



Q1 FY17 – Connections update

21 October 2016

Q1 FY17 OVERVIEW

- > **The reduction in total fixed line connections slowed in Q1 FY17 relative to Q4 FY16, while broadband growth resumed**
- > **Fibre connection productivity is increasing with ~38,000 connections built in Q1 vs ~31,000 in Q4 FY16**
 - Auckland lead time now 6 business days and national weighted average of 12 days (July:16 days)
 - Work in progress reduced by almost 20%
- > **Demand for data continues to surge with the growth of video streaming and unlimited datacaps**
 - September average monthly household data usage was **117GB** up from 103GB in June. We're forecasting **~170GB** by FY18.
 - Statistics NZ reported almost half of broadband connections are on unlimited data plans, vs one-third in 2015.
- > **High-speed broadband uptake (fibre and VDSL) is growing rapidly**
 - Fibre uptake increased to **29%** across Chorus' UFB areas (June:24%); 647,000 homes and businesses are within reach of Chorus fibre with 189,000 connected
 - **59%** of mass market fibre connections are on plans of 100Mbps or better (June 54%)
 - VDSL growth almost doubled in Q1 to 20,000 new connections
 - We estimate about 60% of households could get faster broadband than they already have by switching to a VDSL or 100Mbps fibre plan. Some retailers offer the best available technology – ADSL, VDSL or fibre – at the same retail price.
 - In the last 3 months there were 360,000 broadband checks on www.chorus.co.nz/broadband-checker

CONNECTIONS

Fixed line connections

↓ 16,000

Fixed line connections	30 Sept 2016	30 June 2016	31 March 2016
Baseband copper	1,167,000	1,221,000	1,273,000
Naked copper (UBA/VDSL)	204,000	197,000	190,000
UCLL	103,000	108,000	112,000
SLU/SLES	2,000	2,000	2,000
Baseband IP	9,000	9,000	10,000
Data services over copper	10,000	10,000	11,000
Fibre (mass market+premium business)	216,000	180,000	149,000
Total fixed line connections	1,711,000	1,727,000	1,747,000

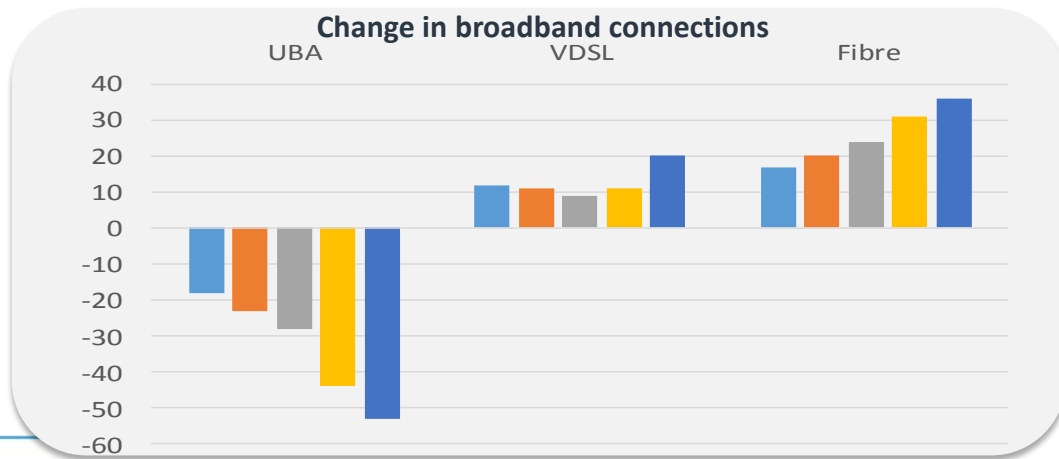
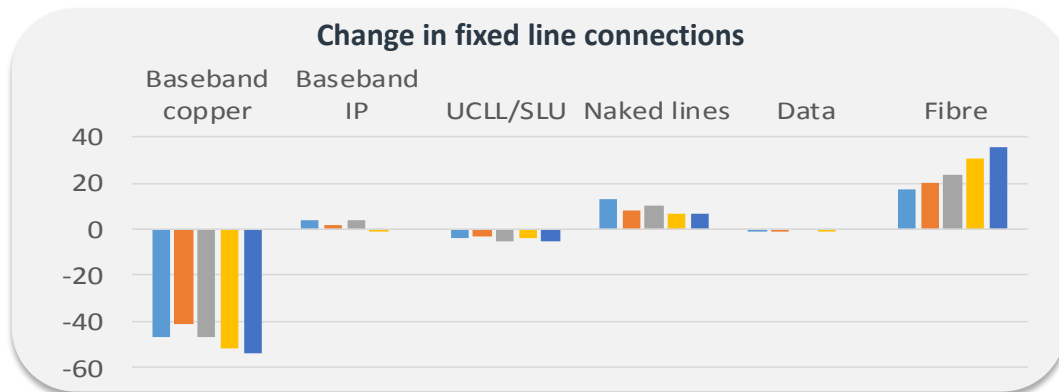
Broadband connections

↑ 3,000

Broadband connections	30 Sept 2016	30 June 2016	31 March 2016
UBA (Basic + Enhanced +Naked)	847,000	900,000	944,000
VDSL (including naked)	179,000	159,000	148,000
Fibre (mass market)	203,000	167,000	136,000
Total broadband connections	1,229,000	1,226,000	1,228,000

CONNECTION TRENDS

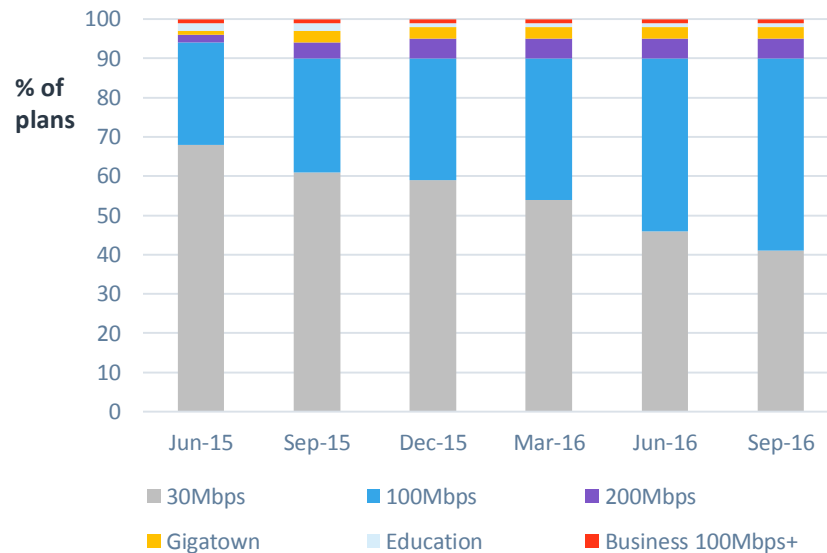
- > The shift to high-speed broadband continues:
 - pace of migration to fibre grew again in Q1
 - VDSL uptake almost doubled, further increasing the reduction in copper broadband (UBA)
 - naked line growth remains steady
 - unbundled lines continue to reduce with fibre uptake



FIBRE ROLLOUT & UPTAKE

- > Rollout **58% complete** with **480,000 premises passed**
 - **647,000** customers able to connect
 - **29% uptake** with **189,000** connections within UFB deployed footprint (156,000 at 30 June 2016)
 - **82%** of Q1 net adds were on 100Mbps plans or higher
 - **59%** of mass market fibre plans now \geq 100Mbps

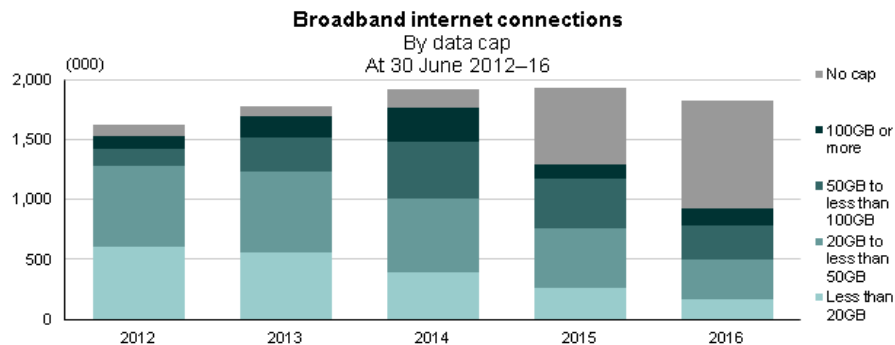
Total mass market fibre uptake by plan type



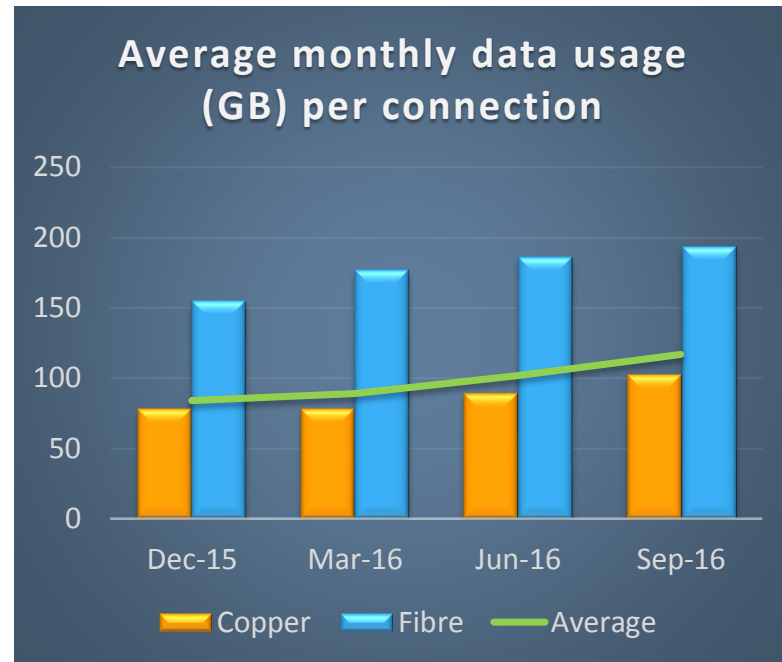
BANDWIDTH DEMAND IS SURGING

- > September average monthly household data usage was **117GB** (up from 103GB in June)
 - 102GB average on copper and 193GB on fibre
 - Our data suggests **~170GB average by FY18**
 - Note: 2 hours streaming a day is global average for Netflix subscribers – 1 hour of HD video uses 2GB to 3GB

- > Almost half of NZ households have unlimited data plans

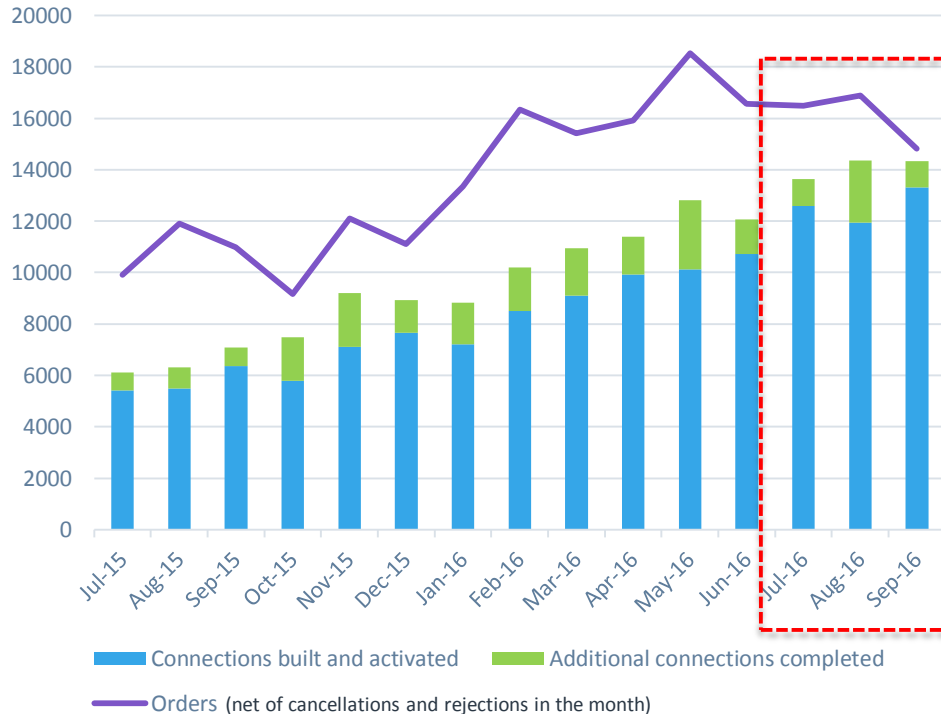


Source: Statistics New Zealand



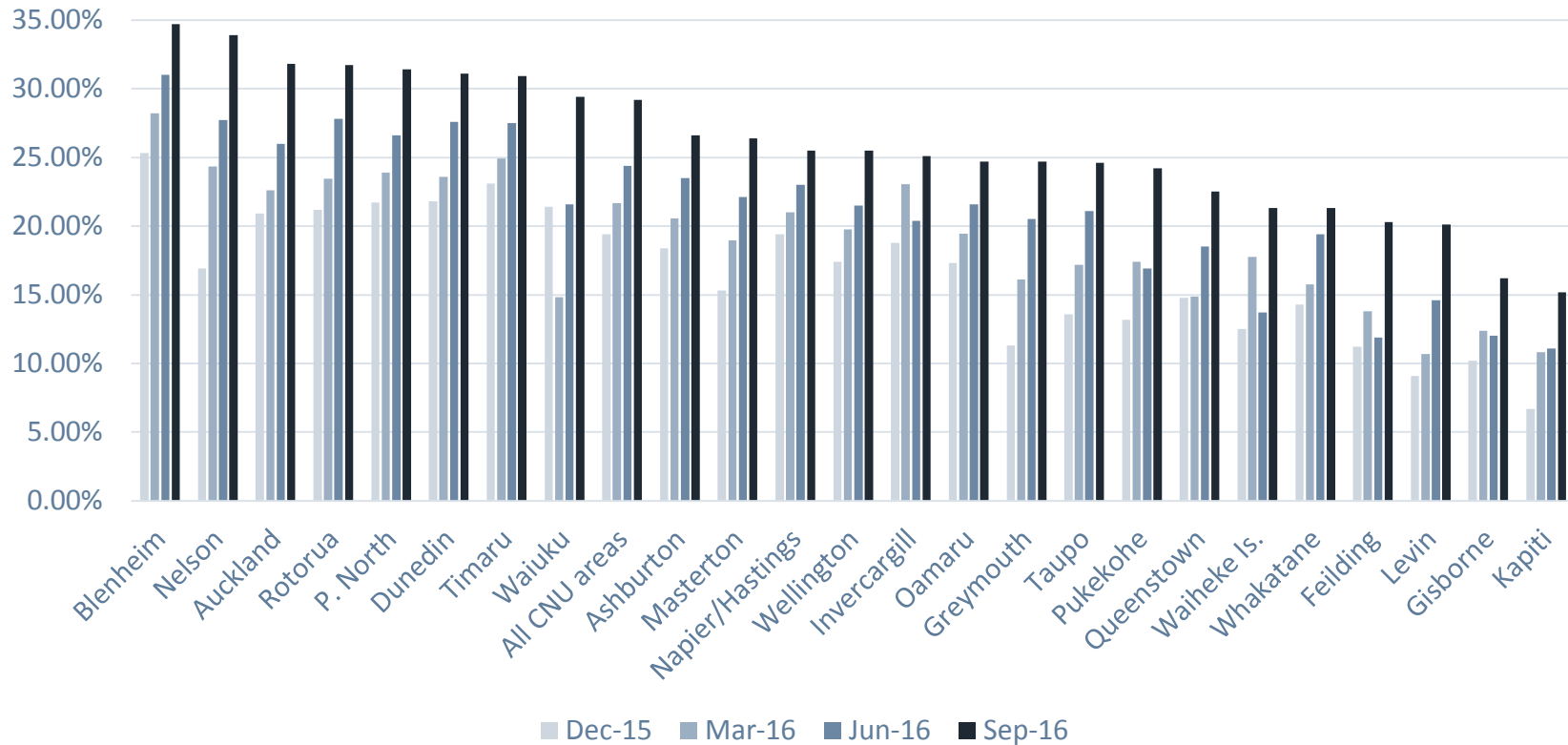
FIBRE PRODUCTIVITY INCREASING

Chorus fibre connection activity - all NZ



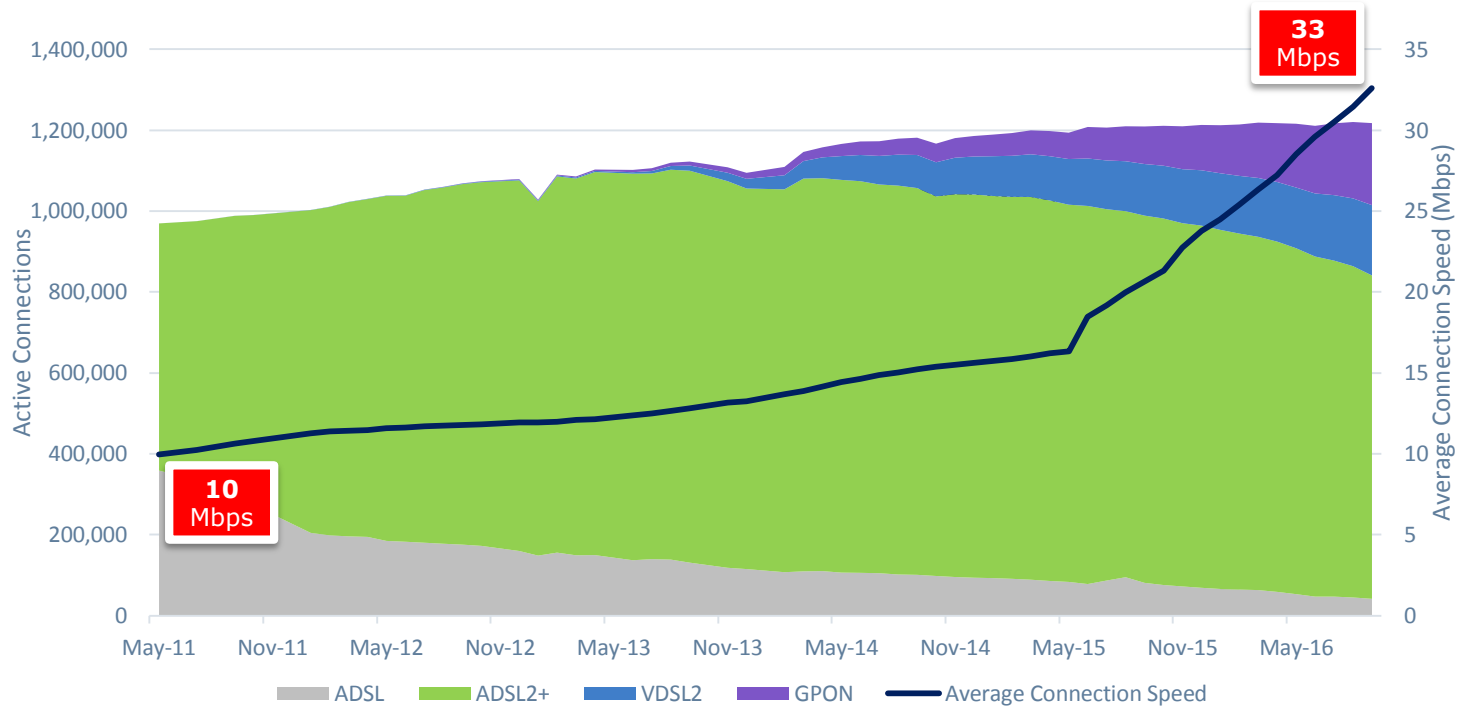
- > **~38,000 fibre connections built in Q1**
- 552 crews in September, up from 524 in June
 - productivity increasing as Visionstream takes on primary connection role
 - work in progress reduced to 26,600 (June: 32,700)
 - reschedules reduced to 21% (July:25%)
 - national weighted average lead time reduced to 12 business days (July:16 days)
 - Auckland has a 6-day lead time
 - Downer areas currently have longer lead times and we are transitioning connection work to Visionstream

UFB UPTAKE BY REGION



AVERAGE CONNECTION SPEED

the average connection speed across our network is 33Mbps, up from 30Mbps in June, as fibre and VDSL uptake grows



CONNECTION SPEED

- connection speeds are subject to factors such as service choice, modem type and home wiring

Connection Speed Histogram - September 2016

