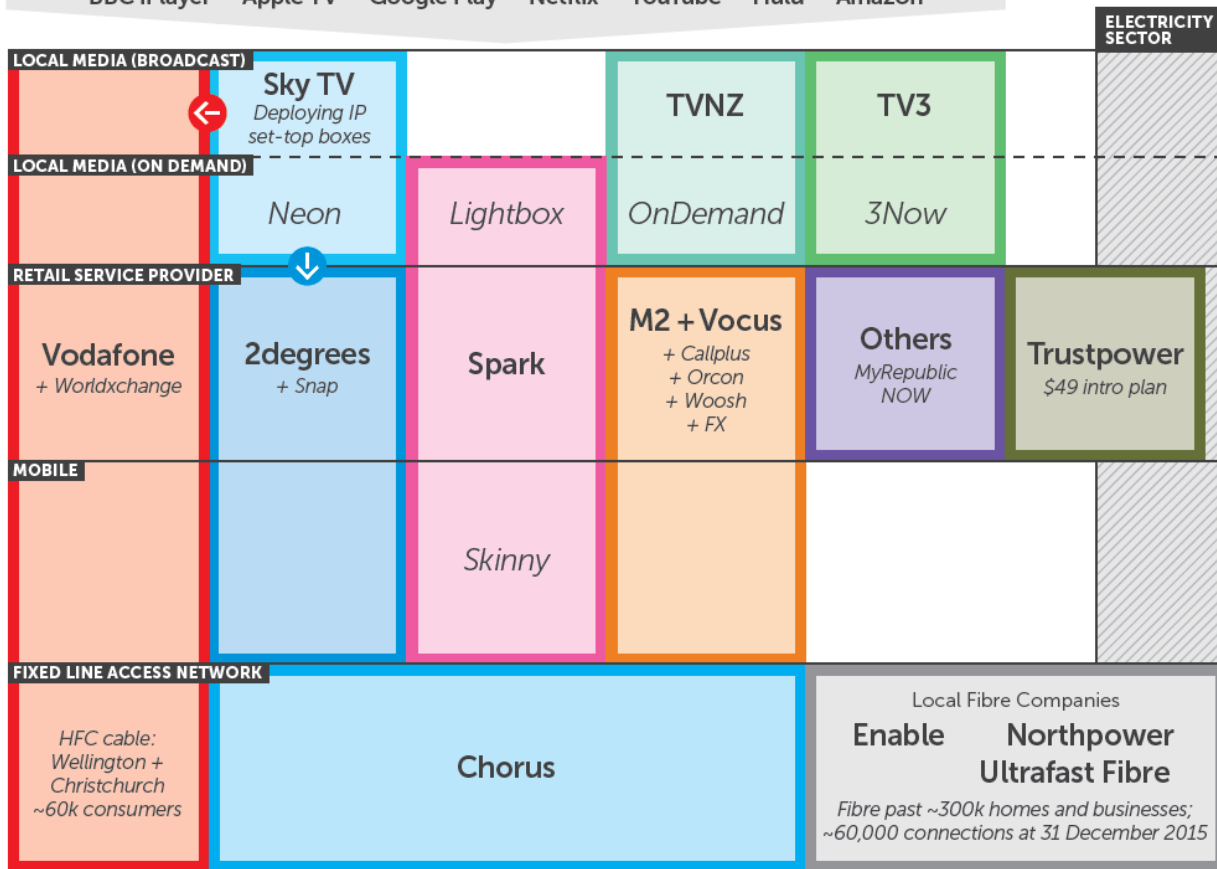


- > broadband connections have increased steadily as household internet adoption grows
- > total fixed line connection numbers have been assisted historically by enhanced rural coverage, migration and dwelling increases
- > pressure on total connections emerging from reductions in dual copper-fibre lines, the expansion of local fibre company coverage and wireless/mobile substitution

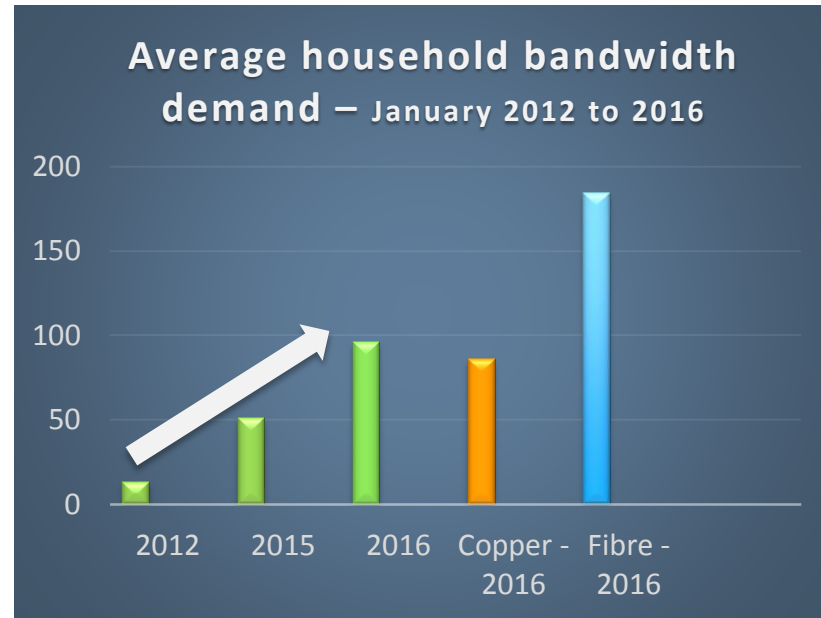
NZ FIXED LINE MARKET

BBC iPlayer Apple TV Google Play Netflix YouTube Hulu Amazon

Rationalisation,
new entrants and
new business models
are disrupting the
market



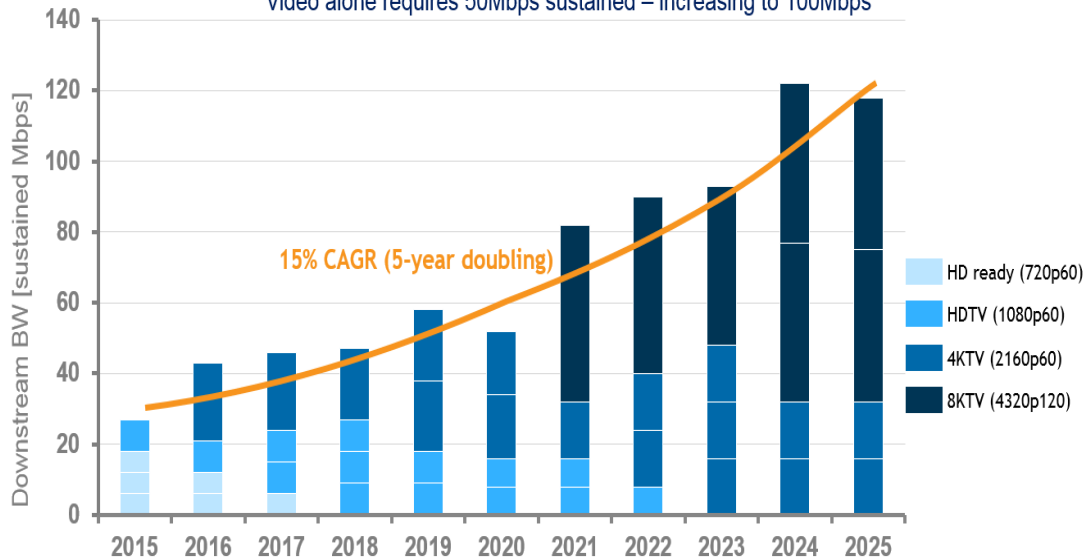
IT'S A BANDWIDTH REVOLUTION



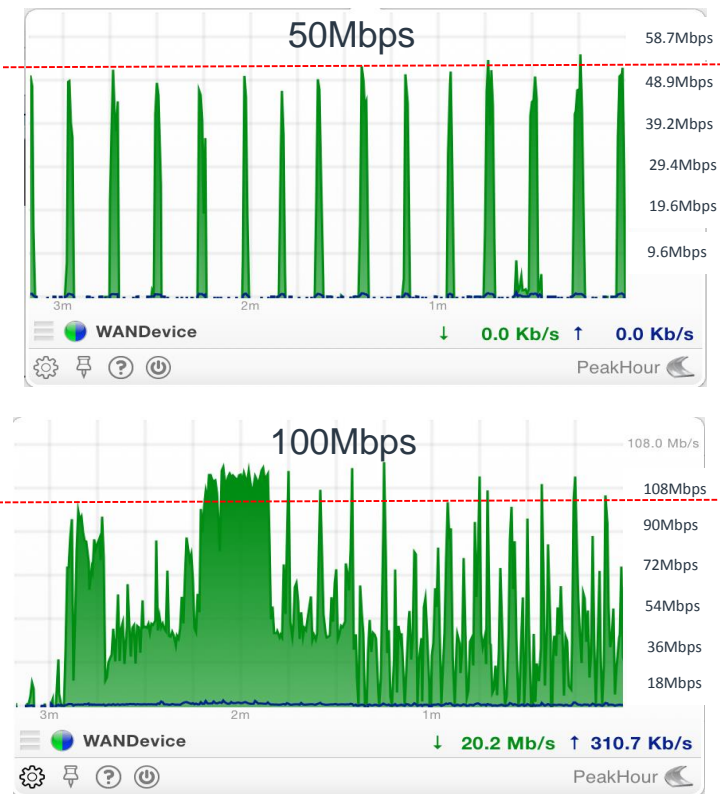
- > 53% of online NZ consumers are streaming TV or movies (Nielsen survey, Jan 2016)
- > streaming an hour of HD video uses between 2GB to 3GB
- > ~40% of households on unlimited data plans

VIDEO NEEDS SUSTAINED CAPACITY

Video alone requires 50Mbps sustained – increasing to 100Mbps



© Nokia 2016



Fibre rollout: a public-private partnership

Building a Fibre to the Premises Network

Ultra-fast broadband (UFB) partnerships with Crown cover 33 candidate areas.



CHORUS UFB BUILD METRICS

\$1.75b – \$1.8b

Estimated cost of Chorus communal network to pass

830,900

premises

\$929m

funding contribution from Crown equates to

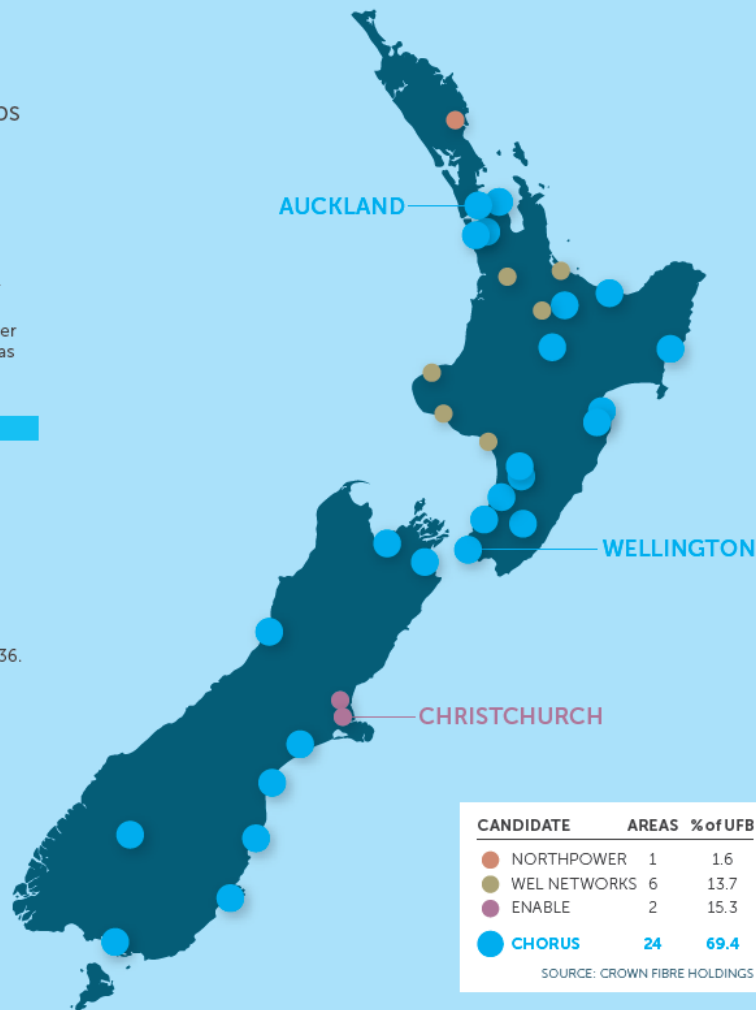
\$1,118

per premises passed

Chorus issues debt and equity securities to the Crown in return. Debt to be redeemed in tranches from 2025 to 2036. Increasing portion of Crown equity attracts dividend payments from 2025 onwards.



Connections from the street boundary to the premises are completed on demand. Estimated cost of \$900 – \$1,100 (in 2011 dollars) average cost to connect standard residential premises.



CANDIDATE	AREAS	% of UFB
NORTHPOWER	1	1.6
WEL NETWORKS	6	13.7
ENABLE	2	15.3
CHORUS	24	69.4

SOURCE: CROWN FIBRE HOLDINGS

FIBRE ROLLOUT: 52% COMPLETE

- **435,000 premises passed** out of 830,900
- **588,000** homes and businesses within reach
127,000 connections within UFB deployed footprint (105,000 at 31 Dec)
- **22% uptake** across UFB areas
- now completing close to 500 fibre connections per weekday, up from 450 in mid-February



Chorus UFB uptake by candidate area – March 2016

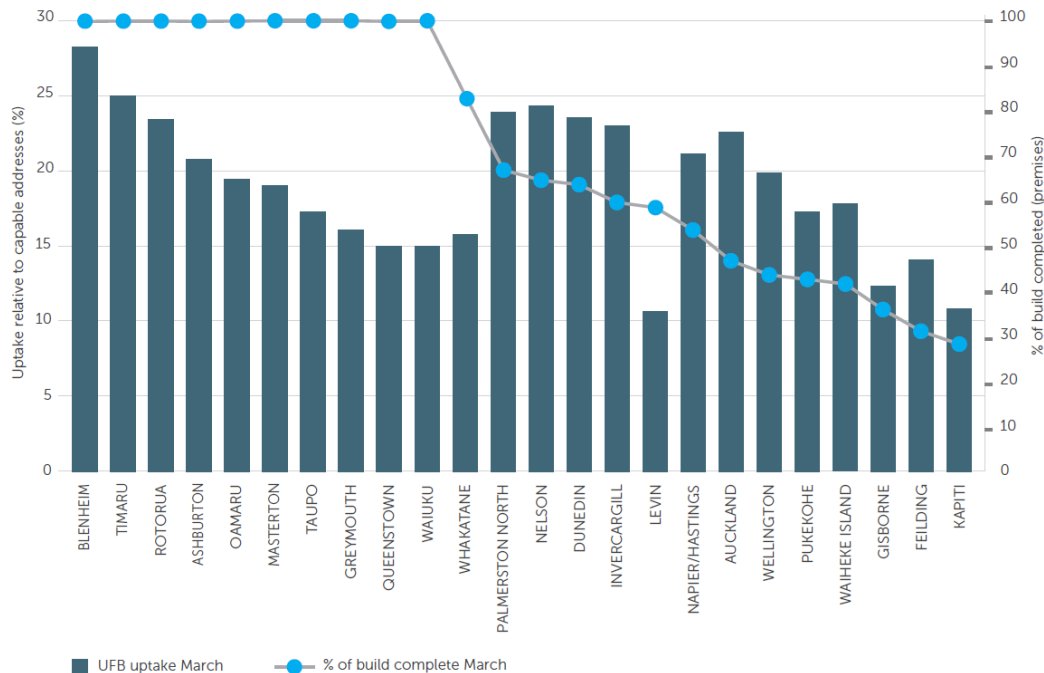
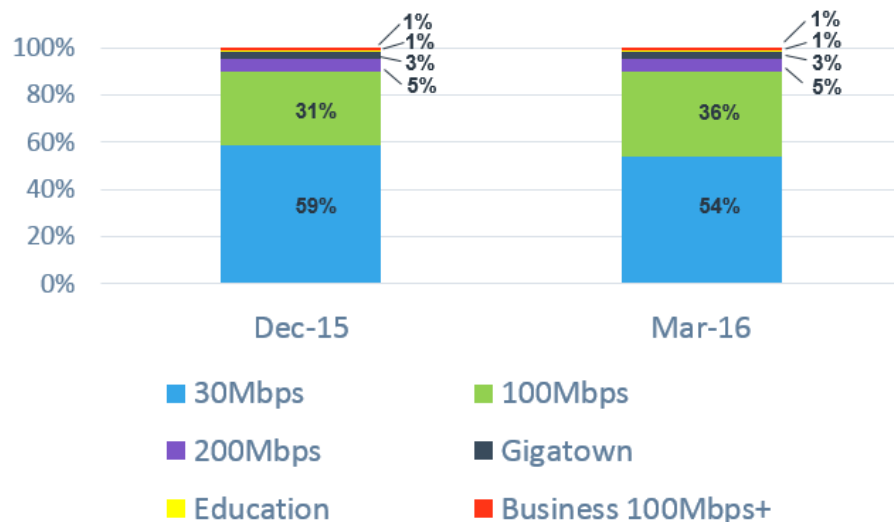


Chart shows consumer uptake as a proportion of UFB capable addresses (i.e. network is commissioned for service)

New Zealand UFB	Australia NBN
Four network providers: Chorus, Northpower, Ultrafast Fibre, Enable	NBN is sole network provider
FTTP to 75% of population by 2020; Government seeking to extend to 80% by 2022. Note: Chorus FTTN coverage was 84% in 2012; now 92% through Rural Broadband Initiative	Mixed technology model – FTTP, FTTN, HFC, wireless, satellite
No copper to fibre migration policy. UFB contract set entry level fibre pricing below copper	Copper switch-off 18 months after fibre activation
Consent regime still being developed.	Deemed consent.
Fibre pricing contracted to 2020. No additional charge for bandwidth used.	Access + CVC charge

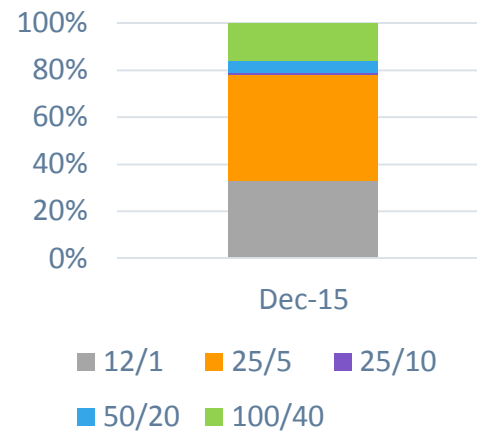
SERVICE UPTAKE

Chorus mass market fibre uptake by plan type



- 46% of mass market fibre connections are 100Mbps plans or better; up from 41% at 31 December
- 73% of mass market net adds in Q3 were for 100Mbps plans or better

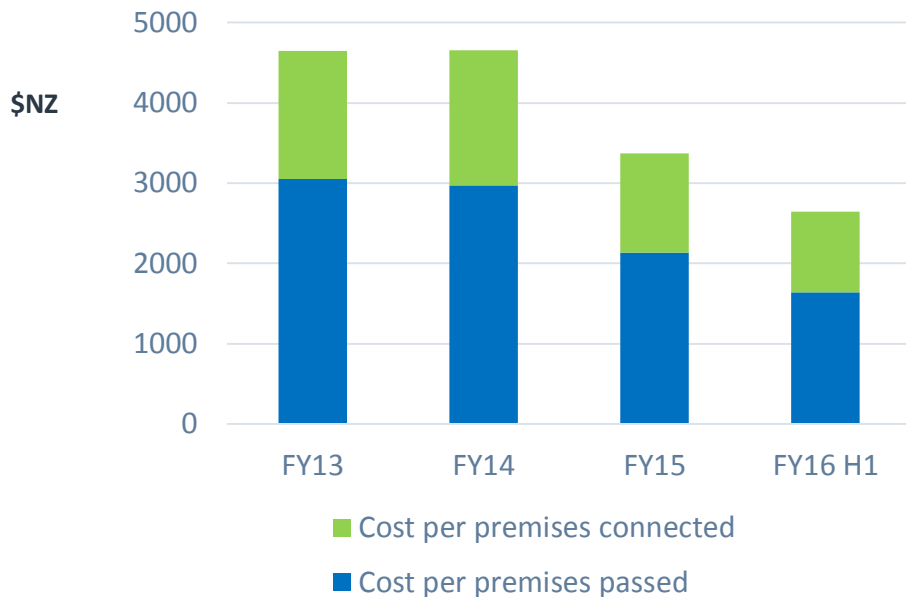
NBN Fixed Line Speed Tier Mix (Mbps)



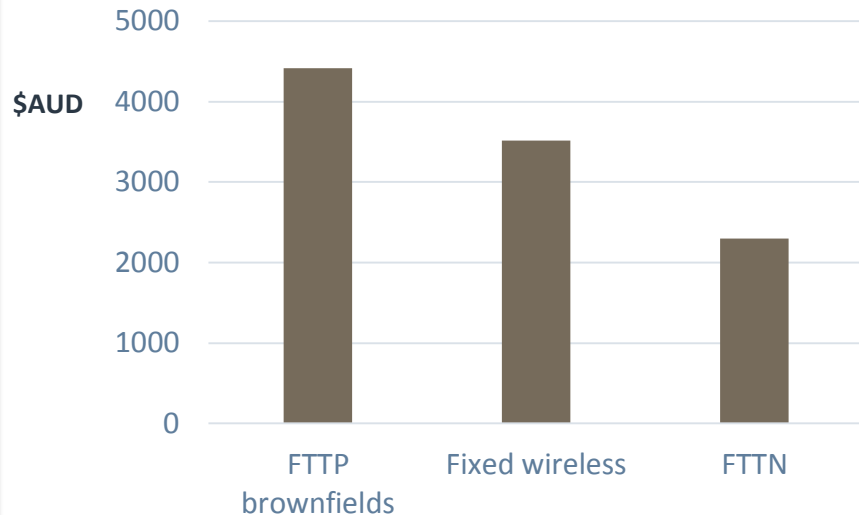
Source: NBN Half Year Results 2016

ROLLOUT COSTS

Chorus FFTP average cost per premises



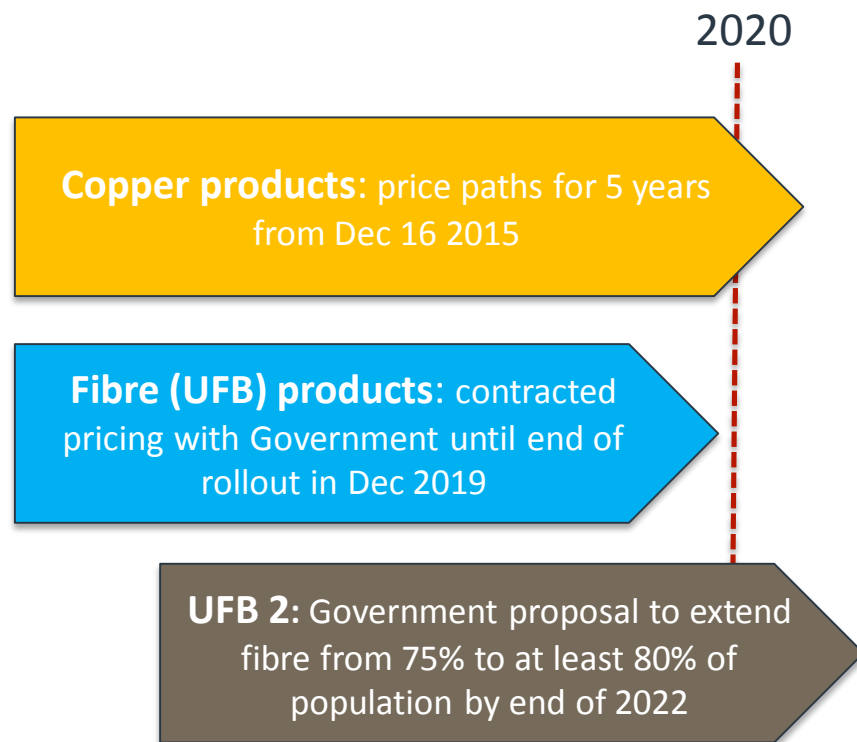
NBN cost per premises (life to date)



Source: NBN Half Year Results 2016

Regulatory environment and capital management

REGULATORY OVERVIEW



Future framework

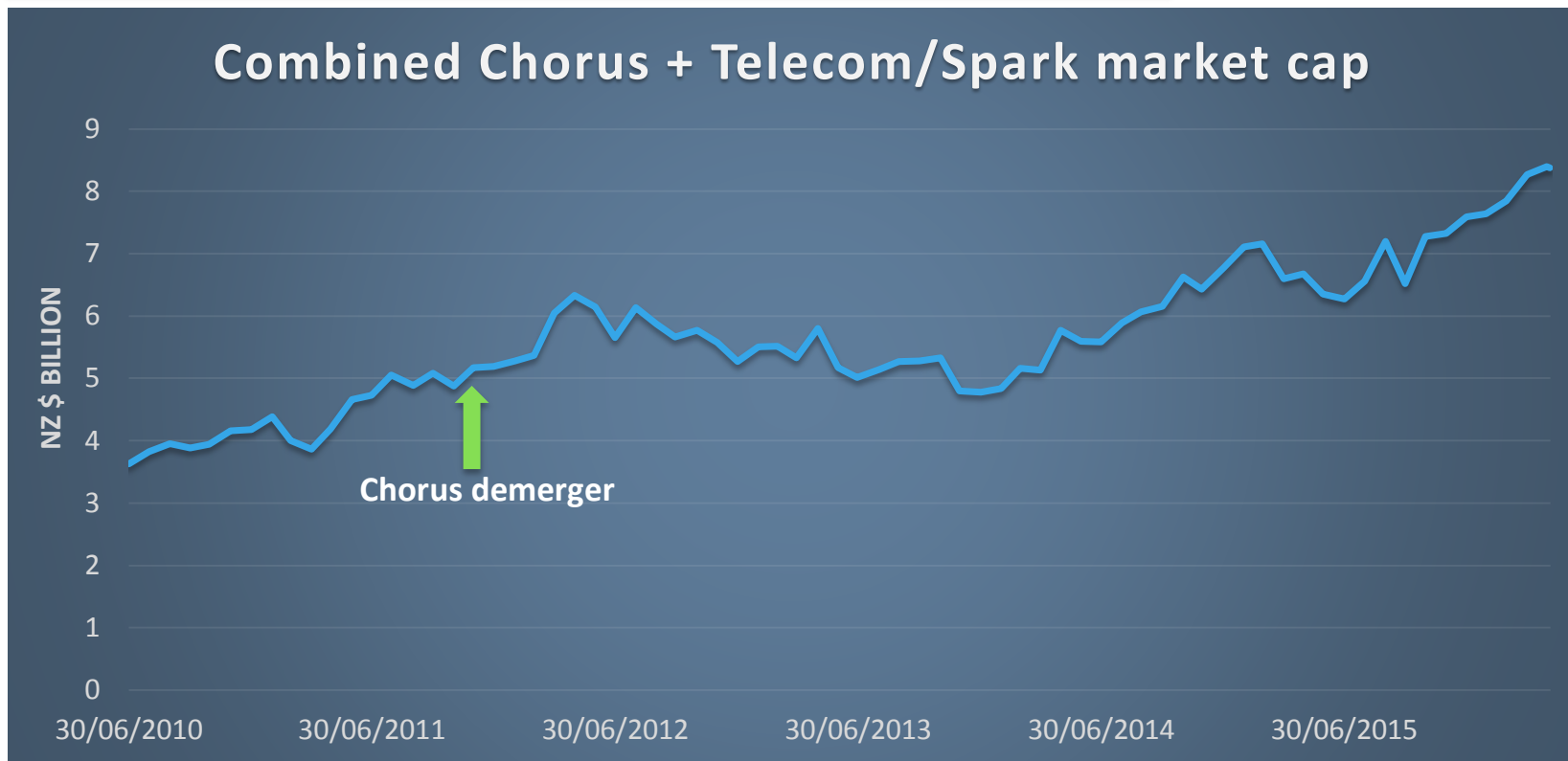
Government review of post 2020 regulatory framework underway

- Minister announced (14 April) that the Government will move towards a utility-style regulatory framework with 'building blocks model' (BBM) pricing for fixed line services (copper and UFB).
 - also the option of a 'backstop' regime
 - proposal that UFB unbundling requirements stay in place and apply from 1 January 2020
- Government to release an options paper on detailed design and implementation of the new framework in coming months.

CAPITAL MANAGEMENT

- > Currently rated BBB (stable) by S&P and Baa2 (stable) by Moody's.
- > The Chorus Board considers that a 'BBB' credit rating from S&P or equivalent credit rating is appropriate for a company such as Chorus. It intends to maintain capital management policies and financial policies consistent with these credit ratings.
- > Improved regulatory certainty now allows Chorus to implement its long term financing objectives:
 - diversify funding base
 - increase average life of debt
- > FY16 dividend of **20cps**, subject to no material adverse changes in circumstances or outlook. Reinstated DRP with a 3% discount.
- > During the UFB build programme to 2020, the Board expects to be able to provide shareholders with modest long term dividend growth from a base of 20cps per annum, subject to no material adverse changes in circumstances or outlook.

NEW ZEALAND'S 'EXPERIMENT' A SUCCESS



Appendices

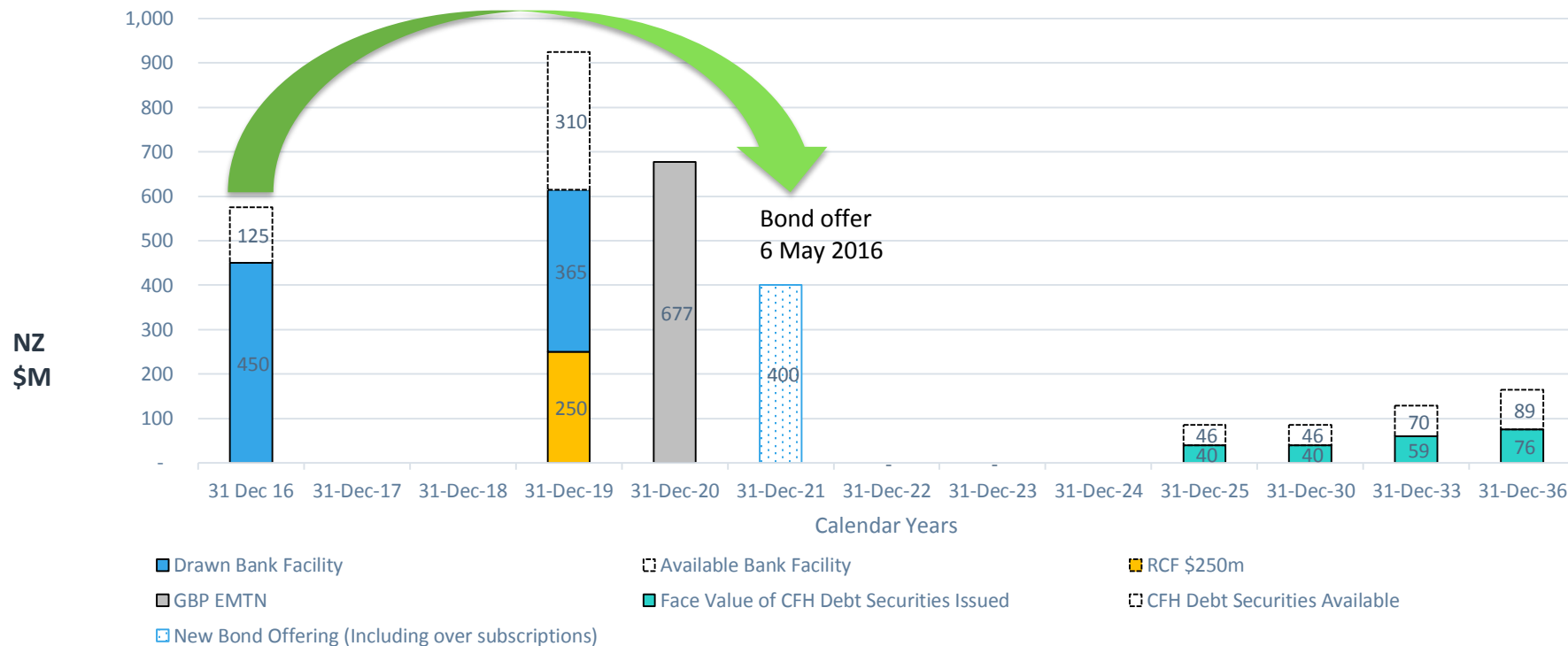
Appendix A: Guidance summary

		H1 FY16 view
Cost Per Premises Passed (CPPP)	FY16: \$1,700 - \$1,770	Tracking to bottom of guidance range with \$1,643 for 33,000 premises build complete in H1
Cost Per Premises Connected (CPPC)	FY16: \$1,050 - \$1,250 (excluding layer 2 and including standard installations and some non-standard single dwellings)	Tracking to bottom of guidance range with \$1,002 average in H1
UFB connections & layer 2 capex	FY16: \$195 – \$225m (based on mass market 80,000 fibre connections and 8,750 backbone builds (FY16 backbone build mix anticipated to be less expensive than FY15 for the same mix); ~3,500 premium business fibre connections).	No change to capex range. Now anticipate 85,000 to 95,000 mass market fibre connections
FY16 Gross capex	\$580 – \$630m	No change
FY16 EBITDA	\$580-\$600m including the additional cost of activity Chorus is undertaking to improve the end-to-end fibre connection process for customers	Tracking to top half of guidance range

Current EBITDA outlook reflects

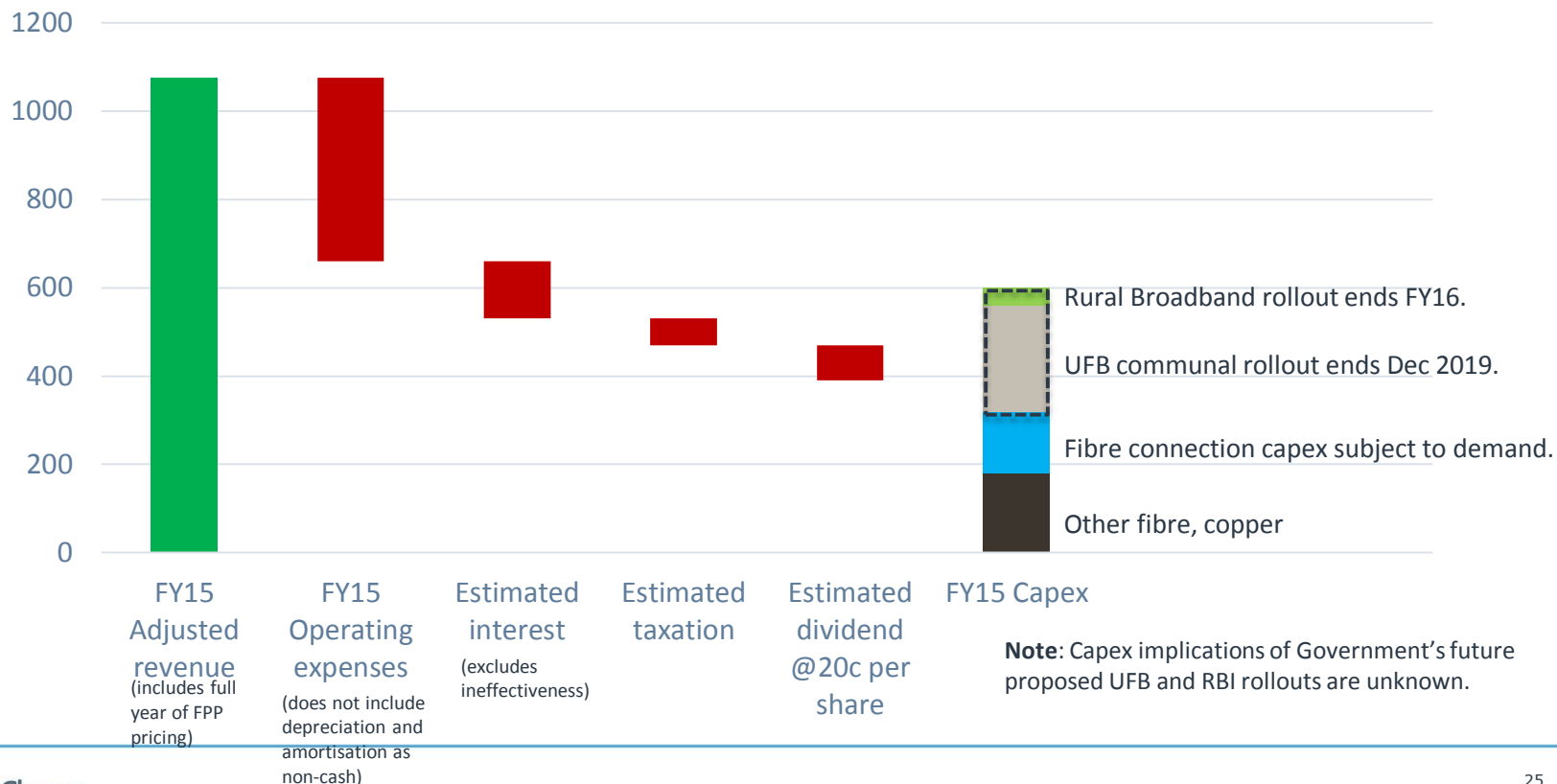
- VDSL and baseband IP uptake lower than expected to date, resulting in short term cost benefit
- some customer migration from legacy products, offsetting revenue growth
- increasing fibre provisioning costs as we take on industry support role

Appendix B: Chorus term debt profile



As per the subscription agreement with Crown Fibre Holdings Ltd (CFH), the CFH Debt Security maturity profile is based on fibre uptake being greater than 20 per cent by 30 June 2020. If fibre uptake is below 20 per cent, the CFH Debt Securities will be repaid in three equal tranches in 2025, 2030 and 2035.

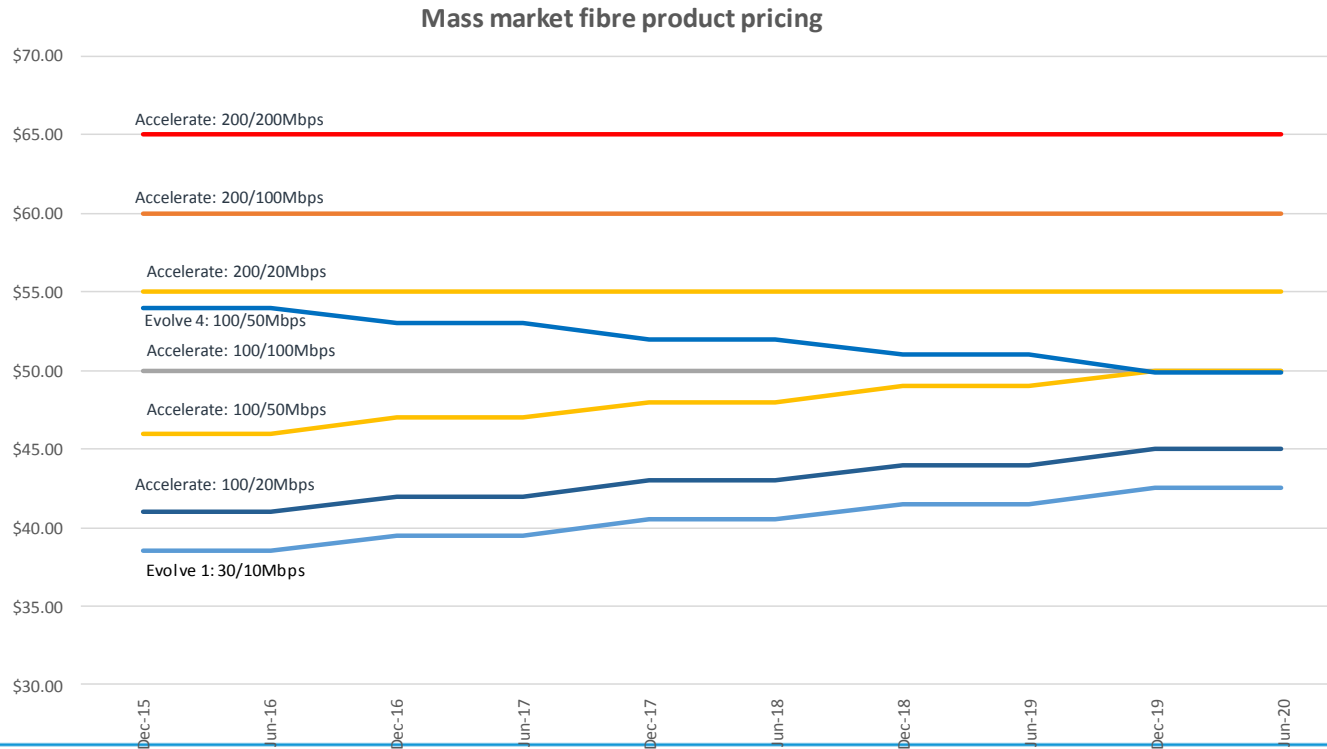
Appendix C: Illustrative Chorus pre-financing adjusted cash flows



Appendix D: Copper product pricing summary

	Benchmark pricing	Pricing effective 16 December 2015
UCLL and UCLFS	\$23.52	Year 1 - \$29.75 Year 2 - \$30.22 Year 3 - \$30.70 Year 4 - \$31.19 Year 5 - \$31.68
Basic UBA uplift	\$10.92	Year 1 - \$11.44 Year 2 - \$11.22 Year 3 - \$11.01 Year 4 - \$10.83 Year 5 - \$10.67
UCLL + UBA = aggregate Basic UBA price	\$34.44	Year 1 - \$41.19 Year 2 - \$41.44 Year 3 - \$41.71 Year 4 - \$42.02 Year 5 - \$42.35
SLU	\$14.21	Year 1 - \$15.52 Year 2 - \$15.70 Year 3 - \$15.89 Year 4 - \$16.07 Year 5 - \$16.26

Appendix E: Chorus mass market fibre product pricing



Note: *Evolve* products shown are the core UFB contracted products introduced in 2012.
Accelerate products are commercial products introduced by Chorus in mid 2014.

Understanding Chorus

A FACT SHEET FOR INVESTORS

Chorus is New Zealand's largest fixed line communications infrastructure company. We wholesale access to our copper and fibre network to about 100 retail service providers. Chorus became a standalone company in 2011, listing on the NZX and ASX. Chorus shares also trade as American Depository Receipts (ADRs) in the United States.

CNU

NZX & ASX code

BBB

Credit rating from
Standard & Poor's

400,799,739

Ordinary shares
issued

CHRY

for ADR Programme

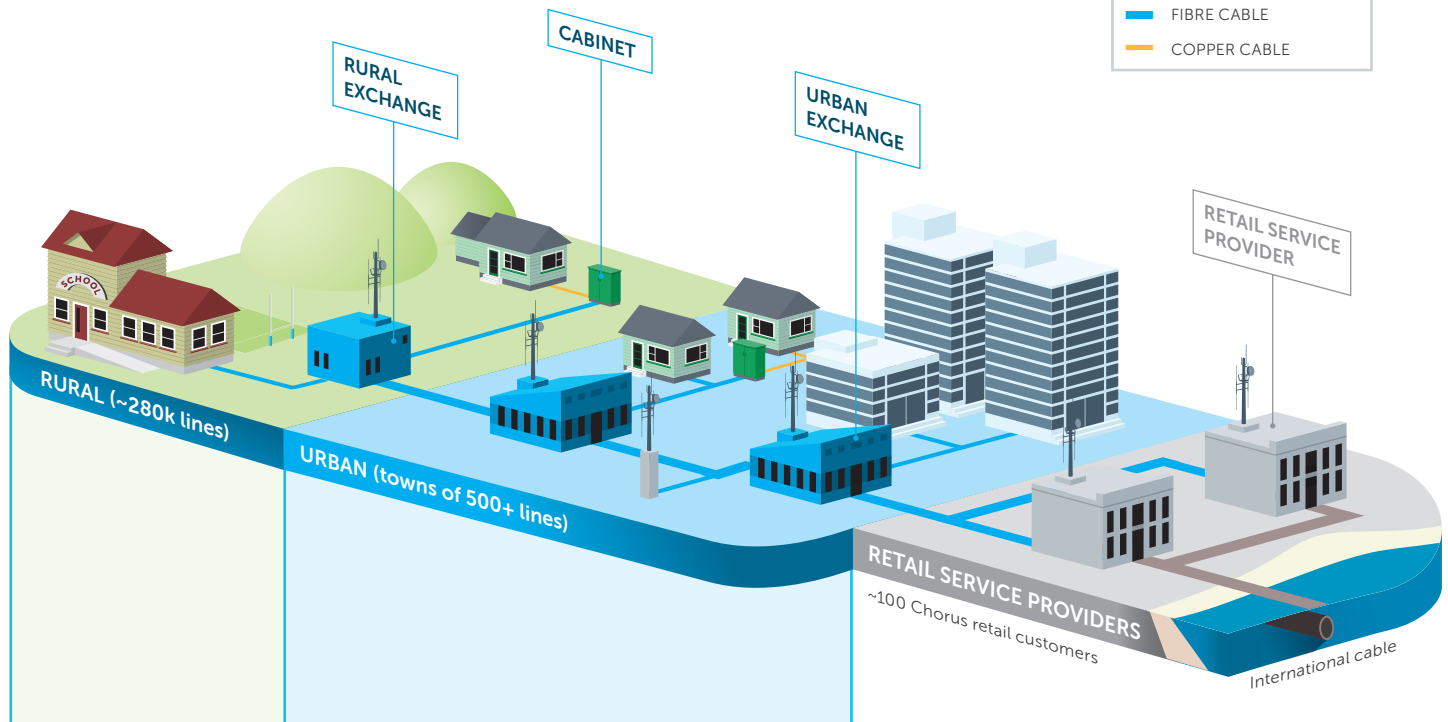
Baa2

Credit rating
from Moody's

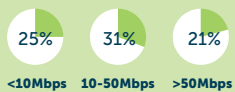
1.1m

Average shares traded
daily on NZX in 2015

The Chorus Network: bringing better broadband



OUR RURAL COVERAGE



Rural fixed line broadband enhanced to urban quality

OUR URBAN COVERAGE

588,000

homes and businesses within reach of Chorus fibre at March 2016

22%

of homes and businesses connected to fibre

55%

of homes and businesses able to access ≥50Mbps via fibre or VDSL

OUR NATIONAL COVERAGE – CHORUS WHOLESALE FIBRE ACCESS NETWORK

~1.74 MILLION

Fixed line connections nationally

~1.22 MILLION

Broadband connections

98%

of homes and businesses are within reach of ADSL broadband

80%

of homes and businesses are within reach of VDSL broadband

DEMAND FOR DATA IS GROWING RAPIDLY

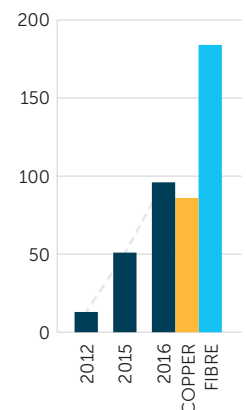


Broadband is fast emerging as the fourth utility after electricity, water and gas.

53%

of online consumers streaming TV or movies (Nielsen, January 2016)

Monthly (January) average household bandwidth demand



Building a Fibre to the Premises Network

Ultra-fast broadband (UFB) partnerships with Crown cover 33 candidate areas.



CHORUS UFB BUILD METRICS

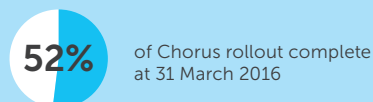
\$1.75b – \$1.8b
Estimated cost of Chorus communal network to pass

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premises

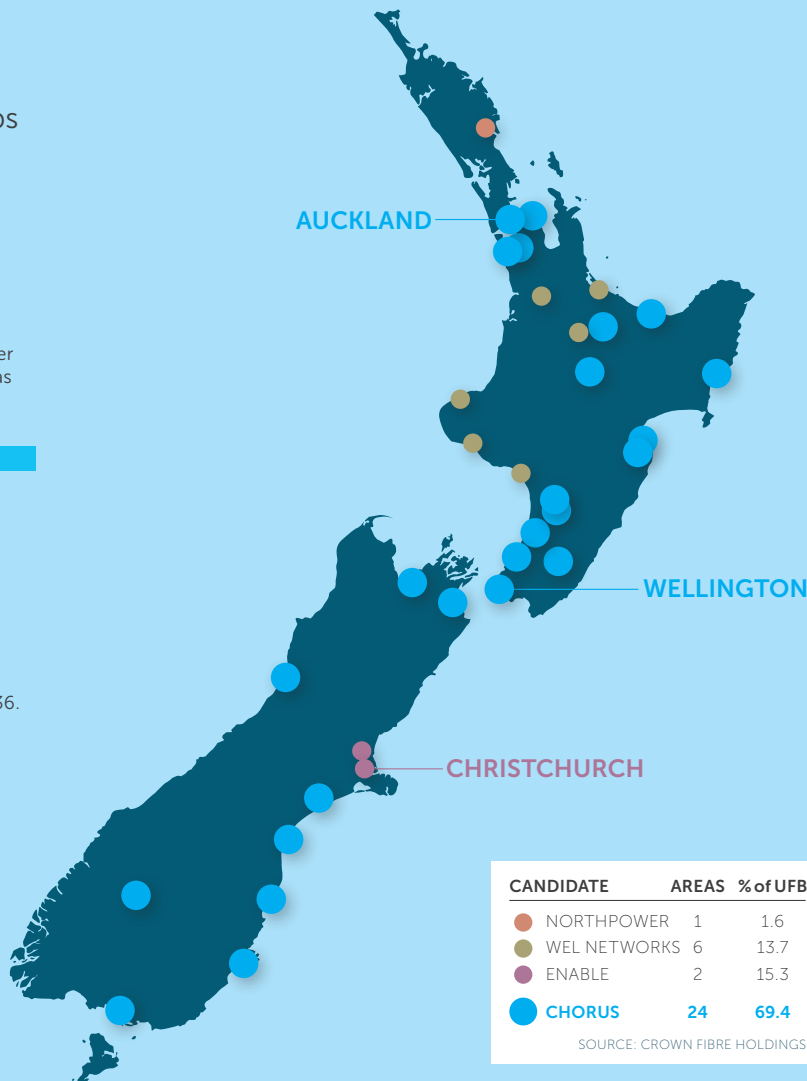
\$929m
funding contribution from Crown equates to

\$1,118
per premises passed

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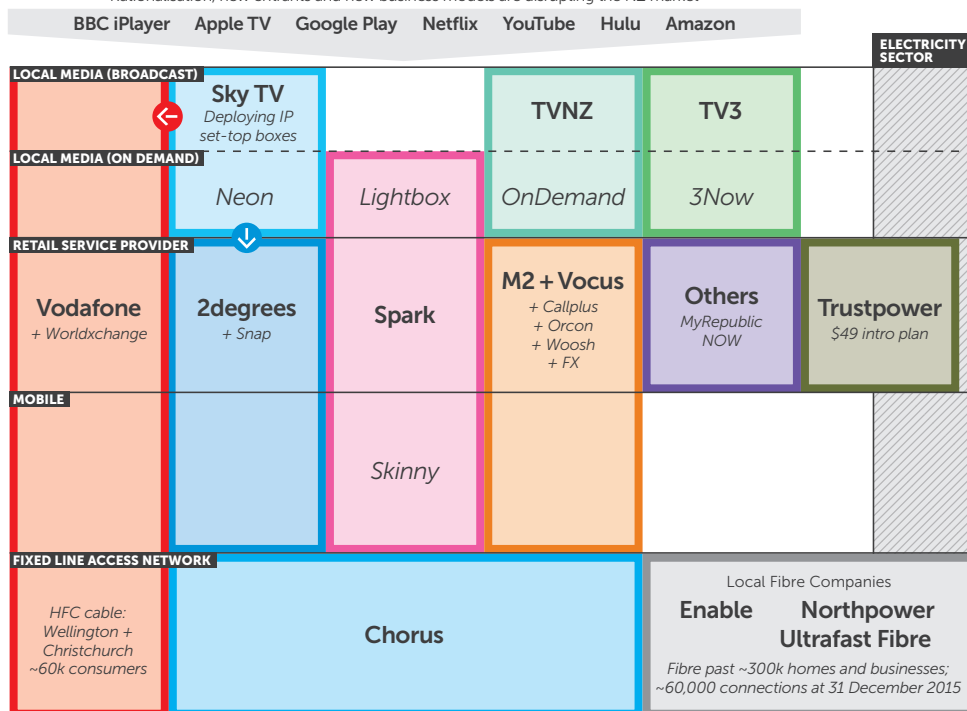


Connections from the street boundary to the premises are completed on demand. Estimated cost of **\$900 – \$1,100** (in 2011 dollars) average cost to connect standard residential premises.



The NZ Fixed Line Market

Rationalisation, new entrants and new business models are disrupting the NZ market



Financial Summary

FY15 revenue	\$1,006 MILLION	FY15 capital expenditure	\$597 MILLION
FY15 expenses	\$404 MILLION	Debt	~\$1.8 BILLION (\$677m Euro Medium Term Note, \$400m NZ Bond, ~\$700m bank facility)
FY15 EBITDA	\$602 MILLION	Market capitalisation	~\$1.6 BILLION

The Chorus Board intends to maintain capital management and financial policies consistent with 'BBB' or equivalent credit rating.

FY16 dividend guidance of 20 cents per share (8c interim dividend paid April 2016). During the UFB build programme to 2020, the Board expects to be able to provide shareholders with modest long term dividend growth from a base of 20cps per annum, subject to no material adverse changes in circumstances or outlook.